IMF loans bailing out private lenders during the Covid-19 crisis

July 2020

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1. Summary

Countries across the world have been dramatically hit by the economic impacts of the Covid-19 crisis. The IMF predicts the global economy will shrink by 4.8% in 2020,[1] compared to its prediction of growth of 3.4% before the crisis hit.[2] This is a fall in expected growth by 8.2 percentage points. Regionally, the IMF now predicts that African economies will shrink by 5.5% per capita in 2020, the worst economic contraction for the continent since the 1970s.[3] GDP in Latin America and the Caribbean is expected by the IMF to shrink by 9.4% in 2020 in absolute terms.[4]

Even before the coronavirus crisis began, many countries in the global South were facing a debt crisis. At the start of 2020, of the 69 countries analysed for debt risk by the IMF, 34 were in debt distress or at high risk of being so. This was double the number – 17 – assessed at in debt distress or at high risk in 2013. In 2019 governments in the global South were on average spending 14.1% of government revenue on external debt payments, the highest level since 2003, and an increase of 110% since 2010.[5]

The IMF's response to the crisis has been to lend more money. As of June 2020, the IMF had agreed loans to 71 countries. The IMF has a policy of only lending to governments with unsustainable external debts if a debt restructuring takes place during an IMF programme. However, because the IMF does not adequately define what an unsustainable debt situation is, in reality it does not follow its own policy and it regularly lends in a way that bails out previous lenders.

If the IMF lends to highly indebted countries without debt restructurings taking place:

- It will put pressure on a country to make further cuts in spending and increase taxes in order to reduce the debt. This is often self-defeating because the damage done to the economy reduces the revenue with which to pay the debt, while negatively impacting the meeting of basic needs and human rights.
- IMF resources will effectively be used to pay off previous lenders, incentivizing them to continue to act recklessly in the future.
- The IMF may itself need to offer debt relief in the future to restore debt sustainability, which means member governments of the IMF pay for the debt crisis, rather than the original lenders who contributed to the crisis.

The IMF has argued before that "debt restructurings have often been too little and too late, thus failing to re-establish debt sustainability and market access in a durable way".[6] IMF research in 2019 found that IMF

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[1] https://www.imf.org/en/Publications/WEO/Issues/2020/06/24/WEOUpdateJune2020
[2] IMF World Economic Outlook database October 2019.
[3] https://www.imf.org/en/News/Articles/2020/06/27/na062720-six-charts-show-how-the-economic-outlook-has-deteriorated-in-sub-saharan-africa-since-april
[4] https://blogs.imf.org/2020/06/26/outlook-for-latin-america-and-the-caribbean-an-intensifying-pandemic/
[5] Calculated by Jubilee Debt Campaign from IMF and World Bank sources.
[6] IMF. (2013). SOVEREIGN DEBT RESTRUCTURING—RECENT DEVELOPMENTS AND IMPLICATIONS FOR THE FUND'S LEGAL AND POLICY FRAMEWORK. https://www.imf.org/external/np/pp/eng/2013/042613.pdf

loan programmes in high debt countries were far more successful if a debt restructuring took place as part of the programme.[7]

Yet, despite these policies and evidence, the IMF response to the current crisis has been to lend more money to highly indebted countries without debt restructurings taking place. In this briefing we find that the IMF is currently lending to 33 countries that the IMF itself analyses as at high risk of debt distress or in debt distress, or which would be if the IMF conducted its analysis for every country. In 28 of these 33 countries, $11.3 billion of IMF loans in 2020 are effectively bailing out private lenders by enabling them to keep being repaid.

The IMF has rightly criticised private lenders for failing to take part in the G20 Debt Service Suspension Initiative, which 73 countries are eligible for, and 41 have applied for so far. For instance, on 9 June, Managing Director of the IMF Kristalina Georgieva criticised the lack of debt suspension from the private sector and said the failure to provide debt relief and restructuring "would lead to inevitably a much worse option, which is disorderly defaults."[8] Yet the IMF itself is helping these private lenders to keep being paid, by lending to highly indebted countries without debt restructurings taking place.

The IMF has continued to declare that debts are sustainable despite the huge scale of the crisis. Across the 33 high debt countries, GDP growth is now predicted by the IMF to be an average of 7.1 percentage points lower in 2020 than it estimated in October 2019. Even while predicting strong recoveries in 2021, by end-2021 the IMF predictions are that, for the 33 countries, their GDP will be 6.5% less than predicted in October 2019.

To effectively tackle the global south debt crisis that has been dramatically deepened by Covid-19, it is critical that the IMF follows its own agreed policies stops bailing out private lenders, and requires debt restructurings as part of its loan programmes to highly indebted countries. Governments in those programmes must be supported to implement debt restructurings that are significant enough to move them out of high risk of debt distress.

Section 2 outlines IMF policy on debt restructurings and the IMF's own evidence that debt restructurings happen too late and reduce debt by too little.

Section 3 details our methodology which shows that $11.3 billion of IMF loans in 2020 are effectively bailing out private lenders.

Section 4 shows how the IMF has rightly been criticising private lenders for failing to take part in the G20 debt payment suspension scheme.

Section 5 analyses the extent of the economic shock on the 33 highly indebted countries the IMF is lending to without debt restructurings taking place.

For further detail on how the IMF should change its practise so it no longer bails out previous lenders, see Jubilee Debt Campaign's October 2019 briefing 'Sovereign debt crises: Stop bailing out reckless lenders'[9].

