Campaign to

Cancel the Illegitimate Debt

of Impoverished Countries

Newsletter

June 2021

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Introduction

With climate change and COVID-19 making the debt situation much worse, there has been a lot of activity in the past year. This edition is quite long, but it is only the simple news! There is much more information available, but the editor doesn’t get paid enough to understand it.

The Debt (the illegitimate debts of the world’s most impoverished countries) has been a problem for many decades now, and, despite the persistent, even heroic, efforts of individuals and organizations, including popes and the Catholic Church (Cardinal Shirayanagi of Tokyo included), does not look like being solved anytime soon. The good news is that many organizations are working very hard on the Debt. Over the past year there have been many webinars on the Debt: in Africa, Asia, Europe, Latin America, the Pacific, the US. Some are available for viewing on the internet.

It isn’t actually a Debt problem. It is a problem of oppression and exploitation — the oppression and exploitation of the impoverished countries by the so-called developed countries. Actually, a small number of people in ‘developed’ countries, mostly men in suits, who have created an economic and financial system that allows them, and their collaborators in impoverished countries, to get rich — fabulously rich.

Cardinal Napier of Durban says the COVID-19 pandemic highlights "the powerless state of relations between the countries of Africa and the international community. In most cases, the relationship between African countries and the international community has mutated from colonial occupation and control to quasi-freedom which is characterized by near total dependence on the former occupying power for virtually everything."

"For example, most African countries are still occupied by Europe and the West by the one thing that is still holding them back from taking their place in the world community as worthy and equal partners," he said. "That handicap is international debt which even in the best of times is a severe restraint on Africa's growth and development."

<https://www.catholicnews.com/services/englishnews/2020/ahead-of-g-20-meeting-caritas-urges-debt-relief-for-poor-countries.cfm>

Archbishop Peter Loy Chong from Fiji said in a webinar, “Foreign debt is the reason many developing nations are in debt and poverty. The World Bank and International Monetary Fund (IMF) lend to developing countries to help them build, roads, dams, hospitals, etc. When we do not repay, the bank and IMF instruct a country to carry out a structural adjustment program (SAP). This is to adjust economic plans so they are more market-oriented and therefore able to pay the debt. The dynamic shifts from development to simply paying off the debt. Through SAPs, the Bank and IMF recommend to Third World countries to reduce spending on essential services like health and education. We’ve seen one or two hospitals privatized here. It cuts government spending in order to repay debt.”

The archbishop mentioned the recommendations from Susan George’s book ‘Another World is Possible’: 1 end SAPs; 2 return privatized sectors to the public domain; 3 adopt a development model; 4 regulate the financial market; 5 eliminate tax havens.

<https://www.youtube.com/watch?v=djTlueu8zXw>

The Alston Report

Philip Alston, professor of law at New York University School of Law, co-chair of the Center for Human Rights and Global Justice, and former UN special rapporteur on extreme poverty and human rights, says many of us have been deceived by reports of progress against poverty over the last decade. “Almost all of these reports rely on one measure – the World Bank’s $1.90 a day international poverty line – which is widely misunderstood, flawed and yields a deceptively positive picture.

“Under that line, the number of people in ‘extreme poverty’ fell from 1.9 billion in 1990 to 736 million in 2015. But the dramatic drop is possible only with a scandalously unambitious benchmark, which aims to ensure a mere miserable subsistence. The best evidence shows it doesn’t even cover the cost of food or housing in many countries. And it obscures poverty among women and those often excluded from official surveys, such as migrant workers and refugees. Much of the touted decline is due to rising incomes in a single country, China.

“The consequences of this highly unrealistic picture of progress against poverty have been devastating. First, it is attributed to economic growth, justifying a ‘pro-growth’ agenda characterized by deregulation, privatization, lower taxes for corporations and the wealthy, easy movement of money across borders and excessive legal protections for capital. In my six years investigating governments’ anti-poverty efforts for the UN, I encountered this convenient alibi time and time again. Everything from tax breaks for the super-rich to destructive mega-projects that extract wealth from the global south are lauded as efforts to reduce poverty, when they do no such thing. Presenting the agenda of the wealthy as the best road to poverty alleviation has entirely upended the social contract and redefined the public good as helping the rich get richer.

“Second, the progress narrative has been used to drown out the appalling results so often brought about by this perversion of pro-growth policies. Many of the countries that have achieved great growth in GDP have also experienced exploding inequality, rising hunger, unaffordable health and housing costs, persistent racial wealth gaps, the proliferation of jobs that don’t pay a living wage, the dismantling of social safety nets and ecological devastation.

“Third, the rosy picture painted by the World Bank’s most publicized poverty measure has encouraged complacency. Billions of people face few opportunities, preventable death and remain too poor to enjoy basic human rights. About half the world, 3.4 billion people, lives on less than $5.50 a day, and that number has barely declined since 1990. Even high-income countries with ample resources have failed to seriously reduce poverty rates.

“The coronavirus has merely lifted the lid off the pre-existing pandemic of poverty. Covid-19 arrived in a world where poverty, extreme inequality and disregard for human life are thriving, and in which legal and economic policies are designed to create and sustain wealth for the powerful, but not end poverty. This is the political choice that has been made.

“Nowhere are these problems more evident than the UN’s sustainable development goals, which are clearly not going to be met without drastic recalibration. The SDG framework places immense and mistaken faith in growth and the private sector, rather than envisioning states as the key agents of change and embracing policies that will redistribute wealth and address precarity.

“Until governments take seriously the human right to an adequate standard of living, the poverty pandemic will long outlive coronavirus. Deeper social and economic transformation is imperative, to avert a climate catastrophe, provide universal social protection, achieve redistribution through tax justice and ultimately to really get on track to ending poverty.”

<https://www.theguardian.com/global-development/2020/jul/11/covid-19-has-revealed-a-pre-existing-pandemic-of-poverty-that-benefits-the-rich>

COVID-19

Around the world 500 million jobs will be permanently lost because of the pandemic, according to the International Labor Organization. 300 million people are now experiencing famine for the first time. And we are seeing the extreme poverty rate (which is not being able to afford even one decent meal a day) increase from 150 million to 400 million people.

The COVID-19 pandemic has come on top of the climate crisis, the existential threat of our time. The climate crisis will make the pandemic look like a Sunday picnic. Climate-induced loss and damage will further rise, with vulnerable frontline communities paying the highest price. So emerging market and developing countries are facing simultaneous health, climate, social and economic crises, and have a looming debt crisis.

