

## Why the latest Jubilee Debt Narrative is Flawed.

### Introduction

The new Jubilee Report<sup>i</sup> warns that the world faces a fresh debt crisis, arguing that public *external* debt service in developing countries is crowding out essential health and education spending and preventing sustainable development. It portrays the IFIs (International Financial Institutions) as complicit, financing repayments to private creditors who, whilst refusing to share responsibility for past lending mistakes, seek preferential treatment in restructurings or full repayment in court, earning 9% interest as they wait. It argues that capital mobility acts as a stabiliser for the Global North, to the detriment of the Global South. The Report calls for a sweeping overhaul of the system in the name of social equality. However, this narrative is flawed. It is rooted in an outdated reality. It overlooks the wave of restructurings that has occurred over the past five years, during which private creditors agreed to substantial haircuts on their bonds. It overlooks the crucial fact that in most of the world's 54 poorest countries—whose identities it fails to specify—there is little or no privately held external debt outstanding. Meanwhile, most emerging countries where such debt does exist are in good financial health, with no signs of debt distress and record levels of foreign exchange reserves. Many of its recommendations could prove highly counterproductive if implemented under a new broad HIDs initiative. In this paper, I review the most important issues.

### Reliance on Outdated, Post-Shock Data

The latest Jubilee Report, released last week, is based on a UNCTAD 2025 paper<sup>ii</sup> relying mostly on 2023 data compiled in the aftermath of the Ukraine war, when global interest rates spiked. Since then, global inflation has receded, and interest rates have fallen sharply, reducing the interest burden in almost all countries. This trend is expected to continue to unfold in the coming years. Current conditions are therefore materially different from those depicted in the report, rendering its analysis largely obsolete. The world is not *facing a new debt crisis* as the report suggests. The debt stress triggered by the COVID-19 shock and the subsequent inflation spike following the start of the Ukraine war in February 2022 has now largely been resolved through comprehensive debt restructurings, mostly under the terms of the G20 Common Framework.

### Omission of Country List Hides Context

The report does not provide a list of the 54 low-income countries it claims are burdened by excessive debt service—a striking omission that leaves readers to guess which countries are being referenced. If listed, it would reveal that many of these are small, poor countries with underdeveloped local markets, no active participation in international capital markets, and minimal or no external private sovereign debt (e.g., Guinea-Bissau, Burkina Faso, Malawi, Uganda, Laos, Sierra Leone, Togo, Gambia, etc.). Pakistan experienced stress two years ago, but serious reforms have since stabilized the situation, allowing the country to avoid default. Several countries that might have appeared on the list have since benefited from debt restructuring under the G20 Common Framework, as discussed below.

## Misleading Use of Debt Service Metrics

The Jubilee narrative highlights “debt service as a percentage of government revenues,” comparing it with healthcare spending. Fiscal revenues in many developing countries are too low. When a country operates on a very low budget, just like a household, almost any expense will appear unaffordable. Using the debt service-to-revenue ratio fails to address the root cause: inadequate fiscal intake. Insufficient government revenues, roughly below 15% of GDP, are common in poorer countries and even affect some middle-income countries with relatively low levels of sovereign debt (e.g., Thailand at 13%). Low fiscal revenues constrain spending on infrastructure, education, and health care, while also exacerbating inequality, regardless of whether there is debt distress or not. It is often linked to the disproportionate share of the informal economy and a weak state apparatus. These debt service metrics are therefore a symptom of a much deeper problem, i.e., inadequate fiscal resources. There are even deeper causes, which I briefly highlight later. Addressing symptoms without tackling the underlying causes is why the symptoms—such as recurring debt crises—continue to resurface.

The United States has one of the highest net interest payments as a percentage of tax revenue, over 18%, following countries like India, Brazil, and Mexico. This compares to a global average of 5% and 9.2% for HICs, according to World Bank data (which are incomplete and not all up to date)<sup>iii</sup>. As the world’s richest nation and one that is not in debt distress, the U.S. example highlights the limitations of relying on a single metric. It is in Asia where we find the largest population, where public interest service exceeds spending on education or health. And it is mostly interest due on domestic debt, not external! The Jubilee Report’s emphasis on this indicator is, therefore, misleading and lacks proper contextualization, as it presents global debt service figures only to then single out one specific category for blame: external private sector debt.

