the Pontifical Academy of Social Sciences

Executive Summary of The Jubilee Report

A Blueprint for Tackling the Debt and Development Crises and Creating the Financial Foundations for a Sustainable People-Centered Global Economy

Commissioned by Pope Francis

IPD
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EXECUTIVE SUMMARY

Formed at the request of Pope Francis as a key initiative of the Jubilee year 2025, the Jubilee Commission brings together a group of leading experts in debt, development, and the global financial system to develop and propose reforms that would help support those burdened today by unsustainable debts, prevent a recurrence of debt crises in the future, and promote sustainable economic, social, and environmental development.

Today, our world faces dramatic debt and development crises. Debt-distressed countries sacrifice crucial investments in education, healthcare, infrastructure, and climate resilience to make payments to external creditors, with 3.3 billion people now living in countries that spend more on interest payments than on health. In recent years, the COVID-19 pandemic created major distress in developing countries, while subsequent geopolitical conflict made an already dire situation worse. In the years ahead, trends including major new creditors, declining aid flows, and projected lower growth are posed to further limit financing for development and increase economic fragility, putting an entire generation at risk.

The current situation is the result of a global financial system that is not designed to serve the needs of people and the planet. Private creditors have engaged in excessive and expensive lending during boom periods and then not accepted the risk they took and provided the relief needed to ensure debt sustainability. International financial institutions have pursued policies that have prioritized repayment at the cost of undermining sustainable development. The domestic resource mobilization needed to fuel sustainable and equitable growth has been undermined by weak public institutions, illicit financial flows, and unfair exploitation of natural resources. The absence of a sovereign debt crisis resolution mechanism has created poor incentives for all, leading to debt restructurings that often come too late and achieve too little.

In this context, this Jubilee year 2025 demands both urgent action—to resolve the current debt and development crises—and deeper reforms—to prevent future crises and to build a sustainable people-centered global economy for the long-term. Achieving this vision is a shared responsibility: It requires action by official public and private creditors, multilateral institutions, governments, civil society organizations, and the public. The report's key recommendations—summarized in the table below—aim to: (i) make restructuring processes work, (ii) evaluate debt sustainability and creditworthiness accurately, (iii) improve the use of multilateral lending and increase good multilateral lending, and (iv) improve borrowing policies and increase investments in structural transformation.

With this blueprint, reflecting both sound economics and the moral call to act, we can together build a global economic order that is conducive to lasting peace, sustainable development, and shared prosperity for all.

Recommendations

Recommendation	Page Number
Make Restructuring Processes Work	
Extend and expand debt service suspension initiatives for debt-distressed countries	15
Strengthen legislation in key creditor jurisdictions: • Limit the ability of vulture funds to recover windfall profits from distressed debt, especially in cases where good faith restructuring efforts are underway • Reduce the outdated and punitive pre-judgment interest rate in New York State—set at 9% • Introduce legislation to ensure comparability of treatment in debt restructurings, including recovery caps and appropriate differentiation between local currency debt and foreign currency debt	25-26
Endorse key principles for debt restructurings involving official and non-official creditors: • Restructurings often must include principal reductions, but sometimes interest rate reductions that are large enough and maturity extensions that are long enough are sufficient • Any restructuring should include an equitable treatment of all creditors; at the very least, private creditors that provided financing at higher interest rates should not receive favorable treatment	12-13
Create an international mechanism for fair and efficient sovereign debt crises resolution based on the United Nations Basic Principles on Sovereign Debt Restructuring Processes • Short of a fair and effective international mechanism for the restructuring of unsustainable sovereign debts, an international mediation service could be created based on the *United Nations Basic Principles on Sovereign Debt Restructuring Processes*	18
End bailouts of private or public creditors from IFIs • No bailout means that funds provided in times of distress should not de facto be used for the payment of foreign currency debts • The IMF should clearly signal it will only support those country programs in which private creditors bear appropriate responsibility • The IMF can provide support through appropriately designed policies of lending into arrears	12-13
Establish fund for the repurchase of debt in distress • The Jubilee Fund would provide loans on favorable terms to eligible countries that seek to repurchase foreign currency debt trading at steep discounts on secondary markets	22
Scale contractual provisions • Automatic stays in payments when countries face debt distress • Some form of debt exchange, where obligations are reduced and/or postponed in scenarios of sufficiently large negative shocks, with the aim of reducing current debt burdens and restoring sustainability • Increase use of GDP-linked bonds or instruments tied to the international prices of a country's main exports	12
Improve the design of debt-for-nature swaps and other innovative financial instruments • Should not restrict development priorities; transaction costs should be kept low; private intermediaries must not extract excessive profits; must be transparent and aligned with national development strategies; are not substitutes for restructurings of unsustainable debts	15
Evaluate Debt Sustainability and Creditworthiness Accurately	
Shift the framing of DSAs from debt stabilization to growth and sustainable development and use them as a tool for computing the debt repayment capacity that is compatible with sustainable development	19
Improve the recognition of endogeneity and climate vulnerability in DSAs	19
Support debtor countries in producing their own DSAs based on modeling assumptions of their choosing, which can be contrasted with the models and frameworks used by external analysts	20
Create global public credit rating bureau and legislative reforms that allow this public rating body to serve as a substitute for private rating agencies	20
Increase Good Multilateral Lending	
Shift MDB lending to investment that supports structural transformation • Do not require types of fiscal austerity that undermine a country's long-term development trajectory and exacerbate inequality	14