124 out of 154 developing countries and emerging economies examined by the Global Sovereign Debt Monitor are critically indebted. The situation is especially critical in Bhutan, Mongolia, Sri Lanka, Djibouti, Cape Verde, Mozambique, Sudan, Argentina, El Salvador, Jamaica, Lebanon and Kyrgyzstan. In absolute terms, the external debt of all countries reviewed amounts to 7.81 trillion dollars. 19 governments have currently had to suspend, either in full or partly, payments to their foreign creditors. The World Bank called the recent surge in debt in developing countries “the largest, fastest & most broad-based debt crisis in nearly five decades.”

Some of the most heavily indebted countries are right in the middle of civil wars and are not performing any debt servicing. Once they are at peace with one another, whenever that may be, in all probability they will require debt relief. Such countries include Syria and Yemen.

From 2010~2018 external debt payments from the global South grew by 83%, with more than 12% of government revenue used to pay external debt. Borrowing increased, but also the cost of borrowing increased due to increased lending from financial markets and private lenders.

AID TALKS – Cancel Debt in Asia Pacific to Tackle the Covid-19 Health and Economic Crisis (webinar)

20 countries spent more than 20% of public revenue on debt service in 2018: Venezuela 266%, Gabon 59%, Ghana 50%, Sri Lanka 37%, Pakistan 35%, Laos 31%.

In 20 countries government spending on education as a percentage of GDP decreased.

AID TALKS – Cancel Debt in Asia Pacific to Tackle the Covid-19 Health and Economic Crisis

Among the SAPs mentioned by Archbishop Chong above are capital market liberalization and deregulation of capital flows. These make the South dependent on foreign capital and also on global trade. As a result, they are vulnerable to external shocks, e.g., falling commodity prices.

Many impoverished countries have to allow foreign companies to operate mines and conduct logging, i.e., extractive industries, to earn foreign currency with which to repay debt. Mines and logging often devastate the environment, including priceless, irreplaceable treasures like the Amazon Rainforest. (Did you know that the Japan’s Government Pension Investment Fund and many Japanese companies and financial institutions are investing in companies that are ravaging the Amazon rainforest?) In 2018 debt servicing was over 100% of Mongolia’s export earnings. 98% of Mongolia’s merchandise exports are primary commodities. 64% is minerals, e.g., copper.

The countries of the South are also prevented from having strategic industrial policies and agricultural development. In this way, the debt, through SAPs, is ‘kicking away the ladder’; it prevents the South ‘developing’ in the same way as ‘developed’ countries.

Now, with lockdowns to curb COVID-19, fewer people are working, there is less production, a decrease in exports and a decline in export revenue.

The Nigerian government’s US$35 billion 2020 budget, which was to be partly financed by local and offshore debt, was premised on an oil price of US$57 per barrel and production levels of more than two million barrels a day. Oil prices currently languish between US$20 and US$30 per barrel.

<https://issafrica.org/iss-today/nigerias-perfect-storm>

Commodity prices, imposed by the colonial countries, are down also. Ken Ofori-Atta, currently Minister for Finance and Economic in Ghana, said in a webinar that when commodity prices fall, the North doesn’t pay as much as they should for them. And that with fewer tourists coming because of the pandemic, there has been a serious drop in revenue from tourism. Archbishop Chong also mentioned the drop in tourism. Usually, the number of annual tourists to Fiji is greater than the number of residents, so COVID has had a huge impact on the economy.

Weaker currencies mean poor countries get less for exports, but imports are more expensive, and also that debt repayment ‘costs’ more. The Botswana Pula and the South African Rand have lost about 8% of their value against the US dollar since the outbreak of the pandemic.

In addition, there has been a decrease (at least 20%) in remittances from migrant workers.

Migrant workers, i.e., labor, are also considered an export: poor countries export workers to rich countries. Migrant workers, in many forms, e.g., ‘trainees’, come to Japan, too. They are often victims of exploitation and abuse, including violence, sexual abuse, slavery and murder.

After 2010 private lenders flocked to the South hoping for higher returns. Capital markets in the South became a playground for private lenders. This meant (more) capital outflow: capital flowed from the poor South to the rich North. Capital outflow was at a record high in the first months of COVID-19, over $100 billion in the first 2 months of the pandemic.

There are also illicit financial flows. For Africa alone, the United Nations Conference on Trade and Development (UNCTAD) estimates that illicit financial flows represent an annual loss of $89 billion, which is the equivalent of Official Development Assistance (ODA) and Direct Foreign Investments combined.

So while revenue has decreased, governments need to spend more to cope with the health crisis: to purchase personal protective equipment (PPE) and medication, etc. Many have had to borrow more – and their debt has increased.

<https://realityofaid.org/cancelling-debt-in-asia-pacific-tackling-the-covid-19-health-and-economic-crisis/>

African debt burdens are likely to be between 10% and 15% higher post-pandemic. Africa’s governments will need additional financing of about $154 billion in 2020/21. That is almost certain to be found via new borrowing.

You might remember the Indian daily-wage migrant worker who lost his job in the city and decided to walk several hundred kilometers to his family’s home in the country, and died of starvation on the way. Passers-by thought he had COVID-19 and didn’t try to help him. Many poor people have to decide whether to go out to work and earn enough money to put food on the table, but risk getting COVID, or to stay home and avoid COVID but, along with their family, die of starvation.

In wealthy countries students can study from home via the internet. But in Latin America, for example, 70% of all students do not have the means needed to access education from home.

Jubilee USA webinar

Private Lenders

One significant difference between this debt crisis and that of the 80s and 90s is the role of private lenders: banks, investors, capital markets, financial markets. In April, 2021 it was reported that the G20 failed to force banks to cancel lower-income country debt. (This is no surprise, as the G20 politicians and bureaucrats are on good terms with these banks.) So if the IMF or another multilateral lender cancels or postpones debt for poor countries, the money freed up could be used to repay private creditors, i.e., relief from the IMF could go straight to private creditors – not used to combat COVID-19 and climate change.

Global Justice Now, a campaign group calling for debt cancellation, said the G20 have let private banks “off the hook” and called for the UK government to introduce legislation preventing speculators from suing countries in their courts. Private creditors like BlackRock and HSBC are demanding $23 billion from African governments this year alone – three times the cost of vaccinating the entire continent against COVID-19.

<https://www.globaljustice.org.uk/news/g20-fails-to-force-banks-to-cancel-lower-income-country-debt/>

The G20

Because of the pandemic, the G20 countries have granted a moratorium on repayments of the bilateral part for the period from May 2020 to April 2021. This moratorium may be extended to the end of 2021. The operation consists of postponing payments on the bilateral part owed in 2020 (and perhaps 2021) to between 2022 and 2026. So those amounts would be added to the repayments already scheduled for those four years and would make it even harder to find the money. Although 73 countries were selected, only 46 countries have actually participated in this debt service suspension initiative (DSSI). Why so few? There are two reasons. The first concerns the inadequacy of the measure which simply postpones payment of a mere 1.6 % of the developing countries’ external public debt; and the second is that they are blackmailed by the private creditors and the credit rating agencies, the latter indicating that countries applying for a moratorium risk seeing rating agencies downgrading their rating, thus losing their access to the finance markets. In other words, the creditors promise to increase interest rates for those countries.

