

The new debt trap

How the response to the last global financial crisis has laid the ground for the next



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JUBILEE DEBT
CAMPAIGN

The new debt trap:

How the response to the last global financial crisis has laid the ground for the next

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Executive summary

Inequality fuels debt crises

Debt crises have become dramatically more frequent across the world since the deregulation of lending and global financial flows in the 1970s. An underlying cause of the most recent global financial crisis, which began in 2008, was the rise in inequality and the concentration of wealth. This made more people and countries more dependent on debt, and increased the amount of money going into speculation on risky financial assets.

Increasing inequality reduces economic growth as higher income groups spend a smaller proportion of their income on goods and services than middle- and low-earners. To tackle this problem, countries relied on either increasing debts, or for the countries which are the source of the loans, promoting exports through lending. This allowed growth to continue even though little income was going to poorer groups in society. Meanwhile, the rich were putting more of their growing share of national income into speculative lending and risky financial investments, in search of higher returns. Rising inequality, along with financial deregulation, therefore fuelled an unsustainable boom in lending and was an underlying factor behind the crisis which began in 2008.¹

Global debt levels on the rise again

International debt has been increasing since 2011, after falling from 2008-2011. The total net debts² owed by debtor countries, both by their public and private sectors, which are not covered by corresponding assets owned by those countries, have risen from \$11.3 trillion in 2011 to \$13.8 trillion in 2014. We predict that in 2015 they will increase further to \$14.7 trillion. Overall, net debts owed by debtor countries will therefore have increased by 30% – \$3.4 trillion – in four years.

This increase in debts between countries is being driven by the largest economies. Of the world's ten largest economies, eight have sought to recover from the 2008 financial crisis by either borrowing or lending more, thereby further entrenching the imbalances in the global economy. The US, UK, France, India and Italy have all borrowed even more from the rest of the world. Germany, Japan and Russia have all increased their lending to other countries.

The boom in lending to the most impoverished countries

As part of this increase in global debt levels, there is also a boom in lending to impoverished countries, particularly the most impoverished – those called 'low-

income' by the World Bank. Foreign loans to low-income country governments trebled between 2008 and 2013, driven by more 'aid' being provided as loans – including through international financial institutions, new lenders such as China, and private speculators searching overseas for higher returns because of low interest rates in Western countries.

22 countries are already in debt crisis; a further 71 could be soon

In this report, by looking at countries' total net debt (public and private sectors), future projected government debt payments, and the ongoing income deficit (or surplus) countries have with the rest of the world, we have identified countries either in, or at risk of, new debt crises. We have placed these countries into four groups, represented in the map on page 13.

Furthermore, while the 43 countries in groups 2 and 3 (see table 1 overleaf) have worrying levels of externally-held government debt, their private sector may be an even larger source of risk, given their high net debt levels and large current account deficits.

Lending to impoverished countries is fuelling growth but not reducing poverty or inequality

Of the 14 countries we have identified as most dependent on foreign lending – those in group 2 – there are nine for which more data on projected future government debt payments is available from the IMF and World Bank: Bhutan, Ethiopia, Ghana, Lao PDR, Mongolia, Mozambique, Senegal, Tanzania and Uganda. The IMF and World Bank only carry out full debt sustainability assessments, which predict future debt payments, for low-income countries, countries which have recently moved from being low-income to middle-income, and a few small island states. As major creditors, the IMF and World Bank have a clear conflict of interest when conducting such assessments, but currently they are the only assessments available, and similar information for richer countries is not available at all.

The nine countries for which data is available tend to have higher economic growth rates than other countries with similar incomes. Yet this faster growth does not correspond to similarly rapid progress in alleviating poverty, which is falling more slowly than the average for low-income countries. In fact, in five of the nine, the number of people living in poverty has *increased* in recent years, despite the fact that their economies have

Table 1: Countries either in, or at risk of, new debt crises.

Category	Characteristics	Regions particularly affected	Number of countries
1. In debt crisis	High government debt payments, high net external debt (that is, debt to the rest of the world)	Europe, Central America and the Caribbean, Middle East and North Africa	22
2. High risk of government debt crisis	High net external debt, large and persistent current account deficit, high projected future government debt payments	Sub-Saharan Africa, Asia, Small Island States	14
3. Risk of government debt crisis	Significant net external debt, significant projected future government debt payments	Sub-Saharan Africa, Central America and the Caribbean, Small Island States, Europe, Central Asia	29
4. Risk of private sector debt crisis	Significant net external debt, significant current account deficit (but no worrying indicators of external government debt)	Europe, Small Island States, Central Asia, the Middle East and North Africa, sub-Saharan Africa and Central America.	28

been growing rapidly in per person terms. For example, in Ethiopia between 2005 and 2011, GDP grew by 60% per person, but the number of people living on less than \$2 a day *increased* by 5.4 million. Furthermore, in all but one of the nine countries, inequality is rising. In Uganda in 2006 average income across the poorest 40% of society was \$439 a year, but for the richest 10% \$3,769. By 2013, the average annual income for those in the richest 10% had increased to \$4,891, but for the poorest 40% to just \$516.

Finally, there is no evidence that any of the nine countries are becoming less dependent on primary commodities for their export earnings. Reliance on primary commodities, rather than manufacturing or services, makes countries more vulnerable to swings in volatile global commodity prices, and the earnings from commodities can more easily be captured by a small group of people. This means countries remain at heightened risk of debt crisis because falling commodity prices are a major source of economic shocks, and also because growth based on commodity exports often primarily benefits local and multinational elites, further increasing inequality.

So although the countries that are most dependent on foreign lending have been growing quickly, poverty and inequality have generally been increasing, and there have not been significant structural changes to their economies that would make them more resilient to external shocks. High levels of lending mean that such shocks would be very likely to ignite new debt crises. Based on past experience, these would increase poverty even further, and reduce funding for essential public services like healthcare and education. We look in detail at two particular countries from this group: Mozambique and Tanzania.

Public-private partnerships are hiding the true extent of future debt problems

Lending and borrowing by the private sector is a major source of risk in terms of future debt crises. Another factor is the rise of ‘public-private partnerships’ (PPPs). This can mean many kinds of things. One is where the private sector builds infrastructure for a government, such as a road or hospital, and the government guarantees to make set payments over a defined period. This has the same practical effect as if the government had borrowed the money and built the infrastructure itself, but it keeps the debt off the government balance sheet, making it look like the government owes less money than it actually does.

In fact, the cost to a government is usually higher than if it had borrowed the money itself, because private sector borrowing costs more, private contractors demand a significant profit, and negotiations are normally weighted in the private sector’s favour. Research suggests that PPPs are the most expensive way for governments to invest in infrastructure, ultimately costing more than twice as much as if the infrastructure had been financed with bank loans or bond issuance.

The UK led the way in developing and implementing such schemes, known there as the Private Finance Initiative (PFI), in the 1990s. A 2015 review by the UK’s National Audit Office found that investment through PFI schemes cost more than double in interest payments than if the government had borrowed directly,³ even without taking into account the cost of paying private companies profit under PFI.

This disastrous record has not stopped the UK government promoting PPPs across the world. For example, it set up and funds the Private Infrastructure

Development Group (PIDG), itself a PPP,⁴ which exists to promote PPPs in the developing world.

Such PPPs may be hiding a huge amount of payment obligations, reducing the money available to future governments and increasing the threat of future debt crises. PPPs are currently thought to account for 15-20 per cent of infrastructure investment in developing countries.⁵

Falling commodity prices have already increased debt risks for some countries

The debt crisis which began in much of the global South in the early 1980s was triggered by falling prices for primary commodity exports, and an increase in US interest rates. This means countries were earning less money, but spending more on their debts which were primarily owed in dollars.

Since early 2014, many commodity prices have fallen significantly. For affected countries, the loss of expected export income has caused currency devaluations, because it has reduced the amount a country is earning from the rest of the world, and therefore increased the relative cost of debt payments made in foreign currencies.

In Ghana, official figures are not yet available but we calculate that because of currency devaluation government foreign debt payments in 2015 will have increased to 23% of government revenue, from an IMF and World Bank predicted 16%. In Mozambique, payments are estimated to have risen from 8% of revenue to 10%. Neither estimate takes into account any drop in government revenue from lower commodity prices.

Furthermore, while commodity prices have fallen, interest rates on the major currencies in which loans are issued have not risen – yet. US dollar interest rates are expected to increase later in 2015. Such rate increases could dramatically affect the relative value of government debts in dollars, and countries' ability to repay them.

Major interventions are needed to prevent future debt crises and stem the cycle of boom and bust

To make the global economy less prone to booms and busts, and countries more resilient and less prone to debt crises, requires major structural changes to reduce

the speculative activity which fuels them. One of the causes of global financial instability has been increasing inequality. Inequality should clearly be tackled in the interests of fairness and justice and because it is vital in promoting well-being, but doing so would also directly help create a more stable financial world, by making lower-income groups less dependent on debt, and reducing the amount of money that high-income groups put into speculation. Reducing inequality depends on a range of actions, such as strengthening trade unions and workers rights so that a greater share of income accrues to workers rather than speculators, and taxes on wealth as well as income to enable greater redistribution.

For currently impoverished countries to become more resilient to global economic changes, they need to be less dependent on primary commodity exports. Gaining other sources of income will require a whole range of government interventions depending on the situation of the country concerned. The freedom of governments to determine and implement the measures needed should not be undermined by international trade treaties or policy conditions attached to international loans and development aid.

Preventing debt crises requires action both by borrowers and lenders. As we are based in London, one of the world's major financial centres, Jubilee Debt Campaign's primary responsibility is to argue for systemic change to lending to help end the cycle of debt crises.

In the last section of this report, we outline a range of policies that lending governments, including the UK, could support now to make lending more responsible and help prevent future debt crises. These include:

- 1) **Regulating banks and international financial flows.**
- 2) **Creating a comprehensive, independent, fair and transparent arbitration mechanism for government debt.**
- 3) **Supporting cancellation of debts for countries already in crisis.**
- 4) **Supporting tax justice.**
- 5) **Ceasing to promote PPPs as the way to invest in infrastructure and services.**
- 6) **Supporting responsible lending and borrowing.**
- 7) **Ensuring aid takes the form of grants rather than loans, and that 'aid' loans do not cause or contribute to debt crises.**

References – Section one

- 1 Stockhammer, E. (2012). *Rising inequality as a root cause of the present crisis*. Political Economy Research Institute. University of Massachusetts Amherst. April 2012. http://www.peri.umass.edu/fileadmin/pdf/working_papers/working_papers_251-300/WP282.pdf
- 2 Net debt is the debt the whole country, public and private sector, owes, minus the debt owed to it.

- 3 National Audit Office. (2015). *The choice of finance for capital investment*. March 2015. <http://www.nao.org.uk/wp-content/uploads/2015/03/The-choice-of-finance-for-capital-investment.pdf>

- 4 <http://www.pidg.org/what-we-do/how-we-work>

- 5 <http://ieg.worldbank.org/evaluations/world-bank-group-support-ppp>

Increasing global debt levels

Part of the cause of the global financial crisis which began in 2008 were the large debts between countries. These debts were primarily owed between financial institutions, though for some countries, such as Greece, government debts were also important. When it became clear that some of the debts, owed through complex contracts, couldn't be paid, their cross-border nature spread bankruptcy across financial institutions in different countries. This led to a loss of confidence, a collapse in new lending, and so collapse in parts of the global economy that depended on foreign lending, such as Ireland's banks and housing market.

But this was nothing new. From the Third World Debt Crisis of the 1980s and 1990s, to the Asian Financial Crisis in the mid-1990s, to the global financial crisis from 2008, large imbalances between countries fuel the destructive cycle of boom and bust.

One way of measuring these imbalances is the 'current account'. This calculates the difference between what a whole country – both public and private sectors – spends on foreign goods and services, and what it earns from overseas. If it is spending more than it earns – if it has a current account deficit – a country covers the difference by borrowing from overseas, or selling off assets. This allows more economic activity to take place now, at the cost of creating liabilities which must be repaid in the future, whether through debt payments or profits the country will no longer receive because productive assets have been sold.

For some countries to have such deficits, others must have surpluses. If one country spends more with the rest of the world than it earns, another country has to earn more than it spends. Surplus countries are spending less than they earn, so they have income left over to lend or to buy assets in other countries.

Crucially these deficits and surpluses can arise from the activities of governments, the private sector, or both. In the build-up to the global and Eurozone debt crises, banks and other private financial institutions in Germany were significant net lenders to countries on the Eurozone periphery such as Ireland and Greece. In Ireland's case the borrowers were private banks (which were then bailed out by the Irish government); in Greece a significant amount of borrowing was done by the government.

In contrast, China, another large surplus country, lends money from its government, mainly by buying debt from countries with currencies used in international trade such as the US (dollar), Germany (euro), Japan (yen) and UK (pound).

The greater these deficits and surpluses, the more debts and liabilities are created between countries, which spreads vulnerability across the world economy. If one country stops lending it can cause another country's economy to shrink, which in turn means it cannot repay its debt to a third and so on.

One explanation of the 2008 financial crisis is based on the interaction between rising inequality and current account deficits. Increasing inequality can reduce economic growth as higher income groups spend less of their income than middle- and low-earners. But international financial deregulation allowed countries to make up for this lack of growth by running higher current account deficits for longer. Borrowing more from foreign lenders allowed economic growth to continue, even though little income was going to poorer groups in society. Meanwhile, the rich put an increasing amount of their growing share of national income into speculation and risky financial assets. Rising inequality, along with financial deregulation, fuelled the unsustainable boom in lending and increased risk in the global economy.⁶

Globally, since 2011 countries' overall debt or lending levels – the two depend on each other – has been increasing (see graph below). Unfortunately, the IMF only began to collate these figures in 2009, so we cannot compare with the situation before 2008.

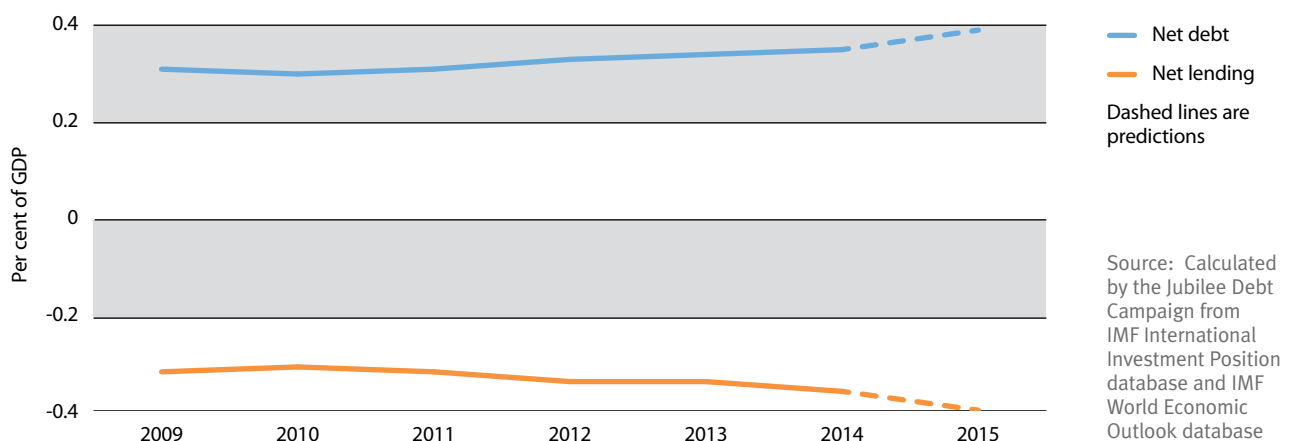
The IMF publishes figures⁷ on countries' 'International investment position', which measures the total foreign assets held by each country's governments and private sector, and the liabilities they owe outside their own country. Where liabilities are higher than assets, a country is effectively a net debtor. Where assets are higher than liabilities, the country is a net lender.

By collating these figures, we have calculated the average global debt and lending level from 2009 (when the IMF's records begin) to 2014. The average is weighted depending on how much of global GDP a country is responsible for. The average debt or lending level has increased from 31.3% of GDP in 2011 to 35.8% in 2014. This means that the total debts owed by countries, which are not covered by corresponding assets owned by those countries, have risen from \$11.3 trillion in 2011 to \$13.8 trillion in 2014⁸ (see graph 1).

Using IMF predictions of country current account surpluses and deficits for 2015, we have also estimated how these will change the overall debt and surplus levels this year, based on the historical relationship between each country's current account and net debt levels.

Doing so produces an estimate that the average net debt or surplus level will rise to 39.5% of GDP in 2015; \$14.7 trillion. Overall, net debts owed by countries will

Graph 1: Average global weighted net debt and lending level, 2009-2015, per cent of GDP



therefore have increased by 30% – \$3.4 trillion – in four years.

