



# BRIEFING NOTE

## CANADA CAN BE A LEADER ON DEBT JUSTICE

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### Key Messages

- The mounting debt crisis threatens global fiscal and monetary stability and progress on sustainable development outcomes.
- Debt is holding back development, including investments in healthcare and education, as well as funding for climate adaptation and mitigation. There is currently no effective means for countries to restructure or cancel debt, leaving them to navigate an increasingly complex set of creditors.
- In an increasingly unstable geopolitical situation, it is strategic for Canada to stand up for multilateralism and international cooperation by supporting direct and ambitious action on debt and international financial reform.
- Specifically, Canada must encourage and take action on cancellation of unjust and unsustainable debt and the establishment of a United Nations Framework Convention on Sovereign Debt that is transparent, inclusive and legally-binding, allowing for a thorough review of the structural causes of debt distress.
- Supporting debt justice offers Canada an opportunity to meet its fair share of the global effort to address the climate crisis, acknowledging that Canada also owes an “ecological debt” to the Global South, resulting from Canada’s contributions to climate change, which disproportionately affects those who contribute the least.

### Issue Summary

For dozens of countries, debts have become unsustainable, but they continue to be paid, siphoning funds from key investments in education, healthcare and climate action. As a result, countries may not be defaulting on debt, but they are defaulting on sustainable development. A global coalition of faith groups, labour unions and civil society organizations have launched a Jubilee campaign entitled **Turn Debt into Hope**, 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. Canada showed leadership 25 years ago in response to another global Jubilee campaign, advocating for debt cancellation. Canada has the opportunity to do so again, making a bolder push at key moments, including meetings related to the G7, the 4<sup>th</sup> International Conference on Financing for Development (FFD4), COP30 and the G20.



## Background

According to the United Nations Conference on Trade and Development (UNCTAD), 3.3 billion people live in countries that spend more on interest payments than either education or healthcare. Following the 2008 financial crisis, lending rates in the Global North fell to zero, prompting lenders to seek opportunities in the Global South. In recent years, a series of unexpected shocks have compounded debt, including inflation resulting from the war in Ukraine, slow growth during the COVID-19 pandemic and further inflation resulting from interest hikes cascading from the Global North. The share of sovereign debt held by private creditors has grown dramatically since 2008, creating a complex set of creditors who are not all compelled to come to the negotiating table.


Where the International Monetary Fund (IMF) ought to be a lender of last resort, it continues to lend to countries in precarious positions to buoy up debt payments, artificially projecting sustainability and providing bailouts for creditors. This situation is concerning for debtor countries, but it should also be concerning for members of the IMF generally.

With recent dramatic cuts to international assistance from the United States and several European nations, countries need creative solutions to open up fiscal space for development and necessary spending on climate adaptation and mitigation. Delivering debt relief can create this space while also raising important and overdue conversations on reforming the international financial architecture.

Twenty-five years ago, the Jubilee 2000 campaign marked a pivotal moment in global and national advocacy for debt cancellation, spearheaded in Canada by the Canadian Ecumenical Jubilee Initiative (CEJI) from 1998 to 2001. This campaign, supported by the Canadian Council of Churches and a coalition of faith-based organizations, became the most successful faith-driven advocacy effort in Canadian history.

CEJI mobilized an unprecedented 640,000 Canadians to sign petitions calling for debt cancellation for low-income countries. This grassroots movement significantly influenced Canada's approach to bilateral debt relief and contributed to the broader global success of the Jubilee 2000 initiative, which canceled \$100 billion in debt for 35 nations. In 1999, Canada established the Canadian Debt Initiative (CDI) to forgive the remaining 10 percent of debts owed to Canada from Heavily Indebted Poor Countries (HIPC). Côte d'Ivoire became the latest country to receive debt relief from Canada under this initiative, when Canada cancelled all its outstanding debt (approximately \$130 million) in 2012.

Despite debt relief efforts over the last 25 years, the world faces a mounting debt crisis again, signalling that more comprehensive systemic reforms are needed to address this



issue. The G20 Common Framework has proven to be ineffective for debt relief, centering creditor concerns. Since its creation, only four out of an eligible 73 countries have applied for restructuring through this process, and none have received timely or binding relief.

Canada has affirmed its commitment to international cooperation, law and rules as support for these wanes among significant peer nations. The geopolitical landscape is shifting. The current U.S. government's approach shows it does not support a more equitable and multilateral world, including on issues related to international finance and debt, for instance, by weakening the FFD4 and G20 processes.

Canada has an opportunity to establish itself as a champion of bold multilateralism. Action on debt would also continue Canada's historic leadership role on debt cancellation. In 2025, Canada can lean into the debt crisis with the confidence, commitment and energy required to deliver real, lasting change for the billions of people who need it.

### **Actions and Positions**


At key moments, Canada must engage actively in multilateral spaces to advance global action toward:

- The cancellation of unjust and unsustainable debt
- The establishment of a United Nations Framework Convention on Sovereign Debt that is transparent, inclusive and legally-binding, allowing for a thorough review of the structural causes of debt distress
- Scaling up grants-based climate finance that does not increase the debt in climate vulnerable countries and prioritizes mitigation, adaptation and loss and damage

### **Broad Support for Jubilee**

The global Jubilee campaign, **Turn Debt into Hope**, is presently gathering thousands of signatures from people around the world, including Canada, on a petition to show the public will behind action on debt. Civil society organizations will continue gathering signatures and educating on campaign issues throughout 2025. The campaign has also found endorsements among significant actors and organizations, including:

- Global Ecumenical Organizations and Churches
  - Caritas Internationalis
  - World Council of Churches
  - World Communion of Reformed Churches
- Regional debt and development networks, including the European Network on Debt and Development (Eurodad), the African Forum and Network on Debt and Development (Afrodad), the Latin American Network on Debt, Development and



Rights (Latindadd), the Asian Peoples' Movement on Debt and Development (APMDD), Debt Justice UK, Jubilee USA and Erlassjahr

- Civil 7 Engagement Group
- Labour 7 Engagement Group
- Climate Action Network International
- The late Pope Francis

### **Contacts**

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