

# The new global debt crisis

May 2019



christian  
**aid**

  
**JUBILEE DEBT  
CAMPAIGN**



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Christian Aid exists to create a world where everyone can live a full life, free from poverty.

Poverty is an outrage against humanity. It robs people of their dignity and lets injustice thrive. But together we have the power to transform lives.

We are a global movement of people, churches and local organisations who passionately champion dignity, equality and justice in 37 countries worldwide. We are the changemakers, the peacemakers, the mighty of heart.

We provide urgent, practical help in times of crisis and beyond. We seek to eradicate extreme poverty by tackling its root causes. Together with people living in poverty, we amplify our voices to speak truth to power and create lasting change.

Everyone is equal in the sight of God. For over 70 years this has inspired us to stand together in solidarity with our global neighbours, of all faiths and none.

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**Cover:** 'Mama' Jebbeh Swaray with her granddaughter, Hawa Fortune, in Pujehun district, Sierra Leone. Jebbeh's only daughter died giving birth to Hawa, so Jebbeh is her sole guardian. Sierra Leone has the world's highest maternal mortality rates. Christian Aid is calling on the UK Government to push the International Monetary Fund to cancel debts incurred by Sierra Leone during the Ebola crisis, so that the country can invest more funds in the healthcare it so desperately needs.

Photograph: Christian Aid/Tom Pilston



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## Foreword

Launching this year's Christian Aid Week, former prime minister Gordon Brown said: "Christian Aid is now one of the great national institutions. [It] has achieved a reputation and acknowledgement by the British public ...and it shows that social movements that bring about change are built on moral foundations."

We are committed to honouring our place in the hearts of the British public to expose and end the causes of global poverty, promote the voices and agency of affected communities, and to help create a new kind of economic model that protects the most marginalised people and our shared planet.

We need a new model because our current economic system is failing. One of the clearest signs of this failure is the emergence of a 'new global debt crisis' and this is what we are exploring in this new report – launching during Christian Aid Week 2019. As Christian Aid we say that enough is enough. This debt crisis poses additional risk to communities already experiencing multiple vulnerabilities and being left behind. We will not walk on the other side, ignoring the shameless reality that many poor communities are suffering the impacts of unfair debts that have been imposed on them by those in the global north.

Research by the Jubilee Debt Campaign, with whom we have teamed up to produce this report, reveals that 31 countries across the world are now in debt crisis, with a further 82 at risk. Average debt payments have risen for global south governments, as a proportion of government revenue – increasing by 85% since 2010 – and are at the highest level since 2004.


This is unacceptable. And so, though outward-facing into the world, we unashamedly seek to influence the UK government, and in this report we call urgently for an end to complicity in the crisis which is already having a serious impact on the lives of some of the most vulnerable communities worldwide.

Our calls include the call to create transparency in all loans given under UK law or by UK-based banks, banning vulture funds from profiting from the new debt crisis and lobbying the International Monetary Fund (IMF) to cancel debts incurred by Sierra Leone's tackling of the Ebola crisis.

Further, this Christian Aid Week, we are calling on the UK Chancellor and government to use their influence with the IMF to: ensure all Sierra's Leone's debts on the loans the country received for fighting the Ebola outbreak are written off, and take urgent action to prevent new debt crises in countries of the global south and tackle them effectively when they arise.

Debt needs a different, pro-active approach from international policymakers. Current trends in debt such as the involvement of the private sector mean the crisis must be handled multilaterally. The IMF and World Bank – institutions I have recently visited with a critical voice – need to acknowledge that their own policies have contributed to the debt crisis and are increasing inequality.

The Jubilee 2000 campaign, inspired by the biblical imperative to forgive unsustainable debts led to a major international round of debt relief for countries trapped in poverty. But the cause remains urgent. Now is the time to act again.



**Amanda Khozi Mukwashi**  
Chief Executive, Christian Aid



**'We will not walk on the other side, ignoring the shameless reality that many poor communities are suffering the impacts of unfair debts.'**

Amanda Khozi Mukwashi.