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[7] IMF. (2019). 2018 REVIEW OF PROGRAM DESIGN AND CONDITIONALITY. May 2019. https://www.imf.org/~/media/Files/Publications/PP/2019/PPEA2019012.ashx

[8] https://www.bloomberg.com/news/articles/2020-06-09/imf-looks-to-use-existing-reserve-assets-rather-than-create-more

[9] Available at https://jubileedebt.org.uk/report/preventing-and-resolving-sovereign-debt-crises-stop-bailing-out-reckless-lenders

2. IMF policy on debt restructurings

The IMF has a policy of not lending into unsustainable debt situations unless a debt restructuring takes place during the IMF programme, or grants or low interest loans are provided in such a way as to make the debt sustainable. As explained in one recent IMF paper: "The Fund may only lend if debt is assessed to be sustainable in the medium term under the GRA[10] and PRGT[11]. If debt is not sustainable, the Fund is precluded from lending unless the member takes steps to restore debt sustainability, including through either debt restructuring or the provision of concessional financing."[12]

The IMF has this policy because otherwise, if it lends into unsustainable debt situations:

- Pressure will be put on a country to make further cuts in spending and increase taxes in order to reduce the debt. This is often self-defeating because the damage done to the economy reduces the revenue with which to pay the debt, while negatively impacting the meeting of basic needs and human rights.
- IMF programmes will be much less likely to restore balance of payments and macroeconomic stability if there is not a restructuring.
- IMF resources will effectively be used to pay off previous lenders, incentivizing them to continue to act recklessly in the future.
- The IMF may itself need to offer debt relief in the future to restore debt sustainability, which means member governments of the IMF have to pay for the debt crisis, rather than the original lenders.

However, because the IMF does not adequately define what an unsustainable debt situation is, in reality it does lend in a way that bails out previous lenders, forces unfair and unsuccessful austerity on people in the borrowing country, lengthens the period of a debt crisis and risks public money being needed for debt relief rather than original lenders having to pay.

The IMF has argued before that "debt restructurings have often been too little and too late, thus failing to re-establish debt sustainability and market access in a durable way".[13] However, IMF loan programmes are one of the reasons this is the case.

IMF loans enable governments to keep paying interest and principal to previous lenders, pushing necessary debt restructurings into the future, while putting the burden of economic crises entirely on the local population through austerity, rather than requiring lenders to share in the costs. This is a key reason why debt restructurings take place "too late".

Furthermore, even when the IMF says a debt restructuring is required to make debt sustainable as part of its lending programmes, usually the bare minimum restructuring takes place. As long as default is avoided, the IMF says a restructuring makes debt sustainable, rather than seeing sustainability as a wider concept that includes the ability to meet human rights obligations and development priorities, and the capacity of a country to withstand further economic shocks without again defaulting. Any assessment of future debt sustainability is based on a set of assumptions about the unknown. Therefore, if a restructuring happens it should build in a sufficient buffer so that possible shocks can be handled without further restructurings or bailouts.

The IMF itself has concluded that its lending programmes in high debt countries are more successful if there is a debt restructuring at the start. The 2018 review of IMF conditionality found that of 33 IMF

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[10] General Resources Account – one of two sets of countries at the IMF. See Section 3.

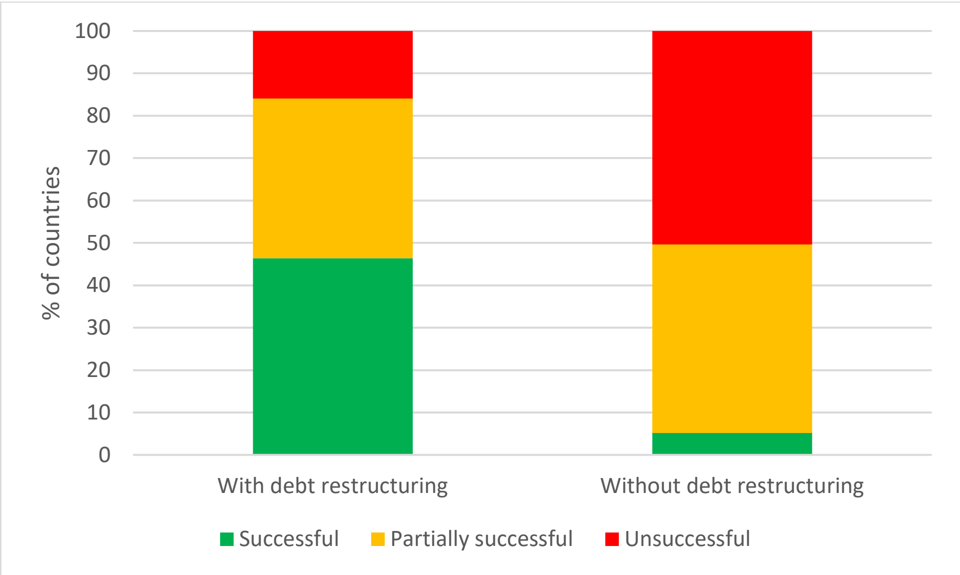
[11] Poverty Reduction and Growth Trust – the other of two sets of countries at the IMF. See Section 3.

[12] IMF. (2019). 2018 REVIEW OF PROGRAM DESIGN AND CONDITIONALITY. May 2019. https://www.imf.org/~/media/Files/Publications/PP/2019/PPEA2019012.ashx

[13] IMF. (2013). SOVEREIGN DEBT RESTRUCTURING—RECENT DEVELOPMENTS AND IMPLICATIONS FOR THE FUND'S LEGAL AND POLICY FRAMEWORK. https://www.imf.org/external/np/pp/eng/2013/042613.pdf

programmes in countries with high debt vulnerabilities[14],[15] in only 40% of them was any kind of debt reprofiling or restructuring carried out. However, in high debt countries where there was a restructuring as part of the IMF programme, 45% were successful, 40% partially successful and 15% unsuccessful. In contrast, in programmes in high debt countries without a restructuring, just 5% were successful, 45% partially successful and 50% unsuccessful (see Graph 1 below).[16]

Graph 1. IMF evaluation of the success of its programmes in high debt countries with and without debt restructurings[17]



The IMF review finds that one of the reasons why debt restructurings in high debt countries do not happen is because "Judgment on debt sustainability appears to have been tilted in favour of large fiscal adjustments and optimistic macro-frameworks". [18]

