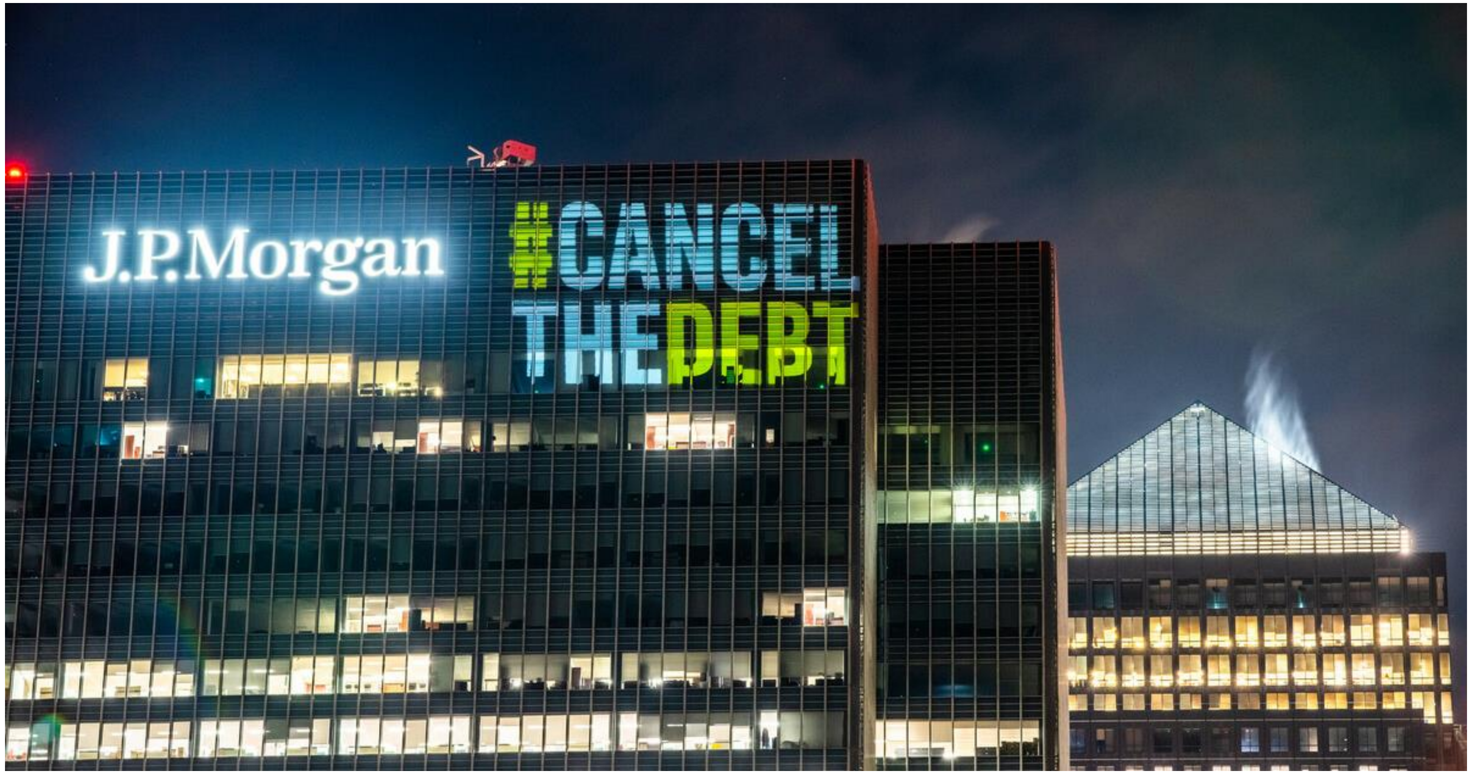
PUBLIC DEBT IN PRIVATE HANDS: challenging private creditors holding sovereign debt

January 2023

INTRODUCTION

- This resource is a collaboration between Christian Aid,Tax Justice Network-Africa (TJN-A), the Civil Society Legislative Advocacy Centre in Nigeria (CISLAC), and Instituto Centroamericano de Estudios Fiscales in Guatemala (ICEFI).
- We came together to assess the implications of private sovereign debt in Kenya, Nigeria, Guatemala and El Salvador, where sovereign (or public) debt is on the rise, with an increasing proportion owed to private creditors.
- Many countries are similarly affected, with important implications for economic justice. Here we share our learning to support research, advocacy and awareness raising of what rising private debt means for people and vulnerable economies.
- Our aim is to reach a wide audience, to contribute to strengthening debt justice movements by providing a framework for understanding and advocating on private debt, so this resource is intended for all. **You don’t need to be an expert to read on…….**