## Executive summary

- Spiralling debt repayments divert precious resources from governments that can ill afford to spare them. Without spending money on basic services like clean water, sanitation and health, there is little hope of poor countries meeting the development need, and human rights, of their citizens.
- The Jubilee 2000 campaign led to a major international round of debt relief for many countries caught in a spiral of debt repayments that trapped them in poverty. But now we are entering a new global debt crisis – and we need to act again.
- Debt is political: the new crisis is the consequence of failings on the part of countries in the global north, including the UK, which share responsibility for the crisis with intergovernmental institutions such as the World Bank and the International Monetary Fund (IMF). Three of the biggest root causes of the debt crisis are lack of transparency, exploitative private sector actors, and ineffective, undemocratic global institutions responsible for managing debt.
- The international system – which is iniquitously designed to create crises and bail out private loans with public money – needs a total overhaul. Structural changes to the global economy are needed to prevent the cycle of crises, including stronger regulation of lenders and tax justice.
- Since the western financial crisis of 2008, there has been a boom in irresponsible lending to countries in the global south. Annual lending to low and lower-middle income country governments trebled from \$65bn in 2007 to \$180bn by 2017 (the latest year with figures available).<sup>1</sup>
- According to the latest research by the Jubilee Debt Campaign (JDC), 31 countries across the world are now in debt crisis, up from 27 in 2017 and 22 in 2015. Right now a further 82 countries are at risk. Average debt payments for global south governments have increased by 85% since 2010, and are at the highest level since 2004.
- The UK is responsible for regulating much of the lending boom to countries of the global south, with 90% of publicly traded loans to African governments being given using English law. These loans can be given in secret, and vulture funds are able to use UK courts to ignore agreed debt restructurings and sue for huge profits.
- Christian Aid and supporters are asking the UK chancellor and government to use their influence with the IMF to ensure all loans to Sierra Leone following the Ebola outbreak are written off, alongside all debt payments by impoverished countries to the institution in the wake of disasters and humanitarian crises, and to take urgent action to prevent new debt crises in countries of the global south and tackle them effectively when they arise.
- At home, Christian Aid demands that the law is urgently changed to ensure that loans given under English law, or by British-based banks, are transparent, and that vulture funds are banned from profiting from the new debt crisis through UK courts.

**‘Average debt payments for global south governments have increased by 85% since 2010, and are at the highest level since 2004.’**

## Introduction: stopping the debt spiral

In 1970, countries of the global south owed \$72.7bn to the rest of the world. By 2000, this figure had sky-rocketed to some \$2.5tn, equivalent to 37% of their GDP. While Africa was a relatively minor debtor in absolute terms, many countries in the region were among the biggest debtors in GDP terms, with overall debt equating to almost 75% of GDP by 2000.<sup>2</sup>

These spiralling debt repayments divert precious resources from governments which can ill afford to spare them. Without spending money on basic services like clean water, sanitation and health, there is little hope of poor countries meeting the development need, and human rights, of their citizens.

In response, a powerful movement of organisations, churches and individuals around the world rose up to call for a global round of debt relief for those countries trapped in a debilitating cycle of debt which entrenched poverty and inequality in many of the world's poorest nations. This became known as Jubilee 2000.

The campaign drew its name from the biblical concept of the Great Jubilee – a year to proclaim the freeing of all slaves and the relieving of debts. Jubilee called for a fresh start for the poor, an opportunity for all of society to re-establish justice and equity. Coinciding with the year 2000, which was a jubilee year in the churches, the world began the new century and the new millennium with this cry for freedom.

Governments and world leaders responded with a major round of debt relief. The Highly Indebted Poor Countries (HIPC) initiative, launched in 1996, began the process of debt cancellation in the worst-hit countries.

**'I come from a country, Zambia, where every woman, man, and child owes \$750 in external debt [per capita income in Zambia is just over US\$2502]. What servicing this debt means for Zambians [is] lack of education opportunities, inadequate healthcare facilities, poor housing, water and sanitation structures, insufficient productive investments for promoting jobs, etc.**

**'These are the serious wounds that Zambians experience because of debt and the demand for debt servicing... The debt problem is not simply an economic issue. It is fundamentally an ethical issue because it is radically a human problem, affecting the wellbeing of families, the survival of the poor, the bonds of community, and the security of the future.'**

*- Archbishop Medardo Mazombwe of Zambia.<sup>3</sup>*

**Below:** Protesters form a human chain in Birmingham in 1998, as part of the Jubilee 2000 campaign. Credit: Jubilee Debt Campaign.





The Jubilee campaign successfully pushed rich governments into further, more ambitious debt cancellation pledges in 1999 and 2002 and a subsequent review of the impact of debt relief, in 10 countries, showed that education and health spending had risen significantly, in relation to the cost of debt servicing.