In high debt cases where restructurings are not part of an IMF programme, the IMF attempts to make the numbers add up by requiring more austerity. Greater "fiscal adjustment" – spending cuts and tax increases – is used as a way to try to make the debt sustainable. Peter Doyle, a former IMF mission chief has criticised "the lengths to which the IMF will go to avoid debt write-offs necessary and sufficient to secure macro sustainability".[19] This means the IMF, writes Doyle, has been captured by creditors, turning it into "brute bailiff-cum-debt-collector".[20]

[14] The IMF do not make clear which the 33 countries are.
[15] This is made up of 17 General Resources Account programmes where debt was viewed as "unsustainable" or "sustainable but not with high probability", and 16 Poverty Reduction and Growth Trust countries with a debt risk rating of "high risk" or in "debt distress".
[16] For General Resources Account countries the IMF defines success as ending the need for balance-of-payments support and reducing medium-term macroeconomic vulnerabilities. For Poverty Reduction and Growth Trust the IMF defines success as reducing external debt vulnerabilities and making progress on increasing social expenditure, increasing tax revenue and achieving stable inflation and real GDP growth. More detail is at https://www.imf.org/~/media/Files/Publications/PP/2019/PPEA2019012.ashx Supplement Section III: Assessing Program Success.
[17] IMF. (2019). 2018 REVIEW OF PROGRAM DESIGN AND CONDITIONALITY. May 2019. https://www.imf.org/~/media/Files/Publications/PP/2019/PPEA2019012.ashx
[18] IMF. (2019). 2018 REVIEW OF PROGRAM DESIGN AND CONDITIONALITY. May 2019. https://www.imf.org/~/media/Files/Publications/PP/2019/PPEA2019012.ashx
[19] https://ftalphaville.ft.com/2019/01/04/1546594809000/Guest-Post--Macroeconomic-malpractice-in-action/
[20] https://ftalphaville.ft.com/2019/01/04/1546594809000/Guest-Post--Macroeconomic-malpractice-in-action/

The focus of IMF programmes in high debt countries on fiscal austerity alone contributes to such programmes failing, because too often it has underestimated the knock-on impact of austerity on the domestic economy. Large cuts and tax increases cause an economic crisis to continue or worsen. The result is that IMF programmes may themselves end up making the risk of default more likely. Academic research has shown that the policy reforms attached to IMF loans have increased income inequality in programme countries, while evidence suggests inequality ultimately makes defaults more likely in indebted countries.[21]

As well as being unsuccessful, putting all the pressure of "adjustment" in response to a crisis on the population of the debtor country is also unfair. IMF loan programmes can enable lenders who lent at high interest to continue to be repaid, even after an economic shock, while all the impacts of the shock fall on local people. Debt restructurings share the cost of the crisis more equally between creditors and the country in crisis.

It is possible for high debt countries to escape from a debt trap without debt restructuring. However, in a review of PRGT countries the IMF found that in the last twenty years there have been just seven cases where substantial and sustained debt reduction was achieved without debt relief or restructuring. In these cases they largely relied on the luck of positive economic external economic developments.[22]

Finally, restructurings can also be good for creditors in the medium-term. A recent working paper for the IMF[23] found that for 32 cases of bond restructurings in the global South, the long-term return for creditors was "about the same" as on global South bonds that were not restructured. This is because the interest income before and after the restructuring more than covered the haircut on the bonds. Furthermore, this meant long-term holders of global South restructured bonds received more than holders of "risk-free" global North bonds such as US or German government debt.

3. IMF loans in response to coronavirus: Bailing out private lenders

Despite all of the reasoning and evidence above, the IMF's response to the coronavirus crisis has been to lend tens of billions of dollars without debt restructurings taking place.

As of June 2020, when this research took place, the IMF had agreed loans to 71 countries in 2020 in response to the coronavirus crisis. To estimate how much of this lending is effectively bailing out private external lenders we have first analysed how many of the 71 countries are assessed by the IMF to be at high risk of debt default or in debt default, without a debt restructuring taking place. However, the IMF only conducts such assessments for the poorest countries, so for countries without such assessments we have labelled them as at high risk if their external debt payments as a percentage of government revenue and/or exports breaks IMF thresholds for the poorest countries.

Of the 45 countries with a debt risk rating that are receiving IMF loans, 22 are at high risk or in debt distress, without a debt restructuring reducing their risk rating to at least moderate (see Table 1. below).

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[21] See Timon Forster et al., 'How Structural Adjustment Programs Affect Inequality: A Disaggregated Analysis of IMF Conditionality, 1980–2014', *Social Science Research* 80 (May 2019): p.83-113, https://doi.org/10.1016/j.ssresearch.2019.01.001, and Eugenia Andreasen, Guido Sandleris and Alejandro Van der Ghote, 'The Political Economy of Sovereign Defaults', *Journal of Monetary Economics*, 7 September 2018, https://doi.org/10.1016/j.jmoneco.2018.09.003

[22] IMF. (2018). MACROECONOMIC DEVELOPMENTS AND PROSPECTS IN LOW-INCOME DEVELOPING COUNTRIES—2018. https://www.imf.org/en/Publications/Policy-Papers/Issues/2018/03/22/pp021518macroeconomic-developments-and-prospects-in-lidcs

[23] Andritzky, J. and Schumacher, J. (2019). Long-term returns in distressed sovereign bond markets: How did investors fare? IMF Working Paper No. 19/138 https://www.imf.org/en/Publications/WP/Issues/2019/07/01/Long-Term-Returns-in-Distressed-Sovereign-Bond-Markets-How-Did-Investors-Fare-46945

Of the 25 countries without a debt risk rating that are receiving IMF loans, we assess that 11 are at high risk of debt distress, without a debt restructuring reducing their risk rating to at least moderate (see Table 2. below, debt payment figures on which assessments are based are in the Appendix). Not included in this 11 are Ecuador and Barbados, which have high debts but are undertaking debt restructurings. Ecuador is currently undertaking a debt restructuring as part of an IMF programme. Barbados has concluded a debt restructuring but the debt payment figures in the most recent IMF documents do not include the impact of the restructuring, so we cannot make any assessment of how successful it has been in reducing the debt burden.

