

# Challenging Private Creditors for People's Recovery

Implemented by Christian Aid (UK) Nigeria, Instituto Centroamericano de Estudios Fiscales (ICEFI), and Tax Justice Network Africa

## Background

In the past 50 years, we have witnessed an unprecedented rise in debt crisis among emerging and developing countries. In these countries, the last decade has seen the largest, fastest, and most broad-based increase in public debt levels.

This owes largely to the rapid influx of private lenders flooding developing economies. Following the 2008 global financial crisis, private lenders continue to target developing countries as a source of higher returns outside advanced economies.

This changed creditor landscape which holds higher borrowing costs poses higher risks. As consistently warned by the debt justice community, this move has undermined the ability of countries to fulfil their international human rights and climate obligations. Furthermore, the high cost of debt servicing has significantly complicated debt restructuring processes especially in times of crises.

A typical example is the global economic crisis triggered by the Covid-19 pandemic. Tragically but unsurprisingly, the success of international debt relief initiatives became dependent on the willingness of private creditors to join – which they refused. As a result, governments had to choose between taking care of the health and rights of their citizens, including through defaults, and using their incredibly scarce resources to pay off a host

of private creditors such as BlackRock, HSBC and Goldman Sachs - impossible choices indeed!

The pandemic brought this fundamental failure of the international financial system to the fore, providing an important opportunity to pursue system change and offer solutions to sovereign

debt workouts that do not leave private creditors out of the picture.

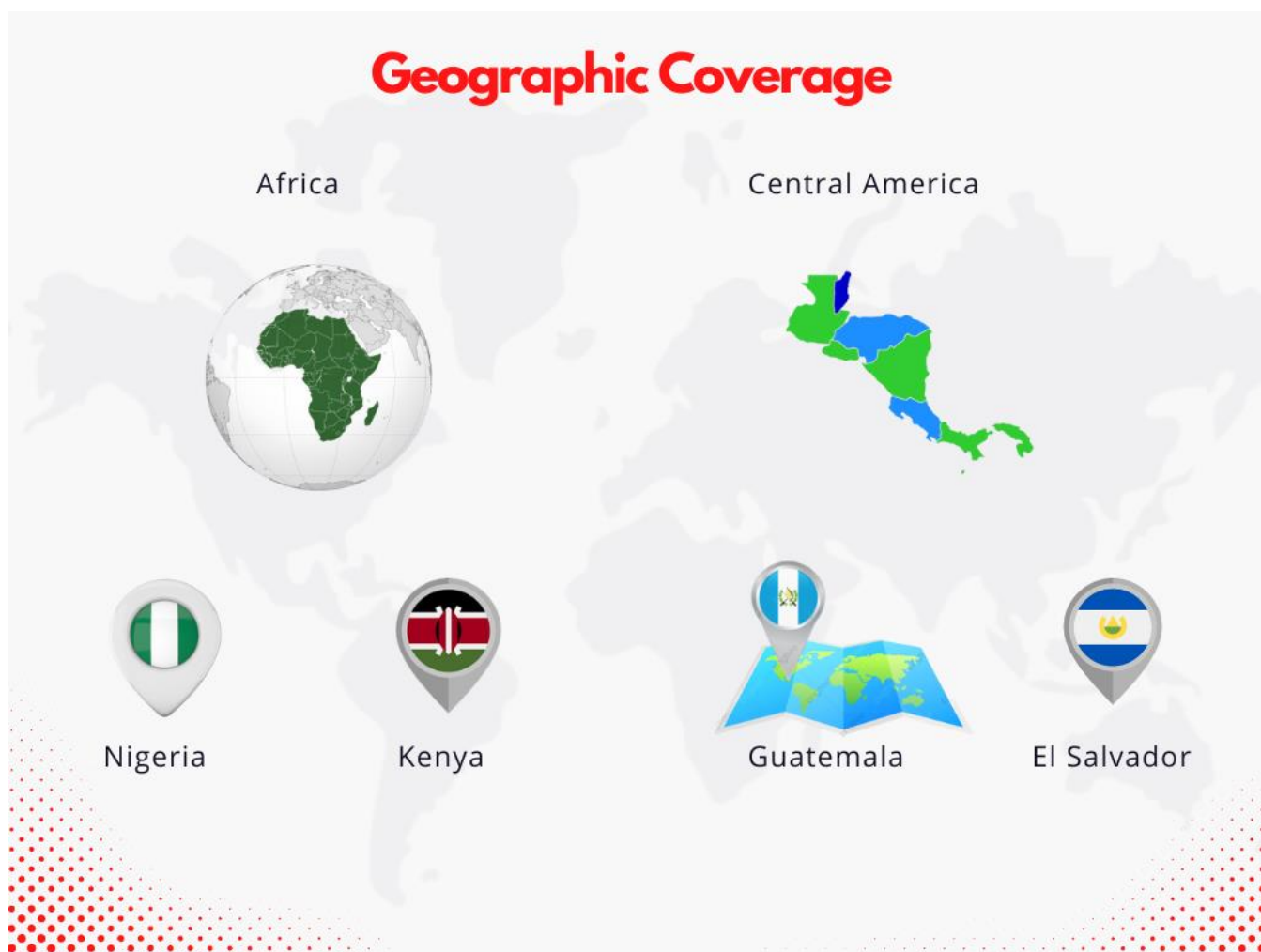
More essential than before, is the need to redouble efforts to ensure private creditors are included in debt restructuring and relief initiatives. This becomes imperative as the debt crises continue to unfold