CADTM

This moratorium does not address the core problems: it does not lead to a net reduction of debt, and it does not involve private creditors, who are holding large chunks of developing country debt. This leads to a prolongation of debt crises.

Debt Relief for a Green and Inclusive Recovery

The IMF has admitted this. In February 2020 the IMF published an analysis of debt vulnerabilities in Low Income Economies (LIEs) which states that presently existing debt workout procedures do not provide an adequate answer to the crises that are coming.

Global Sovereign Debt Monitor

In November 2020, the G20 realized that debt suspension will not be adequate for a number of countries, and put forward a ‘Common Framework for Debt Treatments beyond the DSSI’. This proposes a reduction in overall debt levels on a case by case basis for those DSSI countries deemed to have unsustainable debt. This move is yet another welcome step in the right direction by the G20 but falls short on three counts. First, there is a number of middle income countries, including small island developing states, that may experience unsustainable debt that should be eligible for relief. Second, the G20’s new framework still lacks a mechanism for meaningful private creditor involvement and fails to address the first-mover problem for participating nations. Third, the new framework lacks a commitment by creditors and debtor countries alike to align newfound fiscal space with globally shared climate and development goals.

Debt Relief for a Green and Inclusive Recovery

Special Drawing Rights

The G7 supported an allocation of emergency reserve funds or Special Drawing Rights (SDRs) which are issued out of thin air! The IMF distributes these reserve assets to its 190 member countries in proportion to their IMF share and relative economic standing in the world economy. (Membership of the IMF is necessary, so Cuba and North Korea are ineligible.) So richer countries get more SDRs, while poorer countries receive fewer. Developing countries would get only about 35% of SDRs. If the IMF issues $1 trillion now, Ethiopia would get enough to increase its health budget by 50%. This is good, but not enough. If existing SDRs are reallocated or donated, Ethiopia could double its health and social protection spending.

Jubilee USA email and webinar

This is very urgent. The debt cancellation process is likely to take months. Countries need money NOW!

Yet Western finance ministers continue to haggle over and delay the plan to issue more Special Drawing Rights. United States Treasury Secretary Janet Yellen wants to ensure that the SDRs prioritize the poorest countries and are not used simply to repay Chinese loans.

<https://www.africa-confidential.com/article/id/13300/More_debt_to_tread_water>

(I wonder why SDRs have not been used more often to help the poor. Could it be that we are not interested in helping the poor?)

The Climate Crisis

Climate change and the disasters it triggers are aggravating the debt crisis. Recent cases such as Vanuatu, Grenada and Dominica show how extreme climate events have triggered further debt unsustainability.

Perversely, the impacts of climate change are the greatest in countries that contributed the least to anthropogenic global warming. For many climate-vulnerable countries, a rapid scaling-up of investment in climate resilience is a matter of life and death. Regrettably, the most exposed developing countries are those that are struggling the most to finance adaptation and resilience. They are often most impacted by climate-related macrofinancial risks, and both governments and corporates are now facing a climate risk premium on the cost of capital.

This decade is our last chance to avoid catastrophic global warming. As much as possible, we need to use economic stimulus and recovery measures to strengthen the resilience of our economies and engineer a just transition to a ‘green economy’. Governments receiving debt relief need to commit to align their policies and budgets with the UN’s 2030 Agenda for Sustainable Development and the Paris Agreement. Lenders should require this.

Global Sovereign Debt Monitor; Debt Relief for Green & Inclusive Recovery

In a report on comprehensive debt relief, the Global Development Policy Center highlights climate action for three reasons. First, climate science is clear about the great urgency for scaling-up climate mitigation to avoid catastrophic climate change. Second, even if climate mitigation efforts are successful, large-scale investments in adaptation will be needed to protect people from the effects of the global environmental change that is already happening. It is important to emphasize that the effects of climate change will disproportionately harm the poor – scaling-up climate adaptation is also a matter of climate justice. Third, research has shown that greater climate vulnerability is increasing sovereign risk and the cost of capital, and hence undermining public finances.

Finance is needed to cope with an external shock, e.g. a drought or a flood. This is precisely what the international community is discussing in the third strand of the UN debate on climate financing which is focussed on ‘loss and damage’ – i.e., permanent losses and temporary damages as consequences of climate change. The UN Framework Convention on Climate Change (UNFCCC) has even created a work stream in its own right for this aspect, the Warsaw International Mechanism (WIM), named after the 2014 climate conference. Its role as a platform is to enhance knowledge and understanding, strengthening dialogue, coordination, coherence and synergies among relevant stakeholders and facilitate the mobilization and securing of expertise, and enhancement of support, including finance, technology and capacity-building, to strengthen existing approaches and, where necessary, facilitate the development and implementation of additional approaches to address loss and damage associated with climate change impacts, including extreme weather events and slow onset events. It is precisely here that granting debt relief can also make a meaningful and tangible contribution.

Global Sovereign Debt Monitor

The Caribbean debt relief network Jubilee Caribbean has already submitted a proposal to this end in 2018 and discussed it in the context of the UN Financing for Development process with governments within and outside its region. At the core of the Jubilee Caribbean proposal is the creation of a debt relief initiative for highly indebted Caribbean island nations. After a disaster linked to climate change, it would turn existing sovereign debt, i.e., amounts earmarked for repayment and interest in the public budget, into an instrument of emergency relief and reconstruction. Such a debt relief measure would mobilize resources that are already in the hands of the authorities and therefore do not have to be mobilized in tedious procedures among supportive donors. This would be foreign exchange that has been budgeted for the regular debt service to foreign creditors. According to the proposal, it would instead be used to finance disaster relief and early reconstruction measures.

Such a debt relief initiative will be implemented in two steps: an interest-free moratorium that would make the entire budgeted debt service to all creditors available for the financing of emergency relief measures, and a debt restructuring that would reduce the entire amount of external debt to a sustainable volume.

Global Sovereign Debt Monitor

It is not inappropriate to point to the ecological debts of the North, as Pope Francis did in this context, and call for them to be paid, among others, through debt relief for the South. (We need to remember that some debts are illegitimate and, therefore, not ‘debts’ anyway.)

Global Sovereign Debt Monitor p. 23

The bottom line is that the North has a moral obligation to help the South adjust to climate change. We have to transfer the necessary technology. And we have to do it in a way that doesn’t worsen the debt crisis. Which might mean transferring it for free.