## Local Interest Rates and Domestic Debt

Local interest rates in emerging markets are often significantly higher than hard currency rates due to higher domestic inflation. This results in elevated reported debt service ratios (ex-ante), but can be misleading, as local currency debt is often inflated away, reducing the effective real interest burden (ex-post). Higher real local rates typically reflect underdeveloped local debt markets or central banks countering irresponsible fiscal policies, as is currently the case in Brazil, a country with minimal external sovereign bonded debt, carrying low interest rates. These local dynamics are overlooked in the Jubilee narrative, even though local debt now represents a larger share of overall debt stocks in emerging markets. Local debt is often more difficult to restructure, as haircuts are avoided out of fear of bankrupting local banks, which are usually significant holders of such debt. Not a single recommendation in the Report is targeted at local debt.

## Substantial Debt Relief and Restructuring Have Happened Recently.

Over the last five years, Argentina, Ecuador, Suriname, Belize, Lebanon, Zambia, Ghana, Sri Lanka, Ethiopia, and Ukraine have defaulted on or restructured their bonded debt.

Ghana, Zambia, and Sri Lanka would have appeared on the Report's distressed debtors list, had it been disclosed. Ethiopia, probably not. These countries have recently undergone comprehensive debt restructurings with significant private-sector haircuts. Ghana's debt-to-GDP ratio dropped from over 90% in 2022 to around 65% this year, with interest service to GDP expected to fall below 4% by next year.

Zambia also benefited from a large haircut, reducing its outstanding bonds to around 13% of GDP, with newly issued macro-linked bonds maturing in 2053.

In Sri Lanka, external bondholders agreed to substantial haircuts and lower interest rates by exchanging their defaulted bonds for newly issued, innovative macro-linked and governance-linked bonds. The face value of macro-linked bonds adjusts based on GDP growth, while governance-linked bonds reward good governance with lower coupons. Eurobonds now account for only about 10% of GDP and 28% of public external debt. According to the IMF, this restructuring *will reduce Sri Lanka's external debt service as a share of GDP by half over the next decade, with external and total debt stocks falling by 27 and 34 percentage points of GDP, respectively.*<sup>iv</sup> The IMF has specifically acknowledged the progress made in the restructuring process, as the Sri Lanka case moved far faster than Zambia's.

Following Crimea's annexation by Russia in 2014, Ukraine's creditors agreed to a significant haircut and debt reprofiling. After Russia's 2022 invasion, creditors granted a two-year standstill on interest and principal payments, followed by another restructuring with a further haircut in 2024. Interest payments are minimal or non-existent until 2027 (depending on the bonds). Creditors anticipate the need for further restructuring, given the ongoing conflict. After the GFC, Ukraine had already reprofiled its bonds without a haircut. This means a total of four credit events to date, since 1990, when the country became independent and was debt-free, as Russia assumed all Soviet debt at the time.

In Lebanon, which defaulted on most of its debt five years ago, bondholders expect a haircut of around 75% in a restructuring that is likely still years away. Until then, no interest payments are being made on these bonds.

The IMF conditions its lending programs on such private-sector restructurings to prevent 'bailouts' for bondholders, contrary to the claims made in the latest Jubilee report. In reality, 'bail-ins' have been the norm for decades. The narrative that *the private sector frequently engages in excessive, expensive lending during boom periods, motivated by expectations of preferential treatment during restructuring*, is simply false. Today, private creditors often endure years of default before any restructuring is agreed upon and new bonds are issued, receiving no interest payments during this period. Contrary to the Jubilee report's assertion, there is no "clipping" of *9% pre-judgment punitive interest rates*, as restructurings are conducted out of court.

The claim that *speculators are holding millions of people hostage* makes for sensationalist reading but is incorrect. Private creditors are sharing the burden by accepting haircuts and lower rates, rather than *demanding and often receiving higher or more favourable terms than*

*official creditors*, as the report alleges. On the contrary, the IFIs continue to claim seniority and avoid haircuts, despite their policy missteps. Cracks may be emerging, however, as some countries—such as Ghana and Zambia—are challenging Afreximbank’s claims of seniority and its refusal to participate in recent bond restructurings, despite its loans reportedly having been granted on strictly commercial terms. Debtor countries are being advised by shrewd advisors (e.g., Lazard Freres) with a track record in exacting hefty haircuts from private debt holders and the world’s most prestigious law firms (e.g., White & Case, Cleary Gottlieb).