Table 1. Countries with an IMF Debt Sustainability Assessment risk rating

Country	**Amount of lending from IMF in 2020 ($ million)**	**IMF rating of risk of debt default**	**For high risk of in debt default countries, is a debt restructuring taking place as part of the IMF programme?**
Afghanistan	220	High	No
Bangladesh	732	Low	
Benin	103	Moderate	
Burkina Faso	115	Moderate	
Cabo Verde	32	High	No
Cameroon	303	High	No
Central African Republic	55	High	No
Chad	115	High	A restructuring of loans to Glencore took place in 2018, but has not reduced debt risk to moderate
Comoros	12	Moderate	
Congo, DR	363	Moderate	
Cote d’Ivoire	886	Moderate	
Djibouti	43	High	No
Dominica	14	High	No
Ethiopia	595	High	No
Gambia	82	High	A restructuring of plurilateral debt has taken place, but has not reduced debt risk to moderate
Ghana	1000	High	No
Grenada	22	In debt distress	A restructuring took place five years ago, but has not reduced debt risk to moderate
Guinea	172	Moderate	
Haiti	112	High	No

Honduras	223	Low	
Kenya	739	High	No
Kyrgyz Rep	242	Moderate	
Liberia	50	Moderate	
Madagascar	166	Low	
Maldives	29	High	No
Malawi	91	Moderate	
Mali	229	Moderate	
Mauritania	130	High	No
Moldova	235	Low	
Mozambique	309	In debt distress	A Eurobond, one of the three secret debts, has been restructured twice, but this has not reduced debt risk to moderate
Myanmar	357	Low	
Nepal	214	Low	
Niger	134	Moderate	
Papua New Guinea	364	High	No
Rwanda	220	Moderate	
Samoa	22	High	No
Sao Tome and Principe	12	In debt distress	
Senegal	442	Moderate	
Sierra Leone	143	High	No
Solomon Islands	29	Moderate	
St Vincent and the Grenadines	16	High	No
Tajikistan	190	High	No
Togo	97	Moderate	
Uganda	492	Low	
Uzbekistan	374	Low	

Table 2. Countries without an IMF Debt Sustainability Assessment risk rating

Country	Amount of lending from IMF in 2020 ($ million)	Our estimate of IMF rating of risk of debt default under the Debt Sustainability Framework for PRGT countries	For high risk of in debt default countries, is a debt restructuring taking place as part of the IMF programme?
Albania	191	Moderate	
Armenia	282	Moderate	
The Bahamas	250	High	No
Barbados	91	Unknown	Has just completed a restructuring as part of IMF programme. But debt figures in IMF

			documents have not been updated since.
Bolivia	327	Low	
Bosnia and Herzegovina	361	Low	
Costa Rica	508	Moderate	
Dominican Republic	650	High	No
Ecuador	643	In debt distress	Yes
Egypt	7972	High	No
El Salvador	389	High	
Gabon	147	High	No
Georgia	376	Low	
Guatemala	594	Moderate	
Jamaica	520	High	No
Jordan	540	High	No
Kosovo	57	Moderate	
Mongolia	99	High	Debt restructuring took place a few years ago, but debt payments are still very high
Nigeria	3400	Low	
North Macedonia	192	High	No
Pakistan	1386	High	No
Panama	515	Unknown	No debt figures are available
Seychelles	21	Moderate	
St. Lucia	29	Low	
Tunisia	745	High	No

Of the countries identified above as at high risk or in debt distress without an adequate debt restructuring taking place, we now compare the IMF loans they are receiving in 2020 with their debt payments to private lenders in 2020.

Of the 33 countries, five do not have any identified debt payments to private external lenders. This leaves 28 countries with private external debt payments. For these countries, we find that $11.3 billion of IMF loans in 2020 are effectively bailing out private lenders (see Table 3. below).

For the 28 countries, 60% of their debt payments to external private lenders in 2020 are principal and 40% interest.[24]

Table 3. IMF loans bailing out private lenders by country

Country	IMF loans in 2020 ($ million)	Government external debt payments to private lenders in 2020 ($ million)[25]	IMF loans effectively bailing out private lenders ($ million)
Afghanistan	220	0	0

[24] Calculated from World Bank International Debt Statistics database.
[25] Source: World Bank DSSI database or International Debt Statistics database, unless stated differently in notes

The Bahamas	250	297[26]	250
Cabo Verde	32	24	24
Cameroon	303	173	173
Central African Rep	55	1	1
Chad	115	15[27]	15
Djibouti	43	1	1
Dominica	14	4	4
Dominican Rep	650	1317	650
Egypt	7972	3757	3757
El Salvador	389	323	323
Ethiopia	595	1308	595
Gabon	147	272	147
Gambia	28	3[28]	3
Ghana	1000	1086	1000
Grenada	22	16	16
Haiti	112	4	4
Jamaica	520	503	503
Jordan	540	1608	540
Kenya	739	662	662
Maldives	29	83	29
Mauritania	130	0	0
Mongolia	99	328	99
Mozambique	309	222[29]	222
North Macedonia	192	510	192
Pakistan	1386	1213	1213
Papua New Guinea	367	89	89
Samoa	22	0	0
Sao Tome and Principe	12	0	0
Sierra Leone	143	0	0
St Vincent and the Grenadines	16	4	4
Tajikistan	190	36	46
Tunisia	745	1004	745
Total			**11297**

4. Debt suspension and the private sector

In April 2020 the G20 Finance Ministers agreed to offer 73 countries[30] a suspension on their debt

[26] There is no data in DSSI or IDS. 78% of external public debt is owed to private sector according to https://www.centralbankbahamas.com/download/051055400.pdf According to IMF programme documents external debt service in 220 is $381 million so 78% of this is $297 million.

