

DROP! IT!

Winter 2016

AFRICA'S DEBT CRISIS: THE UK'S ROLE



**JUBILEE DEBT
CAMPAIGN**

THE NEW DEBT CRISIS HITS

Two years ago we sounded the alarm that a new global debt crisis was on the horizon. A lending boom to developing countries had been underway since 2008, driven by low interest rates in the West and irresponsible lending by the private sector and governments. Rising debts increased the risk of a repeat of the ‘Third World debt crisis’ of the 1980s and 1990s, and all the negative impacts on poverty, inequality and development progress that brought. **Now a new crisis has begun, and the countries concerned are facing deep cuts in public spending while speculators profit from their debts.**

This summer two African countries we had previously warned about – Ghana and Mozambique – went over the edge from high risk into full-on debt crisis. **Other countries, many in Africa, are showing worryingly high debt levels,** made worse by the recent crash in global prices for commodities – raw materials such as oil and metals – **and look extremely vulnerable to economic shocks and the possibility of falling into debt crisis soon.**

That’s why it’s vital that we tackle the UK’s role in Africa’s new debt crisis.



Joe Ronzio / Flickr

GLOBAL DEBT IS BOOMING

Rising debt levels in Africa are just one part of a far bigger boom in global debt. The debts of countries, businesses, banks and households are all on the rise. At its annual meeting this October, the IMF published a new comprehensive overview of global debt levels and the results made headlines. Total global debt is estimated at \$152 trillion, or about 225% of annual global output. And two-thirds of this debt – approximately \$100 trillion – is held by the private sector.



This rising global debt stock poses a major threat to global economic stability and a large and growing risk of new public and private debt crises. We are continuing to campaign for the structural changes at the global level to reduce the risk and impact of future crises: controls on lending and regulation of the finance sector, tax justice, and a fair and transparent debt workout mechanism (a bankruptcy process for countries) to deal with sovereign debt crises fairly when they arise.

But with new debt crises starting to break out in countries like Ghana and Mozambique, we also need urgent

LEFT: INDEPENDENCE ARCH IN ACCRA, THE CAPITAL OF GHANA

changes to help civil society in these countries hold their governments and lenders to account, and to stop countries in crisis falling prey to profiteering by vulture funds.



GHANA'S DEBT SPIRAL

Ghana is back in debt crisis a decade after it received significant debt cancellation in 2005, a major victory of the global Jubilee campaign. Money saved due to debt cancellation has led to improvements in healthcare and education. For instance, the proportion of births attended by a skilled health professional increased from 47% to 74%.

The origins of Ghana's new crisis are complex: a gradual increase in lending to the country following the discovery of oil and the boom in global commodity prices in the mid-2000s, a big fall in the country's income and in the value of its currency because of the recent global commodity price crash, and then further borrowing by Ghana to cope with the impact of the crash.

Because of these spiralling debts, Ghana is now spending 3 in every 10 dollars of government income on external debt payments. And the only reason it hasn't already defaulted on its debts is because of more loans from the IMF and World Bank, which are paying the high interest to the irresponsible private lenders.

"It keeps getting worse. They are always making us pay for new things at school which are meant to be provided by the government."



*Davi Xolanyo Bridget
Gbafa, Great Accra Region, Ghana*

“Let’s go and audit the debt. How much has been borrowed, what was it for? Let’s have a conference with our creditors to see what can be done to reduce interest rates on debt so we can repay without putting too much strain on us.”



Richard Ananga, Peki, Volta Region, Ghana

This October we launched a new joint report on Ghana’s debt crisis with five Ghanaian NGOs and grassroots education groups – Isodec, SEND Ghana, the Abibimman Foundation, Vazoba and Kilombo – and the UK diaspora organisation AANCLID. The report, which was covered in the *Guardian* and by the BBC, exposed that the World Bank broke its own rules on lending to countries with high debt risks – guaranteeing \$400 million of a high-interest private loan to Ghana in October 2015.