Despite such gains, the development impact of the HIPC process was limited, in part because of the aggressive 'structural adjustment' conditions that institutions such as the World Bank and rich country governments imposed on poorer countries. These conditions often had dire consequences for the poorest in society, as social protection spending was cut, public sector workers were laid off, and local companies were exposed to global competition.

The policies ignored concerns about income distribution, the impact on women and children, living standards and environmental impacts. Christian Aid and the Jubilee Debt Centre, along with many others, campaigned vigorously against these conditions.

Since 2000, the worldwide Jubilee movement has witnessed \$130bn of debt cancellation for countries of the global south.

But today, barely 20 years later, the world is already entering a new debt crisis – and we need to act again. Despite the hopeful start to the century, the underlying problems have yet to be solved.

## Debt today

Since the western financial crisis of 2008, there has been a boom in irresponsible lending to countries of the global south. Global debt rose to a record level of \$152tn (£122tn) in 2016. This lending boom is threatening to set a new debt trap for people in poverty around the world, where governments are unable to afford to pay their debts and provide basic services like healthcare and education. Urgent action is needed now to ensure that history is not repeated. Unless dealt with effectively, the crisis could cause increasing poverty and quicken the decline of public service provision, as happened in the 1980s and 1990s.

The emerging crisis is a consequence of a range of failings on the part of countries of the global north, including the UK, and intergovernmental institutions (most notably the IMF) in part exacerbated by unjust and ineffective governance in countries of the global south. The private sector has always been a major factor in the debt cycle.

In recent years the largest increase in lending has been from the private sector, yet when the cycle turns, it is these companies that expect governments and taxpayers to bail them out. When these debts become difficult to service, and access to the private credit market is cut off, low-income countries have no option but to request assistance from the IMF's loan packages, that often come with conditions which lead to cuts in essential services like education, healthcare and social protection. All too often it is the poorest in these countries who suffer.

Although the form of debt has changed in the past 20 years, and has in some ways become harder to tackle, it still needs major attention from governments and multilateral policy makers as a matter of urgency.

**'Many events in the past few years have shown how powerful and influential NGOs can be – especially when those of North and South come together, using the tools of new technology such as email and the Internet, and work to build coalitions with like-minded governments. We saw it with the campaign to ban landmines. We saw it with the coalition for the International Criminal Court. Perhaps most impressively of all, we saw it with the Jubilee 2000 campaign for debt relief.'**

*- Kofi Annan, former UN Secretary-General.<sup>4</sup>*

Yet deeper reform is needed. The existing economic paradigm, which allows cycles of debt to continue, must be changed. The international system – which is iniquitously designed to create crises and bail out private loans with public money – needs a larger overhaul.

Christian Aid has campaigned to overcome the global debt crisis for decades, and continues to work with a range of advocacy groups, including the Jubilee Debt Campaign and many others focused on debt, across Europe as part of the Citizens for Financial Justice network, and across the globe. Challenging the structures of debt is one vital aspect of creating a world of global economic justice and ensuring the poorest are set free. It is time to act again on debt, as part of a wider set of actions to re-set our global economy on a path towards justice.

**‘Unjust debt is at the heart of deep inequality between rich and poor, as well as between rich and poor countries. We need a new debt jubilee.’**

Archbishop of York John Sentamu.

## After the crash

The global financial crisis triggered a massive increase in lending in countries of the global south, as mostly western lenders sought greater profits in poorer countries where they could charge high interest rates.

Annual lending to low and lower-middle income country governments trebled from \$65bn in 2007 to \$180bn by 2017 (the latest year with figures available).<sup>5</sup> This increase has come because quantitative easing and low interest rates in the western world mean that lenders have wanted to give more loans to countries in the global south on which they can charge higher interest rates.

Further, multilateral institutions and governmental lenders such as China, France, Germany and Japan have increased their annual lending. Of external debts owed by low and lower middle-income governments:<sup>6</sup>

- 39% are owed to private lenders. The amount in international bonds issued by sub-Saharan African governments increased from \$5bn in 2011 to \$27bn by 2017. Direct loans by banks and other private companies have increased from \$5bn in 2011 to \$7bn in 2017. Over 90% of Sub-Saharan African government bonds are owed under English law.
- 33% are owed to multilateral institutions, primarily the World Bank, IMF and regional development banks such as the African development Bank.
- 28% are owed to other governments.

