The new debt trap

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

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 debts[2] 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 3.

July 2015

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 external private sector 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

Furthermore, while the 43 countries in groups 2 and 3 (see table above) 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 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

Countries already in debt crisis

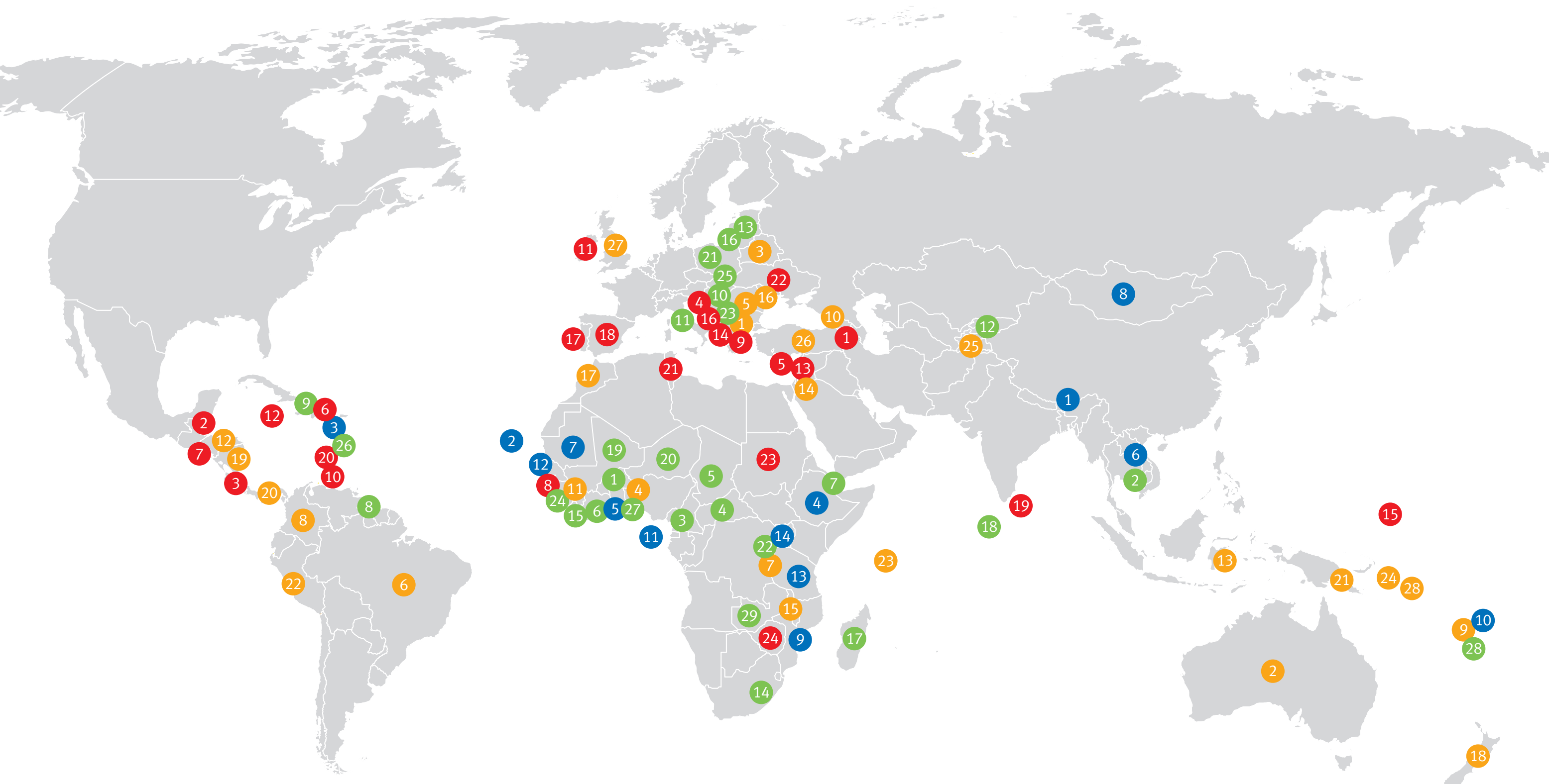
1. Armenia
2. Belize
3. Costa Rica
4. Croatia
5. Cyprus
6. Dominican Republic
7. El Salvador
8. the Gambia
9. Greece
10. Grenada
11. Ireland
12. Jamaica
13. Lebanon[3]
14. Macedonia
15. Marshall Islands
16. Montenegro
17. Portugal
18. Spain
19. Sri Lanka
20. St Vincent and the Grenadines
21. Tunisia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

Also, countries in default or debt negotiation

23. Sudan
24. Zimbabwe

Countries at risk of government external debt crisis

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



Countries at high risk of government external debt crisis

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

Countries at risk of private-sector debt crisis

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

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,[5] 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,[6] 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.[7]

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.