Ghana is now very vulnerable economically, with the IMF insisting on deep spending cuts – of 20% per person on 2012 levels by 2017. The impacts of these cuts will be hardest felt by the poorest and most vulnerable people, through reduced public services and poverty alleviation programmes.



MOZAMBIQUE’S HIDDEN DEBTS

Also very economically dependent on the production of commodities, Mozambique saw its debt levels rise during the commodity boom. However, while the country has also been negatively impacted by the recent commodity price crash, the main spark for its current debt

crisis was the revelation this April that the London branches of VTB (a Russian bank) and Credit Suisse had lent Mozambique \$1.1 billion in 2013. These loans – which are understood to have been spent primarily on security equipment – were not approved by the Mozambican parliament, nor logged in that year’s public budget, breaching the Mozambican constitution. Nor were the loans disclosed to the IMF.

The combination of payments on the now huge debt, and the fall in income from

“In defence of the common good and against the continued impoverishment of the Mozambican people, we do not want, do not accept and will not pay these illegal debts.”

Statement by 26 civil society groups in Mozambique, June 2016

commodities, means cuts to essential services will again hit the poorest the hardest. Mozambican campaigners are now pushing for full accountability for the government officials responsible for the secret loans, and for the hidden debts not to be repaid. Under pressure from Mozambican campaigners and the IMF, the government of Mozambique has agreed to a full external audit of its debts, the results of which are due to be made public.

THE UK CONNECTION

The other major thing that the Ghanaian and Mozambican crises have in common is that the private, high-interest, external debts of both countries are owed under UK law. Loans given internationally tend to be issued under the legal framework of the world’s major financial centres – either the UK or the US. Ghana’s high-interest debts are owed under UK law, which means that if Ghana failed to repay, the speculators could pursue

payment through the UK courts. Similarly, Mozambique's loans from VTB and Credit Suisse are under UK law, and may already have been sold to vulture funds.

This situation is not unique to Ghana and Mozambique. Incredibly, over 90% of the bonds now owed by sub-Saharan African governments are owed under UK law. This means that, as further debt crises and defaults start to arrive as the new debt crisis hits further, there is a very strong likelihood that we will see vulture funds once again pursuing impoverished countries through the UK courts for full repayment of debts they bought for rock-bottom prices.

“Over 90% of bonds owed by sub-Saharan Africa governments are under UK law”

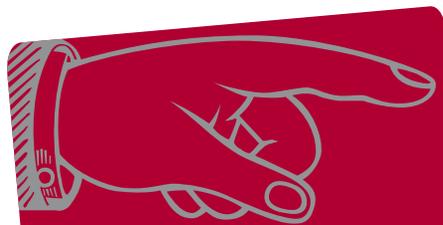
In 2010 our campaigning won a landmark law to protect the most impoverished countries in the world from profiteering by vulture funds. The Debt Relief (Developing Countries) Act restricted the ability of vulture funds to pursue the 40 countries which benefitted from debt cancellation in UK courts and is estimated to have saved £145 million. But the law only applied to loans given before 2004, leaving impoverished countries once again vulnerable to predatory legal action by vultures in UK courts.

We are working with partners in Ghana and Mozambique to push for their countries' high-interest debts – those making large profits for speculators – to be restructured, and those partners are doing all they can to push for

more responsible borrowing by their governments. But their efforts will be very easily undermined unless we act to address the role of the UK legal system in the new debt crisis. That is why we're launching a new campaign to push for greater transparency around loans issued under UK law, and to prevent vulture funds from blocking the restructuring of debts owed under UK law.

In 2017 we want to work with MPs to bring in new legislation to require all loans to governments or with government guarantees that are issued under UK law to be publicly disclosed at the time the loan is given, and to strengthen the restrictions on vulture funds profiteering from debt crises. Our partners in Belgium have already succeeded in securing a similar law, and campaigners in Germany are looking at similar ideas.

As one of the world's largest financial centres, the UK has played a major role in enabling the new developing world debt crisis that is now on our doorstep. Let's work together to ensure that UK law supports global debt justice rather than irresponsible lending and profiteering by vulture funds.