Some countries are serial defaulters (e.g., Argentina), adept at demanding to reprofile debt at low initial interest rates, only to restructure it again when these rates step up or repayments come due. A restructuring of Ethiopia’s only USD 1 billion bond is imminent. The country defaulted on the payment of a relatively small amount of interest due in late 2023 and is now claiming a principal haircut. The default appears to have been coaxed by the official lenders. A request for a face value haircut appears somewhat frivolous, given that Ethiopia’s plight seems to be one of liquidity rather than solvency. (Currently, its overall public debt to GDP is 41%, and its external debt is 21% of GDP.) A quasi-intentional default on an inaugural bond with a relatively low coupon (6.625%) sets a sad precedent for the country and the market. A better alternative would have been to request a reprogramming of repayments over, say, ten or more years, rather than taking the unilateral and acrimonious step of defaulting on small interest payments. The Jubilee Report reflects a very different reality, ignoring the heavy restructuring activity of recent years.

#### China’s Debt Claims Omitted. Why?

The report ignores China’s opaque lending practices. China’s loans are typically denominated in US dollars, not in CNY, and issued through a complex web of its development and commercial banks under its so-called Belt and Road Initiative. Funds are often disbursed directly to Chinese suppliers or contractors rather than to the borrowing country itself. It would be preferable if China provided credit, i.e., agreed to be repaid in the debtor’s local currency, as this would incentivize it to import more from its debtors rather than depleting their scarce hard currency reserves to repay loans for infrastructure projects that often do not generate hard currency and primarily benefit Chinese developers. Pakistan is a clear example: China has lent it billions, yet imports almost nothing from Pakistan. A second-best alternative would be for China to extend loans in CNY, given the currently very low interest rates. This would also incentivize the debtor country to export to China, generating the CNY needed to repay these loans, without having to use U.S. dollars earned from exports to other markets. Presumably, the authors of the Jubilee Report would agree with me here, given that they advocate *the promotion of local currency financing*.

China’s approach to restructuring typically involves extending maturities rather than granting haircuts, and it lacks transparency (unlike the transparent restructurings of Eurobonds). These practices caused unnecessary delays in the restructuring of Zambia’s debt. Many reports have highlighted China’s debt-trap diplomacy or predatory lending, as seen in Sri Lanka and across several African countries—issues entirely omitted in the Jubilee analysis, despite Chinese debt burdens that sometimes exceed privately held external debt. Again, here the Jubilee report ignores an important reality and makes no recommendations about it. One wonders why, particularly as the report aims at *fostering South-South cooperation grounded in mutual trust and solidarity*.

## The Vulture Fund Argument Is Outdated

The claim that vulture funds threaten or bypass sovereign debt restructurings as they *sue for full repayment* is now largely obsolete. Elliott's infamous victory over Argentina in New York is over a decade old. Modern bond indentures include amalgamated *pari passu* clauses that limit litigation and prevent freeriding by holdout creditors. Champerty restrictions have further reduced opportunistic lawsuits. In this context, the Jubilee report's narrative appears to be a copy-paste of outdated fears that no longer reflect current emerging market debt dynamics.

Further diluting creditor rights, making them even more subordinate to already senior multilateral lenders—which often hold dominant positions—would be highly counterproductive, as it would further shrink the investor base. Enforcement has always been 'de facto' very difficult, despite the 'de jure' waiver of sovereign immunity. No investor wants to purchase bonds whose repayment depends solely on the goodwill of the sovereign borrower, particularly when dealing with emerging market issuers with a history of default and restructuring.

Contrary to what the report implies, most emerging market bonds are not held by speculators or hedge funds but by large institutional investors, including pension funds, often via ETFs (exchange-traded funds), the same institutions that purchase U.S. Treasuries and UK Gilts. These institutions do not buy macro-linked bonds from the U.S. or the EU, because they do not exist. A successful transition from "emerging" to "emerged," from "risky" to "investment grade," and sustained market access with index inclusion requires creditworthiness, transparency, and respect for the rule of law on the part of issuers, not the issuance of substandard securities.