As the Jubilee Debt Campaign has argued: “[U]nless dealt with effectively, the crisis could cause increasing poverty and declining public service provision, as happened in the 1980s and 1990s. The crisis comes from a boom in lending and borrowing since the global financial crisis, followed by the crash in the price of commodity exports.”<sup>7</sup>



## A renewed crisis

There have been signs of a new debt crisis emerging in the global south for several years, yet the warnings by JDC and others have not been heeded.

According to the latest research by JDC, 31 countries across the world are now in debt crisis, with a further 82 at risk. The countries in crisis include impoverished countries that have been hit by the fall in global commodity prices, including Ghana, Lao PDR, Mongolia and Mozambique; Eurozone countries hit by the 2008 crash and subsequent austerity policies, including Greece, Ireland and Portugal; and countries in the global south which have been in debt crisis for many years, having never qualified for previous debt relief schemes, including Jamaica, Pakistan, Sri Lanka and Tunisia.

Meanwhile, average debt payments have increased for global south governments, as a proportion of government revenue, increasing by 85% since 2010, and are at the highest level since 2004.<sup>8</sup>

The problems caused by debt in countries of the global south are exacerbated by the fact that these countries continue to raise much less in tax revenue, as a percentage of their GDP, than richer countries. In part this is due to the ability of large companies to dodge their tax responsibilities. This worsens the impact of debt crisis, as debt repayments further reduce the ability of governments to provide critical services and invest in local development.

The increasing moves by some governments to promote private sector investment to close the gaps in public finances may make things worse rather than better, such as through unchecked promotion of public-private partnerships (PPPs). This approach could increase the risk of debt crisis while failing to deliver either the quantity or the quality of finance needed for genuinely sustainable and equitable development.<sup>9</sup>

**‘According to the latest research by JDC, 31 countries across the world are now in debt crisis, with a further 82 at risk.’**

**Below:** Villagers in Sawula, Sierra Leone, carry a savings box used as part of a savings and loans scheme run by Christian Aid and its partner RADA. Sierra Leone is one of 20 sub-Saharan African countries that have been threatened with or subjected to legal actions by commercial creditors and vulture funds since 1999. Credit: Christian Aid/Tom Pilston.





## Who is responsible?

Three of the biggest root causes of debt crisis are lack of transparency, exploitative private sector actors, and ineffective, undemocratic global institutions responsible for managing debt. These roots reach deep into the global financial centres, particularly the City of London, and the IMF and World Bank.

The UK is responsible for regulating much of the lending boom in impoverished countries, with 90% of publicly traded loans to the majority of African governments being given using English law.<sup>10</sup> Overall, while 20% of African debt is owed to China, 30% is owed to the private sector – mainly owed under UK law but due to lack of transparency we do not know the share of this held by UK-based banks.<sup>11</sup>

The lack of transparency in UK law means there is not enough accountability of lending. Too often these loans can be given in secret, and vulture funds (the name given to funds which seek to profit by buying up high risk, high yield debt) are able to use UK courts to ignore agreed debt restructurings, and to sue for huge profits. In Mozambique, loans given in secret by London-based banks, under English law, are the root of their debt crisis. Other countries with claimed hidden loans include Gambia, Gabon, Republic of Congo and Zambia. When loans are given in murky conditions, it also enables irresponsible lenders to operate without public oversight from civil society, parliaments or other public bodies.

As the JDC has explained: 'Most international debts are owed under New York or English law, so many Vulture Fund cases have been brought in London courts. This included cases against Liberia and Zambia after they qualified for debt relief in the 2000s. In 2010 Jubilee Debt Campaign successfully campaigned for a law to be passed in the UK parliament which limits the amount for which Vulture Funds can sue Heavily Indebted Poor Countries (a grouping of 40 countries that were in debt crisis). Debts owed to private creditors were not included in the HIPC scheme, even if they originated with a public lender such as the Romanian government. However, this only applies to their old debts, so over time it will become obsolete.'<sup>12</sup>

Kinda Mohamadieh from the South Centre<sup>13</sup> demonstrates how such vulture funds operate: 'Vulture funds are hedge funds whose modus operandi focuses on three main steps including: (1) purchasing distressed debt on the secondary market at deep discounts far less than its face value, (2) refusing to participate in restructuring agreements with the indebted state, and (3) pursuing full value of the debt often at face value plus interest, arrears and penalties, including through litigation, seizure of assets, or penalties. ADB [the African Development Bank] documents 20 sub-Saharan African countries including Sierra Leone and Mozambique which have been threatened with or have been subjected to legal actions by commercial creditors and vulture funds since 1999.'