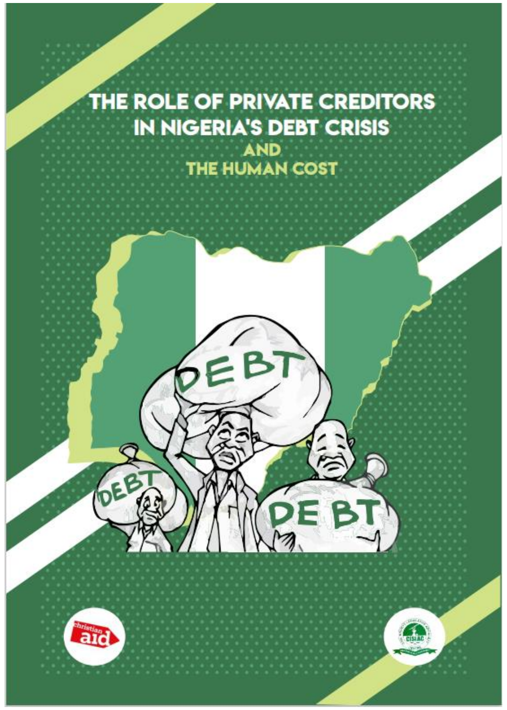
PRIVATE DEBT – THE RISKS



A research and advocacy resource for civil society, campaigners and activists concerned about private sovereign debt.

PRIVATE DEBT AND A 'PEOPLE'S RECOVERY'

- The world needs people-centred public spending to support recovery and build resilience to crises such as the global pandemic and climate change.
- But even faced with diminishing revenues and foreign exchange, and risking interest rates, many have countries continued to service debts at cost of critical social spending. Often, it is citizens who pay the price.
- An indicator of the risk to people is the amount governments spend on servicing debt relative to their overall revenues.
- A 'debt crisis', is conventionally understood as when a country can't pay its debts… but it can also be defined as a situation in which debt is leading to human rights being denied as a result of unaffordable debt.
- A 'people's recovery' depends on governments having enough 'fiscal space' to increase public spending, but between 2021 and 2025 159 countries are expected to take 'fiscal consolidation' (austerity) measures affecting an estimated 85% of the global population.
- Relief from unaffordable debt is essential, but debt owed to private creditors increases debt servicing costs and complicates debt relief.



SOVEREIGN DEBT

We use the term 'private debt' to refer to sovereign debt held by private creditors:

- **Sovereign debt** is debt owed by governments, rather than private individuals, so it is often referred to as 'public' debt.
- Most governments borrow to fund development and bridge fiscal deficits. Economic pressures mean sovereign debt is rising sharply.

Sovereign debt comprises:

1. **Bilateral debt** owed to other governments
2. **Multilateral debt** owed to international institutions (IFIs) such as the World Bank or IMF
3. **Private or 'commercial' debt** owed to private creditors.

- Most **development assistance** provided to poor countries is in the form of loans, not grants, contributing to sovereign debt, although usually on concessional terms.
- Sovereign debt may be **external** (owed to creditors outside of a country) or **domestic** (owed to creditors inside a country, such as banks.
- External sovereign debt is owed in foreign currencies, so **exchange rates** affect repayment costs
- An **increasing** proportion of sovereign debt is owed to **private creditors.** This **'public debt in private hands'** is growing, presenting risks to economies and people.

