# Diplomats call on UK to back bill accelerating debt restructuring for African nations



Diplomats from eight southern and east African nations have jointly appealed to the UK government to back a private member’s bill designed to accelerate debt restructuring processes, following a series of economic crises that left multiple countries unable to meet their loan repayments.

The economic challenges faced by these nations stem from a combination of global events over recent years. The coronavirus pandemic significantly curtailed economic growth, the Russian invasion of Ukraine drove inflation to soaring levels, and increased interest rates in the United States have pushed the cost of international loans to levels beyond affordability for many poorer countries. Since 2020, several countries, including Zambia, Sri Lanka, and Ghana, have defaulted on overseas debts.

For countries unable to repay debts, the option remains to negotiate debt relief or extension agreements with lenders, such as state-owned development banks from China, the US, and Europe, in a process known as debt restructuring. An increasing number of these nations also face the challenge of refinancing loans from private banks and international bonds owned by Western companies, which often come with higher costs. While institutions like the International Monetary Fund (IMF) and the World Bank provide concessional loans—offering fresh credits rather than debt write-downs—private creditors do not generally extend comparable offers.

The proposed UK legislation, introduced in November 2024 by Labour Member of Parliament Bambos Charalambous, seeks to prevent private creditors from taking legal action against countries during debt relief negotiations and from demanding repayments on terms more favourable than those offered to other creditors. The appeal was included in a letter sent to UK Chancellor Rachel Reeves in March, which was shared exclusively with The Guardian.

The letter draws attention to the fact that developing countries are now dedicating an average of 9.5% of government revenues to debt repayments, effectively doubling the rate from a decade ago, with the poorest countries allocating as much as 15%, according to the United Nations Development Programme. During the previous decade, public spending on debt grew faster than budgets for health and education. The letter also emphasises that “90% of debt owed to private creditors by the world’s poorest countries is governed by English law and is transacted through the City of London. This is why any relief from undue profit to private lenders relies on your government.”

Signatories to the letter included high commissioners based in the UK from countries such as Zambia, Mozambique, and South Africa—nations where addressing the "unprecedented debt crisis" is a priority under South Africa’s current G20 presidency.

MP Bambos Charalambous expressed hope for government support of the bill and noted having discussions with Treasury minister Emma Reynolds. A UK government spokesperson responded: “The UK fully agrees that private creditors should participate in restructurings on comparable terms. Overall, we have seen evidence of private creditors’ willingness to engage and provide debt treatments where needed, including for Zambia and Ghana. As such, the UK is not currently pursuing a legislative approach to ensuring private creditor participation in restructurings, although we continue to keep our position under review.”

Following the onset of the Covid-19 pandemic, creditor countries agreed to pause debt repayments temporarily, but western private creditors refused to follow suit, an issue that reportedly sparked some irritations from China. Zambia notably ceased international debt payments in November 2020 and, alongside Ethiopia and Chad, sought debt restructuring under a G20 initiative known as the common framework in early 2021. However, this process has faced significant holdups.

For instance, Chad’s deal, reached after 17 months of negotiation, failed to reduce overall debt levels after protracted discussions involving commodities trader Glencore. Chinese reluctance also reportedly delayed Zambia’s agreement with lenders until 2023. Additionally, creditors rejected a separate debt restructuring deal between Zambia’s government and western bondholders, claiming the government’s deal was more favourable to them. A bond agreement was ultimately finalised in 2024.

Some experts argue the UK bill focuses on earlier challenges involving western “vulture funds” purchasing defaulted bonds to sue for repayment. Present difficulties in restructuring are now attributed to an increasing variety of lenders, including Chinese state-owned institutions and African multilateral trade banks.

Abebe Aemro Selassie, director of the IMF’s Africa department, expressed reservations about the bill’s potential effectiveness at a recent press conference, stating, “In recent restructurings, I am not aware of [private creditors holding out] being the main hindrance.”

Research from the Overseas Development Institute (ODI) notes that the introduction of “collective action clauses” in 88% of bonds since 2014 has largely prevented minority bondholders, such as vulture funds, from suing debtor countries. Nevertheless, Ethiopia’s negotiations over a bond write-down have reportedly been delayed by a bondholder group.

In Zambia, Malawi, and Ghana, regional trade banks such as the African Export-Import Bank (Afreximbank) and the Trade & Development Bank (TDB)—which were established by African governments—have resisted loan writedowns. These banks lend at comparatively high interest rates but have sought to be excluded from restructuring agreements, similar to institutions like the IMF and World Bank. Representatives for Afreximbank and TDB did not respond to requests for comment.

Frederique Dahan, a director at ODI, noted that “non-bond private creditors … are very different … and it is unlikely that the solutions provided in the [UK] bill would apply easily to them.”

Malawi, with a GDP per capita of just $580, has been particularly hard-hit by climate and economic shocks, leading to shortages of fuel, fertiliser, and medicines. Thomas Bisika, Malawi’s high commissioner to the UK and a signatory of the letter supporting Charalambous’s bill, said: “This unsustainable debt has really grossly affected social and economic development in the country.”

The Guardian is reporting these developments as a significant step in ongoing international efforts to manage and resolve debt crises affecting vulnerable nations.

Source: [Noah Wire Services](https://www.noahwire.com)

## Bibliography

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