Another root cause of the new debt crisis is the lack of effective, democratic global institutions capable of taking on powerful vested interests and resolving major challenges such as the emerging debt crisis. The consensus of regulation formed at the 1944 Bretton Woods agreement has collapsed in all but name and is no longer fit for purpose. The lack of political will in resolving the debt crisis was evident

**Below:** In Ellembele District, Ghana. Amina Issah Ebanyinle designs beaded footwear that she will later sell. Amina was trained as part of the Growing Economic Opportunities for Sustainable Development (GEOP) project, which aims to promote job creation and increase sustainable economies in Ghana, particularly among people with disabilities. Ghana is one of the 31 countries currently in debt crisis. Credit: Christian Aid/Lema Concepts Africa.



**'When loans are given in murky conditions, it enables irresponsible lenders to operate without public oversight from civil society, parliaments or other public bodies.'**



at the Addis Ababa Financing for Development (FfD) summit in 2015, and subsequent annual FfD Forum meetings to finance the Sustainable Development Goals (SDGs).

Multilateral institutions are failing. Current private sector trends will lead to worse debt crises in future – and the promise of helping fund the Sustainable Development Goals through the private sector could easily turn into a nightmare of debt repayments further down the track, unless the world learns from the past and puts in place measures now to stem the flow of this crisis. Transparency and accountability among lenders are urgently needed. The international system – which is iniquitously designed to create crises and bail out private loans with public money – needs a total overhaul.

### What the UK can do

The debt trap is obviously a global problem, but the UK has played a vastly disproportionate role in facilitating the crisis and therefore needs to pay a leading role in helping to resolve and prevent further debt crisis.

First and foremost, the UK Government and Parliament need to change the law to ensure that loans given under English law, or by British-based banks, are transparent and that vulture funds seeking to make large profits out of debt crises must not be allowed to do so through UK courts. This alone will go a long way to preventing further debt crises.

Vulture funds are able to use UK courts to ignore agreed debt restructurings and sue for huge profits. Unjust laws need to change now. Reckless lenders must no longer be bailed out with public money from the IMF and World Bank.

Yet the rot goes deeper than just the law and the predatory actions of companies based in the UK. The UK Government must help address the long-term and structural problems by pushing for effective, inclusive global processes to ensure that poor countries are protected from future debt crisis.

Governments and multilateral institutions must also be much more cautious about the continued promotion of private sector finance, including capital markets, as a primary strategy to finance the SDGs. This carries with it a major risk of increased debt which is largely unacknowledged and is storing up problems for the future.

Original lenders must be made to pay for crises, not the public through debt relief over decades to come. Where countries are already in debt crisis because of debt owed to the IMF and the World Bank, such as in Sierra Leone, then debt relief is needed as a matter of urgency.

**Below:** Christian Aid supporters and staff during a campaign event in London. Credit: Christian Aid.



## Sierra Leone: the debt epidemic

Five years ago, Sierra Leone began a fraught battle against the deadly Ebola virus.

When the outbreak began in May 2014, the country was ill-equipped to handle the crisis. One of the world's poorest nations, Sierra Leone suffers from a deficit of health clinics, medical personnel and vital resources such as ambulances.

With alarmingly high maternal mortality rates, it is also the world's most dangerous place to become a mother.

Sierra Leone was the country worst affected by what was the largest Ebola epidemic in history. By the time the outbreak ended in Sierra Leone, in 2016, it had killed close to 4,000 people – including health professionals – and devastated an already frail health system.

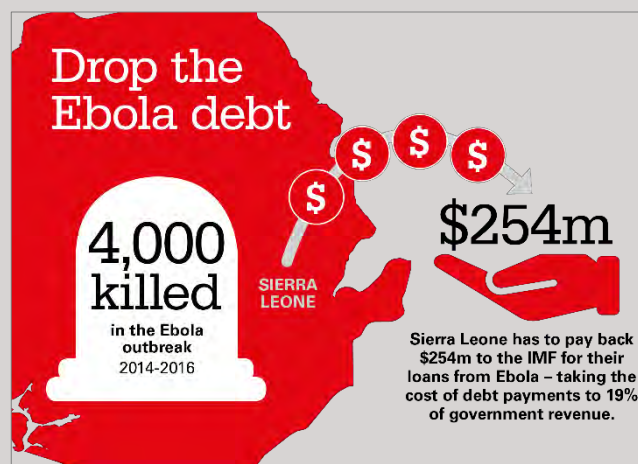
The global humanitarian response successfully contained the epidemic. In fact, it is held up as an example of international cooperation – but at what cost?