Towards a Solution

Everything in the universe is connected to everything else in the universe. Nothing, including humans, is truly independent. We humans are interdependent: we depend on one another and also on the natural world, the environment. We should have known this (“Whatever you did for one of these least brothers or sisters of mine, you did for me”), but we in rich countries have chosen to ignore our interdependence and exploit our poor brothers and sisters – as well as the environment.

The climate crisis is “the existential threat of our time, jeopardizing the health and well-being of every family in every community around the world.” This is how G7 speakers and heads of parliament put it, in a joint declaration named “Addressing the Climate Crisis with Economic and Environmental Justice for All” in 2020. They called for particular attention to be paid to justice for vulnerable front-line communities.

Climate change, Debt and COVID-19.pdf

<https://www.brot-fuer-die-welt.de/fileadmin/mediapool/downloads/fachpublikationen/analyse/Analyse_102_English.pdf>

Despite decades of warnings from scientists, we have continued to ignore this threat and burn fossil fuels. Japan is still building new coal-fired power stations. The Earth has warmed and will warm more. Some small island nations will be submerged. Countries like the Philippines and Bangladesh will continue to be smashed by more powerful typhoons and rising sea levels. More species, probably including polar bears, will become extinct and the Great Barrier Reef will most likely die.

We ignored warnings about global warming but we can’t ignore COVID-19 – it’s smashing us in the face. The virus may help us to realize our interdependence. If the virus is not eliminated, or at least controlled, in the whole world, every one of us is still at risk. So it is in our own interest to make sure impoverished countries have the resources necessary to tackle the pandemic. (Is this the reason for COVID-19?) That means debt cancellation and also structures to ensure that poor countries can develop without being caught in the debt trap again, and without fossil fuels. (If poor countries continue to burn fossil fuels, they’ll damage the environment for all of us.)

In April this year it was reported that although more than 700 million vaccine doses have been administered globally, richer countries have received more than 87%, and low-income countries just 0.2%…

<https://news.un.org/en/story/2021/04/1089392>

A social pathogen that’s as deadly as COVID-19

What is happening to all the other diseases that ravage the global South as the world’s attention has focused on Covid-19? And why can’t we put as much energy and resources into tackling diseases such as malaria and tuberculosis?

In November 2020, 1.5 million people had died from COVID-19 worldwide. That’s the same number that tuberculosis kills every year, year after year. TB has afflicted humanity since antiquity. Yet there is just one TB vaccine and it does not work well in adults, while a handful of possibilities are in the pipeline. There is currently no established vaccine to protect against either HIV or malaria. In 2010, just 1% of global health research and development investments were allocated to so-called neglected diseases, mainly diseases endemic to the southern hemisphere.

<https://www.theguardian.com/commentisfree/2020/nov/29/theres-a-social-pathogen-stalking-the-world-thats-as-deadly-as-covid-19>

Concretely

The Asian Peoples’ Movement on Debt and Development position:

◆ We ask for cancellation of all debt payments due in 2020 and 2021.

◆ We ask for all lenders to contribute: multilateral, bilateral and private.

◆ We ask for no penalties to borrower governments that stop making debt payments.

◆ We ask for additional emergency financing that does not create new debt.

◆ We ask for a fast financing that is free of economic conditionalities and austerity policies.

◆ We ask that the process start now for an independent UN mechanism to comprehensively address the debt problem and resolve the debt crisis.

In a webinar, Iolanda Fresnillo of the European Network on Debt and Development (EURODAD) listed these requirements:

◆ debt relief and systemic changes to address the power imbalance between lenders and borrowers

◆ the involvement of all creditors

◆ protection for borrowers if they put the needs of their population before external debt

◆ preventing vulture funds and the like from suing governments if they stop payments

◆ a neutral party for sovereign debt restructuring, e.g., UN – not the Bank or IMF.

◆ audits of what has been borrowed, where it was used, the conditions, legitimacy

◆ a change in what is considered debt sustainability. At present, if money is available, it’s presumed that it should be used for repayment. Creditors don’t consider that it might be more necessary in the health system

◆ the integration of SDGs, women’s rights, climate, etc. into debt sustainability

(As I wrote above, Archbishop Chong mentioned the recommendations from Susan George: 1 end SAPs; 2 return privatized sectors to the public domain; 3 adopt a development model; 4 regulate the financial market; 5 eliminate tax havens.)

Civil society organizations (CSOs) in poor countries are well aware of the problems of mismanagement and corruption. The Zimbabwe Coalition on Debt and Development (ZIMCODD) doubts that debt relief would really help the Zimbabwe population at large. So we also need a mechanism whereby future loans and grants will be made with due diligence, accountability and transparency. There should be a registry of all external debt: loans, bonds, etc., and CSOs must be able to track where the money goes.

A Global Minimum Corporate Tax

Thanks to the US Treasury and the IMF, consensus is growing on a global minimum corporate tax. A global minimum corporate tax will mean new revenues to fight poverty and address inequality. President Biden is pushing this as I write.

Jubilee USA email

Country News

China’s Belt and Road initiative

Virtually every study that has looked at the terms of developing country debt sees developed country lending as more onerous than that of China. However, a new international study found that contracts obligate the borrower to exclude the Chinese debt from any multilateral restructuring process, such as the Paris Club of official bilateral creditors, and from any ‘comparable debt treatment’. The study confirms that little of what China provides is aid or low-interest lending. Instead, its infrastructure financing comes mainly in the form of market-rate loans like those from private capital markets.

China’s loans to poor countries in Africa and Asia impose unusual secrecy and repayment terms that are hurting their ability to renegotiate debts after the coronavirus pandemic, a group of US and German researchers said in a report.

Chinese banks insist on being repaid ahead of other creditors, which can disrupt debt talks with groups of lenders. Borrowers are required to put oil or other revenue into foreign accounts that can be seized in the event of default.

China has announced that it has struck agreements with half of the 20 low-income countries that requested debt restructuring as part of their response to the COVID outbreak.

Zambia in southern Africa is deadlocked in talks with bondholders who refuse to negotiate until they know its Chinese debts, according to the report.

Some analysts are warning that China has begun to retreat from the BRI. Others contend that China is not so much cutting back on external infrastructure lending overall as shifting its focus away from loans to governments – and towards loans to private enterprises and state-owned enterprises.

<https://www.japantimes.co.jp/opinion/2020/09/01/commentary/debt-trap-diplomacy-bri-china/>

<https://www.japantimes.co.jp/opinion/2021/05/09/commentary/world-commentary/china-debt-trap-development-aid/>

<http://www.asahi.com/ajw/articles/14320738>

<https://issafrica.org/iss-today/is-the-silk-road-unravelling>

Japan

Japan to contribute to IMF trust for low-income countries hit by pandemic

April 2020

Japan will next week pledge to contribute to the IMF’s Catastrophe Containment and Relief Trust offering debt relief to low-income countries hit hard by the coronavirus, a finance ministry official said.