This global debt level is driven by the actions of the world's largest economies. Of the world's ten largest economies, eight have sought to recover from the 2008 financial crisis by borrowing or lending more, thereby further entrenching the imbalances in the global economy. The US, UK, France, India and Italy have all increased their net debt to the rest of the world. Germany, Japan and Russia have all increased their lending to other countries.

The two exceptions to this are China and Brazil. China's surplus has been falling slightly as a percentage of GDP (though in absolute terms it has continued to increase), Brazil's debt has fluctuated, but now may be clearly increasing (see graphs 2, 3 and 4).

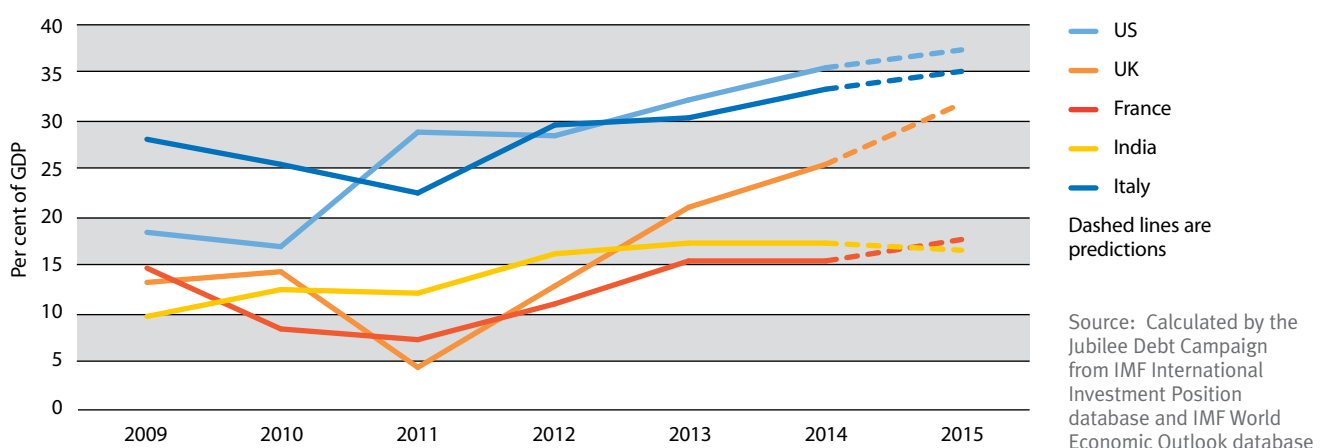
This is exactly the opposite of what was needed to create a more sustainable global economy. Instead, surplus countries should be exporting less, importing more and lending less. Deficit countries should be exporting more, importing less and borrowing less.

How to do this will depend on each country's economic context.⁹

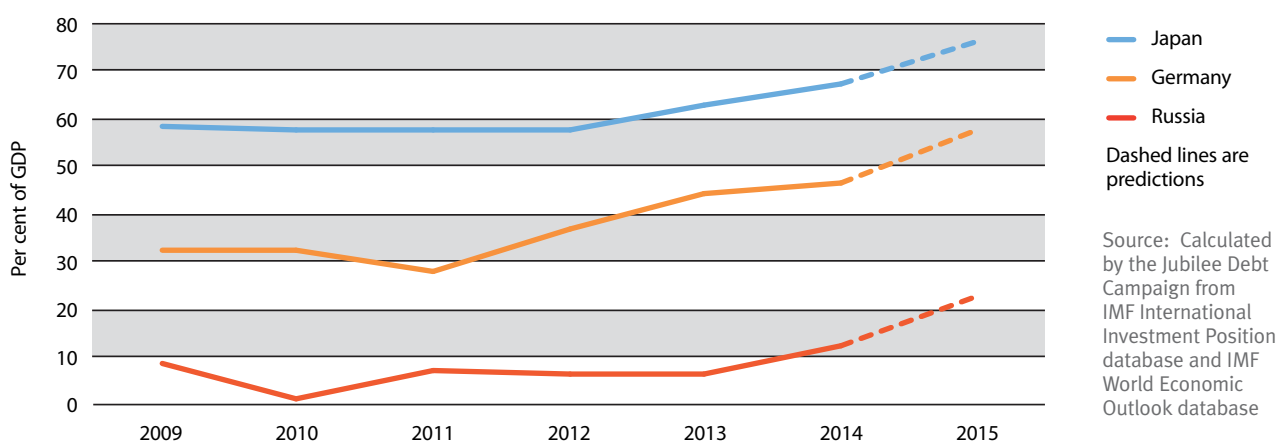
For example, Germany could have turned its large surplus into a small deficit, by allowing workers' wages to increase, enabling them to buy more from its major trading partners. This would have allowed countries with large debts to German banks, such as Greece, Portugal and Spain, to export more to Germany, more easily reducing their own deficits.

It seems the lessons of the financial crisis and the danger of these global imbalances has not been learnt. Current patterns of global trade and finance are sowing the seeds of the next global crisis.

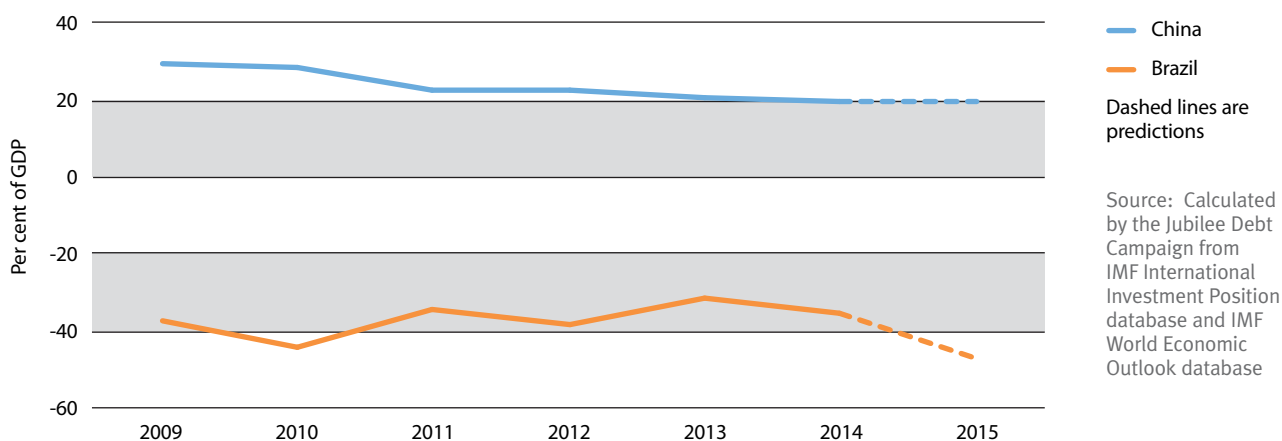
Graph 2: Major economies net debt, 2009-2015, per cent of GDP



Graph 3: Major economies net surplus, 2009-2015, per cent of GDP



Graph 4: China and Brazil have not been adding to global imbalances, net surplus and debt, 2009-2015, per cent of GDP



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6 Stockhammer, E. (2012). *Rising inequality as a root cause of the present crisis*. Political Economy Research Institute. University of Massachusetts Amherst. April 2012. http://www.peri.umass.edu/fileadmin/pdf/working_papers/working_papers_251-300/WP282.pdf

7 We have included some countries which do not have International Investment Position figures, by using their total external debt and total reserve figures from the World Bank World Development Indicators database. Where these are not available either, we have not included the country in our calculations.

8 This is calculated by halving global GDP, because half is covered by debtor countries, half surplus countries, then multiplying by the average level.

9 For example, the UK's deficit is caused primarily by its huge financial sector (total foreign liabilities in 2014 were \$15.2 trillion, and assets \$14.5 trillion, compared to a GDP of \$2.7 trillion). To reduce its deficit would require reducing the size of the financial sector.

The lending boom to the global South

Since 2008, there has been a boom in lending to the most impoverished countries. External loans to low-income country governments tripled between 2007 and 2013. There appear to be two general trends.

Firstly, there was an initial significant increase in loans in 2008 and 2009, intended to help countries cope with the loss of expected revenue caused by the global financial crisis, for example through the dramatic fall in global trade.

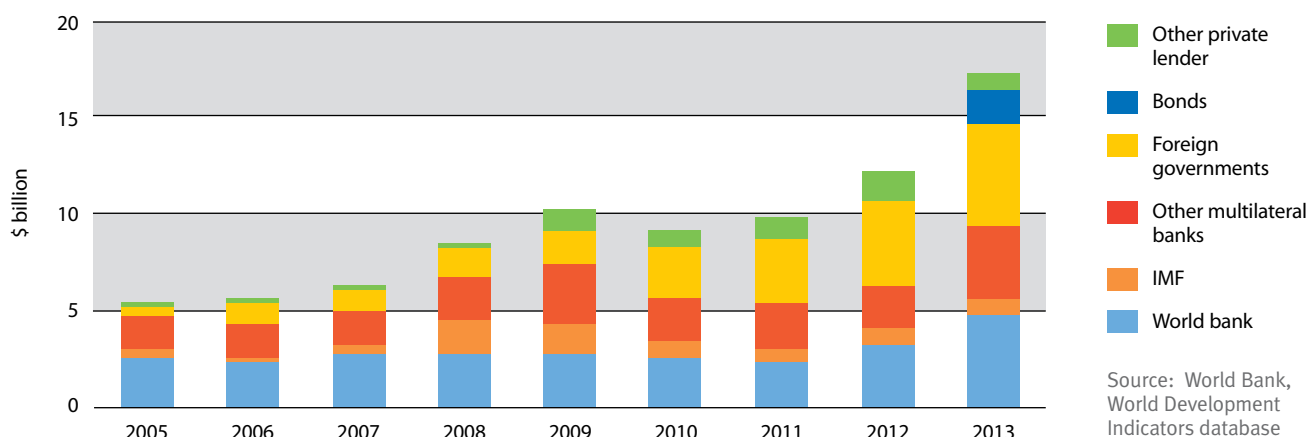
Since 2012 a second increase has been taking place which appears more structural than one-off. Multilateral institutions and governments have increased their lending, and more loans have been available from the private sector, linked to low interest rates in rich economies (see graph 5).

This increase in lending is not as marked in middle income countries. While loans to governments did

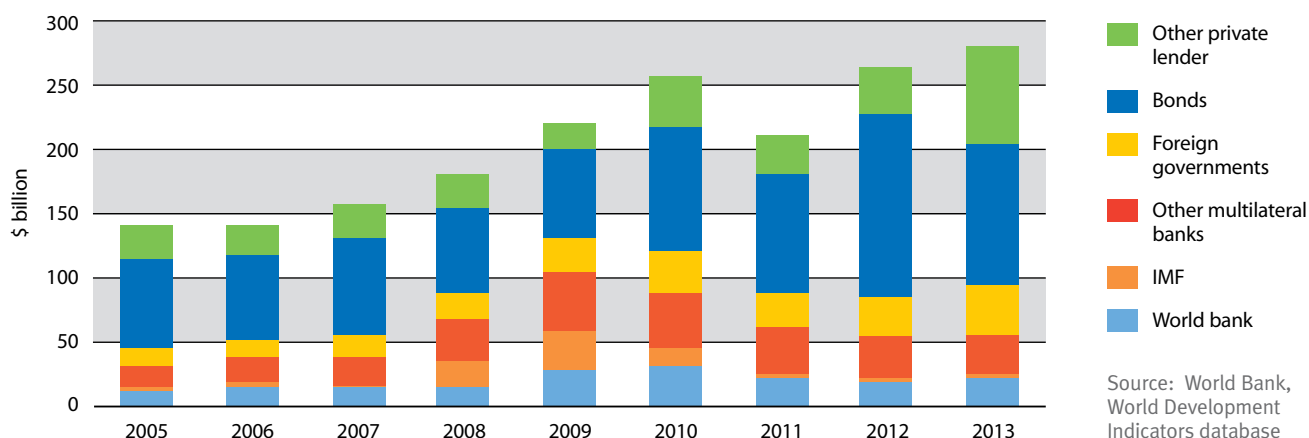
increase significantly from 2008 to 2010, initially through a large increase in multilateral loans, the second phase of growth in lending since 2012 is not as large as in low income countries. However, this overall average does hide large increases in lending to particular countries (see graph 6).

These lending levels give an indication of what is happening, but the true measure of the debt burdens being created is how much government revenue (and export earnings) will be spent on debt payments in the future. The IMF and World Bank conduct Debt Sustainability Assessments predicting future debt payments for low-income countries, and a few middle-income countries. But incredibly such assessments are not carried out for most middle- and all high-income countries, despite the clear evidence that all countries can be affected by debt crises, no matter their income level.

Graph 5: External loans to low income countries, 2005-2013, \$ billion



Graph 6: External loans to middle income countries, 2005-2013, \$ billion



In autumn 2014, Jubilee Debt Campaign assessed the 43 countries which had Debt Sustainability Assessments by the IMF and World Bank for the previous year. The report looked at future debt payments under three scenarios:

- 1) The IMF and World Bank baseline of usually high economic growth
- 2) The IMF and World Bank scenario of one economic shock, usually a devaluation of the currency
- 3) Our own lower-growth scenario

We found that:

- 11 countries (26%) will still face significant increases (of more than 5 percentage points of government revenue) in debt payments even if IMF and World Bank predictions of continuous high economic growth over the next decade are met.
- This number of countries facing significant increases in debt payments will rise to 25 countries (60%) if IMF and World Bank estimates of one economic shock over the next decade are met.
- Under the alternative scenario of lower (but still substantial) economic growth, 29 countries (67%) have significant increases in debt payments.

If current lending to these countries was sustainable, it would be expected that over time, debt payments as a proportion of government revenue would fall, as investments funded by debt generate revenue to repay the loan and interest. Where debt payments instead rise significantly over the medium term, it suggests that lending is unsustainable (see graph 7).

Which lenders are lending and why

Below we look at the general pattern of lending to countries classified by the World Bank as 'low-income' (with annual income per person below £675), and those classified as middle-income (with annual income per person between £675 and £8,300).

Lending to low-income countries

Loans to low-income country governments are dominated by the public sector. Between 2008 and 2013, 60% of loans were from multilateral institutions (almost half of this the World Bank), and almost 30% from foreign governments. Ten per cent of loans were from the private sector.

All these sources of lending have been increasing. Loans from the World Bank rose from \$2.8 billion in 2007 to \$4.7 billion in 2013 (70% increase), while total multilateral lending (including the World Bank) increased from \$5 billion in 2007 to \$9.4 billion by 2013 (90% increase). Loans from other governments have increased more rapidly, from \$1 billion in 2007 to \$5.3 billion by 2013 (430% increase).

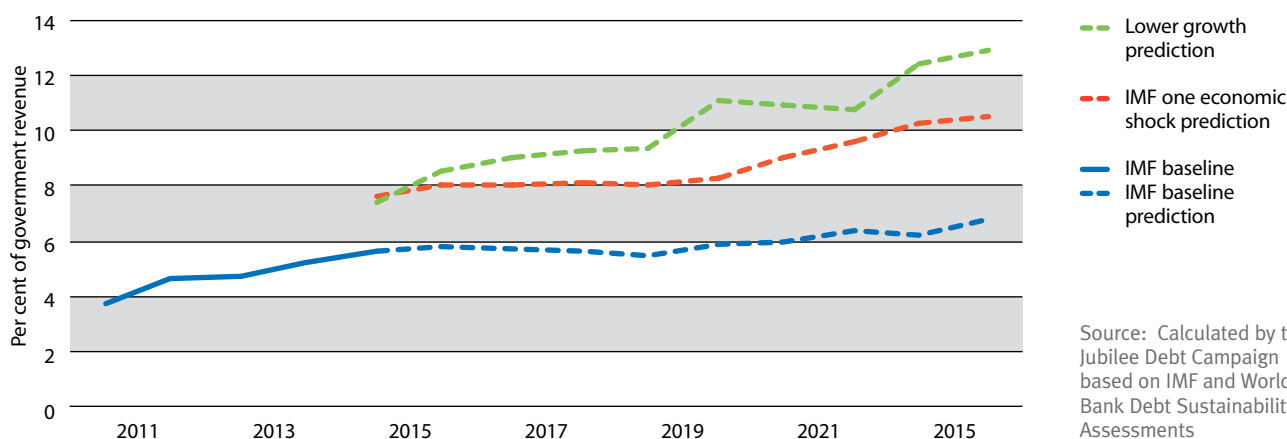
Private lending was negligible until 2009, but since then has grown from \$1.1 billion in 2009 to \$2.7 billion by 2013 (145% increase). Most private lending to low-income country governments has been direct loans from foreign banks. However, in 2013, the first low-income countries issued bonds – Rwanda and Senegal – and more have followed since.