[27] DSSI database says 0 but this does not include Glencore's loan to Chad. IMF DSA says commercial debt is $684 million and 98% of this is the Glencore loan. Reuters say no principal payments on this loan until 2022, but interest is LIBOR+2% so estimated this means $15 million interest in 2020.

[28] DSSI database says 0 debt to private lenders. But IMF DSA says private creditors makeup 6% of NPV of external public debt. DSA says external public debt service in 2020 $52 million, so estimated private debt payments are $3 million.

[29] This uses the DSSI database for payments to the private sector not on bonds. But the DSSI has the wrong data on bonds, so have used the actual interest payments on the restructured bond in 2020.

[30] The agreement covers all countries designated by the World Bank as International Development Association countries, and all UN Least Developed Countries, that are up-to-date on their debt payments to the IMF and World Bank - 73 countries in total.

payments to other governments from May to December 2020. So far 41 countries have requested the suspension. The payments will all come due between 2022 and 2024, alongside accrued interest.

The G20 agreement also says that: "Private creditors will be called upon publicly to participate in the initiative on comparable terms."[31] However, no payments to private creditors have yet been suspended. The Institute of International Finance has created a Terms of Reference for a suspension, but this is largely based on a country negotiating the terms with all its private lenders. Negotiating new terms on debt payments is effectively the same as a debt restructuring.[32]

The failure of the private sector to take part in the debt suspension has been criticised by the IMF and World Bank. On 9 June, Managing Director of the IMF Kristalina Georgieva criticised the lack of debt suspension from the private sector and said the failure to provide debt relief and restructuring "would lead to inevitably a much worse option, which is disorderly defaults."[33] On 29 June IMF Chief Economist Gita Gopinath said "We absolutely would want the private sector to also be involved [in the debt suspension]. That would be essential now going forward."[34]

President of the World Bank David Malpass said on 22 June: "It doesn't really make sense for the commercial creditors to continue taking in, requiring and legally enforcing payments from the ... poorest countries that have been struck by both the pandemic and the deepest economic recessions since World War Two."[35]

Yet, in the cases of countries with high debts, the IMF has not been using the tools it has available to it to make the private sector restructure debts – making such restructuring a requirement of its loan programmes, and helping governments restructure those debts.

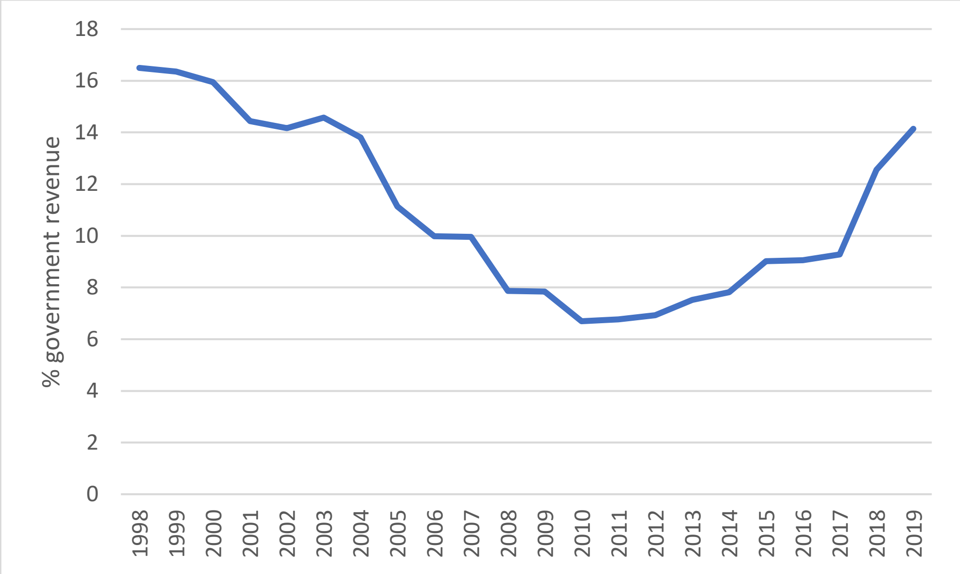
5. The impact of coronavirus

The lack of debt restructurings in IMF programmes in high debt countries is even more surprising given debt levels prior to the crisis, and the scale of the crisis.

At the start of 2020, of the 69 countries analysed by the IMF, 34 were in debt distress or at high risk of being so. This was double the number – 17 – assessed at in debt distress or at high risk in 2013. In 2019 governments in the global South were on average spending 14.1% of government revenue on external debt payments, the highest level since 2003, and an increase of 110% since 2010 (see Graph 2. below).[36]

[31] http://www.g20.utoronto.ca/2020/2020-g20-finance-0415.html
[32] https://jubileedebt.org.uk/press-release/reaction-to-industry-body-proposal-for-voluntary-debt-payment-suspension
[33] https://www.bloomberg.com/news/articles/2020-06-09/imf-looks-to-use-existing-reserve-assets-rather-than-create-more
[34] https://www.nytimes.com/reuters/2020/06/29/us/29reuters-health-coronavirus-imf-debt.html
[35] https://uk.reuters.com/article/uk-world-bank-debt/world-bank-chief-calls-for-more-private-sector-buy-in-on-g20-debt-relief-idUKKBN23T37X
[36] Calculated by Jubilee Debt Campaign from IMF and World Bank sources.