<http://www.asahi.com/ajw/articles/13281502>

ASEAN to receive $10bn decarbonization support from Japan

May 2021

Japan is preparing to launch a new initiative aimed at helping the 10-member Association of Southeast Asian Nations cut greenhouse gas emissions and realize a decarbonized society.

Tokyo will set up a public and private investment and loan facility of $10 billion, and encourage development of renewables and stronger energy conservation measures.

A total of $10 billion will be invested and lent through the Japanese government-affiliated Japan Bank for International Cooperation (JBIC), Japanese megabanks and others. The money will specifically be used for purposes such as energy-saving efforts, the introduction of renewable energy and a switch from coal to cleaner liquefied natural gas for thermal power generation.

<https://asia.nikkei.com/Spotlight/Environment/Climate-Change/ASEAN-to-receive-10bn-decarbonization-support-from-Japan>

[Editor: Lao PDR is at high risk of external debt distress according to the World Bank:

<https://www.worldbank.org/en/topic/debt/brief/covid-19-debt-service-suspension-initiative>

Lao PDR does not need more loans.]

Grant Aid to India

On May 28, Japan decided to extend Emergency Grant Aid of approximately 14.8 million US dollars to India in response to the current surge of COVID-19 infections in India. [Editor: this is good: grants, not loans.]

<https://www.mofa.go.jp/press/release/press23e_000032.html>

Africa

Ethiopia

April 2021

Ethiopia is already spending more than a third of its state budget on combating the Coronavirus.

<http://www.jubileesouth.org/debt/the-financial-impact-of-the-coronavirus-whats-next.shtml>

Mozambique court declares void two loans in 'hidden debt' scandal

May 2020

Mozambique’s constitutional court has declared void two loans totalling more than $1 billion at the heart of a ‘hidden debt’ scandal that triggered a currency collapse and sovereign debt default, a court ruling showed. The court ruling also declared void state guarantees for the $622 million and $535 million loans arranged by Credit Suisse (CSGN.S) and Russian bank VTB (VTBR.MM).

The loans were taken out in 2013 and 2014 by two Mozambican state companies, ProIndicus and Mozambique Asset Management, for a $2 billion project spanning tuna fishing and maritime security that US authorities say was an elaborate front for a bribery and kickback scheme.

Hundreds of millions of dollars went missing from the project and the supposed benefits never materialised. The government did not disclose all of the borrowing, and after donors like the International Monetary Fund found out in 2016, they cut off financial support.

<https://www.reuters.com/article/us-mozambique-debt/mozambique-court-declares-void-two-loans-in-hidden-debt-scandal-idUSKBN22O301>

Four-fifths of Sudan's £861m debt to UK is interest

March 2021

Sudan owes the UK almost £900m. Almost 80% of that was accrued from interest.

Through what appears reminiscent of a structural adjustment program, the impoverished north African country, which defaulted on its loans in 1984, is under pressure from lenders to impose austerity measures, including reduced public spending and slashed subsidies, if it wants its spiralling debt cancelled.

After Sudan’s previous regime took up the suggestion of the International Monetary Fund to phase out wheat and fuel subsidies to balance its books, there were protests over price rises and deteriorating living conditions, some of which have been violent. Last month Sudan also devalued its currency, a key demand.

“We were already struggling to survive, but now life has become impossible,” a student told local media. Seven Sudanese states last month declared a state of emergency following the demonstrations.

Tim Jones, head of policy at the Jubilee Debt Campaign, said that the debt western governments claimed from Sudan was “mostly made up,” as it was based on the addition of up to 12% interest every year for decades.

<https://www.theguardian.com/world/2021/mar/28/four-fifths-of-sudans-861m-debt-to-uk-is-interest>

Uganda

Anthony Kalulu, farmer and founder of non-profit Uganda Community Farm says that nearly all global anti-poverty interventions in Africa are top-bottom (or trickle-down), and largely short-lived. This means that in most rural poor communities, there is simply nothing happening to end poverty.

According to the South Africa-based civil society advocacy alliance Civicus, only 1% of all official aid (i.e., funding from agencies like USAid), and an even smaller portion of all humanitarian assistance (i.e., all charitable global anti-poverty funding), goes directly to grassroots organizations in the global south. (Uganda is one of the five poorest countries in the world.)

The Uganda Debt Network is calling for total debt cancellation as opposed to debt service suspension.

Uganda paid $47.8 million between January and December 2019 as external debt servicing alone. The repayments were to African Development Bank, Asian Development Bank, Inter-American Development Bank, IMF, World Bank-IBRD and World Bank-IDA, as well as to several countries, including Japan.

COVID-19 has meant increased borrowing. About 16 loans have been acquired for COVID-19 and other interventions in the economy, just between January and August 2020.

Uganda's debt has hit a record U.S.$18 billion as of December 2020, up from U.S.$13 billion in 2019. Each Ugandan now owes US$414,000 as the national debt hits US$17 billion.

The government has cut spending on education and health by 12%.

<https://www.theguardian.com/global-development/2021/feb/09/ive-spent-most-of-my-life-in-extreme-poverty-i-really-want-to-see-change-uganda>

<https://www.monitor.co.ug/News/National/Analysts-call-total-debt-cancellation-Covid-19-impact-economy-/688334-5619940-1082hgyz/index.html>

<https://allafrica.com/view/group/main/main/id/00077727.html>

<https://allafrica.com/stories/202104270202.html>

<https://www.jesuits.africa/jcammedia/jesuit-voices-africa/1362-debt-relief-for-africa-in-the-post-covid-19-pandemic-in-social-protection-lenses>

Zambia: Private lenders profit from developing country debt during pandemic

April 2021

In November 2020, private creditors rejected the Zambian government’s request for a six-month standstill on debt payments on one of their Eurobonds. As a result, Zambia became the first African country to default on its debt since the start of the pandemic.

Zambia is spending four times more on debt repayments than it spends on public healthcare. Meanwhile, some of Zambia’s private loan holders could make up to 250% profit if paid in full.

But this is not just the case for Zambia. Large banks and speculators, like HSBC, Blackrock, UBS and JP Morgan, have so far refused to engage in debt relief for the world’s poorest countries through an international process initiated at the G20.

Six countries had already defaulted on debt payments by the end of 2020. This means developing country governments are having to use scarce resources to pay their debts, as opposed to responding to and recovering from COVID-19, and ensuring the health, wellbeing, and rights of their citizens.

While developing country debt is owed to a variety of creditors, including governments and multilateral institutions, private creditor debt plays a significant role. This is because of the higher interest rates typically attached to private loans, because a substantial proportion of external developing country debt is owed to private creditors, and because a lack of private sector involvement disincentivizes other creditors from engaging in debt relief due to concerns that freed up resources will simply be used to pay back private loans.