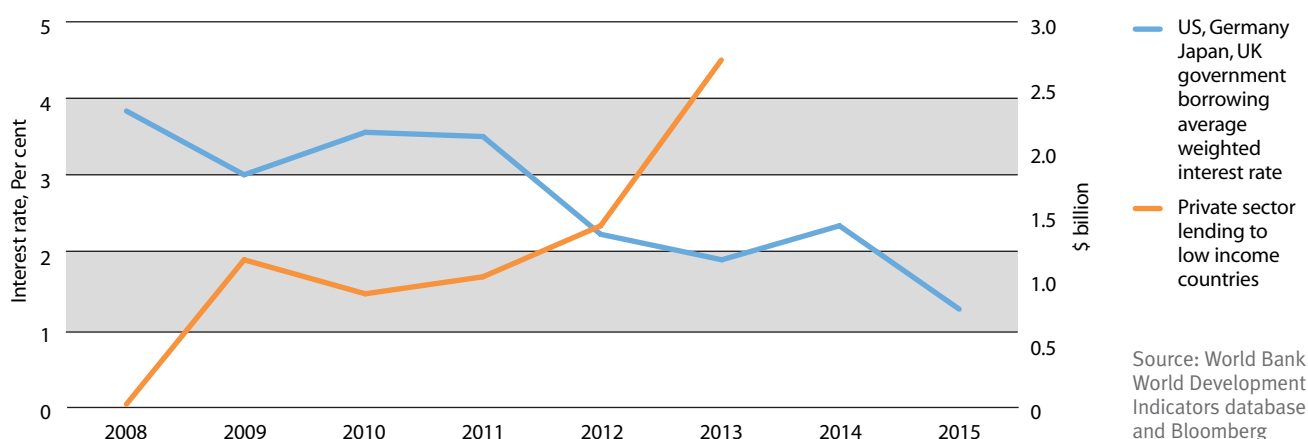
Multilateral institution loans to low-income countries are primarily given at low interest rates, below the lender's cost of borrowing. Therefore, the availability of loans depends on how much donor funding they attract to subsidise lower interest rates. This has risen as donors have increased the amount of aid they channel through multilaterals.

Similarly, 'aid' loans directly from western governments have almost doubled since the global financial crisis began. The OECD reports that the amount of 'aid' given as loans increased from \$9 billion in 2006 to \$18 billion by 2013, though it does not break this down by income profile of the recipient countries – it includes both low- and middle-income countries.¹⁰ This does not include 'non-aid' loans such as export credits.

In 2013, the largest providers of loans which were classified as 'aid' were Japan (\$9.7 billion), EU

Graph 7: Median average government debt payments as a percentage of income (2011-2024), 43 countries with debt sustainability assessments



Graph 8: As western interest rates have fallen, private lending to low income countries has risen

institutions (\$5.2 billion), France (\$3.2 billion) and Germany (\$3 billion). Of these, Japan's loans have increased 70% since 2007, France's 200% and Germany by 130%. The EU institutions are a relatively new source of lending. Until 2010, direct EU loans which counted as 'aid' totalled a few hundred million dollars a year, but since 2011 have averaged \$5.6 billion.

Of non-OECD countries, China currently aims to lend \$6.5 billion a year to African countries from 2012 to 2015, twice as much as between 2009 and 2012.¹¹ This includes lending to middle-income African countries such as South Africa, Angola and Nigeria.

These figures on government lending are all incomplete snapshots. What they clearly show is that from both traditional lenders like Japan, France and Germany, and new lenders such as China and the EU, loans have been increasing rapidly. Particularly for low-income countries, these lenders are significant sources of the new debt burdens being created.

Any reasoning as to why loans from governments are increasing is more speculative. China both has increased capital available to invest, and has been looking to ensure access to raw material resources. For traditional 'aid' givers, such as Japan, France and Germany, loans enable aid statistics to increase, or at least fall less, whilst committing less money over the medium term, thus helping cut budget deficits. Under current OECD rules, the whole loan is counted as aid in the year it is made. However, this may now change as the OECD agreed new, tighter rules on how easily loans can count as aid in December 2014, though they still allow governments to profit from loans labelled as 'aid'.¹²

The private sector has been looking to lend more to developing countries because of low interest rates in western countries. Central banks in the US, Eurozone,

Japan and UK all cut interest rates to close to zero in response to the global financial crisis, and created new money with which they bought up their own governments' bonds – a process known as quantitative easing.

The impact of this, along with no/low growth and low inflation has been to drastically reduce the interest rate on many rich country government's debt. So lower interest rates generally in the western world have made it cheaper for financial speculators to borrow, then lend to developing countries where higher interest rates are available. So far, the fall in government interest rates in western countries has been mirrored by a rise in lending to low income countries (see graph 8).

For middle-income countries, debt is dominated much more by the private sector, both through issuing bonds and borrowing from private banks. Between 2008 and 2013, private lenders accounted for 55% of debt to middle-income countries, followed by 30% from multilateral institutions and 15% from other governments. Since 2007, loans to middle-income country governments from private lenders have increased by 110%, from multilateral institutions by 40% and from other governments by 185%.

Although the growth in lending to middle income countries is less marked than in low income, there has been a significant increase in loans from the private sector, which doubled between 2008 and 2013. Again, this probably has been driven particularly by the fall in interest rates in the western world. IMF loans increased significantly during the peak of the financial crisis between 2008 and 2010. Overall multilateral loans have fallen since 2009, but in 2013 were still 40% up on 2007 levels. Loans from other governments to middle-income country governments have doubled between 2007 and 2013.

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12 See <http://jubileedebt.org.uk/blog/aid-rules-tightened-still-allow-profit-made-loans>

The countries most at risk

In section 2 we presented overall global debt figures, based on the net debt or lending of whole countries with the rest of the world, looking at both public and private sectors. Section 3 looked into lending levels to developing country governments, and predicted future debt payments where these have been calculated by the IMF and World Bank, which is primarily only for low-income countries.

Using these figures we now investigate which states are most at risk of new debt crises, or are already in crisis, using three factors:

- 1) The net debt of the whole country (government and private sector).
- 2) Current government external debt payments.
- 3) Future government external debt payments. Where these exist this is predicted future payments. Where not, it is current government debt as a proportion of GDP
- 4) Current account deficit – how much a country as a whole (public and private sector) is spending more than it is earning

The figures that are available, which cover 165 countries, are presented in the Appendix on page 35. Based on these, we have grouped countries into those already suffering from high government debt payments, those at risk of future government debt crises, and those where there is a risk of debt crises caused by the private sector despite government external debt being relatively low.

Countries already in debt crisis

- significant net debt (more than 30% of GDP), and
- high current government external debt payments (more than 15% of government revenue).

There are 22 countries which currently have high government debt payments leading to large amounts of money leaving their country each year, along with an overall net debt with the rest of the world. Regions particularly affected are Europe (Croatia, Greece, Ireland, Macedonia, Montenegro, Portugal, Spain and Ukraine) Central America and the Caribbean (Belize, Costa Rica, Dominican Republic, El Salvador, Jamaica, and St. Vincent and the Grenadines) and North Africa and the Middle East (Lebanon and Tunisia). The Gambia in West Africa is also spending 15% of government revenue on foreign debt payments, despite qualifying for debt relief under the Heavily Indebted Poor Countries initiative in 2007.

Sudan and Zimbabwe do not have high government debt payments because they are both in default on much of their debt. Their overall debt is unpayable. Both are

currently trying to enter debt relief initiatives, but have not been accepted yet by Western creditor countries.

Countries at high risk of government external debt crisis

- significant net debt (more than 30% of GDP)
- high future government external debt payments (projected to exceed 15% of government revenue – or, where projections are not available, current government external debt already over 50% of GDP)
- significant current account deficit (more than 5% of GDP).

We estimate that 14 countries are rapidly heading towards new government debt crises, based on their large external debts, large and persistent current account deficits, and high projected future government debt payments (or, where predictions do not exist, large current government debt).

Of these, some are already likely to be back in debt crisis, but the figures are not yet available to show that they are. These are expected to have high government debt payments over the next few years; they include nations such as Dominica, Ghana and Mauritania. Others, including Tanzania and Uganda, currently have low government debt payments, but could enter crisis in the next decade, especially if they are hit by economic shocks or growth is lower than predicted.

There are three main types of country in this group: fast-growing nations in sub-Saharan Africa (Ethiopia, Ghana, Mozambique, Senegal, Tanzania and Uganda), fast-growing countries in Asia (Bhutan, Lao PDR and Mongolia) and small island states (Cabo Verde, Dominica, Samoa and Sao Tome and Principe).

For nine countries in this group there are detailed predictions for their future debt payments, providing clearer evidence of the risk of future debt crisis. In section 5, we look in more detail at how high levels of lending to these nine countries have affected economic growth, poverty reduction and inequality.

Countries at risk of government external debt crisis

- significant net debt (more than 30% of GDP), or significant current account deficit (more than 5% of GDP), and
- significant future government debt payments (projected to exceed 10% of government revenue – or, where projections are not available, current government external debt already over 40% of GDP).

Countries already in debt crisis

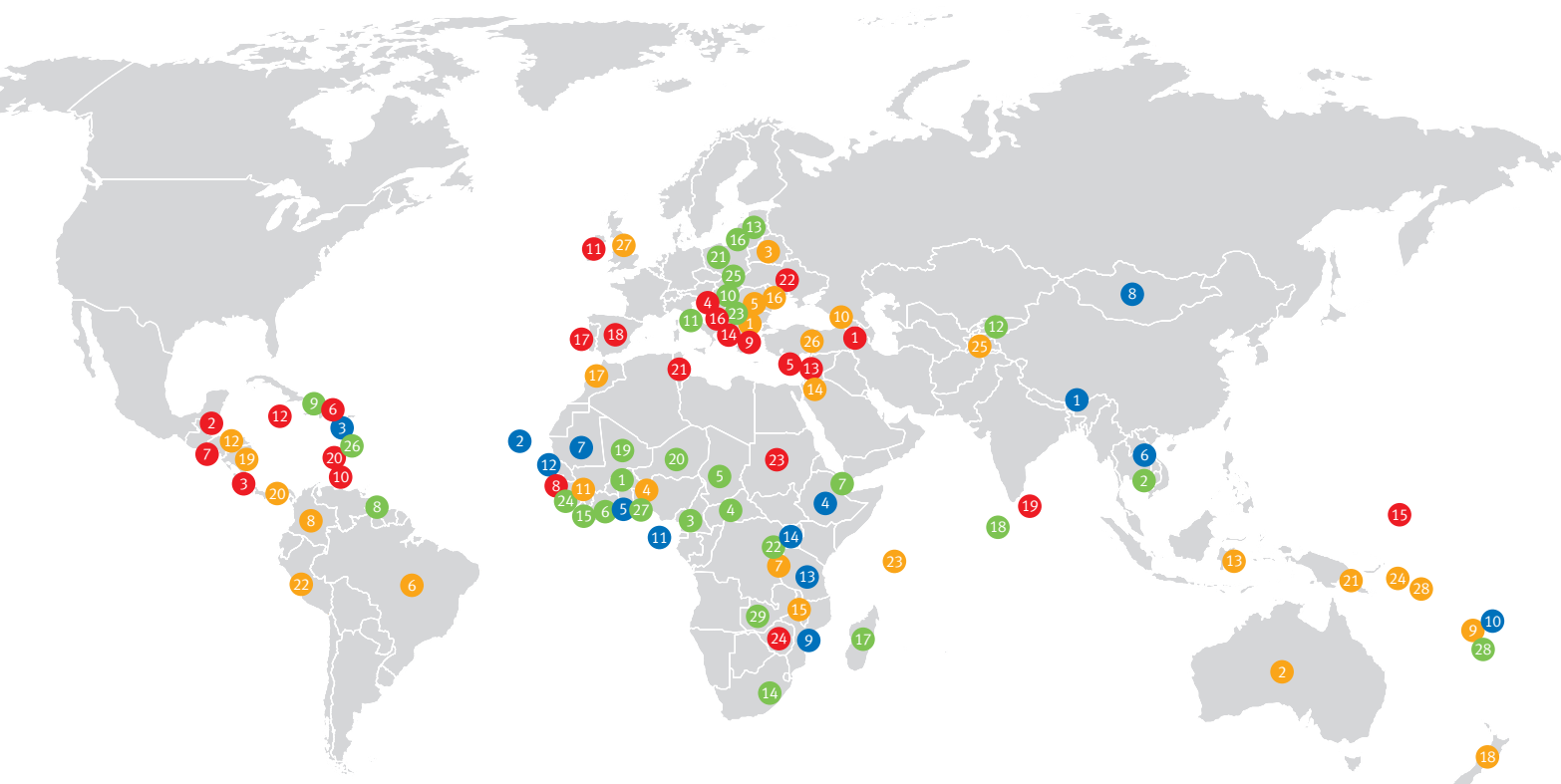
- | | |
|----------------------|----------------------------------|
| 1 Armenia | 12 Jamaica |
| 2 Belize | 13 Lebanon ¹³ |
| 3 Costa Rica | 14 Macedonia |
| 4 Croatia | 15 Marshall Islands |
| 5 Cyprus | 16 Montenegro |
| 6 Dominican Republic | 17 Portugal |
| 7 El Salvador | 18 Spain |
| 8 the Gambia | 19 Sri Lanka |
| 9 Greece | 20 St Vincent and the Grenadines |
| 10 Grenada | 21 Tunisia |
| 11 Ireland | 22 Ukraine |

Also, countries in default or debt negotiation

- | | |
|----------|-------------|
| 23 Sudan | 24 Zimbabwe |
|----------|-------------|

Countries at risk of government external debt crisis

- | | |
|----------------------------|--------------------|
| 1 Burkina Faso | 15 Liberia |
| 2 Cambodia | 16 Lithuania |
| 3 Cameroon | 17 Madagascar |
| 4 Central African Republic | 18 Maldives |
| 5 Chad | 19 Mali |
| 6 Cote d'Ivoire | 20 Niger |
| 7 Djibouti | 21 Poland |
| 8 Guyana | 22 Rwanda |
| 9 Haiti | 23 Serbia |
| 10 Hungary | 24 Sierra Leone |
| 11 Italy | 25 Slovak Republic |
| 12 Kyrgyz Republic | 26 St Lucia |
| 13 Latvia | 27 Togo |
| 14 Lesotho | 28 Tonga |
| | 29 Zambia |



Countries at high risk of government external debt crisis

- | | |
|--------------|--------------------------|
| 1 Bhutan | 10 Samoa |
| 2 Cabo Verde | 11 Sao Tome and Principe |
| 3 Dominica | 12 Senegal |
| 4 Ethiopia | 13 Tanzania |
| 5 Ghana | 14 Uganda |
| 6 Lao PDR | |
| 7 Mauritania | |
| 8 Mongolia | |
| 9 Mozambique | |

Countries at risk of private-sector debt crisis

- | | |
|--------------|--------------------------|
| 1 Albania | 15 Malawi |
| 2 Australia | 16 Moldova |
| 3 Belarus | 17 Morocco |
| 4 Benin | 18 New Zealand |
| 5 Bosnia | 19 Nicaragua |
| 6 Brazil | 20 Panama |
| 7 Burundi | 21 Papua New Guinea |
| 8 Colombia | 22 Peru |
| 9 Fiji | 23 Seychelles |
| 10 Georgia | 24 Solomon Islands |
| 11 Guinea | 25 Tajikistan |
| 12 Honduras | 26 Turkey |
| 13 Indonesia | 27 United Kingdom |
| 14 Jordan | 28 Vanuatu ¹⁴ |

These countries have significant imbalances with the rest of the world, either through high net debt or high and persistent current account deficits, as well as significant projected future government debt payments. For some, it may be that the private sector is an even larger source of risk than government debt.

These countries are in the same regions already seen in the sections above: sub-Saharan Africa, Central America and the Caribbean, other small island states, Europe and Central Asia.

Countries at risk of private-sector debt crisis

- significant net debt (over 30% of GDP), and
- significant current account deficit (over 5% of GDP).

Debt owed by the private sector, rather than a government, can precipitate debt crises. This can happen either when lending that an economy has become

dependent on suddenly falls, when repayment burdens on private sector debt remove significant resources from the country, and/or when the private sector crashes and has to be bailed out by the government. The current debt crisis in Europe was triggered primarily by external debts owed by the private sector (eg, by Irish banks to British banks) rather than by governments. This created a debt crisis for governments both because they directly took on the private sector's debt, and because the recessions caused by private sector debt have significantly reduced government income.

The countries in this group do not have high current or projected government debt payments, but they do have significant net debts and large current account deficits. This may indicate that their private sectors are creating future debt crises through unsustainable borrowing. Alternatively, it may indicate corporations using debt as a means to avoid tax, by 'lending' to subsidiaries, and thus taking interest payments out of the country tax-free, rather than as profit which may be taxed. Whether

Recent commodity devaluation and depreciation of currency

The global South debt crisis which began in the early 1980s was triggered by an increase in US dollar interest rates and falling prices of commodity exports. Many developing countries have already lost revenue from the drop in commodity prices over 2014 and 2015, and an increase in US dollar interest rates is likely at some point in 2015.