TAKE ACTION

Ask your MP to support action to tackle the UK's role in Africa's debt crisis.

Please sign the card attached.

Check who your MP is by phoning **020 7219 4272** or via

www.tinyurl.com/findmympp.

Or leave it blank and we will fill it in.

AFRICA'S DEBT CRISIS: THE UK'S ROLE




JUBILEE DEBT
CAMPAIGN

GLOBAL DEBT IS BOOMING



Global debt:
\$152 trillion


JUBILEE DEBT
CAMPAIGN

Dear _____ MP,

Did you know that over 90% of government debts to private lenders in sub-Saharan Africa are owed under UK law?

Some of these loans have been given in secret, preventing any scrutiny by parliament or the media in the country concerned. And when countries struggle to pay, loans can be bought up cheaply by vulture funds, who can then sue in UK courts seeking a huge profit.

I am writing to ask you to support Jubilee Debt Campaign's call for a change in UK law so that all private loans to governments must be publicly disclosed, and vulture funds cannot hold countries to ransom in British courts.

Please let me know if you would be willing to support this campaign in Parliament.

Yours sincerely,

Full name _____

Address _____

_____ Postcode _____

Email address _____

Tick if you would like to receive more information about Jubilee Debt Campaign's work:

by post by email

Front photo: Canary Wharf in London's financial district. Credit: Davide D'Amico/Flickr

Affix stamp here
(if needed)

_____ MP

C/O JUBILEE DEBT
CAMPAIGN

28 CHARLES SQUARE

LONDON

N1 6HT

MY DETAILS:

Title _____ First name _____ Last name _____

Address _____

_____ Postcode _____

Email address _____

Tick if you would like to receive more information about Jubilee Debt Campaign's work:

by post by email

PLEASE SEND ME:

QUANTITY

 more copies of this booklet

 UK debt law MP postcards (A6)

 Ghana's debt reports (A4, 32 pages)

DONATION: I enclose a donation of _____

(Please make cheques out to 'Jubilee Debt Campaign', and sign the Gift Aid declaration, if applicable)

Please return to:

Jubilee Debt Campaign, The Grayston Centre, 28 Charles Square, London N1 6HT

If you're not making a donation, you can also email your order to info@jubileedebt.org.uk or phone 020 7324 4722

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If you're a UK taxpayer, we can reclaim an extra 25% in tax on your donations. Please tick the box, then sign and date.

I would like Jubilee Debt Campaign (Registered Charity no. 1055675) to treat this and any future donations as Gift Aid donations. I am a UK taxpayer and understand that if I pay less Income Tax and / or Capital Gains Tax in the current tax year than the amount of Gift Aid claimed on all my donations it is my responsibility to pay any difference.

Signature _____

Date _____

DEBT UPDATE

AVOIDING THE GLOBAL DEBT ICEBERG

A big thank you to everyone who signed the 'Iceberg ahead' postcard in the last *Drop It!* asking the IMF to count the cost of public-private partnerships, as well as to the hundreds who signed at the Glastonbury festival in the summer. We delivered more than 2,500 signatures to the UK Executive Director's team at the IMF annual meeting in Washington DC in October, as well as spotting that the IMF has started acknowledging the hidden costs of PPPs in their own presentations (see below)!

More than 30 civil society groups from 20 countries also endorsed our detailed set of demands to the IMF and World Bank over the shortcomings of their Debt Sustainability Framework in September. We now await the outcome of the review, which is due by the end of the year.

↳ **Read more:**

www.jubileedebt.org.uk/DSFletter

GREECE: IMF URGED TO STAY OUT OF THIRD BAILOUT

When the European powers forced the Greek government into a third bailout and austerity programme last July, the International Monetary Fund deferred a decision on its own participation. Greece continues to implement the



DEBT ALERT: OTHER AFRICAN COUNTRIES AT RISK

Zambia

Zambia's economy has been drastically hit by the fall in copper prices. The government is negotiating with the IMF on budget cuts so that it can get more loans to pay 9% interest rates to private lenders.