African governments alone are expected to pay $23.4 billion in debt repayments to private creditors in 2021 – that is over three times the cost to purchase vaccines for the entire continent.

Private creditors’ share of the foreign debts of low- and lower-middle income governments increased from 25% in 2010 to 47% in 2018. Multi-trillion dollar asset manager BlackRock alone holds close to US$1 billion of ‘Eurobonds’ in Ghana, Kenya, Nigeria, Senegal and Zambia through a number of funds.

<https://jubileedebt.org.uk/blog/private-lenders-profit-from-developing-country-debt-during-pandemic>

<https://www.globaljustice.org.uk/resource/under-radar-private-sector-debt-and-coronavirus-developing-countries/>

Asia

Pakistan

The dangerous impacts of climate change are particularly conspicuous in Pakistan: The monsoon seasons are shifting, and rainfalls are becoming heavier and heavier. The water masses cover entire swathes of land, robbing the local population of their livelihoods. Livestock, houses, fertile topsoil, crops and seed are simply washed away by the water masses. Harvests go mouldy because the water no longer runs off. Each year, people are killed by landslides caused by heavy rainfall. Many of them have to flee. The country, which borders on the Hindu Kush, is also being increasingly affected by droughts owing to the climate changes. This is a worrying trend, for Pakistan already belongs to Asia’s poorest countries.

The Pakistani government could lower the risk of disaster by launching special programs to reduce poverty and invest in preventive measures addressing climate change and environmental protection. However, there are few signs of such socio-ecological change and a preventive sustainability policy. On the contrary, the country’s economic strategy points in the wrong direction, focusing on gigantic infrastructure projects and the expansion of coal mining, only adding to CO2 emissions. Urgently needed social and environmental programs cannot be financed because the government faces insolvency. Pakistan’s debts amount to approx. 200 billion euros, while its budget deficit totals 10% of its gross national income. Nearly a third of public revenue is spent on debt repayment. With the large-scale infrastructure projects, the risk of over-indebtedness continues to increase, driving Pakistan into spiraling debt.

https://www.misereor.org/fileadmin/user\_upload\_misereororg/publication/en/shaping\_economic\_processes/global-sovereign-debt-monitor-2020.pdf

Eurodad says Pakistan’s economy is running purely on debt. The situation is so dire that fresh loans even to respond to the COVID-19 crisis must be stopped. All external debt service payments on bilateral, multilateral and private debts owed by Pakistan should be suspended at least until June 2023.

<https://d3n8a8pro7vhmx.cloudfront.net/eurodad/pages/2054/attachments/original/1614952584/debt-and-covid-blogs-EN-final.pdf?1614952584>

**The IMF Is Using the Debt Crisis to Hollow Out Pakistan’s Sovereignty**

April 2021

Imran Khan’s government came to power in 2018 promising to reorient Pakistan’s economy toward the needs of the population. But faced with a debt crisis it soon dropped its reformist agenda — and now, the International Monetary Fund is pressuring it to place its State Bank permanently beyond democratic control.

**IMF Stranglehold**

Imran Khan’s Pakistan Tehreek-e-Insaf (PTI) government came to power in August 2018 promising to break the ‘begging bowl’ of the [International Monetary Fund](https://www.cadtm.org/IMF-International-Monetary-Fund,1114) and reorient the economy toward meeting the development needs of the public. However, a mounting [balance](https://www.cadtm.org/Balance,1143)-of-payments crisis inherited from the previous government, as well as economic mismanagement in the first few months under the new administration, forced the country back to the IMF in April 2019.

Pakistan signed a punishing deal the following month, which demanded massive austerity, including cuts to social and development spending, in exchange for a loan of $6 billion over three years. Finance minister Asad Umar, who had been vocal in his criticisms of the IMF in the past, was forced to resign, and replaced by Hafeez Shaikh.

Upon his appointment, Shaikh was widely viewed as a representative of the international financial technocracy in Pakistan. Under the military dictatorship of General Musharraf, he had worked as Sindh province’s finance and planning minister, and was later appointed federal minister for privatization. He also served as finance minister under the Pakistan People’s Party government (2008–2013), overseeing the implementation of a tough IMF program, which was heavily criticized at the time by Imran Khan for its negative impact on ordinary Pakistanis.

Shaikh was working at the [World Bank](https://www.cadtm.org/World-Bank-WB) in 2019, before he made his spectacular return to office as Khan’s finance minister. To further ensure that Pakistan’s economic policy obeyed the diktats of international financial institutions, the former IMF country representative in Egypt, Raza Baqir, was appointed governor of the State Bank of Pakistan. It was clear that both the manifesto of the ruling party and the aspirations of the people had been torpedoed to hand over key decision-making to bureaucrats nurtured by the global financial oligarchy.

The measures introduced by the new economic team soon led to an unprecedented contraction in the economy. Pakistan’s [GDP](https://www.cadtm.org/Gross-Domestic-Product-GDP) growth rate plummeting to -0.4 percent, the first time it had fallen below negative in seven decades. The [devaluation](https://www.cadtm.org/Devaluation,1104) of Pakistani currency created massive [inflation](https://www.cadtm.org/Inflation,1115), rising from 3.93 percent in 2018 to 10.74 percent by 2020.

The program also imposed austerity measures such as a whopping 40% budget cut to higher education, while plans to privatize the health sector were also set in motion last year. Under IMF pressure, Pakistan was forced to reduce subsidies on utilities as well as to cancel the yearly increments of wages for public sector employees.

This [structural adjustment](https://www.cadtm.org/Structural-Adjustment,1133) program was not implemented without resistance. Indeed, the result over the last two years has been an unprecedented rise in labor and student militancy. For example, in November 2019 student mobilizations in dozens of cities shook Pakistan, as thousands of students denounced the rising costs of education as well as rampant sexual harassment on campuses.

Similarly, government employees staged two large sit-ins in the capital Islamabad (in October and December 2020), while teachers also staged countrywide protests against job insecurity in December 2020. More dramatically, a farmers’ alliance staged a tractor march to Punjab’s provincial capital of Lahore, highlighting the breadth and depth of the discontent boiling up across the country.

Having already limited its own capacity to intervene in financial matters, in line with the IMF conditions, the government responded to these demonstrations with brute force. Organizers of the student movement were charged with sedition, and the government suffocated the peaceful protests of teachers and government employees in clouds of tear gas.

The most horrific incident occurred at the farmers’ protest, where the police used [water mixed with chemicals](https://www.dawn.com/news/1588877) against the demonstration, leading to the tragic death of farmer leader Ashfaq Langrial. The repression highlighted a new normal in which decisions imposed by technocrats would not only be rubber-stamped by elected governments but would also have the violent backing of the coercive state machine.