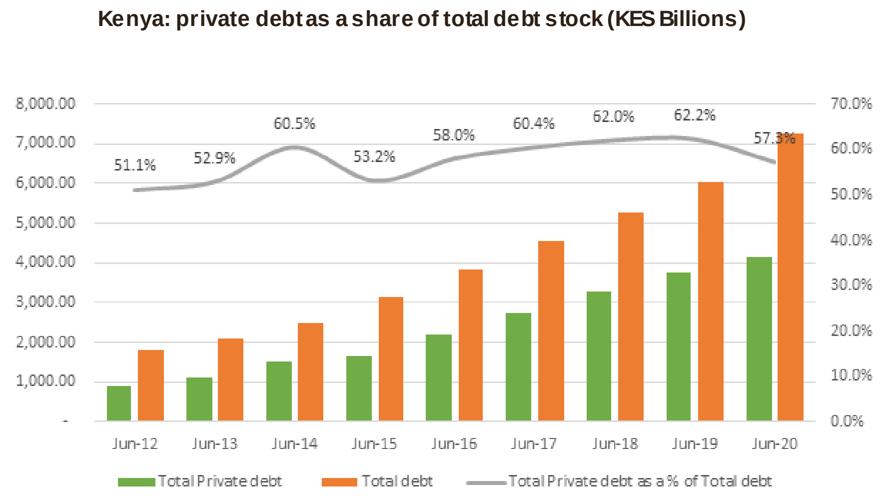
WHY PRIVATE DEBT IS A RISKY BUSINESS

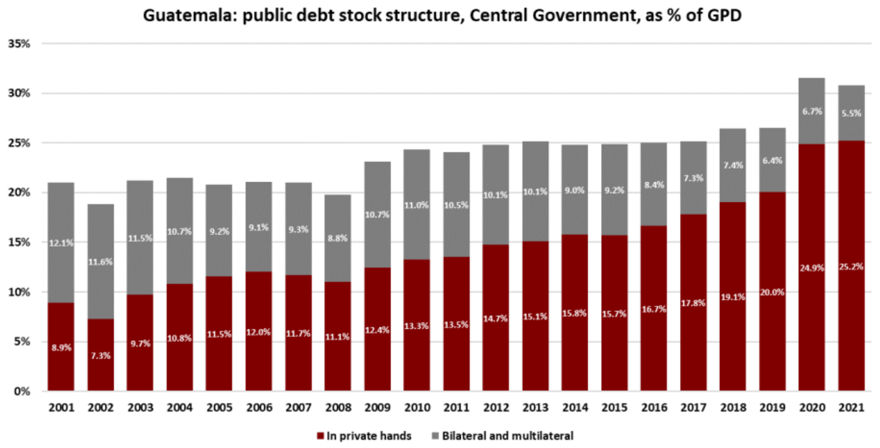
- Multilateral and bilateral loans usually have **concessional** interest rates or terms, so repayment costs are usually less than for private loans (however they still have drawbacks including unwelcome conditionalities).
- Private loans can be more **flexible and easier for governments to access**, with less ‘earmarking’ of the proceeds to specific expenditures; but the **risk** lies mainly in higher repayment costs at commercial interest rates.
- Private loans also have shorter maturities, so repayment costs may have to be borne before any economic benefits are realized.
- Details of private loan agreements are **less transparent** than for multilateral finance, so there are also risks of irresponsible lending and undue influence of private creditors (especially domestic private creditors) over government decisions.
- Countries with a high debt servicing costs relative to their ability to pay are seen as risky borrowers, so may be charged higher interest rates on new loans, especially by private creditors, leading to even more **unsustainable debt repayments** and a **‘debt snowball’** with implications for human rights and sustainable development.

WHO ARE PRIVATE CREDITORS AND WHO REPRESENTS THEM?

- Private creditors are diverse and often hard to identify. They include commercial banks, investment companies and private bond-holders.
- This is a challenge for public scrutiny of sovereign debt and complicates debt relief.
- Many private creditors and credit rating agencies belong to the global industry body, The Institute of International Finance which negotiates their interests, including in relation to debt relief arrangements with IFIs.
- The influence of private creditors over debt relief arrangements is being tracked by organisations such as SOMO..

PRIVATE DEBT - WHAT’S BEHIND THE TREND

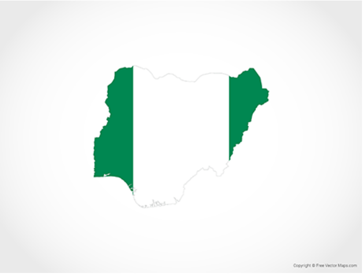




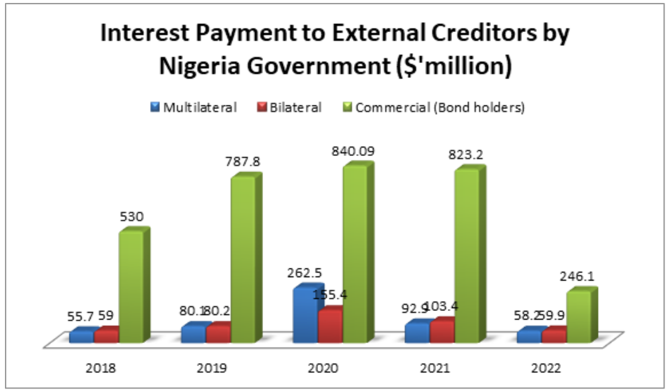
We see consistent upward trends in private debt as a share of sovereign debt. Contributing factors may be:

- The impacts on economies of crises such as climate related disasters, Covid-19 and conflict.
- The ‘race to the bottom’ on corporate taxation depriving governments of revenues that could increase fiscal space and ease debt distress.
- Investors looking for more worthwhile returns particularly since the 2008 global financial crisis
- Deregulation of financial markets allowing investors to move capital in search of the highest profit, including by trading bonds issued by governments around the world.
- Governments looking for financing that is relatively easy to obtain, with less scrutiny or obvious 'strings attached’.
- More limited access to concessional financing such as that provided by IFIs or official bilateral development assistance, especially for middle income countries.

Private debt and vulnerable economies: Nigeria



- About 40% of Nigeria's $40bn external debt is private, at between 5% - 9% interest compared to 1% – 3% paid on concessional loans.
- In the first quarter of 2022 interest on private debt amounted to $246.1m, more than twice the combined costs of multilateral ($58.2 m) and bilateral ($59.9 m) loans over the same period. In 2021, Nigeria spent 86% of revenue on debt servicing.
- This adds to Nigeria's economic vulnerability. 90% of its foreign earnings and 70% of its revenues come from oil. Oil exports are susceptible to volatile exchange rates.
- Nigeria also has not yet managed to sufficiently boost revenues from other sources such as taxation, which would provide more predictable and sustainable finance, resulting in recurring budget deficits often funded through borrowing.
- Nigeria's Debt Management Strategy aims for cheaper borrowing from multilateral and bilateral sources but private debt, mostly Eurobonds and Diaspora Bonds, has risen as a proportion of total debt, particularly since it became a lower middle-income country, which reduced its access to concessional finance.



CISLAC calculations based on data from Nigeria's Debt Management Office for the first quarter of 2022

DEBT RELIEF: A BRIEF SUMMARY

Countries in debt distress can default (not pay), cut public spending in order to continue service debt out of government revenues, or borrow more to pay (‘refinancing’). ‘Debt relief’ usually involves measures to make debt repayments more affordable in the short term. Less common is partial or total cancellation of debt or interest payment due (sometimes called a ‘haircut’). Debt relief initiatives have included:

1996: Heavily Indebted Poor Countries (HIPC) Initiative of World Bank and IMF provided for debt cancellation for low-income countries following stringent conditions. As of November 2022, 37 countries had benefited. It did not include private debt.