The Jubilee report's suggestion that emerging market securities should be rated by *a new global public rating agency*, rather than by the established agencies, is again counterproductive, as it would alienate them even more from the mainstream. Lowering issuance standards and assigning alternative ratings may encourage reckless borrowing, rather than incentivizing governance improvements aimed at strengthening debt ratios. These measures would raise borrowing costs, not lower them, as creditors would charge higher rates on debt seen as riskier. Moral hazard should apply to all parties involved and should not be invoked solely to punish creditors while allowing irresponsible governments to avoid accountability. The more frequent debt restructurings are, the more esoteric and subordinated the new exchanged securities are, the more the asset class will shrink and be driven to specialist hedge fund investors rather than mainstream investors, which is exactly what is to be avoided and what the Jubilee report writers themselves do not wish. Mainstream emerging market bond investors are fixed-income investors, not equity investors or speculators, and of course not charities.

## Debt in Most Emerging Countries is Sustainable

The largest emerging market countries in South America, Asia, the Middle East, and Turkey, and many in Africa, are fundamentally sound and stable from a debt perspective. The vast majority have substantially lower debt-to-GDP ratios than the USA, Italy, France, Belgium, or the UK. Countries such as Peru (which transitioned from a debt pariah in the late 1980s to an investment-grade issuer), Mexico, Chile, Morocco, Uruguay, Paraguay, and many others are being rewarded by the markets with very low credit spreads due to their sound policies.

Low spreads mean that these countries can borrow at rates not much higher than those available to the USA or EU countries. Rating agencies have granted them investment-grade ratings or high non-investment-grade ratings (implying low risk of default).

Foreign exchange reserves are at record levels in most emerging market countries, totalling some USD 4 trillion (excluding the USD 4 trillion held by China and India). To put this into perspective, in many cases, foreign exchange reserves exceed sovereign external bonded debt levels; in Brazil, reserves are eight times the level of its external bonded debt. It reflects the integration of emerging markets in the global markets. The narrow focus on debt numbers, whilst ignoring the asset side of a country's balance sheet and its output (GDP), is a common analytical mistake.

Of course, there are still pockets of debt stress, but these are no longer the norm, particularly among countries with market debt outstanding. Senegal, for instance, recently conducted a debt audit at the request of its new administration, revealing substantial hidden debts equivalent to over 20% of GDP, causing the debt-to-GDP ratio to jump to 119%. This issue is unrelated to private bondholders but may yet come to haunt them. It is worth noting that eurobonds are arguably the most transparent component within a country's debt structure.

#### Development requires integration, not Isolation

Many of the recommendations in the Jubilee report appear outdated or counterproductive, as they risk shutting countries out of financial markets and reducing FDI flows. These countries would then have to rely solely on multilateral funding and domestic capital markets, the latter at much higher interest rates.

That said, I support the idea of establishing a "Jubilee Fund" to acquire defaulted debt at distressed prices in the secondary market on behalf of debtor countries, as it represents a market-based mechanism that has been underutilized. My endorsement, however, is conditional: the acquired bonds should be cancelled and not used to force deeper haircuts on other creditors beyond those aligned with the IMF's debt sustainability analysis. Naturally, this mechanism will not address the external debt burdens of the poorest countries, as they often do not have tradable bonded debt outstanding. Instead, they typically owe debt to the IFIs and to sovereign creditors (with the latter restructured through the so-called Paris Club), to China (which is not part of the Paris Club), and to domestic bondholders. Perhaps a new HIPC (Heavily Indebted Poor Countries) initiative could be designed specifically for these debts of a select group of countries, where genuine burden-sharing is needed and where it would not serve as a reward for reckless borrowing that can too easily be blamed on the previous administration.

The poorest countries with low government revenues should indeed not tap external bond markets to fund growth. I therefore agree with the Report that investment banks and underwriters should refrain from enticing these countries to borrow simply because market conditions are temporarily favourable. These countries should resist the temptation to take the billions on offer, especially at high interest rates. Ghana did exactly that, only to default a few years later. Seasoned emerging market investors know all too well that very high coupons are an illusion, as these coupons will likely not be honoured.

But the more evolved emerging market countries need market-based financing to support development, both through credit and FDI. Arbitrary debt forgiveness would restrict market access, leading to isolation and reduced growth.