When Ebola struck Sierra Leone, its government had little choice but to accept loans from the IMF to help it cope with the crisis. However, multilateral debt repayments have left the country with even less money to provide the healthcare so desperately needed.

### A double injustice

Tragically, Sierra Leone's valiant efforts to recover from the Ebola outbreak have been undermined by a doubling in loans, just as it struggles to rebuild its healthcare systems.

And now, the northern countries and private sector creditors are demanding their money back. This is a double injustice. It is also an indictment of the international system of humanitarian and development relief, and the failings of the major institutions – such as the IMF – to handle debt properly.



In November 2018, the IMF agreed a new \$172m loan programme with Sierra Leone, spread over the next three and a half years, until mid-2022. At the same time, the IMF increased its rating of Sierra Leone's risk of debt default from moderate to high.

The IMF forecasts that by 2022 Sierra Leone will be spending 19% of government revenue on foreign debt payments; 40% of these payments are to the IMF itself.<sup>14</sup>

Following global campaigning, including by the JDC, the IMF agreed to cancel \$29m of Sierra Leone's debt payments due in 2015 and 2016, in response to Ebola. However, the IMF also loaned more money – between 2015 and 2017 – to the tune of \$254m. Under the IMF loan programme, the government of Sierra Leone is having to cut public spending per person by 15% by 2019 (on 2016 levels).<sup>15</sup>

The JDC repeatedly warned<sup>16</sup> that lending more money in response to the Ebola epidemic would lead to a future debt crisis, and it called for all international assistance to be given as debt relief and grants instead.

Regrettably, this warning has fallen on deaf ears.

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**'Tragically, Sierra Leone's valiant efforts to recover from the Ebola outbreak have been tragically undermined by a doubling in loans.'**

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## Mozambique: secrets and loans

Recent weeks have seen the country of Mozambique thrust into the global spotlight, as it begins the mammoth task of recovering from the aftermath of Cyclones Idai and Kenneth. When Idai struck in March 2019, Mozambique bore the brunt of the tropical cyclone, described by the United Nations as ‘one of the deadliest weather-related disasters to hit the southern hemisphere’.

With entire communities engulfed by floodwaters, Idai brought with it death, destruction, displacement and disease (namely, cholera) in Mozambique, the cost of which the country can ill-afford. Last month, the World Bank put the direct economic losses caused by Cyclone Idai in Mozambique at an estimated \$656m - \$773m.<sup>17</sup>

This human and financial toll has been well-documented in the international media. However, something that has attracted much less publicity, outside Mozambique, is the long-running scandal surrounding the country’s secret loans.

### ‘Illegal’ loans

The scandal in question began in 2013 and 2014, when the London branches of Credit Suisse and Russian lender VTB gave three loans, worth \$2bn in total, to three state-owned companies in Mozambique.

The then Mozambique Finance Minister, Manuel Chang, guaranteed the loans, many of which were subsequently sold by the banks to other speculators. However, none of the loans were agreed by the Mozambique parliament, making them potentially illegal in the country,<sup>18</sup> while two were kept secret. At the time, commodity prices were high, and Mozambique was one of the world’s fastest growing economies.

Some of the money was spent on a fishing fleet and speed boats, which sit unused in Maputo harbour. However, at least \$700m is unaccounted for,<sup>19</sup> according to an independent audit. Meanwhile, the US Department of Justice claims that at least \$200m of bribes and kickbacks were paid to bankers, suppliers and Mozambique government officials as part of the deals.<sup>20</sup>

### In the light

It was not until 2016, soon after the one public loan was restructured, that the existence of the two other loans came to light. These public revelations contributed to an economic crisis in the country, perpetuated by the fall in global commodity prices from mid-2014.

Between August 2014 and the end of 2016, the Mozambique currency – the metical – lost 60% of its value against the dollar.<sup>21</sup> As a result, inflation hit 20% in 2016; resulting food price rises exacerbated rural poverty, according to the World Bank.<sup>22</sup>

From late 2016, the state-owned companies began defaulting on their debt.