The fall in commodity prices has had a major impact on the debt payment costs of many commodity exporters. The fall in export revenues causes currencies to devalue. This in turn increases the relative size of debts owed in foreign currencies, as more domestic revenue is now needed to pay the same amount of a foreign currency. The general strengthening of the US dollar against all currencies in recent months has exacerbated this effect,

as many foreign debts are owed in dollars, so payments increase when the dollar increases in value.

Although many multilateral and bilateral loans come with significantly lower interest rates than from the private sector, because they are still denominated in foreign currencies such as dollars, payments on them can also become substantially more expensive if a country's currency devalues.

In Ghana, while official figures are not yet available, government foreign debt payments in 2015 may have increased to 23% of government revenue, compared to an IMF and World Bank predicted 16%. In Mozambique, payments could have risen from 8% of revenue to 10%. Neither of these takes into account any drop in government revenue from the fall in commodity prices (see table 3).

Table 2: Selected countries with debt sustainability assessments, relatively high current or future predicted debt payments, and large devaluations from 2014 to 2015

Currency	Amount devalued against dollar January 2014 to April 2015	Implied increase in government debt payments in 2015 (percentage of government revenue)	Implied increase in government debt payments in 2024 (percentage of government revenue)
Ghanaian cedi	40%	16% to 23%	20% to 28%
Mongolian tugrik	15%	12% to 14%	14% to 16%
Mozambique metical	15%	8% to 10%	7% to 8%
Tanzanian shilling	20%	6% to 7%	10% to 12%
Ugandan shilling	20%	3% to 4%	8% to 10%
Zambian kwacha	30%	7% to 9%	14% to 18%

either of these things is happening will depend on the structure of the debt, a key issue being whether it is owed within the same company or between companies.

Debt crises can be created by the private sector if the lending which has been sustaining these economies drops dramatically, if large amounts of resources are taken out of countries through debt payments, or if the private sector requires bailing out, for example bank bailouts or other forms of government guarantees. For several of the countries currently making large government debt payments – for example, Ireland, Jamaica and Spain – crisis arose wholly or partly from the actions of the private sector.

This is the most diverse group of countries, with no clear regional pattern. It includes large economies such as Brazil and the UK, as well as countries in most of the regions mentioned above: Europe, Small Island States, Central Asia, the Middle East and North Africa, sub-Saharan Africa and Central America.

Many of the countries we have classed as at risk of government debt crisis may also be vulnerable to debt crisis caused by the private sector.

Concerns about debt crises in the global South

It is well-known that many countries in the global North are suffering from debt crises, or at risk of further financial shocks because of the bloated debts of their private sectors. But concern is now also spreading about the possibility of new debt crises in the global South.

Dr Fanwell Bokosi, Executive Director of the African Forum and Network on Debt and Development (Afrodad) has warned that the rates of increase in debt in many African countries are worrying. He warns that governments and lenders are not thinking enough about how funds will be used productively, saying: “Accumulating debt is not the way forward, and the rate at which it is building up is unsustainable.”¹⁵ Furthermore Dr Bokosi warns that high debt burdens

give creditors the power to determine policies in borrowing countries.

Multilateral institutions have also issued warnings, though these have focussed primarily on borrowing through bond issuance, rather than their own lending. In May 2014 IMF Managing Director Christine Lagarde told the *Financial Times* that “Governments should be attentive and they should be cautious about not overloading the countries with too much debt. That is additional financing, but that is an additional vulnerability.”¹⁶ This ignores the role of lenders in helping create future crises. However, the IMF has begun to tacitly acknowledge the role that public-sector financing can also play in debt crises. Its ‘debt limits policy’, agreed in 2015, includes lower-interest multilateral and bilateral loans for the first time, as well as borrowing from the private sector.

Financial market commentators have also begun to note rising risks. For example, Angus Downie from African regional bank Ecobank warned that in countries where debt levels have already increased significantly, falling commodity prices and rising US interest rates could mean governments struggle to meet debt payments.¹⁷

A paper by the Overseas Development Institute in 2014 identified four reasons why debt difficulties could soon emerge for countries which qualified for the Heavily Indebted Poor Countries debt relief initiative. These are:

- 1) countries moving from low-income to lower middle-income status receiving fewer grants and more higher-interest loans;
- 2) the boom in debt and payment burdens created by borrowing from private markets and implementing public-private partnerships;
- 3) the increase in lending from other governments;
- 4) the increase in domestic debt alongside rising external debt.¹⁸

References – Section four

- 13 Lebanon is an anomaly. It has very high government external debt payments, government external debt and a very high and persistent current account deficit. However, overall the country is said to have a surplus with the rest of the world. It is a large financial centre for the Middle East and it may be that this surplus is overstated, so we have still included it in the list of countries which already have very high debt payments.
- 14 The data for Vanuatu all comes from before the devastating Cyclone Pam. This is likely to have made Vanuatu’s debt situation much worse.
- 15 Ghanaweb. (2015). *Africa’s rising debt ‘unsustainable’ – Expert*. 24/03/15. <http://www.ghanaweb.com/GhanaHomePage/business/artikel.php?ID=351723>
- 16 Blas, J. and England, A. (2014). IMF warns ‘rising’ African nations on sovereign debt risks. *Financial Times*. 29/04/14. <http://www.ft.com/cms/s/0/6ae943e0-e751-11e3-8b4e-00144feabdc0.html#axzz3XArxcM60>
- 17 Downie, A. (2015). *Africa rush to Eurobond issuance raises spectre of new debt relief*. <http://naija247news.com/2015/04/africa-rush-to-eurobond-issuance-raises-spectre-of-new-debt-relief/>
- 18 Prizzon, A. and Mustapha, S. (2014). *Debt sustainability in HIPC in a new age of choice*. ODI Working Paper 397.

Is lending-based economic policy working?

The main justification for high levels of lending is that loans will be used to invest in productive activities, so the loan and interest can be repaid with funds left over. Because it is lending from overseas, by its nature it can only ultimately, if indirectly, enable investment in things from overseas, such as hiring foreign contractors or buying foreign made capital equipment, rather than enabling investment using domestic resources. Similarly, for foreign debts to be repaid requires income from overseas, which usually means selling exports. So investments funded by foreign lending not only have to earn a return to enable their repayment, but also need to earn this income from the rest of the world.

To evaluate how well this model is working, we have looked in more detail at the countries in the ‘high risk of government debt crisis’ section above, where there is recent information from IMF and World Bank Debt Sustainability Assessments on projected future

government debt payments. These are therefore the developing countries which:

- Already have a significant net debt to the rest of the world (both from public and private sectors),
- Have large projected future government external debt payments, and
- Have a significant and sustained current account deficit.

There are nine countries which meet these criteria: Bhutan, Ethiopia, Ghana, Lao PDR, Mongolia, Mozambique, Senegal, Tanzania and Uganda (see Appendix on page 35). We will group these countries to investigate whether the current model of high lending is working to create economic growth and reduce poverty and inequality.

At-risk countries are growing faster

Between 2008 and 2013, the average annual growth rate in GDP per person in these nine countries was 4.74%. This is more than a percentage point higher than the 3.64% average for low-income countries over the same period. It is not surprising that these countries, which are significantly dependent on foreign debt, have higher growth rates, though this does not imply causation. It may be that the foreign financial inflows are helping create higher growth by funding increased consumption or investment, or it may just be that lenders are attracted by high growth which already exists.

But they are not reducing poverty faster

However, poverty is actually increasing in several of the nine countries heavily dependent on foreign loans, despite high growth. And overall these nations are reducing poverty less quickly than other low-income countries.

In five of the nine, the number of people in poverty¹⁹ has risen over recent years: Senegal, Uganda, Ethiopia, Mozambique and Lao PDR. For example, in Ethiopia the economy grew by 60% per person between 2005 and 2011, but the number of people living on less than \$2 a day increased by 5.4 million.

In Ghana and Tanzania, poverty is falling slowly, by just 2.1% and 0.7% a year respectively. Mongolia and Bhutan are doing much better, with the number of people living in poverty falling by 13.5% and 8.9% a year respectively.

Domestic debt

As an organisation in the global North, Jubilee Debt Campaign’s remit is to focus on the actions of lenders, so this report has focussed on external debt – debt that is owed to individuals, companies, institutions or governments outside the country concerned, whether in a foreign currency or the country’s own currency. In contrast, domestic debt is owed to people and institutions within the country concerned. The total debts and debt payments that governments face are higher than presented in this report if domestic debt is included.

There are important differences between external and domestic debt which mean they should not be analysed in the same way. External debt is inherently more risky. While domestic debt for impoverished countries usually has higher interest rates, it is also usually paid in local currency, so does not fluctuate with currency devaluations. Furthermore, payments on domestic debt stay within the country concerned. So although high domestic debts can potentially cause financial difficulties for a government, there are more policies which it can introduce to cope with this, such as taxing revenues earned within the country, and domestic debts do not create financial imbalances with the rest of the world.

Table 3: Annual change in number of people living below poverty line ²⁰

Country	Annual change in number of people living below poverty line (% , - = fall in poverty, + = increase) (years used most recent available for each country) ²¹	What proportion of people in poverty are being taken out of poverty by each 1% growth in per person GDP
Mongolia	-13.5%	+1.0%
Bhutan	-8.9%	+1.5%
Ghana	-2.1%	+0.3%
Average for low income countries	-1.0%	+0.3%
Tanzania	-0.7%	+0.2%
Lao PDR	+0.1%	Poverty is increasing
Mozambique	+1.3%	Poverty is increasing
Ethiopia	+1.5%	Poverty is increasing
Uganda	+2.8%	Poverty is increasing
Senegal	+3.0%	Poverty is increasing

Although Mongolia and Bhutan are reducing poverty quickly, the amount of economic growth it takes to achieve this is not as impressive. For Bhutan, each 1% of economic growth per person reduces the number of people living on less than \$2 a day by 1.5%, while for Mongolia 1% of growth reduces the number of people below the national poverty line by 1%. If this ratio of poverty reduction to economic growth continues, Bhutan will need to grow by another 66% for no-one to be living on less than \$2 a day, Mongolia by 100% for no-one to be living below the national poverty line.

In Ghana and Tanzania, economic growth is having much less impact on poverty. At the current rate, Ghana's economy would need to more than triple to lift everybody above the \$2 a day poverty line, and Tanzania's to grow more than fivefold.

For low-income countries as a whole, between 2008 and 2011, the average drop in the number of people living on less than \$2 a day was 1% a year. This means that despite high levels of lending and higher than average growth, six of the nine countries are performing worse at reducing poverty than the average for low-income countries. If we look at the rate at which economic growth is reducing poverty, seven of the nine countries are performing at or below the average for low income countries (see table 3).

And inequality is increasing

In seven of the nine countries most dependent on foreign lending, inequality is also increasing. In just one, Mozambique, has inequality been falling, although the

Table 4: Comparison of average income of richest and poorest ²²

Country	How much more average income of richest 10% is than poorest 40% (2000-2007)	How much more average income of richest 10% is than poorest 40% (2008-2013)	For every \$1 increase in income for someone in poorest 40%, someone in richest 10% got:
Bhutan	6.7	7.0	\$8
Ethiopia	4.6	5.4	\$7
Lao PDR	6.0	6.2	\$7
Mongolia	5.1	6.2	\$9
Mozambique	10.7	10.0	\$7
Senegal	7.2	7.6	\$400 ²³
Tanzania	5.6	6.7	\$9
Uganda	8.6	9.5	\$15

southern African country still has the highest inequality in the group. Furthermore, the share of economic growth going to the rich compared to the poor was similar in Mozambique as in the other countries. For Ghana there is no recent data, though between 1998 and 2006 inequality increased, a trend which may have continued.²⁴

For example, in Uganda in 2006 the average income across the poorest 40% of society was \$439 a year, but for the richest 10% \$3,769. By 2013, the average income for those in the richest 10% had increased to \$4,891, but for the poorest 40% to just \$516. This means for every \$1 increase in average income for those in the poorest 40%, those in the richest 10% got \$15 (see table 4).

There are no aggregate figures to compare these countries with others, but it is clear that inequality is increasing in countries that are heavily dependent on foreign loans. This has been seen in other research as well. An IMF study of 51 high- and middle-income countries found that those with increasing foreign financial inflows tended to experience increasing inequality.²⁵

And countries are remaining dependent on volatile commodities

Dependence on a small number of commodities makes countries highly vulnerable to changes such as falls in price, natural disasters or the depletion of resources such as minerals and fossil fuels. Furthermore, revenues from commodities such as minerals and fossil fuels are more likely to solely benefit elites and increase inequality, because they require relatively small numbers of workers for the revenue produced, and because elites and companies find ways to own such resources for themselves rather than ownership being distributed across the population.

For the nine countries most dependent on foreign lending, there is no evidence that growth and lending is reducing dependence on primary commodities.

Table 5: Primary commodity exports as a proportion of GDP²⁶

Country	2000	2007	2013
Bhutan	12%	32%	12%
Ethiopia	5%	6%	5%
Ghana	30%	15%	25%
Lao PDR	8%	17%	17%
Mongolia	32%	42%	36%
Mozambique	8%	25%	23%
Senegal	15%	9%	12%
Tanzania	6%	11%	13%
Uganda	6%	8%	7%

While export earnings vary widely from one year to the next depending on how prices change, in none of the countries is there a sustained fall in commodity dependence (see table 5).

This replicates the experience of many developing countries. UNCTAD's last review in 2012 found that 60% of developing countries rely on primary commodities for more than 60% of their export earnings.²⁷ The World Bank says that for sub-Saharan African countries, the proportion of exports made up of primary commodities has increased from 72% in 1999-2000 to 75% in 2011-13, while the proportion from manufactured goods has fallen from 22% in 1999-2000 to 14% in 2011-13.²⁸

Although there is no compelling evidence that the group of countries which are heavily dependent on foreign loans are becoming more dependent on commodity exports, the important point is that foreign lending has not so far been used to reduce their dependence, and so make them less vulnerable to future shocks.

References – Section five

- 19 For all countries except Mongolia and Ghana this is the number of people living below the World Bank's poverty line of \$2 a day. No recent figures exist for Mongolia and Ghana, so for them the measure used is the national poverty line.
- 20 All figures are calculated by Jubilee Debt Campaign from World Bank World Development Indicators
- 21 All of the start years for the measurement are 2005 or later, and all end years 2011 or later except Mozambique which is 2003 to 2009, the latest available figures.
- 22 Calculated from World Bank. World Development Indicators.
- 23 Average income for the poorest 40% over the time period actually fell slightly, whilst for the richest 10% it increased by \$400.
- 24 In 1998 in Ghana the richest 10% had an average income 7.7 times more than the poorest 40%. By 2006 this had increased to 8.7 times.
- 25 Jaumotte, F., Lall, Su., and Papageorgiou, C. (2008). *Rising income inequality: Technology or Trade and Financial Globalization?* IMF Working Paper <https://www.imf.org/external/pubs/ft/wp/2008/wp08185.pdf>
- 26 Calculated from UNCTADstat and World Bank. World Development Indicators database.
- 27 UNCTAD. (2012). *Overview: Commodities and development report* http://unctad.xiii.org/en/SessionDocument/suc2011d9_overview_en.pdf
- 28 World Bank. (2014). *Africa's Pulse Volume 10*. October 2014 http://www-wds.worldbank.org/external/default/WDSPContentServer/WDSP/IB/2014/10/23/000470435_20141023112521/Rendered/PDF/912070REVISED00ct20140vol100v120web.pdf

Hidden debts: Public-Private Partnerships

Public Private Partnerships (PPPs) are responsible for 15-20 per cent of infrastructure investment in developing countries.²⁹ As well as being heavily pushed by donors through both the aid they give and the conditions attached to grants, loans and debt relief, they have become popular because they enable debt payments to be hidden from the public view.

One form of PPP, such as the UK's Private Finance Initiative, gets the private sector to undertake an investment, but the government guarantees payments and/or commits to bailing out the private operator if the investment fails. These forms of PPP therefore have the same fiscal impact as a government borrowing directly, but the payment obligations are not included in debt figures. In fact, the cost to the government is usually higher than if it had done the borrowing and investment itself, because private sector borrowing costs more, private contractors demand a significant profit, and negotiations are normally weighted in the private sector's favour.

In fact, research suggests that PPPs are the most expensive way for governments to invest in infrastructure, ultimately costing more than double the amount than if the investment had been financed with bank loans or bond issuance.³⁰

According to Maximilien Queyranne from the IMF Fiscal Affairs Department, the fiscal risks of PPPs are "potentially large" because they can be used to "move spending off budget and bypass spending controls" and "move debt off balance sheet and create contingent and future liabilities".³¹ He also warns that they "reduce budget flexibility in the long term".³²

A recent study by the World Bank's Independent Evaluation Group found that of 442 PPPs supported by the World Bank, assessments of their impact on poverty were conducted for just nine of them (2%), and of their fiscal impact for just 12 (3%).³³

However, the debt payment obligations created by PPPs are not covered at all in Debt Sustainability Assessments, meaning that governments' real future payment obligations will probably be much higher than those presented earlier in this report.