Meanwhile, the debt service burden is now rising substantially in developed countries such as the USA, the UK, and many EU nations (particularly, France), as deficits have mounted following COVID-related spending, higher interest rates since 2022 amid the Ukraine war, and now increased NATO expenditures. The UNCTAD report warns that global public debt has now risen to USD 102 trillion. However, 69% of this debt is owed by developed countries. This number rises to 92% when including China, India, Mexico, and Brazil, versus 8% owed by emerging and developing countries. It omits to mention that World GDP is now USD 114 trillion (and nearly 200 trillion on a PPP basis). The numbers show that most of this debt is carried by developed countries and larger emerging markets, not the poorer countries. Whereas the GDP of emerging and developing economies now exceeds the GDP of developed economies, with a ratio of 61 to 39 (on a PPP basis).

None of these larger debtors are advocating haircuts. On the contrary, market discipline is being accepted, forcing policymakers to borrow responsibly or adjust course, as demonstrated by the “Truss moment” in the UK (2022) and Trump’s reversal on tariffs earlier this year following severe market reactions. Developed nations recognize the need for continued market access to finance future spending and refinance maturing obligations, and cherish their investment-grade rating. The debt stress we should fear most is likely to come from a large, developed country, but it appears not imminent and is beyond the scope of this paper.

Why, then, does the Jubilee report advocate ideologically outdated, non-market-based ideas? Its focus should be on promoting inclusive growth, not enforced equality, as policies centred on equality have historically impoverished populations while only enriching governing elites, as seen in Venezuela, Cuba, and North Korea—countries that have not paid their creditors in decades (six years in the case of Venezuela).

Charlie Robertson, who has decades of experience in following the so-called ‘frontier’ space in emerging markets, particularly in Africa, argues that economic development requires three core conditions: education (i.e., high levels of adult literacy), fertility rates preferably under 3 (as these have a direct impact on saving and investment levels and debt default), and the availability of electricity<sup>v</sup>. Lending to build bridges or railways, regardless of who provides the financing, does not foster growth if these fundamental pillars are absent. (Charlie’s book is a must-read for anyone involved with developing countries.) Conversely, civil war (as in Sudan or Ethiopia), war (as in the D. R. Congo or Ukraine), corruption, a dysfunctional government with insufficient fiscal resources (Lebanon and all too many states in Africa), and the absence of the rule of law are significant obstacles to economic growth and human development—realities that the world’s poorest countries often face. The list of countries lacking the above three core pillars of economic growth aligns with the (undisclosed) list of countries targeted by the Jubilee report.

Recycling themes of *slavery*, *colonialism*, *racism*, or even *global warming*, as the Jubilee report does, and blaming excess external debt as the primary cause of poverty, is ideological propaganda that fails to address the root causes of underdevelopment and poverty in these countries.