Graph 2. Global South average government external debt payments as a percentage of government revenue, mean unweighted, 1998 - 2019[37]



There was already an emerging debt crisis for many low- and middle-income countries before coronavirus hit, and the economic impact of the crisis is expected to be unprecedented. The IMF predicts the global economy will shrink by 4.8% in 2020,[38] compared to its prediction of growth of 3.4% before the crisis hit.[39] This is a fall in expected growth by 8.2 percentage points. Regionally, the IMF now predicts that African economies will shrink by 5.5% per capita in 2020, the worst economic contraction for the continent since the 1970s.[40] In October 2019 the IMF was predicting African growth of 3.6%.[41] The IMF's 'growth' predictions for Africa have changed by 9.1 percentage points. The economic impact on Africa is greater than the average for the world.

For the 33 countries identified above – those with high debt levels which the IMF is lending to without there being a debt restructuring – the economic impact of the crisis has been similarly drastic. GDP is predicted to shrink by an average of 2.9% in 2020, compared to previous predictions of 4.1% growth: a reduction of 7.1 percentage points difference (before rounding – see Table below).

The IMF is predicting partial recoveries in 2021. Across the 33 countries it now expects growth to average 4.4% in 2021. However, this is only slightly higher than its 2019 prediction for 2021. This means, alongside the sharp falls in 2020, by end-2021 GDP across the 33 countries will still be 6.5% less than expected in October 2019.

These dire economic predictions make it even more surprising that the IMF has still been lending without debt restructurings taking place in these countries. The 33 countries had high external debt payment burdens before the crisis hit, and are now suffering a series of unprecedented economic shocks because of Covid-19, yet the IMF continues to bail out previous lenders rather than say that debt restructurings are needed and help governments to implement them.

[37] Calculated by Jubilee Debt Campaign from IMF and World Bank sources.
[38] https://www.imf.org/en/Publications/WEO/Issues/2020/06/24/WEOUpdateJune2020
[39] IMF World Economic Outlook database October 2019.
[40] https://www.imf.org/en/News/Articles/2020/06/27/na062720-six-charts-show-how-the-economic-outlook-has-deteriorated-in-sub-saharan-africa-since-april
[41] IMF World Economic Outlook database October 2019.

Table 4. IMF predictions for economic growth for the 33 highly indebted countries the IMF is lending to

Country	IMF growth forecast for 2020 in October 2019	Current IMF growth forecast for 2020	Percentage points difference	IMF growth forecast for 2021 in October 2019	Current IMF growth forecast for 2021	GDP at end 2021: IMF 2019 forecast (Index, 100 = end-2019)	GDP at end 2021: IMF current forecast (Index, 100 = end-2019)	What percentage smaller GDP will be end-2021 in current IMF prediction compared to October 2019
Afghanistan	3.5	-3.0	6.5	4.0	4.5	107.6	101.4	5.8
Bahamas	-0.6	-12.5	11.9	2.1	8.0	101.5	94.5	6.9
Cabo Verde	5.0	-5.5	10.5	5.0	4.2	110.3	98.5	10.7
Cameroon	4.2	-3.5	7.7	4.5	3.3	108.9	99.7	8.5
Central African Republic	5.0	-1.0	6.0	5.0	3.0	110.3	102.0	7.5
Chad	5.4	-0.8	6.2	4.8	6.2	110.5	105.4	4.6
Djibouti	6.0	-1.0	7.0	6.0	10.0	112.4	108.9	3.1
Dominica	4.9	-4.7	9.6	4.2	3.4	109.3	98.5	9.8
Dominican Republic	5.2	-1.0	6.2	5.0	4.0	110.5	103.0	6.8
Egypt	5.9	2.0	3.9	6.0	2.0	112.3	104.0	7.3
El Salvador	2.3	-5.4	7.7	2.2	4.3	104.6	98.7	5.6
Ethiopia	7.2	1.9	5.3	7.1	0.0	114.8	101.9	11.2
Gabon	3.4	-0.9	4.3	3.7	2.1	107.2	101.2	5.6
Gambia	6.4	-1.5	7.9	5.6	7.0	112.4	105.4	6.2
Ghana	5.6	1.5	4.1	4.2	5.9	110.0	107.5	2.3
Grenada	2.7	-8.0	10.7	2.7	6.1	105.5	97.6	7.5
Haiti	1.2	-4.0	5.2	1.5	1.2	102.7	97.2	5.4
Jamaica	1.0	-5.3	6.3	1.7	3.9	102.7	98.4	4.2

Jordan	2.4	-3.4	5.8	2.6	3.6	105.1	100.1	4.7
Kenya	6.0	-0.3	6.3	5.8	4.0	112.1	103.7	7.5
Maldives	6.0	-8.1	14.1	5.5	13.2	111.8	104.0	7.0
Mauritania	5.9	-2.0	7.9	5.9	4.2	112.1	102.1	8.9
Mongolia	5.4	-1.0	6.4	5.1	8.0	110.8	106.9	3.5
Mozambique	6.0	1.4	4.6	4.0	4.2	110.2	105.7	4.2
North Macedonia	3.4	-4.0	7.4	3.2	7.0	106.7	102.7	3.7
Pakistan	2.4	-0.4	2.8	3.0	1.0	105.5	100.6	4.6
Papua New Guinea	2.6	-1.7	4.3	3.0	0.3	105.7	98.6	6.7
Samoa	4.4	-3.7	8.1	2.2	0.5	106.7	96.8	9.3
Sao Tome and Principe	3.5	-6.5	10.0	4.0	3.0	107.6	96.3	10.5
Sierra Leone	4.7	-3.1	7.8	4.8	2.7	109.7	99.5	9.3
St Vincent and the Grenadines	2.3	-5.5	7.8	2.3	4.1	104.7	98.4	6.0
Tajikistan	4.5	-2.0	6.5	4.5	7.5	109.2	105.4	3.5
Tunisia	2.4	-4.3	6.7	2.9	4.1	105.4	99.6	5.5
Average	**4.1**	**-2.9**	**7.1**	**4.1**	**4.4**	**108.4**	**101.3**	**6.5**

Appendix. Assessing debt risk
The IMF only produces a debt risk rating for 69 of the poorest countries, known by the IMF as PRGT countries.