**A Financial Coup**

Pakistan’s economy, much like in the rest of the world, has been ravaged by the Covid-19 pandemic. Millions of people were forced out of work when the government imposed a lockdown in March 2020 due to mushrooming cases of the virus. A recent report by the Mahbub ul Haq Center shows that unemployment rose by 34%, while mean income fell by a massive 42%. By November 2020, three million workers still had not regained employment, whereas the average income remained 5.5% below its pre-lockdown level. The sustained unemployment and rising inflation were emblematic of the struggles faced by ordinary people across the country.

However, some of the most deleterious effects of the crisis were mitigated by the intervention of the government, which issued a relief package of 430 billion rupees (roughly $2.78 billion) as part of the Temporary Economic Refinance Facility (TERF) provided by the State Bank at government instigation. The package was used to inject [liquidity](https://www.cadtm.org/Liquidity) into the economy and boost industry. A similar package was announced to offer partial relief to workers rendered jobless after the lockdown — highlighting the importance of public spending during a crisis.

However, today the IMF is pushing Pakistan’s government to make its State Bank ‘independent’ of democratic politics through an act in Parliament. Termed the State Bank Amendment Bill, the proposed legislation purportedly aims to protect the bank from ‘political interference’ in order to ensure that the country can service debt and maintain price stability at manageable levels. Yet, the bill entails the complete erasure of the country’s economic sovereignty — with potential disastrous consequences for working families in Pakistan.

The bill stipulates that the government will no longer be able to acquire facilities such as TERF or borrow money from the State Bank to support local banks, placing serious constraints on the state’s capacity for public investment. As a result, the government will be forced to seek loans from commercial banks at higher [interest rates](https://www.cadtm.org/Interest-rates) to pay its pending bills, compounding rather than resolving Pakistan’s debt problem in the long term. Furthermore, the bill sets price and financial stability as its primary and secondary objectives respectively — pushing development to a ‘tertiary’ objective.

So, while countries in the developed world are pushing ‘stimulus’ packages to jump-start the economy, Pakistan will face increasing constraints in shaping its monetary policy to facilitate badly needed investment for providing essential services and jobs to citizens. In a country where over a million young people enter the job market each year, a prolonged recession threatens not only economic stability but social breakdown.

Despite the prevailing crisis, the government has announced its plans for an unprecedented hike in power tariffs of Rs. 5.65 per unit. Starting in July, the move will hit ordinary consumers with a 36% electricity price increase and aims to squeeze an extra Rs. 884 billion ($58 billion) this year in order to generate revenue for repaying foreign loans, revealing the extractive nature of the IMF’s prescriptions.

Removing decision-making from even notional democratic control, the bill will stop the government from appointing its own representative to the bank’s board of governors and prevents Pakistan’s legal institutions from holding board members accountable for their   
actions.

These amendments thus reflect yet another clear case of a Third World country being forced to abdicate its responsibility toward the public, conform to the dogmas of neoliberal orthodoxy, and reorient its priorities to meet the impossible demands of predatory creditors

This blatant disregard for public or juridical scrutiny is supplemented by the directive in the bill that stipulates that the bank will have the responsibility of servicing the country’s foreign debt “without reserve to the government” (i.e., without being answerable to the elected government). If the bank does not possess enough resources to meet the country’s debt obligations, it will “request” the government to transfer funds “within a period not exceeding 30 calendar days.”

These amendments thus reflect yet another clear case of a Third World country being forced to abdicate its responsibility toward the public, conform to the dogmas of neoliberal orthodoxy, and reorient its priorities to meet the impossible demands of predatory creditors.

**It’s About Democracy**

While the bill is still pending approval in Pakistan’s parliament, the prime minister dismissed Hafeez Shaikh as finance minister on March 29 due to growing concerns over inflation — creating more ambiguity over the country’s economic direction. The growing financial chaos is emblematic of the dire future confronting debt-stricken nations across the world.

These crippling financial constraints suggest that, while the United States is imagining a “return to normal” by the end of the summer, most poor countries will continue to face a burgeoning health crisis for years to come. In Pakistan, not even 1% of the population has been vaccinated, while the slow pace of the vaccination drive has opened up a private market for vaccines at the exorbitant rate of Rs. 12,000 (roughly $80 per person).

This is especially damaging in a country whose public health infrastructure was crumbling even before the pandemic arrived. According to the World Health Organization, 40% of deaths in Pakistan owe to waterborne diseases such as typhoid and hepatitis, while dengue fever and malaria remain common.

A [recent article](https://www.nytimes.com/2021/03/31/magazine/pakistan-hiv.html) in the *New York Times* noted the rapid spread of HIV among children in the Sindh province of Pakistan, making the country an emerging hot spot for the disease. Sindh is ruled by the federal government’s opposition, the Pakistan People’s Party, whose mismanagement has exacerbated the crisis. This indicates that the social crisis has deepened to the extent that it can no longer be associated with a single party, but has to be viewed as general decay afflicting the entire system.

The rising movements against austerity in Pakistan offer the best hope for building a viable political project against the stranglehold of international financial institutions and their local collaborators. Yet, the fight for popular sovereignty in the Global South is incomplete without solidarity from the Global North. This is especially urgent since we know that each time global capitalism ‘overcomes’ its crisis at the center, it does so at the expense of an exacerbation of the crisis on the peripheries.

The rising movements against austerity in Pakistan offer the best hope for building a viable political project against the stranglehold of international financial institutions and their local collaborators

Moreover, even apart from the emerging vaccine apartheid, the further accumulation of debt poses the greatest challenge to stability in the developing world. The destabilization of poor countries eventually creates a boomerang effect, fueling right-wing movements that scapegoat immigrants fleeing economic hardship to pit them against struggling workers in the metropolitan centers.

Yet, the creditors in New York and London exploiting the labor of workers in the Global North are the same ones aiming to reap returns from further exploitation of the Global South. This is why we need a transnational alliance of debtors and progressive forces resisting the dismantling of democratic institutions and creating an alternative development agenda for the post–Covid-19 world. Ending Third World Debt and cooperating on global public health are the points of convergence for a new internationalism that can exorcise the ghosts of imperialism and regenerate our broken world.

<https://www.cadtm.org/The-IMF-Is-Using-the-Debt-Crisis-to-Hollow-Out-Pakistan-s-Sovereignty>

Sri Lanka

Countries such as Indonesia and Sri Lanka are spending more on debt repayments than on healthcare.