The UK has taken a lead role in promoting PPPs around the world. Through the Private Finance Initiative, which first started in the mid-1990s, the UK government invented a common form of PPP, while at the same time

imposing large payment obligations on itself. In 2011 a review by the UK Parliament's Treasury Committee found that "The use of PFI has the effect of increasing the cost of finance for public investments relative to what would be available to the government if it borrowed on its own account."³⁴ A 2015 review by the UK National Audit Office found that investment through PFI schemes cost more than double what it would cost if the government had borrowed directly,³⁵ and this doesn't include the cost of paying private companies profit under PFI. Doing so would mean that PFI would work out even more expensive than direct public borrowing and investment.

This disastrous record in the UK has not stopped the UK government promoting PPPs across the world. For example, it set up and funds the Private Infrastructure Development Group (PIDG), itself a PPP,³⁶ which exists to promote Public-Private Partnerships to finance infrastructure in developing countries.

Between 2002 and 2013 the UK's Department for International Development has disbursed \$663 million from its aid budget to PIDG, covering two-thirds of the contributions by all donors.³⁷ PIDG works through various subsidiaries. Of the DfID funding for it, the largest disbursements were to the Emerging Africa Infrastructure Fund (US\$294 million), GuarantCo (US\$134 million) and InfraCo Africa received US\$63 million.³⁸ The Emerging Africa Infrastructure Fund helps fund African PPPs in telecoms, transport, power and water. InfraCo Africa is similarly a private company which uses public money to invest in PPPs. GuarantCo guarantees foreign currency investments in PPPs so private lenders do not lose out if exchange rates change.

PPP case study one: Lesotho health

Oxfam and the Consumers Protection Association of Lesotho³⁹ have exposed the scandal of the Queen 'Mamohato Memorial Hospital in Lesotho, a PPP signed in 2009. Under the 18-year contract, the private company Tsepong (a consortium led by South African health company Netcare) built a new public hospital and delivers all clinical services for it. At the end of the contract, ownership of the hospital transfers to the government.

The hospital is already costing the government \$67 million a year, three times more than the old public hospital would have cost by now. It consumes 51% of the government's health budget, which will have to increase by 64% over the next three years to cover the

PPP's costs. Meanwhile, shareholders in Tsepong are expecting an annual 25% return on their investment. After 18 years, they will have received 7.6 times their original investment.

The project has been heavily supported by the World Bank's IFC. The IFC played a central role in the project design, including acting on behalf of the Lesotho government in the planning, tendering and contract negotiation. This included the IFC being paid a \$720,000 success fee when the contract between the government and Tsepong was signed. The UK's Department for International Development has given \$5 million to the IFC to further expand its PPP health advisory work.

Despite being a low-income country at the time eligibility was decided, Lesotho was not considered heavily indebted enough to be allowed into the Heavily Indebted Poor Countries debt relief initiative. However, today its external government debt is \$940 million – 38% of GDP. Annual government external debt payments are currently \$43 million, or 3% of revenue. Debt payments are expected to rise to \$175 million by the early 2020s. Assuming the economy grows by 5% a year, this means debt payments will take up 8% of government revenue by then.⁴⁰ If economic growth is lower, payments could reach 13% of revenue.⁴¹ And none of these debt payments include the money the Lesotho government is paying to Tsepong for the hospital.

PPP case study two: Ghana energy

In the late 1990s, the Takoradi 2 Oil Power Plant was built in Ghana by US company Consumer Michigan Services, and subsequently sold to TAQA, an Abu Dhabi-

controlled company. This power plant has a 25-year agreement where the government has guaranteed to pay a minimum amount, which increases as fuel costs rise. This guaranteed payment is also denominated in dollars, rather than in the Ghanaian cedi. This was estimated at the start of the contract at an annual 20% return on the company's investment, but it could turn out to be higher. Meanwhile the government bears all the risk of oil price increases and depreciation of the cedi against the dollar.⁴²

Devaluation over the contract's first ten years rapidly increased the cost of electricity from the plant, with the Ghanaian government protecting consumers to some extent by providing subsidies so the full cost of these increases was not passed on, but it was born by the Ghanaian government. Between January 2014 and April 2015, the Ghanaian cedi has devalued by 40%, which will have only increased the costs further.

The government has a large budget deficit, and as part of the bailout loans which began in 2015, the IMF is demanding that fuel subsidies are cut, so high electricity tariff increases are almost certainly on the way. But government expenditure on the subsidies may continue to increase anyway because of the PPP agreement, since the escalating costs cannot be covered purely by tariff increases.

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Case study: Mozambique

Mozambique gained independence from Portugal in 1975 after fighting a brutal war of independence for the previous decade. The new left-wing one-party government was violently opposed by rebels supported by white Rhodesia and apartheid South Africa, which both also launched military operations directly against Mozambique. The ensuing war lasted from 1977 to 1992.

When records begin in the mid-1980s, Mozambique's government external debt was already 60% of GDP. Government foreign debt payments averaged 15% of revenue through the 1980s and 1990s, and this increased in the mid-1990s after the end of the war. Many of the loans during the war came from other governments (presumably backers such as the USSR), but 20% was from multilateral institutions, primarily the World Bank, and 15% from private lenders.

After the war, between 1994 and 1999, 90% of lending to Mozambique was from multilateral institutions, primarily the World Bank and IMF. This effectively paid off those who had lent during the war, including the private sector and other governments, as Mozambique would not have been able to afford such sizeable debt payments without the new loans.

In 2001 Mozambique qualified for \$4.3 billion of debt cancellation under the Heavily Indebted Poor Countries initiative, and in 2005 a further \$2 billion under the Multilateral Debt Relief Initiative.⁴³ Debt payments fell, to just 1% of government revenue by 2007.

Following the end of the war in the 1990s, there were significant improvements to child health. The number of children dying before their fifth birthday hardly fell between independence in 1975 and the end of the war in 1992. However, it then dropped sharply, and today six in every 100 children do not live to reach the age of five.

This is still far too high, but it is a big improvement (see graph 9).

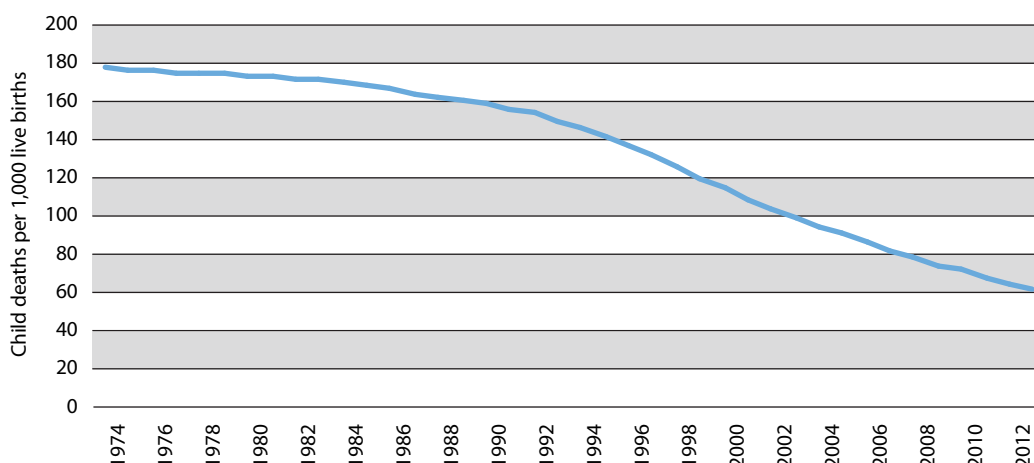
However, following the end of the war, the proportion of children completing primary school fell. As government spending was cut as a condition of IMF and World Bank loans, the proportion of children completing primary school fell from 25% in 1992 to just 14% by 1999. Following debt relief, this began to increase, reaching 60% by 2010. Since then there has been a worrying drop in the completion rate to below 50% by 2013, the latest year for which figures are available (see graph 10).

But although health and education outcomes have improved since debt relief, the same is not true of other indicators such as malnutrition and poverty. Between 1996 and 2011, GDP per person doubled (see graph 11). Yet at the same time, the number of people classed by the UN as undernourished increased from 8.1 million in 1996 to 9.6 million by 2011. The number of people living on less than \$2 a day increased even more dramatically, from 15.2 million in 1996 to 19.3 million in 2009 (the latest year for which figures are available, see graph 12)

Current debt levels

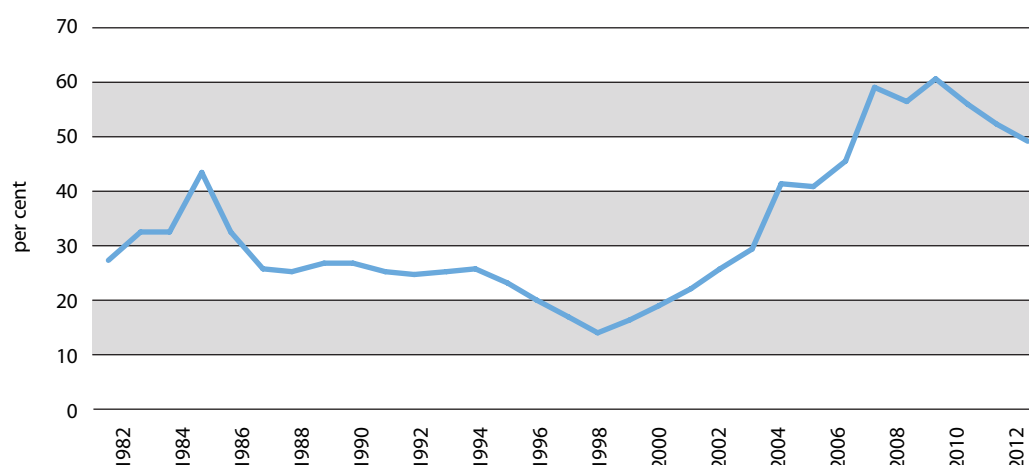
Mozambique's economic policy since the mid-1990s has been based around a series of 'megaprojects' funded by foreign investment and development loans. The first of these was the Mozal aluminium smelter, which Jubilee Debt Campaign and Justica Ambiental from Mozambique have previously analysed at length.⁴⁴ Completed between 2000 and 2004, the smelter was half-funded by public money (loans, equity and loan guarantees), including contributions from the World Bank, and South African, British (UK Export Finance and CDC), Japanese, French and German governments. The other half of the funding was private investment, and came primarily

Graph 9: Children dying before their 5th birthday (per 1,000 live births)



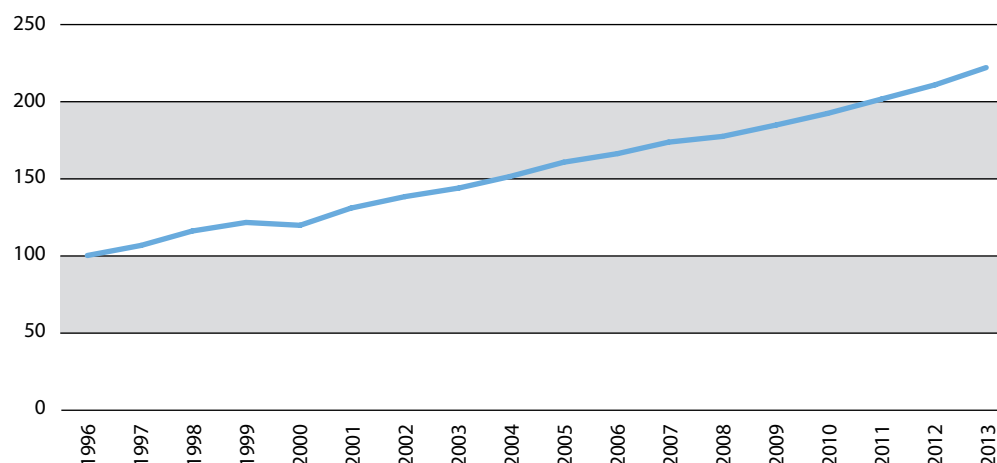
Source: World Bank, World Development Indicators database

Graph 10: Children completing primary school (per cent, 1982-2013)



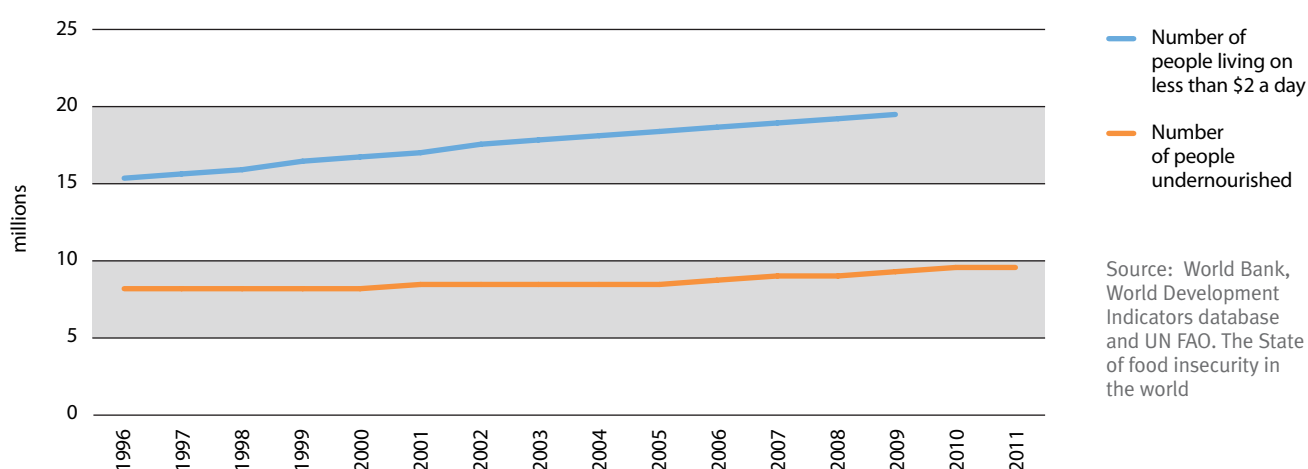
Source: World Bank, World Development Indicators database

Graph 11: Size of economy per person (1996 = 100)



Source: World Bank, World Development Indicators database

Graph 12: Number of people living on less than \$2 a day and undernourished (millions)



Source: World Bank, World Development Indicators database and UN FAO. The State of food insecurity in the world

from the smelter's main owners, BHP Billiton and Mitsubishi Corporation.

The smelter was exempt from all taxes on profit and VAT, with just a 1% turnover tax charged. Moreover, it has benefitted from a hugely subsidised electricity rate, paying just 1.1-1.6 cents per kWh, compared to tariffs for other industrial users in Mozambique of 4.5-6 cents per kWh and 9 cents for residential electricity users. In 2013, it was estimated that for every \$1 received by the Mozambique government from the smelter, \$21 left the country in profit or interest to foreign governments and investors. Of the average total \$1.2 billion annual revenue generated by the smelter, just \$80 million entered Mozambique's economy (7%), yet the whole \$1.2 billion counted as 'economic growth'.

Other completed or planned megaprojects in Mozambique have included gas fields, various mines – particularly coal and titanium – and agro-industry. The detailed Mozal example above explains how these projects can create high economic growth, without generating significant domestic economic benefits or helping alleviate poverty. Meanwhile, important resources such as electricity are effectively given away. A review completed by UNCTAD in 2012 found that megaprojects had failed to benefit the people of Mozambique, despite the huge economic growth and foreign investment they have generated.⁴⁵

The flip-side of the large amount of foreign investment is that it created liabilities such as debt payments, or other financial flows out of the country, such as multinational company profits. Between 2009 and 2013, the total liabilities owed by Mozambique (private and public sectors) to other countries increased from \$14 billion to \$34 billion.⁴⁶ Meanwhile, foreign assets held by Mozambique rose from \$4 billion to \$9 billion. This means by 2013, Mozambique's net debt – the debt of the public and private sectors to the rest of the world, minus the debt owed to them – was \$25 billion, a gigantic 160% of GDP, the highest of any country in the world.

The IMF projects that Mozambique will continue to run huge current account deficits in 2014 and 2015 of around 40% of GDP. This indicates that the lending boom is continuing. If these deficits continue to increase Mozambique's net debt at the same rate as previous deficits have, in 2015 the net debt will top 200% of GDP. If so, based on past evidence, Mozambique's GDP figures will keep booming, even more debt and profit payments out of the country will be created for the future, and poverty will continue to increase.