in the global South and the next wave of austerity measures looms.

It is to this end that this 12-month project is being implemented with focus on revealing and challenging the role of private creditors in hindering People's Recoveries. This will be done with a view to enhancing the urgency with which the international community must address sovereign debt crises.

The project is carrying out research, campaigns, and advocacy work across international, regional and national spheres, focusing specifically on **Kenya, Nigeria, Guatemala and El Salvador.**

*Governments had to choose between taking care of the health and rights of their citizens, including through defaults, and using their incredibly scarce resources to pay off a host of private creditors such as BlackRock, HSBC and Goldman Sachs - impossible choices indeed!*



### Selection Criteria

Each of these countries:

- Face serious but differentiated debt crises
- Were among those with the biggest discrepancies between health and debt spending in 2020
- Make significant debt service payments to private creditors and vulnerable to changes in interest rates
- Have debt payments that undermine their ability to protect the basic economic and social rights of their people
- Have private debt profiles mostly made up of an emblematic mix of bondholders and commercial banks

For these countries, any increase in public debt takes up significant fiscal room from health, education, and social protection. Given the listed factors, each national context can be instructive for other countries and regions with similar profiles towards understanding the role of private creditors in their economies.

## Strategies

### Research

The Research component explores the following:

#### Research



Strengthening the evidence-base that reveals the increasing role of private creditors in the debt crises that are currently unfolding and its human costs.

- How much each of the focus countries spend on servicing debt held by private creditors.
- To what degree can individual private creditors be identified.
- What are the differences in interest rates for these countries between private creditors and multilateral lenders?
- How vulnerable are the countries to exchange rate changes, and how these figures relate to any debt relief initiatives these countries have taken part in?
- The fiscal consolidation measures that are being undertaken.
- Where possible, the state of any ongoing debt relief and restructuring negotiations with the private sector and obstacles to the process, such as the threat of downgrades by credit rating agencies.

Most critically, this research articulates the human costs of the increasing power of private creditors.

It also identifies the gendered impacts of servicing private creditor debts, paying particular attention to unpaid care and informal sectors, while efforts will also be made to include the voices and experiences of those that often remain invisible in formal economic research.

### Campaigns

Based on the findings and outputs of the research, the project is raising public awareness and igniting national dialogues on the role of private creditors in the failed international financial response to the Covid-19 pandemic and the inadequate global debt architecture.