2005: Multilateral Debt Relief Initiative provided for full debt relief to countries completing HIPC. 37 countries benefited.

2015: Catastrophe Containment and Relief Trust of IMF. This offered minute relief interpreted as merely symbolic.

2020: Debt Service Suspension Initiative of the Word Bank, IMF and G20 provided for temporary suspension of debt payments to bilateral creditors. 48 out of 73 eligible countries participated. The IIF resisted calls for private creditors to be compelled to take part, proposing instead a framework for Voluntary Private Sector Participation which had little take-up.

2021: Common Framework for Debt Treatments beyond the DSSI, endorsed by the G20. To date this has had very little take-up. Again, it excluded private creditors from any mandatory participation. As of 2022 just three countries had applied.

Most initiatives have been ‘’too little too late’, limited to low-income countries and with private creditors not compelled to take part, so the risks posed by private debt, which are faced by both low and middle- income countries, are not being addressed. Civil society organisations such as Eurodad continue to call for a comprehensive multilateral Debt Workout Mechanism

PRIVATE DEBT AND DEBT RELIEF

Private debt contributes to debt distress and complicates debt relief through:

- Reduced transparency and increased diversity of creditors. Debts (often in the form of bonds) are bought and sold on financial markets making them hard to track.
- Limited publicly available information on details of debt agreements with private creditors.
- Lack of official debt relief mechanisms that compel private creditors to take part in negotiations
- Resistance, often as part of collective actions, to engaging in debt relief negotiations on the part of many private creditors.
- Contractual arrangements which complicate or are a barrier to debt relief negotiations.
- Government concerns that seeking debt relief may affect their national credit ratings (set by private agencies) and future borrowing options.

Images from the projection stunt from the Cancel the Debt campaign. The project is in partnership with the Climate Coalition. Robin Prime

Case study: BlackRock

- Private creditors are often large and powerful financial institutions making huge profits. Many could easily afford to cancel debts or agree to fairer repayment terms.
- The UK-based financial giant BlackRock for example is set to make over 110% profit if debts owed to it by the Zambian government are repaid in full.
- But Zambia, which has poverty rates among the highest in the world, is in debt distress. It defaulted on its Eurobonds in November 2020 and has also accumulated arrears to other creditors.
- As the IMF has acknowledged, its debt servicing costs have become unsustainable. Drought in 2019, the COVID-19 pandemic, and war in Ukraine have all amplified the pressures.
- Christian Aid together with Debt Justice and Global Justice Now have been calling on BlackRock to put people before profit and cancel Zambia's debt.

BlackRock stunt, 2022

We are still waiting…

BUILDING OUR KNOWLEDGE

Research tools and approaches, accessing the data.

EVALUATING PRIVATE DEBT

ICEFI's research pointed to the following questions and criteria to help assess different types of debt and their impact on social and economic wellbeing:

- **What type of public expenditure is financed?** Does it meet priority needs and will it contribute to human rights and sustainable and equitable development?
- **How do the costs of borrowing compare to the likely benefits (such as economic growth and revenues or improved infrastructure)?** Who benefits, and how long will it be before benefits will start to be felt?
- **Are there hidden costs?** For example, does the creditor exert influence or control over government policies and decisions that impacts on rights or sustainable development?
- **Are the proportions of different types of debt in the national portfolio (private, multilateral or bilateral) optimal and the result of a government strategy,** or are they the result of the political leverage of a particular interest group, or of corruption?
- **What are the differences between creditors in relation to the ease or possibility of debt relief, or in terms of transparency?**
- **What are the risks to fiscal space for public spending?** Could the debt servicing costs escalate because of higher interest rates and fees, or exchange rate fluctuations?

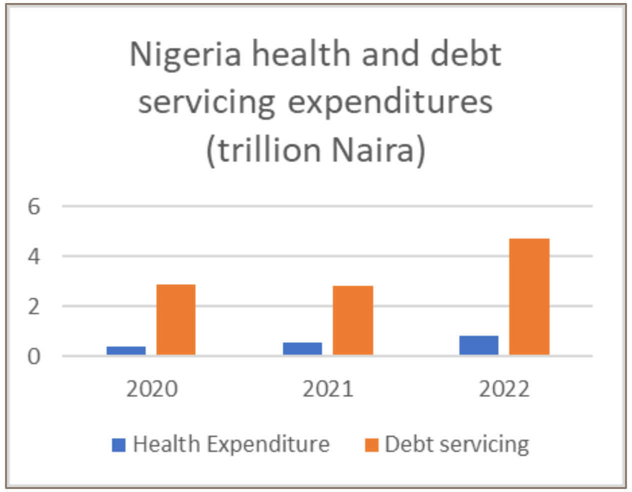
DEBT, FISCAL SPACE AND SOCIAL SPENDING

It helps to look at trends over time to get a clear picture. In most countries, debt servicing costs are increasing relative to total revenues and public expenditure, with private debt an important contributing factor:

- Nigeria's 2018-2022 health spending increased very little compared to debt servicing costs despite Covid-19. By 2022 it had reached just 0.82 trillion Naira while debt servicing was 4.7 trillion Naira. Nigeria's Federal health budget has shown a steady decline from 5% to 3% GDP 2003-2019 despite increased borrowing and private debt.