For others, known as General Resources Account countries, the IMF is meant to say whether its' debt is sustainable or not – though often does not do so explicitly. However, there are no thresholds to guide this judgement of sustainability, so the IMF cannot be held to account by outside observers as to how it reached the judgement.

Furthermore, the IMF does not systematically provide the data for General Resources Account countries which is used in the debt risk assessment for PRGT countries. The four thresholds used in the PRGT debt assessments are:

- The Net Present Value of government external debt as a percentage of GDP
- The Net Present Value of government external debt as a percentage of exports
- Government external debt service as a percentage of government revenue
- Government external debt service as a percentage of exports

The first two of these the IMF provides no data on for General Resources Account countries. The second two can often, but not always, be calculated from data in IMF programme documents, though the IMF rarely does this itself.

To estimate what risk rating the IMF would give General Resources Account countries it is lending to if it used the framework for PRGT countries, we are therefore unable to use the first two thresholds. Instead we have to use just the second two. The IMF thresholds are that a PRGT country is at high risk of debt distress if:

- Government external debt service is over 14-23% of government revenue
- Government external debt service is over 10-21% of exports
-

Below we present the data we have used and assessment reached for the General Resources Account countries the IMF is lending to in 2020.

1. Albania
IMF assessment: Not clear - "Risks remain elevated"
Our estimate of IMF assessment under PRGT Debt Sustainability Assessment: **Moderate risk**

Government external debt service as percentage of revenue:

2020	2021	2022	2023	2024	2025
19.4	12.1	11.4	11.2	9.3	22.7

Government external debt service as percentage of exports:

2020	2021	2022	2023	2024	2025
25.2	10.1	9.5	9.1	7.6	18.3

2. Armenia
IMF assessment: Sustainable "but the high share of foreign currency debt continues to be an important source of vulnerability"
Our estimate of IMF assessment under PRGT Debt Sustainability Assessment: **Moderate risk**

Government external debt service as percentage of revenue:

2020	2021	2022	2023	2024	2025
16.6	12.7	11.3	11.7	12.2	21.6

Government external debt service as percentage of exports:

2020	2021	2022	2023	2024	2025
13.7	9.4	8.1	8.3	8.6	15.2

3. The Bahamas

IMF assessment: "The Bahamas' government debt remains sustainable, but the sharp increase in debt, especially external debt, increases the vulnerability of the debt path to downside risks."

Our estimate of IMF assessment under PRGT Debt Sustainability Assessment: **High risk**

Government external debt service as percentage of revenue:

2020	2021	2022	2023	2024	2025
20.6	13.8	21.2	14.8	23.7	11.6

Government external debt service as percentage of exports:

2020	2021	2022	2023	2024	2025
29.4	13.9	18.6	12.7	19.7	9.4

4. Bolivia

IMF assessment: “Sustainable.”

Our estimate of IMF assessment under PRGT Debt Sustainability Assessment: **Low risk**

Government external debt service as percentage of revenue:

2020	2021	2022	2023	2024	2025
8.4	9.2	9.1	9.1	9.8	9.4

Government external debt service as percentage of exports: N/A

5. Bosnia and Herzegovina

IMF assessment: Sustainable, and sustainable under most adverse scenarios

Our estimate of IMF assessment under PRGT Debt Sustainability Assessment: **Low risk**

Government external debt service as percentage of revenue:

2020	2021	2022	2023	2024	2025
6.2	6	5.8	8.5	5.3	5.8

Government external debt service as percentage of exports: N/A

6. Costa Rica

IMF assessment: "Sustainable"

Our estimate of IMF assessment under PRGT Debt Sustainability Assessment: **Moderate risk**

Government external debt service as percentage of revenue:

2020	2021	2022	2023	2024	2025

18.7	20.1	N/A	N/A	N/A	N/A

Government external debt service as percentage of exports:

2020	2021	2022	2023	2024	2025
9.1	10.1	N/A	N/A	N/A	N/A

7. Dominican Republic
IMF assessment: "Sustainable"
Our estimate of IMF assessment under PRGT Debt Sustainability Assessment: **High risk**

Government external debt service as percentage of revenue:

2020	2021	2022	2023	2024	2025
16.9	26.3	13.3	12.1	20.1	19.8

Government external debt service as percentage of exports:

2020	2021	2022	2023	2024	2025
13	18.2	9	7.9	12.9	12.2

8. Egypt
IMF assessment: The IMF has not made its loan documents publicly available
Our estimate of IMF assessment under PRGT Debt Sustainability Assessment: **High risk**

The IMF has not made its loan documents publicly available so there is no narrative assessment or up-to-date figures on debt payments. Using the World Bank’s International Debt Statistics, which only includes payments on loans taken out before end-2018, we have estimated Egypt’s public external debt service in 2020 will be at least 23.6% of revenue, and likely higher. For example, interest payments on Eurobonds issued by Egypt in 2019 and 2020 are not included in the World Bank’s figures.