Leveraging on national and international media coverage, the project organises citizen events, social media campaigns and opens space for civil society engagement with governments in El Salvador, Honduras, Kenya and Nigeria.

#### Campaigns



Raising public awareness about the role of private creditors in the failed international financial response to the pandemic and the inadequate global debt architecture.

### Advocacy



Ensuring that policymakers at the national, regional and international levels feel an enhanced sense of urgency to address private creditor participation in debt negotiations.

At national and regional levels in the global south, the main objective of this project is to strengthen the negotiating position of debtor countries using a strong evidence-base backed by national public opposition against servicing private creditor debts above the needs and rights of people.

To achieve this, advocacy missions are targeted at key policy actors, including ministries of finance and legislatures, on debt servicing to private creditors.

In Africa, the project will present the research findings at the African Union Ministers of Finance meetings. In Nigeria and Kenya especially, there will be a strong push towards supporting the development of a regional strategy on privately held sovereign debt under the auspices of the African Union, in line with the African Borrowing Charter of Afrodad.

At the same time, the project is working with decisionmakers, including high-level government officials, to take action on the need to reform the international debt architecture.

### Desired Change

The goal of this project is to contribute to the achievement of an international financial architecture and macroeconomic environment that enables the fulfilment of human rights and the undertaking of climate action in economies that centre on care.

As long identified by the debt justice movement, a critical component of that architecture is an independent sovereign debt workout mechanism that puts the needs of people and planet before debt servicing and is able to deal with a country's entire debt stock in a single process, including debts held by private creditors that make up an increasing proportion of rising sovereign debt levels.

With those prerequisites in place, governments would hold the power to initiate a restructuring process and lenders would be better incentivized towards responsible lending. Ultimately, these actions will prevent further conglomeration of money and power within the private financial elite without undermining credit lines to countries advancing several development agendas.

### Spheres



## Project Partnership

This project is being implemented jointly by Christian Aid (UK) Nigeria, Instituto Centroamericano de Estudios Fiscales (ICEFI), and Tax Justice Network Africa (TJNA).

In Guatemala and El Salvador, Instituto Centroamericano de Estudios Fiscales is leading on Research, Campaigns and Advocacy. ICEFI will also produce the standardised methodology based on its research in LAC and particularly provide technical inputs and research to support the development of the project overall.

In Kenya, the Tax Justice Network Africa is leading on Research, Campaigns and Advocacy work in collaboration with existing local partners. TJNA will bring together the two case studies from Africa into regional analysis and lead on regional

advocacy within the African Union. TJNA is also providing support on strategies for national level campaigning, contributing to the development of the project overall.

Christian Aid Nigeria is coordinating the overall project and leading on its monitoring, implementation, learning and reporting through its UK, regional and country offices. Together with African Centre for Leadership Strategy and Development and the Tax Justice and Governance Platform, Christian Aid Nigeria is leading on Research, Campaigns and Advocacy work in Nigeria, while Christian Aid UK is leading on UK advocacy and campaigns.

At the international level, Christian Aid is leading on coordinating advocacy between partners including the IMF and G20.



**Contact us**

Christian Aid Nigeria - Maiduguri Office  
No. 14 Tafawa Balewa Road (Behind Alpine Hospital)  
Old GRA, Maiduguri, Borno State  
Nigeria  
T: +234 (0) 703 255 9282  
E: [nigeria-info@christian-aid.org](mailto:nigeria-info@christian-aid.org)  
W: [christianaid.org.uk/nigeria](http://christianaid.org.uk/nigeria)



**caid.org.uk**

Christian Aid is a key member of ACT Alliance. Eng and Wales charity no. 1105851 Scot charity no. SC039150  
Company no. 5171525 Christian Aid Ireland: NI charity no. NIC101631 Company no. NIO59154 and ROI charity no.  
20014162 Company no. 426928. The Christian Aid name and logo are trademarks of Christian Aid. © Christian Aid  
September 2020