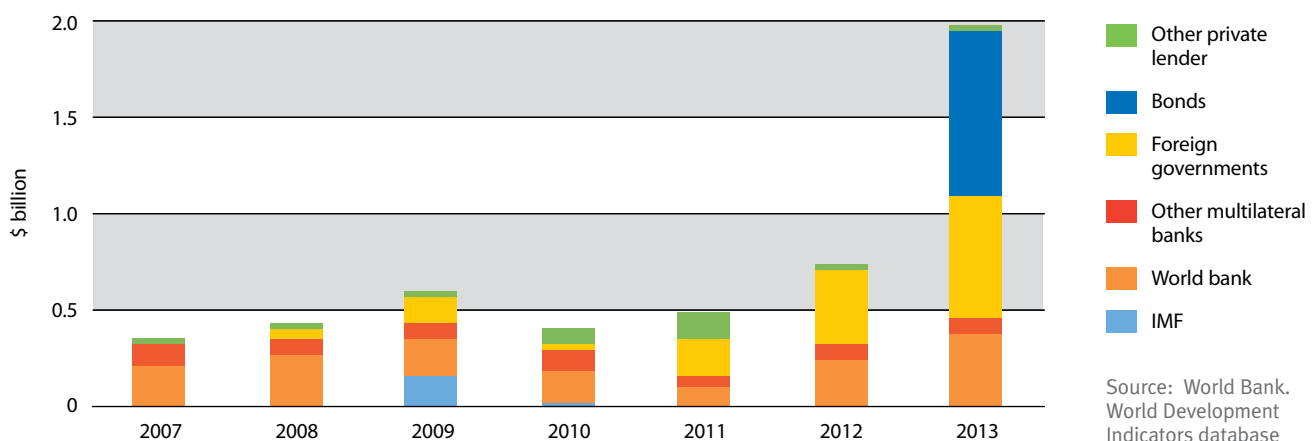
What loans have been used for

The lending boom to the government began in 2012 (following a spike in 2009 – see graph below). In 2013, foreign loans to the Mozambique government reached almost \$2 billion. This spike was primarily caused by borrowing through \$850 million of bonds, paying 8.5% interest, some of which is said to be being used to pay for a fishing fleet.⁴⁷ However, lending from other governments (\$600 million) and the World Bank (\$400 million) also reached record highs in 2013. In total, since 2007 the World Bank has accounted for 31% of foreign lending to the Mozambique government, with 16% from other multilateral institutions. 29% has been from other governments, and 24% from the private sector (see graph 13).

One of the primary areas for which the World Bank has lent money has been a series of 'poverty reduction and support credits' totalling \$635 million between 2007 and 2013 (40% of World Bank lending to Mozambique over this period). These are effectively loans to fund recurrent government spending.

The loans come attached to a set of policies the World Bank demands governments implement. The conditions of the loans made between 2009 and 2012 focussed on "public financial management", "civil service pay" and unspecified "pension reforms", reducing regulations on businesses and creating a framework for using public-private partnerships (see section 6 on page 19).

Graph 13: Foreign lending to Mozambique government, 2007-2013, \$ billion



The World Bank's evaluation of these loans goes into extensive detail on whether these policies have been followed (eg, the number of procedures required to start a business has fallen from 13 to 9). However, it does not assess what the loans have actually been spent on, nor how they have helped or hindered reducing poverty. The evaluation mentions that "the response of poverty reduction to economic growth is confirmed to have weakened after 2003" but this does not have any impact on how successful the World Bank rates the loans to have been. Instead, the World Bank judged the loans as "satisfactory" because a PPP law was passed and the number of regulations on businesses fell.⁴⁸

There are other ways World Bank loans support general government spending. Between 2009 and 2010, the World Bank lent \$79 million for spending on education. The evaluation report notes that over this time, the primary completion rate increased and that the loans were therefore successful. As noted above, the primary completion rate did increase over this time, though given primary education lasts 6 years, this may have had more to do with spending before this period. And since 2010, the completion rate has fallen. The World Bank has not directly funded any education projects since, so this lending for recurrent spending has not continued, although the need for funds for education remains.

China is thought to be the largest foreign government lending to Mozambique. In 2013 its total loans were said to be \$241 million, accounting for 40% of foreign government lending (compared to \$380 million from the World Bank in the same year). Chinese loans are said to be funding "roads, bridges and social and economic infrastructure".⁴⁹ One current project is the building of the Maputo-Catembe suspension bridge by a Chinese corporation funded by Chinese loans, costing \$725 million. It is feared the project will be a white elephant as just 30,000 people live in Catembe, though this is expected to increase. A toll is expected on the bridge, but if the loans pay 5% interest, the tolls will need to generate almost \$50 million a year to cover the costs over 30 years, which seems unlikely.⁵⁰ This does not account for any exchange rate fluctuations.

OECD governments collectively lent \$300 million to Mozambique in 2013, and over \$1 billion in total between 2010 and 2013. 60% of this lending counted as 'aid' with 40% other forms of lending such as export credits. The main country lender is Portugal, followed by Korea, France, Japan and Norway.⁵¹

Whilst the UK government claims it does not currently lend aid money directly, it effectively has to Mozambique. From 2008 it has put money into a scheme it created at the World Bank called the Pilot Programme for Climate Resilience (PPCR). This money was given as a 'capital contribution', so that it could be discounted over time and therefore would not affect the UK government's own borrowing figures, but this means it has to be given as loans rather than grants.

The UK is lending \$36 million to Mozambique via the PPCR, with \$50 million of grants being distributed by the PPCR from contributions from other donors. This is said to be being used for improving the resilience of farmers to droughts, making management of woodlands more climate resilient, making roads less vulnerable to floods, improving the cities of Beira and Nacala's ability to deal with floods, and improving women's access to health services after "major climatic events".⁵² \$6.5 million of the UK loans are being added on to a larger World Bank project of \$120 million of loans to make Beira, Nacala and Maputo more resistant to the effects of climate change, in particular increased floods.⁵³

The risk is that even if these projects are implemented successfully and bring real benefits to cope with the impacts of climate change, this will only prevent damage potentially caused by climate change. By definition, projects seeking to adapt to climate change will not generate additional revenue to enable the loans to be repaid. This is also true of ongoing budget support to the Mozambique government, or potential white elephant projects. It is not clear whether or how they will generate the revenue to the government to repay the loans. If they fail to do so, they are likely to be paid for by future cuts in Mozambique government spending, increased taxes or additional borrowing.

Possible future debt crisis

The Mozambique government's foreign owed debt had grown to \$6.8 billion by 2013 (44% of GDP), up from 25% of GDP in 2008 following debt relief. It therefore represents around 20% of the country's total foreign liabilities. In 2015, foreign debt payments will make up 8% of government revenue and are predicted by the IMF to remain at the same level for the next decade. This assumes that the economy continues to grow by 8% a year, and the proportion of revenue the government collects from the economy increases. Of course, if this doesn't happen, the situation could potentially be a lot more difficult. The IMF says that one economic shock would increase debt payments to almost 15% of revenue, whilst Jubilee Debt Campaign has previously estimated that if growth was lower, debt payments could hit 20% of revenue.

Mozambique's economic policy is therefore based on a gamble that the lending will continue, that it will be productive, that a significant amount of the growth it creates will accrue to the government, and there will not be shocks such as falls in prices of oil, coal and gas.

Mozambique is already being hit by economic shocks. The price of most of its main exports, except for aluminium and tobacco, is down significantly since January 2014 (see table below). Furthermore, as explained above, very little revenue from aluminium exports gets to either the Mozambique government or the wider Mozambique economy. Discounting this, based on the price falls for the other commodities

below, export revenues which potentially come into Mozambique will now be 25% lower than expected at the beginning of 2014.⁵⁴ Over the same period, the Mozambique metical has devalued by 15% against the dollar, increasing the relative size of debts owed in foreign currencies – effectively, all the foreign-owned debt (see table 6).

Summary

Mozambique's debt crisis in the 1990s devastated public services such as education. Debt relief enabled large improvements in education, and health services also continued to improve. Yet, despite the economy booming, poverty and undernourishment have actually been increasing. This economic boom is based on mega-projects which bring few benefits to the wider Mozambique economy, and large levels of foreign lending which have built up the largest net debt of any country in the world.

Many of the loans to the Mozambique government have been used to fund recurrent spending rather than productive investment. Other loans have paid for potential white elephants, and for climate change adaptation projects which will at best stop situations getting worse, rather than generating revenues which would allow loans to be repaid.

After a decade of being low following debt relief, external debt payments will now consume a significant amount of Mozambique government revenue. The only way these will not cause cuts in future government

Table 6: Mozambique export revenues

Export	Percentage of exports in 2014	Price change from January 2014 to April 2015
Aluminium	30%	+6%
Oil	13%	-48%
Coal	10%	-25%
Tobacco	5%	+1%
Natural gas	5%	-30%
Titanium	3%	-20%
Wood	3%	N/A
Sugar	2%	-20%

spending is if large foreign loans continue to be made available, there are no significant economic shocks, the economy continues to grow rapidly, and the government actually receives increased revenue from this growth. However, global falls in commodity prices over the last year have already reduced export revenues and devalued the currency, increasing the relative size of debt payments. The risk of a new debt crisis has been created, and no progress has been made on reducing poverty.

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- 49 <http://country.eiu.com/article.aspx?articleid=1522310936&Country=Mozambique&topic=Economy&subtopic=Forecast&subsubtopic=Fiscal+policy+outlook&u=1&pid=1203088104&oid=1203088104&uid=1>
- 50 The second Severn Bridge (M4) in the UK generates \$120 million in tolls a year by charging between \$10 and \$30 a journey. It links the two million people living in South-East Wales with southern England, 60 times more people than currently live in Catembe.
- 51 <http://stats.oecd.org/qwids/>
- 52 http://www.climateinvestmentfunds.org/cif/sites/climateinvestmentfunds.org/files/PPCR_Mozambique.pdf
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- 54 This fall may be even higher if the 30% of exports not represented here have also seen price falls.

Case study: Tanzania

Tanganyika achieved independence from the UK in 1961, then joined with Zanzibar in 1964 to create Tanzania. In the 1970s and 1980s, the Tanzanian government borrowed \$6.3 billion from outside the country. Of this lending, just over 50% was from other governments, 30% from multilateral institutions and the remainder from the private sector. During the 1970s there were significant improvements in reducing poverty and providing basic services. For example, the proportion of children completing primary school increased from 20% in 1971 to 90% by 1983.

However, the large amount of debt, combined with falling commodity prices and increased international interest rates caused a huge debt crisis in the late 1980s and 1990s. By the 1990s the Tanzanian government was spending 27% of revenue on foreign debt payments. This was only made possible by IMF and World Bank bailout loans, which were tied to austerity and liberalisation conditions.

The results were disastrous. The number of people living on less than \$2 a day increased from 24.8 million in 1992 to 32.4 million by 2000. The number of children completing primary school fell back to five in ten, with the introduction of user fees for primary education in the mid-1990s one of the conditions of World Bank bailout loans. The number of people classed as undernourished by the UN doubled, from 6.4 million in 1991 to 13 million in 2000.

In 2001, Tanzania qualified for \$3 billion of debt cancellation, followed by a further \$3.8 billion in 2005. Government external debt payments fell from averaging 27% of government revenue in the 1990s to 2% between 2006 and 2013.

Following debt relief there have been significant improvements. The decline in the child mortality rate almost stopped through the debt crisis and austerity decades of the 1980s and 1990s. Since debt relief it fell quite rapidly, though today five in every 100 children still die before they are 5 (see graph below). In 2001, the Tanzanian government abolished user fees for primary education, and the proportion of children completing primary school began to increase. Since 2007 around eight in ten children have completed primary school – though still below the levels achieved in the 1980s before user fees were introduced (see graph 14).

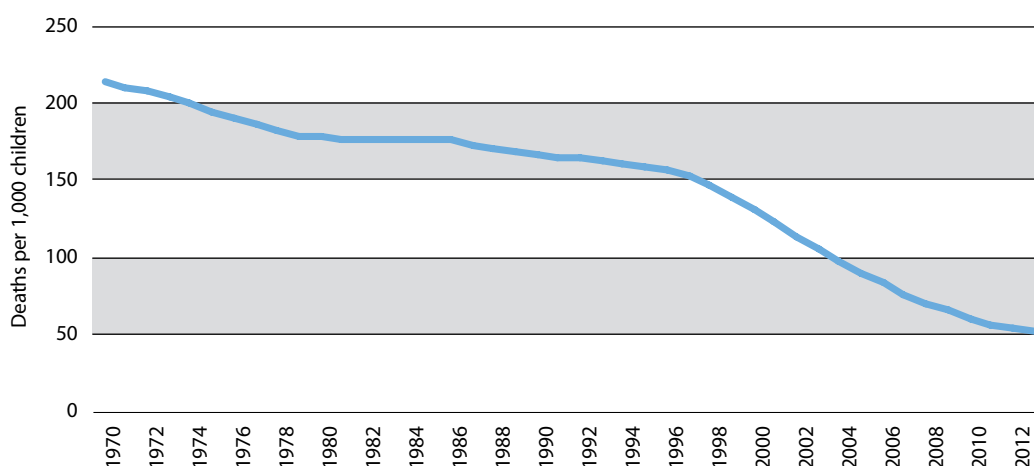
GDP stagnated in per person terms during the debt crisis, but since 2000 has grown 60%. But despite this economic growth, the number of people classed as malnourished has continued to increase. The number of people living on less than \$2 a day kept increasing until 2007; it has since fallen marginally, from 36 million to 35 million (see graph 15).

Current debt levels

A large amount of foreign lending has come into Tanzania in recent years, though this has stayed in line with economic growth. Between 2009 and 2013, the whole country's debt (public and private sector) increased from \$15 billion to \$25 billion, with assets held growing from \$5 billion to \$6 billion. Overall, Tanzania's net debt to the rest of the world has stayed between 40% and 50% of GDP.

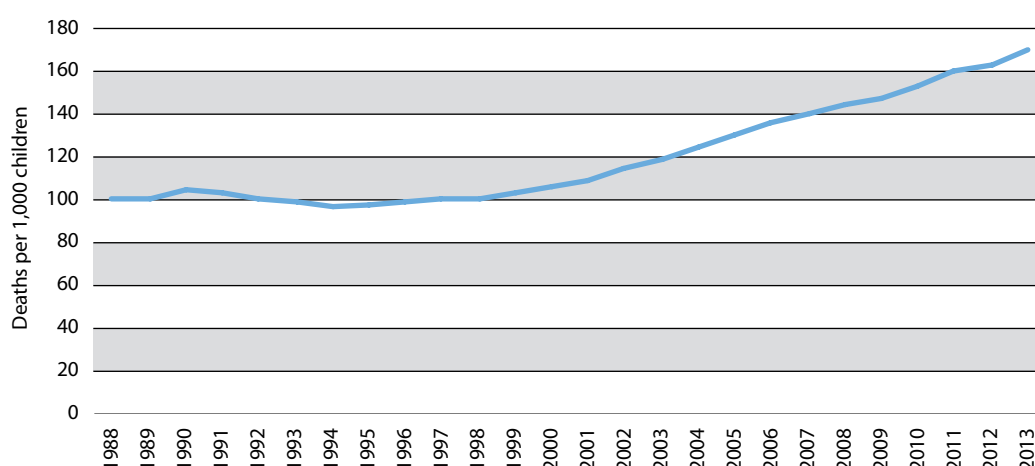
Lending to the Tanzanian government increased in 2009 and 2010 to help cope with the impacts of the global financial crisis. After falling, it increased substantially in 2013 (see graph 17). Between 2007 and 2013, 50% of lending has been from the World Bank, with a further 24% from other multilateral institutions such as the

Graph 14: Number of children dying before their 5th birthday, per 1,000 children



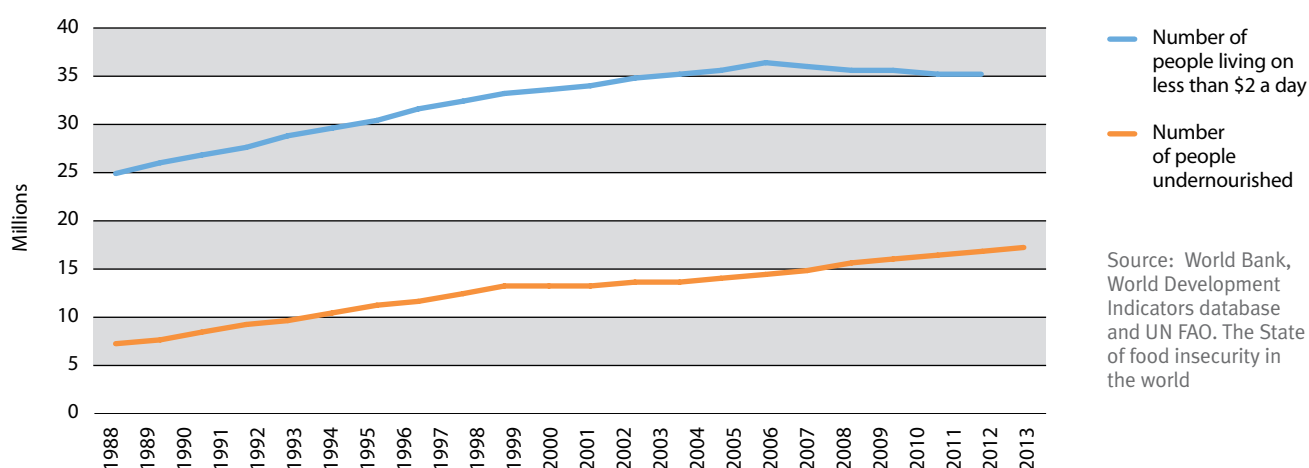
Source: World Bank, World Development Indicators database