• Support counter-cyclical programs that stimulate recovery, reduce vulnerability, and support investment in a just and green transition	24
• Support pursuing structural economic transformation and clear, strategic development policies	24
Shift IMF lending	
• To be guided by economic fundamentals, even-handedness, transparency, and just burden-sharing	17
• Make lending more transparent	17
• Eliminate IMF surcharges	21
• Replenish (e.g., through strategic use of IMF gold reserves) and reform IMF's Catastrophe Containment and Relief Trust (CCRT)	21
Increase efficient and equitable use of SDRs • Adopt regular issuance • Make original distribution more equitable or consider reallocating through voluntary on-lending of unused SDRs • If not possible, create a new institution that issues its own SDRs to support global public goods and macroeconomic stability	21
Use international financial institutions' influence and resources to support shift toward lending in local currencies • Create IMF or MDB facility to purchase or lend against local currency debt, which could operate ex post (in response to distress) or ex ante	26
Increase bridge financing, conditional on meaningful private sector participation through appropriate rate reductions and maturity extensions	14
Increase climate-related financing • Create a fund or mobilize unused funds from existing lending facilities at IFIs that help those particularly vulnerable to the consequences, such as small island states • The consolidation of the existing scattered climate lending facilities could be a complementary action	22-23
Create global fund to stabilize commodity prices	23
Increase Good Borrowing and Investment	
Promote the adoption of capital account regulations to prevent destabilizing capital flow movements and reduce the procyclicality of global financial flows in developing economies	17
Increase investment in sectors that can enable structural transformation for sustainable development, including those that generate foreign exchange reserves	14
Strengthen institutions and improve capital flow management for more stable local financing conditions	
• Invest in building robust domestic capital markets and promoting financing in local currencies through regulation that supports market stability, ensures accountability, and safeguards financial stability (e.g., macro-prudential regulations for international capital flows and for the currency denomination of the lending and borrowing of domestic institutions)	26
• Central banks and other financial regulators should develop stronger regulatory frameworks to reduce the flow of credit to climate and biodiversity damaging activities	23
Shift financing policies and practices in borrower countries, including to reduce reliance on foreign currency	
• Reduce hidden contingent liabilities, e.g., through developing countries withdrawing from investment agreements and limiting financial arrangements like PPPs and blended finance	16
• Reconsider excessive reliance on advanced countries' financial markets for the provision of financial services and investments by their pension funds abroad	26
• Develop trade settlement systems that facilitate use of local currencies in regional transactions	26
• Increase lending between developing countries and expand use of currency swap lines, reserve-pooling, regional payment systems, and clearing unions	27
• **Foster debtor coordination and cooperation** including through coordinated platforms for dialogue and technical exchange	27