Projecting into the future is also important:

- Early debt servicing costs may be 'interest only', exchange rate volatility may affect repayment costs, interest rates may rise.
- Other factors may influence a country's overall fiscal position and hence the space balance between revenues collected and space for public spending after debt repayments are made.



DEBT SUSTAINABILITY

- So, while the costs of private debt do contribute to the squeeze on public spending, many other issues are at play.
- **Tax systems, levels of corruption, and the effectiveness of public expenditures are all important factors** – for example in Guatemala relatively small and stable debt servicing costs haven't translated into social wellbeing - extreme poverty is on the rise.
- The impact, or sustainability of debt should be considered in the **wider context including of economic growth and development needs**, distinguishing between the capacity of a country to service its debts into the future (regardless of other priorities)…and the fiscal space it must retain in order to progress human rights, sustainable development and other obligations.
- The IMF and World Bank's Debt Sustainability Analysis (used to assess a country's ability to service its debt) has been criticized for not taking sufficient account of sustainable development needs.
- Addis Ababa Agenda for Action on Financing for Development (2015) discusses debt sustainability, the need for transparency on debt, and the need for borrowers and creditors to work together to avoid unsustainable debt.

"***Debt sustainability should be assessed on the contribution borrowing makes to fulfilment of rights and sustainable and equitable development, not just on governments' ability to pay irrespective of other priorities.***"

Christian Aid

DATA GATHERING – GENERIC DATA

Getting hold of the right data to assess the implications of private debt can be a challenge. As a first step, comparing standard data and statistics produced by government statistical offices or finance ministries, that available from IFIs can provide a general picture but often doesn't shed light on private debt:

- **Sovereign debt servicing costs/interest payment as % of GDP**. A common measure but a poor guide to a country's level of debt distress.
- **Debt servicing costs/interest payments as a % of overall national revenues**, or overall public expenditures, is a better guide.
- **Sovereign debt as % of GDP compared with the fiscal deficit as % of GDP** can show whether a government is borrowing more than is required to finance public expenditure.
- **Structure of the sovereign debt portfolio by type of creditor** (internal/domestic vs external/foreign) - helps identify risks of debt contracted in foreign currencies (such as fluctuating exchange rates and export earnings) but again, not how much of the debt is in private hands.
- **Implicit interest rate of the public debt**: this is an indicator of the overall financial cost of borrowing and the risk that it may become unsustainable over time.
- **Sovereign credit risk ratings**, issued by the specialised agencies, and international indexes like the Emerging Market Bond Index can offer insights into interest rates and risk associated with sovereign debt.

DATA GATHERING – DIGGING INTO THE DETAIL

So, standard data provided by governments and IFI has limitations, particularly for analysis of private debt and the details of debt contracts. A second step is to request specific and detailed data from public finance ministries or central banks. Freedom of Information requests, where laws allow this, can be useful for accessing government data.

Detailed data for private debt should ideally include:

- **Structure of sovereign debt by type of creditor,** private and other (multilaterals and other governments or public institutions). This indicator can be used to monitor trends in private debt.
- **Structure of sovereign debt by type of creditor as a % of GDP**. This is an indicator of the macroeconomic importance of the public debt. However, this is not the best indicator of debt distress, which depends more on debt servicing costs and available revenues to pay these.
- **Interest rates paid on private debt, internal and external**, compared with debt contracted with multilaterals, other governments, and other public entities. In general, this data will show that the interest rates on private debt are higher than on debt contracted with other creditors.
- **Whether interest rates are fixed or subject to external pressure** (which renders the debt riskier). Interest rates on private debt can be volatile, in response to inflation or actions by the biggest markets, mainly the United States Federal Reserve.

DATA GATHERING - HOW ARE PRIVATE LOANS USED?

To understand the economic and social impacts of private debt we need to see how proceeds of private loans are used. This too can be a very opaque area with little fiscal data readily available. Government authorities can be requested to provide public expenditure detailed data including:

- **Structure of public expenditure financed by sovereign debt, by main sectors**. This can offer insights into the role borrowing plays in driving economic development and whether it is optimal for progressing rights and sustainable and equitable development.
- It should also reveal how **much of the sovereign debt servicing costs are themselves financed through borrowing**, providing a warning of a debt 'snowball' effect leading to debt crisis.
- If the data can be broken down by type of debt, we can shed light on the **marginal effect of private debt on public expenditure due** to the higher interest rates and other related fees for servicing private debt compared with multilateral debt.

Private debt and social spending: Guatemala

- ICEFI looked at Guatemala’s internal bonds (mainly with domestic private banks), external bonds (mainly Eurobonds, in the private international capital markets), and loans (mainly from IFIs) to see what categories of expenditure these finance.
- Apart from servicing existing public debt, loans were mostly used to finance investment in infrastructure and to respond to emergencies (often climate related).
- While social spending is mostly not financed through sovereign debt, that which is, is mostly financed through private debt, perhaps because of private loans’ greater flexibility.
- But a consequence is that the long-term financial implications, resulting form higher interest rates and other charges incurred, are neglected.
- This has important implications for women’s and child rights (see box). Guatemala’s population of 18 million has around 2 million children and adolescents out of school. Half of children under 5 suffer chronic malnutrition.