Graph 15: Size of Tanzanian economy per person (1989 = 100)



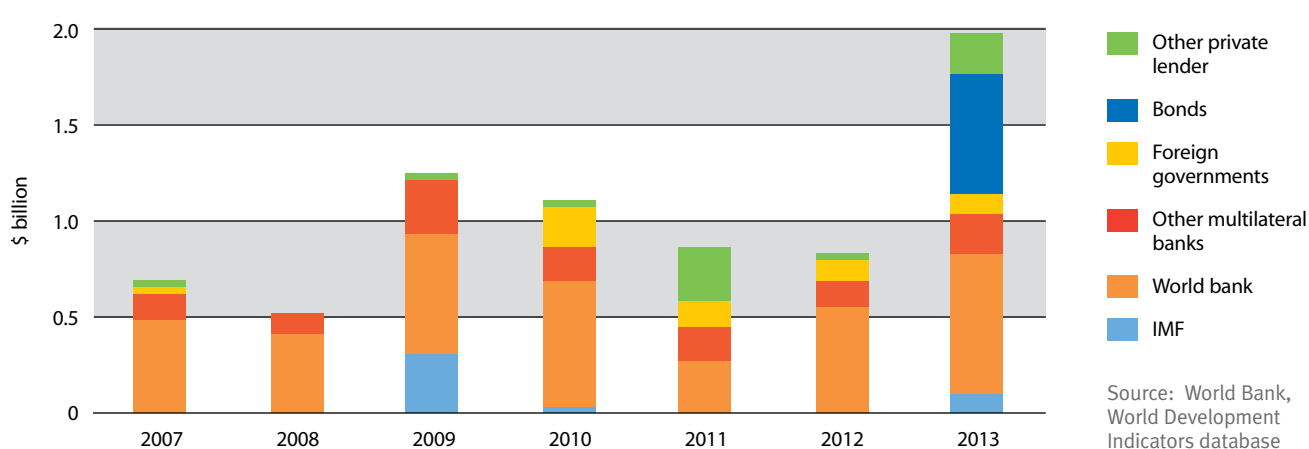
Source: World Bank, World Development Indicators database

Graph 16: Number of people living on less than \$2 a day and undernourished (millions)



Source: World Bank, World Development Indicators database and UN FAO, The State of food insecurity in the world

Graph 17: Foreign lending to Tanzanian government, 2007-2013, \$ billion



Source: World Bank, World Development Indicators database

Debt cancellation, water privatisation and unjust loans

In 2013 campaigners in Tanzania called on their government not to repay \$61.5 million to the World Bank on loans for a water project which yielded 'no positive results'. The Dar es Salaam water supply and sanitation project, which lasted from 2003 to 2010, also included loans of \$48 million from the African Development Bank and \$34 million from the European Investment Bank. The loans began to be repaid in 2013.

Privatising Dar es Salaam water was a condition of both the loans and debt relief. City Water, a consortium which included Biwater from the UK and HP Gauff Ingenieure from Germany, began operating Dar es Salaam's water in 2003. However, as the World Bank says, City Water "was unable to meet many of its targets and obligations from the start". One of the reasons was because shareholders failed to invest promised equity. In May 2005, fearing that City Water was about to collapse, the Dar es Salaam water authority terminated their contract, and on 1 June the company's three British managers were deported.

In 2007, a UN arbitration panel ruled that Tanzania was justified in terminating the contract, and ordered City Water to pay \$5.6 million in damages. But City Water

was bankrupt, so it has paid nothing, and its owners, including Biwater and Gauff, had created legal structures which prevented them from being held responsible. In 2008, a tribunal at the World Bank found that Tanzania had violated a trade treaty between the UK and Tanzania, but that Biwater and Gauff had not suffered any losses and damages as a result.

The project continued back under public ownership, but the World Bank's evaluation in 2010 found that overall it had been "moderately unsatisfactory". For example, by 2009, 70 per cent of customers were meant to have continuous access to water, but in reality only 30 per cent did.⁵⁷

The Executive Director of local NGO Agenda Participation 2000, Moses Kulaba, says "Is it necessary for the government to repay money borrowed to implement a project with the World Bank when there are no results?" Mr Kulaba told the Tanzania Daily News that the project largely failed to improve water supply and the billing system, and both the government and World Bank should share the blame.⁵⁸

African Development Bank and IMF. 17% of lending is from the private sector – this of course has the highest interest rates – and just 8% from other governments.

The \$600 million borrowed in a 2013 bond issuance pays interest of 6% over the LIBOR rate (currently 1.34%). Unusually for a bond, the principal is being repaid over time, rather than in one go when it expires. This does make it safer for Tanzania because it spreads the debt payments out, though it is thought this may have added 2% to the interest rate, even though this change reduces risk for lenders too.⁵⁵ Further borrowing through private bonds is expected in 2015, possibly around \$1 billion.⁵⁶

What loans have been used for

Between 2007 and 2013, \$980 million of World Bank loans were 'poverty reduction and support credits' – 63% of World Bank lending. As with Mozambique, these loans funded general government spending while imposing policy conditions. A 2013 review of such loans between 2003 and 2011 found that whilst economic growth in Tanzania had been strong, "poverty reduction... was significantly less than envisioned", with a very poor relationship between economic growth and poverty reduction.⁵⁹ Conditions of the 2013 loan included signing three PPP agreements.

As well as direct government debt payments, Tanzania already has hidden obligations from previous PPPs. Three of these have been implemented for power companies to supply electricity, at a pre-determined price guaranteed by the government, to the state-owned distributor Tanesco. The first of these was with

Independent Power Tanzania Limited for a diesel fuelled power plant in Dar es Salaam. The second was with Songas, which when it started in 2004 was majority owned by the UK government through Globaleq, a fully owned subsidiary of the Department for International Development's CDC Group.

By 2007/08, the Tanzanian Controller and Audit General found that these two power companies were costing Tanesco 90% of its total revenue, and that "Tanesco is overburdened by the liabilities imposed by various power purchase agreements mostly entered without compliance with the requirements of the Public Procurement Act and its regulations"⁶⁰

Despite these problems, a third electricity PPP was signed with Richmond Development Corporation in 2006. A 2008 parliamentary inquiry found that Richmond had been granted favourable terms in the contract, after which Prime Minister Edward Lowassa and two others resigned, and President Kikwete then dismissed his entire cabinet.⁶¹ Towards the end of 2008 the new government announced it was cancelling the contract, but Dowans Holdings, which had bought the contract, sued Tanesco through the International Chamber of Commerce, which ordered Tanesco to pay \$124 million.⁶²

Tanesco increased tariffs by 40% in 2009, yet it was still making a large loss. In 2013, the IMF estimated that government subsidies for electricity cost around 10% of government revenue. Much of this is used to pay the inflated costs in the power generation PPP agreements, so it is effectively a subsidy to the private companies rather than to Tanzanian citizens.

Another challenge for Tanzanian government finances is collecting tax. The parliamentary public accounts committee has estimated that the Tanzanian government loses \$1.25 billion a year to tax avoidance, evasion and corruption⁶³ – more than 15% of current government revenues. Under the IMF's predictions for Tanzania's government external debt payments – around 10% of government revenue from 2015 to 2024 – government revenue needs to increase to 19.5% of GDP from 2015 to 2019, and 20.3% by 2024. However, since the global financial crisis began in 2008, the steady increase in government revenues as a percentage of GDP has halted, and the figure is currently just 15.7%, well below the levels needed to meet IMF debt payment predictions.⁶⁴

Possible future debt crisis

The government's external debt is currently around \$13 billion, or 33% of GDP (up from 17% after debt relief). Payments on this debt are projected to reach 10% of revenue by 2018, based on the economy growing by 7% a year, and government revenues increasing to 19.5% of GDP (from 15.7% in 2013). The IMF says if there is one economic shock, payments will reach over 14% of revenue. We have estimated that if growth is slower, and government revenue does not increase as planned, payments will exceed 20% of revenue.

As in Mozambique, the Tanzanian shilling has devalued against the US dollar, due to falls in prices for exports. Between January 2014 and April 2015 it fell by 20%, which if all Tanzania's external debt were owed in dollars, would increase projected debt payments from 10% of government revenue to 12%.

Tanzania's main export is gold and precious metal ore, accounting for well over 30% of export revenues. Since the start of 2014, the price of gold has fallen by 8%. Other significant Tanzanian exports include coffee (whose price shot up in early 2014, but has since fallen by a third, back to similar levels to the start of 2014), tobacco (whose price has been stable – see the section on Mozambique), cotton (down 20% since start of 2014) and copper ore (the price of copper is down 15% since the start of 2014).

These falls in commodity prices are already putting pressure on the Tanzanian economy. Alongside the

falling currency this could also lead to higher relative debt payments.

Summary

Tanzania's debt crisis in the 1990s had a devastating impact on livelihoods, public service provision and basic public welfare. Since debt relief, public service provision has improved significantly, seen in improvements in child mortality and primary school completion rates. From the early 2000s, the economy began growing rapidly, yet despite this the number of people undernourished has continued to increase. The number living in poverty also rose until recently, when it has effectively plateaued. Inequality has increased, with the average income of the richest 10% increasing by \$2,300 between 2000 and 2012, while the average income of the poorest 40% only increased by \$250 over the same time.

Tanzania's debt payments are currently low, but will increase over the next few years. The World Bank has constituted the bulk of lending, much of which has paid for recurring government expenditure rather than for particular projects. However, projects supported by the World Bank, on which debts are now being paid, include a failed water privatisation. The Tanzanian government is also already burdened by expensive PPP contracts for electricity generation. More PPPs remains a key condition of World Bank loans. Large-scale borrowing from private financial markets began in 2013 with the issuance of an expensive bond.

Primary commodities still form a large proportion of Tanzania's exports. The price of a significant number of these has fallen over the last year, leading to currency devaluations. The fall in price will have reduced the potential to increase absolute government revenue, and the devaluation will have increased the relative size of external debt payments. The debt payment burden for the Tanzanian government may already be higher than forecast.

Paying this debt without cuts in public service provision or tax increases will depend on the economy continuing to grow, and crucially, government revenue making up a greater percentage of that growing economy – something which has not yet happened.

References – Section eight

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Recommendations

Preventing debt crises requires action by both borrowers and lenders. As we are based in one of the world's major financial centres, Jubilee Debt Campaign's responsibility is to argue for systemic change to lending as part of ending the cycle of debt crises that have devastated lives on all continents since the 1970s.

Below we look at some of the policies which governments could introduce or promote in order to prevent this cycle of debt crises. Some are aimed at the big picture of global financial flows. Others relate particularly to the impacts of the current lending boom on the most impoverished countries.

More fundamentally, as discussed in section 2, rising inequality has created global financial instability. Inequality should be tackled for its own sake, but doing so would also help create a more stable global economy, less prone to booms and busts. Reducing inequality depends on a whole range of actions, such as strengthening trade unions so that a greater share of income accrues to workers rather than speculators, taxes on wealth as well as income, and greater redistribution.



Regulate banks and international financial flows

The world needs a system for regulating the global movement of money – not to prevent useful investment, but to limit speculation and prevent excessive debts and obligations between countries. We need to challenge the ideology that banks and financiers should always be able to move money where and when they like, hidden from view. A global architecture is needed for monitoring and regulating finance as it moves between countries to prevent speculation, asset stripping, illicit capital flight and tax avoidance, and to encourage genuinely useful long-term investment.

Creating this architecture first and foremost needs political will. It will involve untangling the knot of regulations in favour of banks in international treaties, which prevent governments from regulating financial markets. For example, bilateral trade and investment agreements between countries often rule out the use of regulations on capital movements. This is despite the fact they were used to help stabilise economies in most countries since after the Second World War until the 1970s, and more recently in nations including China, Brazil and South Korea.

The effects of inadequate regulation can be seen in the failure of monetary stimulus policies in Europe and the US since the global financial crisis. As stated earlier, since 2008 central banks in the US, UK, Eurozone and Japan have cut interest rates and printed money through quantitative easing in an attempt to stimulate their economies. However, because they have liberalised capital accounts, this money can flow anywhere in the world rather than stimulating the domestic economy as intended. This reduces its impact as a domestic

stimulus, but may contribute to unsustainable booms elsewhere.

Article 63 of the Lisbon Treaty of the EU prohibits “all restrictions on the movement of capital between Member States and between Member States and third countries”. In theory this stops EU countries from introducing any form of regulation on capital movements across borders, even between EU and non-EU countries. The US and EU are currently negotiating the inclusion of financial services within the proposed Transatlantic Trade and Investment Protection (TTIP) bilateral trade treaty. This would similarly block the EU and US from introducing new regulations on the finance sector, making it even harder for countries to control the harmful free movement of capital.

As well as monitoring and regulating how money moves between countries, governments should consider more active regulation of how much banks can lend, and for what. Historically, many countries have used credit controls or guidance on banks to limit how much new lending they can undertake each year, and to direct this lending to genuine investment, rather than speculation on assets which already exist.

In the 1950s and 1960s, the UK imposed limits on how much banks could increase lending each year. The abandonment of this in the 1970s went along with an increase in bank lending, followed by a cycle of boom and bust in the UK banking system and wider economy. Such guidance towards banks was most extensively used by Japan, Korea and Taiwan as part of their ‘economic miracles’ after the Second World War. There was an annual limit on how much lending could

increase, targets for lending to productive industries, and limits on lending for assets which already existed. China subsequently used such ‘window guidance’ in the 1990s and 2000s.⁶⁵

Governments, including the UK, should:

- Stop including any restrictions on capital and credit controls in trade agreements, and argue for those that already exist to be scrapped.
- Work with any countries which introduce capital controls to help enforce them, particularly in reference to financial flows into and out of the UK.
- Stop the TTIP negotiations, including removing financial services liberalisation.
- Consider what forms of credit controls on UK banks could be useful and effective to enable their lending to be targeted at productive investments without contributing to unsustainable booms in the UK or elsewhere.
- Argue for, and support, a UN process to reintroduce capital account monitoring between countries to enable states to tackle tax avoidance and introduce effective capital controls if they so wish.



Create a comprehensive, independent, fair and transparent arbitration mechanism for government debt

The current system of responding to debt crises gives the private sector an incentive to lend recklessly. The IMF and other institutions (such as the EU or World Bank) lend more money to countries in crisis so that they can service their old debts. This bails out the original reckless lenders but leaves the country in debt. When debt relief is finally agreed, for example through the Heavily Indebted Poor Countries initiative, it is the public sector which bears the cost, as the debt cancellation happens after debts have been transferred from the private sector to the public sector.

Instead, a fair and transparent international debt workout process, independent of lenders and borrowers, would force lenders to be involved in debt restructurings. This would encourage private lenders to be more responsible, reducing the frequency of debt crises and protecting the public sector from further costly bailouts. It would also ensure that debt cancellation happened when needed, and so promote faster recovery from crises. At present, crises continue for years and decades even after it becomes apparent that the debt can never be paid.

In September 2014, the UN General Assembly voted to create an international regulatory framework for sovereign debt restructuring, by 124 votes in favour to just 11 against.⁶⁶ This extremely welcome move means there is now a process at the UN to create such a resolution mechanism. Eleven countries, including the UK government, attempted to block these negotiations from even beginning.

For any government debt arbitration mechanism to succeed, it needs to be independent, housed in an

institution which is neither a lender nor a borrower – for example, the UN rather than the IMF. It should be informed by an independent assessment of how much debt a country can have while still meeting its population’s basic needs. It should cover all a country’s external debts, including those owed to multilateral institutions, other governments and the private sector. It should be transparent, and accept evidence from civil society from both debtor and creditor countries. And it should be able to take into account the legality and legitimacy of the debt contracts in determining how much and which debts should be cancelled.

Governments, including the UK, should:

- Constructively engage in the UN process to create a fair, transparent and independent process for resolving sovereign debt crises; stop seeing the IMF (which has a conflict of interest, and is dominated by a small number of countries) as the solution to all debt problems; and implement in full any agreed multilateral outcome of the process.
- Until such a system is created, actively legislate to enforce internationally-agreed debt restructurings (as it did for Heavily Indebted Poor Countries with the Debt Relief (Developing Countries) Act 2010).

3

Support cancellation of debts for countries already in crisis

In the absence of an arbitration process for cancelling debts, the countries identified as already in debt crisis need debts cancelled to enable them to meet the basic needs of their populations, and to allow their economies to recover.