Since the guarantees given by former Finance Minister Chang were under English law, any creditor wishing to sue Mozambique for non-payment can do so at the High Court in London. However, so far not one creditor has sued.

This suggests either that creditors do not want further information about the scandal to come to light, or they recognise, as legal experts claim, that the lack of due process around the loans means the debt may not be enforceable against the Mozambique government anyway.<sup>23</sup>

Although the three loans have been defaulted on, Mozambique’s debt payments have still shot up because the fall in the metical’s value has increased the relative size of debts owed in foreign currencies such as dollars.

As it stands, the Mozambique government’s foreign debt payments are now more than 20% of revenue.<sup>24</sup> Meanwhile, public spending per person fell by 30% between 2014 and 2019.<sup>25</sup>

*Continued overleaf*

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**‘Campaigners in Mozambique have been calling for the loans to be declared illegal, so that the people of Mozambique do not have to pay for debts they had no say over and no benefit from.’**

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## Mozambique: secrets and loans

*Continued from previous page.*

At the start of 2019, three former Credit Suisse bankers were arrested in London as part of a US investigation into the case; former Finance Minister Manuel Chang was arrested in South Africa<sup>26</sup> and is now due to be extradited to the US.<sup>27</sup> (Shamefully, despite the fact the loans were given by London banks under English law, UK authorities have taken no action: the Financial Conduct Authority dropped its criminal investigation in November 2018).<sup>28</sup>

The arrests finally prompted the Mozambique government to take action: the Attorney General has indicted 18 people ‘on charges of abuse of power, abuse of trust, swindling and money laundering’,<sup>29</sup> and in February six arrests were made, including the former head of intelligence, and the son of former President Guebuza.<sup>30</sup>

In the same month, Mozambique filed a case against Credit Suisse at the High Court in London, seeking a judgement that it was not required to pay one of the three loans, and seeking compensation from Credit Suisse.<sup>31</sup>

Throughout the scandal, campaigners in Mozambique have been calling for the loans to be declared illegal, so that the people of Mozambique do not have to pay for debts they had no say over and no benefit from.

Campaigners want all those involved, including the banks and former government ministers, to be held fully to account for their actions.<sup>32</sup>

The case has prompted discussion within the G20 on the need for new rules to ensure loans to governments are transparent. Such steps are long overdue.

## Conclusion: the need for a prophetic voice

Since 2012, international institutions have failed to heed the warnings – as set out by the JDC and supported by Christian Aid – of a new debt crisis, and the problem is now upon us. This must not be another moment for half-baked solutions or mishandled bailouts. We must prove we can learn from history and not be doomed to repeat it.

Christian Aid and supporters are asking the UK Chancellor and government to use their influence with the IMF to:

- Ensure all Sierra Leone’s debts on the loans it received for fighting the Ebola outbreak are written off;
- Take urgent action to prevent new debt crises in countries of the global south and tackle them effectively when they arise.<sup>33</sup>

In the UK, Christian Aid demands that:

- UK Parliament urgently change the law so that loans given under English law, or by British-based banks, are transparent;
- Vulture funds are banned from profiting via the new debt crisis through UK courts;
- The government ceases aid spending on exporting PPPs that create debt in countries of the global south.

Globally, Christian Aid calls on governments to lead a process in the G20 to ensure that:

- A publicly accessible registry of loan and debt data is created, through a fully inclusive process, and housed in a permanent institution, with the required ongoing funding;
- All governments, multilateral institutions and private companies commit to disclosing loans to governments in this registry. All relevant legislatures, especially the UK and New York, introduce a

requirement that for a loan to a government, or with any form of government guarantee, to be enforceable, it must have been publicly disclosed on the registry mentioned above, within 30 days of contract signature, and providing the information outlined above.

Debt needs a different and more proactive approach from international policy makers. Current trends in debt such as the involvement of the private sector and China mean the crisis needs to be handled multilaterally. The IMF and World Bank are in denial that their own policies have contributed to the debt crisis and are increasing inequality.

It is time once again to work together to call for a major international round of debt relief for countries trapped in poverty, and drowning in repayments that affect the poorest and most marginalised in these countries. In the words of Archbishop John Sentamu, 'we need a new debt jubilee.'