If Guatemala’s loans b 2011 and 2021 had be… contracted with multilaterals instead of private creditors, the savings would have been:

1. Equivalent to 6.2% of Guatemala’s GDP
2. Around twice the budget for education and five times its budget for public health.
3. On average, equivalent to 18% of its total average public expenditure per year…
4. …or 48% of the average public expenditure in health.

UNDERSTANDING PRIVATE CREDITOR INFLUENCE

What level of influence do private creditors have over our governments? Aside from the relative lack of conditions attached to private loans, are there other reasons by governments prefer to put public debt in private hands when the financial costs are higher than would be incurred with multilateral or bilateral creditors?

Some ways to explore this critical question:

- Ask relevant government ministries how decisions over the public debt are taken.
- Identify the private creditors, and the roles they play in decision-taking processes. Does the IIF have a relationship/privileged access to finance ministries or Central Banks?
- Consider the extent to which borrowing decisions are coherent with national industrial policies and development plans.

We asked the Guatemalan government about its criteria for contracting sovereign debt:

The primary aim was to minimize financial cost and maximise availability of resources……but its secondary criterion explains why it places bonds in the private capital markets, even with higher interest rates: there are no conditionalities, quicker disbursements, and no earmarking of resources.

However, as much of Guatemala’s private debt is internal, domestic banks may gain influence and control over government as a result. There is a risk of corruption or bias in favor of private banks.

We questioned the Guatemalan authorities about this. They responded that they do not have a procedure to renegotiate public debt in private hands.

STRENGTHENING OUR MOVEMENTS

Developing advocacy, networking and campaigning

IMPORTANCE TO WIDER JUSTICE MOVEMENTS

Protesters take part in the COP26 Global Day of Action march in Glasgow on 6th November 2021, part of a series of global in person and digital mass mobilisations to bring together movements to build power for system change, organised by the COP26 coalition as part of COP26. Amy Menzies

- Debt injustice is rooted in an unfair global financial system which marginalises poorer countries. This is rooted colonial and extractive systems and structures that perpetuate inequality within and between countries.
- Unaffordable debt is one of the greatest threats to delivery of economic and social rights and the Sustainable Development Goals, and a barrier to the people-centred recovery from Covid-19 we all need.
- The increasing role of private actors in financing for development and decisions surrounding sovereign debt is also an issue of governance. Important principles, including public transparency, participation and accountability to citizens are at stake.
- The following slides may be useful in helping to make the connection between private debt and other critical issues.

Private debt, governance transparency and accountability: El Salvador

‘Hidden debt’ is a problem exacerbated by private lending. Debt Justice campaigners have been protesting about private 'secret loans' to state-owned companies in Mozambique. Our research in El Salvador also showed how debt can be a governance and accountability issue:

- Getting hold of data beyond the standard data provided by the online databases of IFIs, to distinguish between different types of debt and analyse the implications proved difficult.
- Formal requests were submitted to the relevant ministry, supported by existing public information access legislation.
- We also surveyed other civil society organisations to assess what they knew about the various types of debt issued by the El Salvadorean government. Most lacked any knowledge on public debt technicalities.
- The Salvadorian ministry never answered our requests, in an open violation of the public information access law, highlighting a serious lack of fiscal transparency.
- If a specialised think tank such as ICEFI cannot obtain the required data, then it is almost impossible for the general citizenship to access data and information that should be public.

Campaigners from the Jubilee Debt Campaign protest outside the London office of Credit Suisse

Debt and climate justice: Kenya

Despite the climate debt owed by rich polluting countries to the global South, sovereign debt continues to divert resources from climate vulnerable to rich countries.

- Kenya's economy is heavily dependent on climate-sensitive sectors such as agriculture. In 2022, one of the worst drought in decades had left 2.9 million people food insecure.
- Kenya has mechanisms for much-needed locally led responses for adaptation and resilience. A significant proportion (40% in 2018/19) of its climate response is financed by domestic resources. Most international climate financing goes to energy infrastructure.
- Its response is limited by inadequate international financing and by high debt servicing costs that crowd out public investment.
- Climate hazards cause expensive losses and damage, and the risks also increase interest rates for climate vulnerable countries, a 'vicious cycle' in which greater climate vulnerability raises the cost of debt and diminishes the fiscal space for investment in climate resilience.
- More international climate finance (grants not loans) as well as debt relief, are needed to prevent unsustainable debt levels. Commercial instruments to provide climate finance, such as 'green bonds', may offer some benefits, but add to the debt burden while generating profit for private lenders. Financial instruments to encourage climate action in debt relief, such as 'debt for climate swaps' may impose unwelcome conditionalities.
- There have been calls for reform of IMF and World Bank's Debt Sustainability Analysis (used to assess a country's ability to service its debt) to fully include climate and sustainability risks and investment needs.