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, 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.

1. 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.[8]

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.

2. 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 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.[9] 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.[10]

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.

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

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.[11]

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.

6. 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,[12] 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.

7. Ensure aid takes the form of grants rather than loans, and that 'aid' loans do not cause or contribute to debt crises

Since the 1980s, the UK government has only given its direct aid as grants rather than loans. However, despite the current boom in lending, the International Development Select Committee of the UK parliament recommended in February 2014 that more aid should be given as loans. It proposed to do this by providing all aid to middle-income countries, and some aid to low-income countries, as loans. On top of the lending boom which is already taking place towards many countries, these loans would exacerbate the risk of new debt crises, while reducing the grant funds available to countries. In 2015, the Department for International Development said it would consider giving loans on a 'case-by-case' basis.

In addition, although the UK does not currently give bilateral loans, it does make large aid contributions to multilateral institutions such as the World Bank and African Development Bank, which are then given as loans. In 2013, the latest year with figures available, £1.8 billion of UK aid was ultimately used for loans, 15% of total UK aid.[13]

As was seen earlier, for many low income countries, such multilateral loans remain a large proportion of their debt burdens. While these come with low interest rates, they still carry large risk because changes in exchange rates can rapidly increase the relative size of the debt.

The World Bank does have the option of giving grants. However, this is not based on whether the money will be used for productive investments that are more appropriate to a loan, or for funding recurrent spending or actions which will not produce a return, such as adapting to climate change. Instead it is based only on the IMF and World Bank's own assessment of the risk of government's not being able to pay their debts. At the moment, Mozambique and Tanzania are assessed as at 'low risk' of not being able to pay their debts, so they can only receive loans from the World Bank, no grants are offered. This risk rating does not include the risks created by private-sector debt or PPPs, and it assumes strong economic growth will continue.

When loans are given, a 'grant element' of the loan is calculated. This does not mean the loan also includes a grant; it is effectively the cost to the lender of providing the loan at a low interest rate. Therefore, for the same cost the lender could give a grant for the amount of the grant element rather than a loan. The grant element of a standard loan from the World Bank International Development Association (IDA) – the part of the World Bank which lends to low-income countries – is currently around 60%. This means a $60 million grant would cost the World Bank the same as a $100 million loan, but would not carry any of the repayment and exchange-rate risk for the recipient.

Negotiations on World Bank loans to low-income countries take place every three years. The next, known as IDA 18, are due to conclude at the end of 2016. At the last replenishment in 2013, the UK was the largest contributor, pledging $4.6 billion, 18% of all pledges by donor countries.[14] The next highest amounts were the US, $3.9 billion, Japan, $3.5 billion, Germany, $2.1 billion and France, $1.7 billion. The UK therefore has a particularly strong responsibility for the IDA's actions.

The UK government should:

- Commit to keeping all its bilateral aid as grants rather than loans.
- Advocate as part of the IDA 18 negotiations for the World Bank to:
  - Offer all IDA countries the *option* to receive a grant of the value of a proposed loan's grant element, instead of receiving the whole amount as a loan.
  - Only offer loans for projects which clearly demonstrate how they would generate the revenues for the government concerned to repay the loan. Where this cannot be shown, grants should be given instead.
  - Have all projects independently evaluated, and reduce or remove the requirements for repayment if the project is found to have failed to produce the required revenues, or to have caused social harm, where the World Bank or external shocks were responsible for these failings.
  - Introduce mechanisms to reduce the risk of loans to the recipient. This could include linking payments to growth in GDP or government revenues, so that repayments are suspended until GDP or revenue targets are reached. It could also involve making repayments vary with exchange rate changes, to remove the exchange-rate risk to the borrower.
- Push for similar changes to those above for other multilateral lenders, including the IMF, African Development Bank, Inter-American Development Bank and Asian Development Bank.

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2 Net debt is the debt the whole country, public and private sector, owes, minus the debt owed to it.

3 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.

4 The data for Vanuatu all comes from before the devastating Cyclone Pam. This is likely to have made Vanuatu's debt situation much worse.

5 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

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10 http://www.theguardian.com/commentisfree/2008/nov/27/comment-aid-development-tax-havens

11 For example see http://www.eurodad.org/files/pdf/55379eda24d40.pdf

12 For a detailed analysis of the principles see http://www.eurodad.org/files/integration/2013/05/UNCTAD-Eurodad-principles-briefing.pdf

13 Calculated by Jubilee Debt Campaign from DfID International Development Statistics

14 http://www-wds.worldbank.org/external/default/WDSContentServer/WDSP/IB/2014/04/02/000350881_20140402085830/Rendered/PDF/864340BR0IDA0R0C0discl0osed04010140.pdf

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Registered charity number: 1055675

Company limited by guarantee number: 3201959

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