9. El Salvador
IMF assessment: Doesn't say whether or not sustainable
Our estimate of IMF assessment under PRGT Debt Sustainability Assessment: **High risk**

Government external debt service as percentage of revenue:

2020	2021	2022	2023	2024	2025
16.5	14.5	13.9	25.3	15.3	24

Government external debt service as percentage of exports:

2020	2021	2022	2023	2024	2025
19.6	16.4	15.6	28.1	16.9	26.3

10. Gabon
IMF assessment: Doesn't say
Our estimate of IMF assessment under PRGT Debt Sustainability Assessment: **High risk**

Government external debt service as percentage of revenue:

2020	2021	2022	2023	2024	2025
59.5	22.4	N/A	N/A	N/A	N/A

Government external debt service as percentage of exports:

2020	2021	2022	2023	2024	2025
28.7	11.3	N/A	N/A	N/A	N/A

11. Georgia

IMF assessment: Sustainable "despite the sharp increase expected in 2020 due to depreciation and the fiscal relief package"

Our estimate of IMF assessment under PRGT Debt Sustainability Assessment: **Low risk**

Government external debt service as percentage of revenue:

2020	2021	2022	2023	2024	2025
8.6	8.5	8.3	8	8	7.4

Government external debt service as percentage of exports: N/A

12. Guatemala

IMF assessment: “Sustainable”

Our estimate of IMF assessment under PRGT Debt Sustainability Assessment: **Moderate risk**

Government external debt service as percentage of revenue:

2020	2021	2022	2023	2024	2025
13.9	13.5	20.1	13.6	14.9	14.2

Government external debt service as percentage of exports:

2020	2021	2022	2023	2024	2025
9.9	9.5	15	10.6	12.1	12

13. Jamaica

IMF assessment: Doesn't say whether or not sustainable

Our estimate of IMF assessment under PRGT Debt Sustainability Assessment: **High risk**

Government external debt service as percentage of revenue:

2020	2021	2022	2023	2024	2025
26.6	28.6	24.6	25	25.1	21.6

Government external debt service as percentage of exports:

2020	2021	2022	2023	2024	2025
35.1	26.6	20.3	20.2	20.2	17.4

14. Jordan

IMF assessment: Sustainable "This assessment rests on the premise that the exchange rate peg is maintained, the shock is transitory, and that the authorities remain committed to the fiscal consolidation path in the EFF, as well as on the related ability to mobilize committed donor and market financing."

Our estimate of IMF assessment under PRGT Debt Sustainability Assessment: **High risk**

Government external debt service as percentage of revenue:

2020	2021	2022	2023	2024	2025
29.2	9.5	18.2	19.8	10.8	14.9

Government external debt service as percentage of exports:

2020	2021	2022	2023	2024	2025
34.2	12.1	23.3	24.8	13.3	18

15. Kosovo

IMF assessment: Sustainable in baseline and stress tests
Our estimate of IMF assessment under PRGT Debt Sustainability Assessment: **Low risk**

Government external debt service as percentage of revenue: N/A
Government external debt service as percentage of exports:

2020	2021	2022	2023	2024	2025
5.8	4.6	2.5	2.8	3.2	2.6

16. Mongolia

IMF assessment: “Sustainable under the baseline, but risks of debt distress remain elevated”
Our estimate of IMF assessment under PRGT Debt Sustainability Assessment: **High risk**

Government external debt service as percentage of revenue:

2020	2021	2022	2023	2024	2025
19.4	60.8	33.7	42.4	21.8	6.8

Government external debt service as percentage of exports: N/A

17. Nigeria

IMF assessment: "The interest-to-revenue ratio is particularly vulnerable to a real interest rate shock but remains sustainable."
Our estimate of IMF assessment under PRGT Debt Sustainability Assessment: **Low risk**

Government external debt service as percentage of revenue:

2020	2021	2022	2023	2024	2025
7.1	7.5	N/A	N/A	N/A	N/A

Government external debt service as percentage of exports:

2020	2021	2022	2023	2024	2025
3.9	4.3	N/A	N/A	N/A	N/A

18. North Macedonia

IMF assessment: Sustainable "However, from a liquidity perspective, financing needs exceed the high-risk threshold in the baseline scenario and more so in the stress scenarios."
Our estimate of IMF assessment under PRGT Debt Sustainability Assessment: **High risk**

Government external debt service as percentage of revenue: N/A
Government external debt service as percentage of exports: N/A

The IMF does not provide figures on external debt service in its loan documents for North Macedonia. However, the IMF narrative assessment above suggests it would be high risk.

19. Pakistan
IMF assessment: "sustainable, despite the Covid-19 shock, as this should be transitory, and the authorities remain committed to the fiscal consolidation path imbedded in the EFF."
Our estimate of IMF assessment under PRGT Debt Sustainability Assessment: **High risk**

Government external debt service as percentage of revenue:

2020	2021	2022	2023	2024	2025
35	27.2	N/A	N/A	N/A	N/A

Government external debt service as percentage of exports:

2020	2021	2022	2023	2024	2025
53.5	41.9	N/A	N/A	N/A	N/A

20. Seychelles
IMF assessment: Doesn't say whether or not sustainable "Assuming the authorities will steadfastly implement a strong debt reduction strategy with a view to achieving a primary surplus of 2½ percent of GDP by 2025 and the economy will suffer no further major negative shocks, public debt and gross financing needs are expected to steadily decline again over the medium term."
Our estimate of IMF assessment under PRGT Debt Sustainability Assessment: **Moderate risk**

Government external debt service as percentage of revenue:

2020	2021	2022	2023	2024	2025
14.7	14.1	14.3	12.6	12.7	11.5

Government external debt service as percentage of exports:

2020	2021	2022	2023	2024	2025
5.6	N/A	N/A	N/A	N/A	N/A

21. St. Lucia
IMF assessment: "sustainable, but risks are elevated"
Our estimate of IMF assessment under PRGT Debt Sustainability Assessment: **Low risk**

Government external debt service as percentage of revenue:

2020	2021	2022	2023	2024	2025
5.9	4.5	N/A	N/A	N/A	N/A

Government external debt service as percentage of exports: N/A

22. Tunisia
IMF assessment: "Tunisia's debt sustainability risks have increased substantially" but implies still sustainable without explicitly saying so.
Our estimate of IMF assessment under PRGT Debt Sustainability Assessment: **High risk**

Government external debt service as percentage of revenue:

2020	2021	2022	2023	2024	2025

21.5	28.3	N/A	N/A	N/A	N/A

Government external debt service as percentage of exports:

2020	2021	2022	2023	2024	2025
17.7	22.3	N/A	N/A	N/A	N/A