Monicah Wandia Nzangi, uses the water from a sand dam to irrigate her crops in Mtito Andei ward, Makueni County.. Felixie Kipng'etich/Christian Aid

DEBT, TAX AND GENDER

- **Tax helps reduce the burden of debt** by increasing revenues and fiscal space for public spending in areas critical for gender equality such as health, social protection and care.
- BUT to avoid being counter-productive it must be '**progressive**' – done in a way that reduces rather than reinforces inequality. Too often tax systems are **regressive**, placing a disproportionate burden on people in poverty, most of whom are women.
- **'Direct' taxes on wealth and income are most likely to be progressive** if well-designed (e.g. with differentiated rates across income bands).
- **'Indirect' taxes** (often on goods and services) can be easier to implement but may also be regressive if they hit low-income household disproportionately. There is a danger that they push up costs of goods and services needed for care and household provisioning most often shouldered by women.
- **Tax breaks and incentives** that allow tax avoidance by large corporations, transnationals and rich individuals, at cost to the public purse, are often regressive and unnecessary.
- **Illegal tax evasion and other illicit financial flows** drain government revenues resulting in reduced spending and more borrowing.
- Along with its greater costs, **private debt** may have gendered impacts where it encourages the financing of expensive capital projects which shrink fiscal space.
- In 2019, UNICEF estimated that after a decade of rising debt levels, around 1 in 8 countries spent more on debt servicing than on education, health and social protection combined.

"Concern on taxation and gender has been that many developing economies, in pursuit of growth, are increasing revenues from indirect taxes such as VAT and simultaneously providing tax incentives to large corporations and multinationals at the expense of gender and social justice."

Tax Justice Network - Africa

DEBT, HUMAN RIGHTS AND THE SDGs

- The aim of the SDGs, to progress human rights for all, depends on governments maximising resources for realisation of rights, prioritising people most at risk, in line with 'leave no-one behind' principles.
- Instead, governments generally responded to the 2008-09 financial crisis and Covid-19 with short 'fiscal stimuli' (mostly directed to supporting larger business) followed by austerity measures that affect people living in poverty disproportionately. Soaring debt makes matters worse.
- Stagnant or reduced public spending are felt across SDG targets, including social protection, health and education, employment and action to address inequality. It is bad policy – what's needed in a recession is action to build social capital and stimulate economic activity. There is a global campaign to end austerity (#peoplesrecover, #endausterity).
- Austerity is not inevitable – governments often have policy options to increase fiscal space, for example by progressively increasing tax revenues, acting to eliminate illicit financial flows, or reallocating public expenditures (such as military expenditure).
- Poorer countries could also lobby for more and better aid through grants or concessional loans and take steps to reduce borrowing costs.

This CSO paper suggests how we can respond:

1. Check government plans to reduce public expenditures. See IMF Country Reports
2. In the event of austerity cuts, state alternative demands for post-pandemic recovery.
3. Call for national public social dialogue to forge consensus.
4. Assess the social impacts of different policy options and their financing.
5. Agree optimal policies through national social dialogue with representative trade unions, employers, CSOs and other relevant stakeholders.

ADVOCACY

Advocacy aims to change policies and practices of duty-bearers such as governments, institutions and companies. It takes time and coordination (few advocacy successes are achieved without broad collaboration). Important steps include:

- **Identifying issues and targets**: research to evidence what is happening, what needs to change and why; and to identify who or what could effect the change.
- **Finding allies and building movements:** analysing who has power to influence and how their power could be harnessed; building power together by forging alliances and movements; finding common ground and building consensus.
- **Planning a strategy:** considering interim and long-term outcomes to work towards - what will you seek to influence and when?; identifying 'key moments' and planning appropriate actions (e.g. lobbying, campaigning, media work, research).
- **Communicating effectively:** defining messages for your different audiences and considering how best to communicate these.
- **Learning from what works:** change doesn't always happen the way we think it will. It's important to learn from advocacy and campaigning successes and revisit our strategies.

Sources of further information:

A toolkit for advocacy at the International Monetary Fund – Eurodad

Advocacy Toolkit - Tearfund

Fiscal Justice Toolkit - Centre for Economic and Social Rights

UK FACING ADVOCACY

- The United Kingdom has significant influence over private lending.
- In 2020, the Jubilee Debt Campaign (now Debt Justice) calculated that 90% of foreign currency bonds owed by the 73 countries then eligible for debt relief under the World Bank, IMF and G20's Debt Servicing Suspension Initiative (DSSI) were governed by English law.
- In 2021 it was estimated that approximately 30% of these countries' debts was owed to private lenders in the UK
- In the UK, CA is highlighting the urgency of tackling unaffordable debt and its impacts on economic and social rights.

We'd like the UK Government to:

- Legislate to strengthen the position of low and middle-income countries facing debt crisis towards private creditors (prevent undue private creditor influence and champion private creditor transparency).
- Along with other bilateral and multilateral donors, support measures to compel private creditors to participate in debt relief.
- Support a new multilateral sovereign debt workout mechanism, for low and middle-income countries, which is predictable and rules-based and disincentives risky lending and borrowing.
- Expand eligibility for concessional financing.