Sierra Leone

Following the Ebola crisis, Sierra Leone's economy has also been hit by the fall in iron ore price. Debt payments in 2017 are now predicted to be almost double the level expected three years ago.

Ethiopia

Large levels of lending have pushed external debt up from \$4 billion in 2009 to \$21 billion today, whilst income from exports has stagnated.

Kenya

Parliamentarians are questioning how \$2 billion of loans, arranged by London banks, were spent in 2014. In 2017 13% of government revenue is expected to be spent on external debt payments.

Nigeria

Nigeria's debts are relatively low but large amounts of borrowing are now planned to cope with the impact of the fall in the oil price on the government's budget.



extreme austerity measures demanded by the EU, including a €100 billion privatisation programme and further cuts to pensions and workers' rights. Eurozone governments are still trying to get the IMF involved, but the IMF says Greece needs debt relief before it will do so. A decision may be made before the end of the year.

↘ **Read more:**
jubileedebt.org.uk/greecedebtre relief

ART SHOW TACKLES STUDENT DEBT

The growing burden of student debt on young people in the UK is the subject of a series of sculptures currently featuring in the British Art Show 8 which are raising money for Jubilee Debt Campaign to start working on student debt in the UK.

In the last year many of the supposed protections against the negative consequences of the tripling of tuition fees in 2010 have been removed – with the abolition of maintenance grants for students from the poorest families in

January, the scrapping of bursaries for student nurses, announced in July, and a rise in the cap of tuition fees from £9,000 to £9,500 per year for some universities.

Day After Debt (UK) is a long-term collaborative art project by the artist Ahmet Ögüt, addressing the significance of student debt today. For the British Art Show 8, artists Liam Gillick, Susan Hiller and Goshka Macuga were invited by Ögüt to design sculptures that function as collection points for public contributions to a student loan debt relief campaign. The three bespoke money boxes have been installed in civic spaces around the four cities of British Art Show 8, generating funds which will be redistributed through our work on student debt. Co-commissioned by community arts organisation Create London, the show has already visited Leeds, Edinburgh and Norwich, and will be in Southampton until January.

↘ **Visit Day After Debt (UK)** in Southampton until 15 January 2017:
<http://britishartshow8.com>





LEFT: JUAN PABLO BOHOSLAVSKY, UN INDEPENDENT EXPERT ON THE EFFECTS OF FOREIGN DEBT ON HUMAN RIGHTS

UN Photo / Jean-Marc Ferré

RECORD YEAR FOR JUBILEE AT GREAT NORTH RUN

On 10 September a record 50 runners joined the Newcastle University Jubilee Debt Campaign team in the Great North Run – the world’s largest half-marathon. As well as the personal achievement, the runners also raised vital funds for the debt campaign through sponsorship from friends and family – a mammoth £180,000 and counting over the last 14 years.

↘ Find out more about joining the Jubilee team next year, or other ways to raise money for the campaign, at: www.jubileedebt.org.uk/fundraising

LEFT: JUBILEE RUNNERS DO A ‘LIGHTNING BOLT’ AHEAD OF THE GREAT NORTH RUN

UN CALLS FOR ACTION ON DEBT

The UN’s Independent Expert on debt and human rights has warned that introducing austerity in response to the new wave of debt crises in developing countries could undermine progress in ensuring human rights are met. Juan Pablo Bohoslavsky, calls for “a holistic framework for debt relief” to ensure that the Sustainable Development Goals can be met.

The United Nations Conference on Trade and Development has also warned of a wave of new debt crises in developing countries. In a report released in September it said debts “could become unpayable” and therefore “the international community will need to prepare itself for managing debt work-outs in a faster, fairer and more orderly manner than it has done so far”.

ABOUT US

Jubilee Debt Campaign is part of a global movement demanding freedom from the slavery of unjust debts and a new financial system which puts people first.

 Jubilee Debt Campaign
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