Sri Lanka currently suffers severely from the impacts of climate change. Ever heavier monsoons that set in ever earlier, an increasing number of landslides, rising average temperatures and failed harvests owing to drought affect the rural population particularly severely. Farmers are increasingly suffering from income losses, while fishers complain of the stronger storms that make fishing impossible. Poor people are under particular threat. They often live in informal settlements that are not linked to any infrastructure. Frequently, these poor districts are situated in areas prone to flooding and drought, along river courses or on slopes that are not a match for the storms.

The population is fully aware of the impact that climate change is having. However, the topic is receiving hardly any attention from politicians. Environmental protection and possible measures to check the impacts of climate change only play a marginal role among a multitude of election campaign promises. The government has neither the budgetary policy nor the staff capacities that are needed, which is why the consequences of disasters such as landslides are often not adequately addressed. The country’s debt crisis leaves hardly any scope for the government to establish disaster preparedness. Changes therefore only occur on a small scale. For example, two years ago, the government banned plastic bags.

Jubilee Australia Annual Report 2020

Global Sovereign Debt Monitor 2020

Latin America

Ecuador

December 2020

Overcrowded hospitals, corpses lying in the streets and mass graves. The country with the highest rate of excess deaths per capita in the world. The tragic impact of the pandemic is a direct result of a slow and insufficient response by a government burdened with austerity and debt. 700,000 people have lost their jobs. Ecuadorian women, 45% of whom lost their jobs, have been disproportionately affected by these dynamics. Women in the country work fewer hours for less pay and in worse conditions than their male counterparts.

Public debt had increased from 30.9% to 68.9% of Gross Domestic Product (GDP) between 2015 and 2020. As a result, the country allocated 29% of government revenues to meet creditor claims in 2019. This figure is equivalent to 2.3 times the public health budget of the country or 1.9 times its education budget.

These mounting debt problems forced the country to request IMF financial assistance in March 2019. The IMF program provided the country with a loan of US$ 4.2 billion on the basis of strict conditionality and binding fiscal targets. Massive protests made the government and IMF withdraw their initial intentions to cut petrol subsidies. However, the planned austerity measures and structural reforms

Austerity measures included in the program systemically weakened its public health sector. The public health budget declined from US$ 353 to 110 million between 2017 and 2019. The cuts led to a dismissal of health personnel and a decline in the availability of medical supplies, which left the country woefully unprepared to deal with a pandemic.

<https://d3n8a8pro7vhmx.cloudfront.net/eurodad/pages/2054/attachments/original/1614952584/debt-and-covid-blogs-EN-final.pdf?1614952584>

The Pacific

Fiji

In the webinar mentioned above, Archbishop Peter Loy Chong of Fiji reported that Fiji’s budget includes US$640 million of new loans, much of which will go to paying off old debts. This will raise Fiji’s total foreign debt to $8 billion. Fiji’s debt has trebled from 2006 to 2020, as a result of which Fiji has a double crisis: climate and foreign debt.

<https://www.youtube.com/watch?v=djTlueu8zXw&feature=youtu.be&link_id=2&can_id=e2751307478f90b408e5d3756fc0d64f&source=email-so-much-already-week-one-of-the-season-of-creation&email_referrer=email_913348___subject_1255626&email_subject=the-season-of-creation-is-just-beginning>

Catholic News

Africa and Madagascar Bishops

Bishops of the Symposium of Episcopal Conferences of Africa and Madagascar said in June 2020 that the pandemic is “having devastating effects with tragic consequences for the poorest populations.” Highlighting the impact of lockdowns on tourism and the hotel industry, they said they feared a “social explosion” in countries “already burdened with debt and where unemployment continues to worsen.” They called for debt alleviation and for large multinational companies that exploit Africa’s raw materials “to make significant contributions to the host countries to enable them to provide basic social services, such as hospitals, schools and adequate and affordable housing.”

The Tablet 13 June 2020

Catholic Bishops Ask Biden for Global COVID Aid and Debt Relief

February 2021

The Biden Administration should support the release of $3 trillion in global reserve funds (SDRs) to support developing countries confront the COVID pandemic, say the US Catholic Bishops and Jubilee USA Network in a letter to President Biden.

The Catholic Bishops and Jubilee USA are urging both short-term solutions to resolve the current crisis and long-term solutions to prevent the next one. “We need more aid and debt relief now for developing countries. We need a bankruptcy process, better trade agreements and to stop tax avoidance and corruption to prevent the next crisis.”

<https://www.jubileeusa.org/pr_usccb_jubilee_biden_covid_debt>

Pope calls for "regeneration" of global financial institutions

April 2021

Pope Francis has urged global finance leaders to ensure that COVID-19 recovery plans do not lead to “a return to an unequal and unsustainable model of economic and social life, where a tiny minority of the world's population owns half of its wealth.”

In a letter to the World Bank and the International Monetary Fund the pope pleads for “new, more inclusive and sustainable solutions to support the real economy.”

He says that, in order for this to happen, the World Bank and the IMF must change the voting procedures in their organizations. Currently the largest contributors — the United States, Japan, Germany, France and the United Kingdom — have the preponderance of votes.

He argues that it is necessary for the financial industry to use its “great creativity” in order to develop “agile mechanisms for calculating ecological debt, so that developed countries can pay it.”

“It is time to acknowledge that markets – particularly the financial ones – do not govern themselves,” Francis says in his letter.

<https://international.la-croix.com/news/ethics/pope-calls-for-regeneration-of-global-financial-institutions/14103>

Vatican Conference: US Treasury Secretary Says Debt Relief A High Priority

May 2021

Debt relief for poor countries is a high priority for the US, said Treasury Secretary Janet Yellen in virtual remarks at a Vatican meeting of global finance leaders and Catholic dignitaries. A G20 debt reduction process is in place for poor countries, but developing middle-income countries cannot access the process. During Yellen's address, she lifted US support for developing middle-income countries to qualify for debt relief.

‘Dreaming of a Better Restart’, the conference that Yellen attended, focused on economic policies to combat inequality, climate change and food insecurity.

Yellen remarked on US support for creating $650 billion of emergency currency, known as Special Drawing Rights (SDRs). While developing countries will receive more that $200 billion of these new resources, more than $400 billion is received by wealthy countries. Yellen stated the US wants to donate their share of SDRs to poor countries.

Jubilee USA email 15 May 2021

Statistics

Guide to understanding and accessing debt information

https://jubileedebt.org.uk/report/guide-to-understanding-and-accessing-debt-information

Debt Service Suspension Initiative

https://www.worldbank.org/en/topic/debt/brief/covid-19-debt-service-suspension-initiative

Global Sovereign Debt Monitor 2020

https://www.misereor.org/fileadmin/user\_upload\_misereororg/publication/en/shaping\_economic\_processes/global-sovereign-debt-monitor-2020.pdf

The North’s New Debt Trap for the South

https://www.cadtm.org/spip.php?page=imprimer&id\_article=19396