TOOLS AND RESOURCES

Sources of data and analysis

OFFICIAL SOURCES

- General government debt - OECD Data
- OECD iLibrary
- World Bank Debt Statistics
- Domestic credit to private sector (% of GDP) World Bank Data
- IMF Global Debt Database
- Improving debt data and reporting | United Nations Inter-agency Task Force on Financing for Development

MATERIALS FROM DEBT JUSTICE (UK)

Debt Justice is a UK-based organisation which works with allies around the world to campaign for cancellation of unjust and unsustainable debts, and changes to the system to prevent debt crises recurring. Debt Justice are keen to campaign in solidarity with national organisations working on debt, and also have a range of knowledge about the international debt system and the role of international organisations within it (such as the IMF) and can give advice on how to understand and access debt information. Contacts:

General: info@debtjustice.org.uk Tim Jones, Head of Policy, tim@debtjustice.org.uk

Tim does regular trainings on debt justice (though not exclusively on private debt). Here are some of the recordings and accompanying presentations:
https://debtjustice.org.uk/wp-content/uploads/2022/11/GMT20221123-130259_Recording_2560x1440_compressed.mp4
Accompanying Powerpoint:
https://debtjustice.org.uk/wp-content/uploads/2022/11/Key-debt-concepts_Webinar-1_11.22.pptx

Much of what is covered is in the above is available in English, French, Spanish and Portuguese:
https://debtjustice.org.uk/report/guide-to-understanding-and-accessing-debt-information

See also:

History of debt - International Debt Charity | Debt Justice (formerly Jubilee Debt Campaign)
Submission to the UK government 2022/23 parliamentary inquiry: https://committees.parliament.uk/writtenevidence/108922/default/

FURTHER READING

Risks of private debt

Una evaluación del efecto del endeudamiento público | ICEFI

The Role of Private Creditors in Nigerias Debt Crisis CISLAC

Risky Business: private sovereign debt, fiscal crises and human rights Christian Aid

Debt relief in low-income countries - Written evidence - Committees - UK Parliament Christian Aid

The risky interconnectedness between investment funds and developing country debt - SOMO

Global Austerity Alert (policydialogue.org)

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Debt and accountability

The IIF and debt relief, SOMO

Afrodad's African Borrowing Charter highlights the need to ensure debt does not impact on public spending and to improve transparency about borrowing.

Debt and taxes

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Debt and climate

Debt and the climate crisis: a perfect storm. September 2021 (jubileedebt.org.uk)

Addressing the Debt Crisis in the Global South: Debt Relief for Sustainable Recoveries (think7.org)

Debt relief

The ABCs of Sovereign Debt Relief, Centre for Global Development

DEBT DICTIONARY

- **Amortise:** *repay or reduce the principal loan*
- **Bond:** *an easily tradable debt contract*
- **Coupon/coupon payment:** *the annual interest rate paid on a bond, expressed as a percentage of the face value.*
- **Coupon rate/coupon percentage rate:** *sum of coupons paid in a year divided by the face value of the bond in question.*
- **Debt overhang:** *existing debt so great that it prevents further borrowing, even when that new borrowing is actually a good investment that would more than pay for itself.*
- **Debt servicing costs:** *interest paid plus repayments of the principal loan.*
- **Default:** *failure to meet legal obligations of a loan*
- **Direct taxes: tax** *on income, wealth and profit.*
- **Eurobonds:** *a debt instrument that's denominated in a currency other than the home currency of the country or market in which it is issued.*
- **Fiscal contract:** *the contract between the state and citizens where citizens contribute, through taxation, in exchange for the benefits of citizenship or residence (public services) provided by the state.*
- **Fiscal consolidation:** *policy aimed at reducing government deficits and debt accumulation, often involving austerity measures.*
- **Fiscal deficit:** *a government's fiscal (or budget) deficit is the difference between its spending and income from taxes and other revenues.*
- **'Haircut':** *in debt restructuring, the reduction of outstanding interest payments or a portion of a bond payable.*
- **IFIs:** *International Financial Institutions*
- **IIF:** *Institute for International Finance*
- **IMF:** *International Monetary Fund*
- **Implicit interest rates:** *actual interest rate that is not specifically stated in a business transaction.*
- **Indirect taxes:** *typically, taxes on goods and services rather that wealth and income, such as VAT.*
- **Nominal yield:** *same as coupon rate.*
- **Paris Club:** *a mainly Northern group of countries which historically negotiated debt agreements together. Hosted by French government.*
- **Nominal yield:** *the interest rate that the bond issuer promises to pay bond purchasers, fixed for the life of the bond. Sometimes it's also referred to as nominal rate or coupon yield.*
- **Progressive taxation:** *tax systems which help to redistribute wealth and reduce inequality, including often differentiated tax rates based on income bands.*
- **Primary balance:** *the difference between the amount of revenue a government collects and the amount it can spend on providing public goods and services after debt interest is paid.*
- **Refinancing:** *an arrangement under which an existing loan is replaced by a new loan, usually on different terms.*
- **Regressive taxation:** *tax systems which place a disproportionate burden of tax on lower income groups.*
- **Yields:** *profits made when bonds are traded on 'floating rate' contracts influenced by background interest rates.*

See also SOMO's Glossary of financial terms christian aid

Christian Aid is a member of

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