**'It is time once again to work together to call for a major international round of debt relief for countries trapped in poverty, and drowning in repayments.'**

## End notes

1. Calculated by Jubilee Debt Campaign from World Bank World Development Indicators database: <https://databank.worldbank.org/data/source/world-development-indicators>
2. [http://hdr.undp.org/sites/default/files/hdr2003\\_pettifor\\_greenhill.pdf](http://hdr.undp.org/sites/default/files/hdr2003_pettifor_greenhill.pdf)
3. Archbishop Medardo Mazombwe of Zambia, Conference on the Ethical Dimensions of International Debt, Seton Hall University, Newark, N.J. (October 22-23, 1998.)
4. Statement by United Nations Secretary-General Kofi Annan to the Non-Governmental Forum at the Third United Nations Conference on the Least Developed Countries. 15 May 2001: [www.globalpolicy.org/component/content/article/177/31854.html](http://www.globalpolicy.org/component/content/article/177/31854.html)
5. See note 1.
6. Ibid
7. <https://jubileedebt.org.uk/report/new-developing-world-debt-crisis-2>
8. <https://jubileedebt.org.uk/press-release/crisis-deepens-as-global-south-debt-payments-increase-by-85>
9. [www.christianaid.org.uk/sites/default/files/2019-01/Financing\\_%20Inequality\\_brief\\_1.pdf](http://www.christianaid.org.uk/sites/default/files/2019-01/Financing_%20Inequality_brief_1.pdf)
10. Calculated by Jubilee Debt Campaign from cbonds database: [https://jubileedebt.org.uk/wp-content/uploads/2016/11/The-new-developing-world-debt-crisis\\_Final-version\\_11.16.pdf](https://jubileedebt.org.uk/wp-content/uploads/2016/11/The-new-developing-world-debt-crisis_Final-version_11.16.pdf)
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14. <https://jubileedebt.org.uk/blog/sierra-leone-debt-payments-from-imf-ebola-loans-contribute-to-big-cuts-in-public-spending>
15. Calculated by Jubilee Debt Campaign from IMF programme documents.
16. See note 14.
17. <https://uk.reuters.com/article/uk-africa-cylone-results/world-bank-puts-mozambiques-economic-losses-from-cyclone-idai-at-up-to-773-million-idUKKCN1RN19E>
18. <https://jubileedebt.org.uk/press-release/campaigners-in-mozambique-call-for-non-payment-of-hidden-debts>
19. <https://jubileedebt.org.uk/blog/release-audit-raises-huge-questions-2-billion-loans-mozambique>
20. <https://jubileedebt.org.uk/uncategorized/what-we-have-learned-from-the-us-indictment-on-odious-loans-to-mozambique>
21. [www.xe.com/currencycharts/?from=MZN&to=USD&view=5Y](http://www.xe.com/currencycharts/?from=MZN&to=USD&view=5Y)
22. <http://documents.worldbank.org/curated/en/132691540307793162/pdf/131212-WP-P156495-PUBLIC-FRI-10-26-7AM-DC-DIGITALMEU.pdf>
23. [www.bloombergquint.com/onweb/mozambique-loan-bribe-claims-may-void-debts-law-professor-says](http://www.bloombergquint.com/onweb/mozambique-loan-bribe-claims-may-void-debts-law-professor-says)
24. Calculated from World Bank International Debt Statistics 2019, and IMF World Economic Outlook October 2018.
25. The figure was calculated in 2014 prices. It excludes interest payments Calculated from [www.imf.org/en/Publications/CR/Issues/2016/12/31/Republic-of-Mozambique-Staff-Report-for-the-2015-Article-IV-Consultation-Fifth-Review-Under-43588](http://www.imf.org/en/Publications/CR/Issues/2016/12/31/Republic-of-Mozambique-Staff-Report-for-the-2015-Article-IV-Consultation-Fifth-Review-Under-43588) and [www.imf.org/en/Publications/CR/Issues/2018/03/07/Republic-of-Mozambique-2018-Article-IV-Consultation-Press-Release-Staff-Report-and-Statement-45701](http://www.imf.org/en/Publications/CR/Issues/2018/03/07/Republic-of-Mozambique-2018-Article-IV-Consultation-Press-Release-Staff-Report-and-Statement-45701) and IMF World Economic Outlook October 2018.
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32. <https://jubileedebt.org.uk/news/mozambican-campaigners-demand-cancellation-secret-debt-imf-lends>
33. <https://www.christianaid.org.uk/christian-aid-week/campaign-petition-drop-sierra-leone-debt>