Governments, including the UK, should:

- Support debt cancellation for countries already in crisis. This should include all creditors, involve independent assessment of debt levels, and be based on enabling countries to meet their citizens' basic needs. Processes for cancelling debts in particular regions, such as Europe or Small Island States,

could be a model used in developing a permanent arbitration process.

- Where there is a clear case that reckless lenders were bailed out by public loans, such as in Europe, the costs of debt cancellation should be recovered from the banks and financial institutions that benefitted from the bailouts.

4

Support tax justice

One reason developing country governments depend on foreign loans is because they lose large quantities of revenue through tax avoidance and evasion. The OECD has estimated that developing countries lose three times more money to tax havens than they get in overseas aid every year.⁶⁷

As a major financial centre, the UK government has a responsibility to ensure its policies help developing countries receive more of the money that they are due. But in recent years the UK's policies have made the situation worse for developing countries. The Controlled Foreign Companies rules have been changed so that they no longer deter tax avoidance by UK companies in other countries. Instead, the rules now give UK companies an incentive to maximise their use of offshore financing within their own company, because of a 75% tax break on profits from these transactions.

The harm done by these rule changes indicates that it would be useful for the UK government to be required to conduct a spillover analysis to ensure that every tax rule and treaty it adopts does not harm the ability of developing countries to collect adequate tax revenues, but instead helps them tackle tax avoidance and evasion.

At the global level, action is also needed on tax coordination to help countries address avoidance and evasion. Western states such as the UK insist that current international tax rules are decided at the OECD, a group of 34 rich country governments. Developing nations have called for such rules to be decided at the United Nations. This would make it more likely that

they serve the interests of all countries, and help solve the problems of impoverished countries in tackling tax avoidance.

Governments, including the UK, should:

- Support the creation of an intergovernmental body on tax matters with universal membership under the auspices of the UN.

The UK government should:

- Toughen the UK's anti-tax haven rules so they deter tax-dodging abroad and at home, and review other UK tax rules to assess whether they undermine developing countries' ability to raise vital tax revenue.
- Rigorously review tax breaks, ensuring that their full costs and benefits are properly reported and scrapping any which cannot be justified by measurable benefits to the economy, society and environment.
- Make UK-registered companies operating beyond the UK publish their taxes, profits and other key economic data for each country where they do business, so the public can see what tax they pay and where.
- Toughen the tax regime, making tax-avoidance schemes riskier for those promoting and benefiting from them and more costly when they fail. Ensure that HMRC has the means to crack down harder on tax-dodging.



Stop promoting PPPs as the way to invest in infrastructure and services

As outlined in section 6, PPPs risk creating hidden debt burdens that are far more costly than alternative means of investment. Despite this, significant levels of public funding, especially from the UK, are targeted solely at promoting PPPs. This should stop. No PPP should be supported unless it is shown beforehand that it is cheaper than alternative means of investment, and that the project it finances will generate the revenue to the government to pay liabilities arising from the PPP. It should also meet a set of principles around promoting participation by affected communities, maintaining respect for human rights, preserving the right to redress, ensuring the PPP does no harm, and maximising social benefit.⁶⁸

Whether or not PPPs are introduced should be determined by policy processes in the country concerned. Donors should only support schemes which meet the criteria above, and they should never require PPPs as a policy condition of wider programmes such as IMF loans and World Bank and bilateral donor direct budget support.

Governments, including the UK, should:

- Not support any Public-Private Partnership unless it has been shown that investment through a PPP will:
 - be cheaper than investment using direct government borrowing,
 - generate revenue to the government to pay obligations arising from the PPP for the government,
 - meet a set of principles, including that the project will not harm human rights, allows participation and right to redress for any affected communities, increases access to services, and maximises social benefit .
- Never make implementing a PPP a condition of aid, loans and debt relief, and argue that multilateral institutions of which it is a part should not do so either.



Support responsible lending and borrowing

Both lenders and borrowers are responsible for ensuring that loans are used for productive investments that enable the loans to be repaid, do no harm to people in the country concerned, and promote inclusive development. One key way to ensure this happens is for loans to be scrutinised by parliaments, media and civil society in borrowing countries before they are signed.

One common call of groups we work with in the global South is for all loan contracts to be made publicly available for scrutiny before they are signed, and for contracts to require the agreement of elected parliaments. Lenders can help facilitate this process by making contracts publicly available, and requiring parliamentary approval. However, UK Export Finance, for example, does not release any information on most loans it guarantees until up to a year after a deal has been agreed, and then refuses to release details of the contracts.

As well as only being involved in deals which are transparent and accountable, lenders should also exercise their own due diligence on how loans will be used. Over recent years, UNCTAD has been working with borrowers and lenders on a set of joint principles and guidelines. Though not yet perfect,⁶⁹ this is a welcome

forum for lenders and borrowers to come together and work to improve the quality of lending and borrowing.

Unfortunately, only 13 countries have signed the principles so far, three from the global North (Germany, Italy and Norway), and ten from the global South (Argentina, Brazil, Cameroon, Colombia, Gabon, Honduras, Mauritania, Morocco, Nepal and Paraguay).

The UK government should:

- Require all lenders funded by the UK, including UK Export Finance, CDC, the World Bank and IMF, to sign up to and implement responsible lending guidelines, including public scrutiny of loan terms before contracts are signed. A good start would be to sign up to the UNCTAD principles on responsible lending and borrowing, ensure all lenders funded by the UK government abide by the principles, and work with other UN members to implement them more widely.
- Call for and support the creation of debt sustainability assessments, to be carried out for all countries, and by an independent body rather than by creditors such as the IMF and World Bank. This should include being able to meet the Sustainable Development Goals within its definition of sustainability.

Figures used in the report

Country	1) Net debt of whole country (- = debt, + = surplus) ⁷²	2) Current government external debt payments, proportion of revenue (2013) ⁷³	3) Future debt payments		4) Current account balance, percentage of GDP (- = deficit, + = surplus) Average 2013-2015 ⁷⁶
			Government external debt payments, proportion of revenue, in 2020s ⁷⁴	Government external debt as a proportion of GDP ⁷⁵	
Afghanistan	21.5	0.2	3.5	10	5.4
Albania	-29.1	6.3		25	-13.4
Algeria	79.7	0.4		1	-6.5
Angola	12	9		16	-0.2
Argentina	8.1	2.7		14	-1.1
Armenia	-77.8	23.4		43	-8.6
Australia	-56.4	3.6 (est.)		14	-3.4
Austria	2.3	12.1 (est.)		77	1.6
Azerbaijan	8.3	2.6		9	12.5
Bahrain	78.8	N/A		N/A	3.7
Bangladesh	-9.2	8.8	20.4	18	0.2
Belarus	-55.2	5.5		20	-7.8
Belgium	42.8	13.5 (est.)		66	1.2
Belize	-50.6	24.7		66	-4.9
Benin	-22.2	5.1		17	-12
Bhutan	-33.9	14.2	97.1	75	-23.5
Bolivia	13.2	2.3	8.3	19	0.4
Bosnia	-56.7	3.2		24	-7.3
Botswana	47	3.4		14	15.2
Brazil	-35.1	2.6		3	-3.6
Bulgaria	-77	4		9	0.8
Burkina Faso	-22.2	2.5	15.8	22	-6.9
Burundi	-28	2.8		16	-16.4
Cabo Verde	-146	8.3		68	-7.5
Cambodia	-27.1	4.2	11	32	-11.4
Cameroon	N/A	1.7	17.3	11	-4.3
Canada	1.3	6.2 (est.)		20	-2.6
Central African Rep	-24	3.2	11.8	13	-6.8
Chad	-5.3	3.9	14.8	13	-9.4
Chile	-15.1	0.9 (est.)		3	-2
China	19.8	0.3		1	2.4
Colombia	-29.9	3.9		10	-4.7
Costa Rica	-39.5	20.4		9	-4.4
Cote d'Ivoire	-17.6	12.1	35.4	24	-3.5
Croatia	-94.5	12.5 (est.)		22	1.2
Cyprus	-93.1	N/A		108	-1.8
Czech Rep	-40.8	4.1 (est.)		15	0.6
Denmark	39.3	3.6 (est.)		20	6.5
Djibouti	-26.3	8.9		47	-26.5
Dominica	-38.5	9.9		55	-13.1

Country	1) Net debt of whole country (- = debt, + = surplus) ⁷²	2) Current government external debt payments, proportion of revenue (2013) ⁷³	3) Future debt payments		4) Current account balance, percentage of GDP (- = deficit, + = surplus) Average 2013-2015 ⁷⁶
			Government external debt payments, proportion of revenue, in 2020s ⁷⁴	Government external debt as a proportion of GDP ⁷⁵	
Dominican Rp	-59.3	15.8		23	-3.2
Ecuador	-11.8	4.9		13	-1.7
Egypt	-30.3	5.3		16	-2.2
El Salvador	-63.2	17.7		31	-5.3
Eritrea	-18.6	14.7		31	-0.5
Estonia	-46.2	2 (est.)		8	-0.5
Ethiopia	-34.7	8.7	21.2	24	-7.2
Fiji	-72.3	3.9		16	-12.5
Finland	8.9	11.8 (est.)		48	-0.6
France	-15.5	10.6 (est.)		69	-0.9
Gabon	-13.3	21		14	8
Gambia	-38.4	15.2		43	-11.7
Georgia	-102.8	8.3		28	-8.9
Germany	46.4	12.5 (est.)		51	7.5
Ghana	-61	10.3	49.9	21	-9.3
Greece	-117.6	32.5 (est.)		178	1
Grenada	-51.3	19.3		64	-22.7
Guatemala	-21.5	14.1		13	-2.1
Guinea	-27	4.9		15	-18.9
Guyana	-59.5	4.4		43	-15.2
Haiti	-2.5	0.5	31.3	13	-5.2
Honduras	-62.8	4.6		20	-7.8
Hong Kong	274.8	N/A		1	1.7
Hungary	-72.2	10.6		49	4.4
Iceland	N/A	11.1		43	5.4
India	-17.4	3.9		4	-1.5
Indonesia	-46.5	6.3		14	-3.1
Iran	N/A	0.7		1	4
Iraq	10.1	N/A		N/A	-3.9
Ireland	-87.7	25.8 (est.)		114	5.1
Israel	17.1	3.8 (est.)		11	3.3
Italy	-33	11.2 (est.)		64	1.8
Jamaica	-152.3	19.5		42	-6.8
Japan	67.2	5.2 (est.)		19	1
Jordan	-88.7	9		27	-8.3
Kazakhstan	-13.4	0.9		2	-0.7
Kenya	-12.2	5		22	-8.5
Korea	1.6	2.7 (est.)		9	6.5
Kosovo	6.8	1.5		7	-6.9
Kuwait	71.6	N/A		N/A	30.2
Kyrgyz Rep	-83.5	3.2	11.1	44	-15.3
Lao	-73.7	5.7	25.4	29	-24.7
Latvia	-59.4	11.9 (est.)		31	-2.6
Lebanon	13.4[?]	36.4		56	-24.6
Lesotho	13.4	2.7	11.1	30	-5.4

Country	1) Net debt of whole country (- = debt, + = surplus) ⁷²	2) Current government external debt payments, proportion of revenue (2013) ⁷³	3) Future debt payments		4) Current account balance, percentage of GDP (- = deficit, + = surplus) Average 2013-2015 ⁷⁶
			Government external debt payments, proportion of revenue, in 2020s ⁷⁴	Government external debt as a proportion of GDP ⁷⁵	
Liberia	-1.8	1	9.9	12	-33.4
Lithuania	-44.9	12.1 (est.)		31	0.5
Luxembourg	213.2	3.1 (est.)		21	4.9
Macedonia	-52.9	17.5		26	-1.7
Madagascar	-20.1	4.7	20.8	22	-3.7
Malawi	-82.1	2.3		24	-3.4
Malaysia	-5.7	3.9		2	3.6
Maldives	N/A	8.2		33	-6.5
Mali	-45	3.9	11.5	27	-6.2
Malta	32.1	N/A		22	3
Marshall Islands	N/A	18.1	17.5	N/A	-11.9
Mauritania	-60.1	11.4		70	-22.3
Mauritius	299.5	3.7		12	-7.8
Mexico	-38.8	7.7		15	-2.2
Moldova	-68.9	3.4	6.3	22	-5
Mongolia	-183.4	3.3	27.3	32	-14.9
Montenegro	-58.2	18.9		49	-17.7
Morocco	-65.9	9.3		15	-5.6
Mozambique	-174.4	2.6	19.7	30	-38.6
Myanmar	-5.4	N/A		N/A	-6.4
Namibia	20.5	N/A		N/A	-6.9
Nepal	10	5.4	7.7	18	4
Netherlands	47	8.5 (est.)		42	10.3
New Zealand	-60.1	10.4 (est.)		23	-3.9
Nicaragua	-111	3.8	5.4	38	-7.3
Niger	-19.5	1.9		31	-20.2
Nigeria	1.1	0.7	3.2	3	2.2
Norway	137.9	6.4 (est.)		15	8.7
Pakistan	N/A	8.1		20	-1.2
Panama	-77.7	13.6		27	-11.5
Papua New Guinea	-128.9	2.1	4	7	-10.9
Paraguay	-33.6	4.4		8	0.2
Peru	-29.9	8.4		8	-4.3
Philippines	-17.9	10.8		13	4.7
Poland	-69.3	10.9 (est.)		30	-1.5
Portugal	-119.4	23.1 (est.)		124	1.1
Republic of Congo	5.8	4.5	1.8	18	-7.4
Romania	-59.5	3.9		27	-0.8
Russia	12.5	1.9 (est.)		4	3.4
Rwanda	-21.1	2.1	34.9	15	-9.9
Samoa	-37.9	5.6		58	-3.4
Sao Tome	-47.6	5.3	12.1	64	-16.7

Country	1) Net debt of whole country (- = debt, + = surplus) ⁷²	2) Current government external debt payments, proportion of revenue (2013) ⁷³	3) Future debt payments		4) Current account balance, percentage of GDP (- = deficit, + = surplus) Average 2013-2015 ⁷⁶
			Government external debt payments, proportion of revenue, in 2020s ⁷⁴	Government external debt as a proportion of GDP ⁷⁵	
Saudi Arabia	109.2	N/A		N/A	10.3
Senegal	-64.4	7.6	38.2	29	-9.6
Serbia	-98	9.6		37	-5.6
Seychelles	N/A	6.1		42	-19
Sierra Leone	-24.4	3.1	12.2	22	-10.4
Singapore	178.5	N/A		N/A	19.2
Slovak Rep	-70	10.6 (est.)		44	0.7
Slovenia	-34.3	9.9 (est.)		48	6.1
Solomon Islands	-21.7	1.4	3.2	11	-7.1
South Africa	-11.1	4.7		15	-5.3
Spain	-98.8	19 (est.)		64	0.6
Sri Lanka	-55	15.8		34	-3.2
St Lucia	-29.3	10.1		23	-12.8
St Vincent	-21	15.9		34	-29.4
Sudan	-120	4.3		9	-6
Suriname	-17.8	N/A		N/A	-6.3
Swaziland	41.1	2.2		9	2.5
Sweden	-9.1	5.8 (est.)		20	6.6
Switzerland	125	1.5 (est.)		12	7.8
Taiwan	122.2	N/A		N/A	11.9
Tajikistan	-39.9	5.4		29	-6.3
Tanzania	-44.3	1.7	23.3	26	-10.2
Thailand	-28.9	1.7		7	2.5
Timor-Leste	16.9	0	5	0	27.3
Togo	-11.2	5.4	25.7	12	-6.2
Tonga	N/A	5.1	20.1	72	-9.4
Tunisia	-112.6	13		27	-7.9
Turkey	-52.5	3.2		11	-5.9
Uganda	-43.4	2.6	21.6	19	-7.5
UK	-25.5	5 (est.)		29	-4.9
Uruguay	-16.8	N/A		27	-4.6
US	-37.3	12.5 (est.)		37	-2.3
Vanuatu	-42.1	2.8		12	-6.3
Venezuela	75.8	6.1		12	0.7
Vietnam	-18.7	6.8		26	5.3
Yemen	-6.2	3.1		18	-2.3
Zambia	-7.6	4.6	38.7	15	0
Zimbabwe	-60.9	0.5		40	-23.1

References – Appendix

72 Calculated by Jubilee Debt Campaign based on IMF. International Investment Position Database, or World Bank. World Development Indicators database.

73 From World Bank World Development Indicators database, or for high income countries, estimated by Jubilee Debt Campaign – indicated by est.

74 Calculated from Jubilee Debt Campaign from IMF and World Bank Debt Sustainability Assessments, various issues

75 From World Bank World Development Indicators database, or World Bank External Debt database

76 Calculated from IMF. World Economic Outlook



Our vision

Inspired by the ancient concept of 'jubilee', we campaign for a world where debt is no longer used as a form of power by which the rich exploit the poor. Freedom from debt slavery is a necessary step towards a world in which our common resources are used to realise equality, justice and human dignity.

Our mission

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

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