## Summary

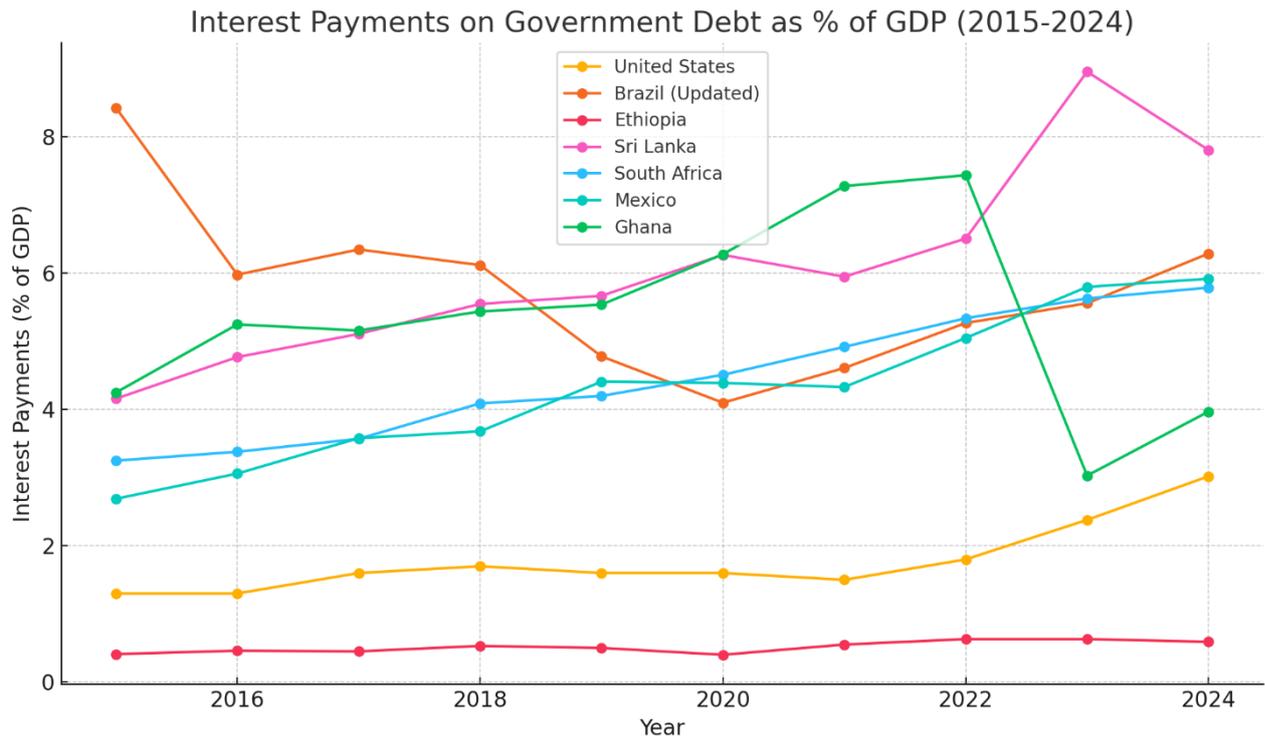
The Jubilee debt narrative is outdated, ideologically driven, and risks isolating developing countries from the financial and investment markets they need most. It is flawed because it confuses the symptoms of poverty and debt distress with their underlying causes, which are insufficient fiscal resources resulting from the lack of sound government policies in areas such as education, fertility, and the provision of adequate electricity infrastructure. It is also misdirected, as it targets the low-hanging fruit of external public debt held by private investors. In most of these poorer countries, such debt is virtually non-existent. In nearly all others, it has been recently restructured on terms highly favourable to the debtor.

I suggest that the Jubilee commissioners (all prominent academics) consider engaging with experienced emerging market investment managers, private sector economists, and Chinese decision-makers to help chart a realistic and consensual path forward. Most investment managers and economists, including this author, are prepared to share the burden when needed and remain committed to finding practical ways to foster a more prosperous world, without resorting to zero-sum thinking or seeking to overturn the entire global order.

Alain G A de Vrieze

London, 6 July 2025

Annex.



Graph by ChatGPT based on Tellimer data.

Sources:

<sup>i</sup> The Jubilee Report. A Blueprint for Tackling the Debt and Development Crises and Creating the Financial Foundation for a Sustainable People-Centered Global Economy. [https://ipdcolumbia.org/wp-content/uploads/2025/06/Jubilee-report\\_veryfinal.pdf](https://ipdcolumbia.org/wp-content/uploads/2025/06/Jubilee-report_veryfinal.pdf)

<sup>ii</sup> Unctad A world of debt. [https://unctad.org/system/files/official-document/osgttinf2025d4\\_en.pdf](https://unctad.org/system/files/official-document/osgttinf2025d4_en.pdf)

<sup>iii</sup> <https://data.worldbank.org/indicator/GC.XPN.INTP.RV.ZS>

<sup>iv</sup> <https://www.imf.org/en/News/Articles/2025/06/16/sp061625-gg-this-time-must-be-different-lessons-from-sri-lankas-recovery-and-debt-restructuring>

<sup>v</sup> Charlie Robertson. The time-travelling Economist: Why education, electricity, and fertility are key to escaping poverty. (2022).

Debt metrics mostly from Tellimer research ([www.tellimer.com](http://www.tellimer.com)).

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World GDP data

<https://www.imf.org/external/datamapper/NGDPD@WEO/OEMDC/ADVEC/WEOWORL>

<https://www.imf.org/external/datamapper/PPPSH@WEO/OEMDC/ADVEC/WEOWORLD>

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