Preventing and resolving sovereign debt crises: Stop bailing out reckless lenders, October 2019

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1. Introduction

In the debt crises of the 1980s and 1990s the standard response was for international institutions, usually led by the IMF, to lend more money which paid off previous lenders. This both continued the debt crisis for the country concerned and created a moral hazard where the risks for lenders were removed or substantially reduced, incentivising them to act recklessly. In the end, public money through debt relief was used to end the crises, rather than the original lenders having to pay. Unfortunately, the same responses are now being made to the current round of debt crises.

The ultimate solution is the creation of a multilateral debt workout mechanism ideally under the auspices of the United Nations to ensure timely, durable, just and equal treatment in response to sovereign debt crises. However, until this is created, the IMF should clarify its policies on lending into debt crises for its own lending.

The IMF has a policy of not lending to a government with an unsustainable debt situation unless a debt restructuring takes place during the IMF programme, or grants or low interest loans are provided in such a way as to make the debt sustainable.[i] However, it does not adequately define what an unsustainable debt situation is, so lenders assume they will be bailed out. As long as the IMF provides new loans to meet debt payments, default is prevented, but that does not mean the debt is sustainable. Even where debt restructurings are required as part of an IMF programme, they do the bare minimum to reduce debt to the level the IMF says is "sustainable". These failings on the part of the IMF mean that debt restructurings happen too late, and when they do they are too little. And this means people in countries suffering from debt crises have to suffer years of needless extra public spending cuts and economic stagnation.

Recent IMF research[2] has found that its programmes in high debt countries are much more successful in IMF terms if there is a debt restructuring at the start. In high debt countries where there was a restructuring as part of the IMF programme, 45% were successful, 40% partially successful and 15% unsuccessful. In contrast, in programmes in high debt countries without a restructuring, just 5% were successful, 45% partially successful and 50% unsuccessful.

In this briefing we identify 18 cases in recent years[3] where the IMF has given loans to countries with very high debts without a debt restructuring reducing the IMF's analysis of the risk of debt default to moderate or the equivalent. These are effectively cases where IMF loans are helping to bail out previous lenders. Across these 18 countries the total amount of IMF loans committed is $93 billion.

When unsustainable sovereign external debts arise, lenders should be made to restructure debts, rather than be bailed out. One way to encourage this to happen is for the IMF[4] to only lend to debt crisis countries if:

- A restructuring will happen during a lending programme, which will get the debt down to a sustainable level, or;

[i] The IMF policy is quoted in full in Section 2. In the rest of this briefing we refer to this policy in shorthand as not being able to lend into unsustainable debt situations without a debt restructuring.

- A government defaults on debts or there is a standstill in debt repayments, so that IMF money is not used to pay off previous lenders

Lending into a high debt situation without a debt restructuring breaks the UN responsible lending principle that lenders should not give loans beyond a borrower's reasonable capacity to repay.[5]

Recommendations (more detail on these is in Section 4):
As part of the Debt Limits Policy review and review of the Debt Sustainability Framework for Market Access Countries, the IMF should:

1. Set clear guidelines on what constitutes an unsustainable debt. This will then guide all lenders – from the private sector to official lenders such as China – as to when they will not be bailed out by the IMF.

2) Commit to only lending to governments with unsustainable debts from non-emergency lending programmes if there is a debt restructuring during the programme, or if a government defaults.

3) Debt restructurings should only be considered as having done enough if they reduce a country's IMF debt risk rating to at least moderate with substantial space to absorb shocks.

4) The Debt Sustainability Framework should be reformed to include systematically the findings from human rights impact assessments of debt burdens, including the impact of debt on meeting the Sustainable Development Goals.

5) For General Resources Account countries, the IMF should create a framework to properly assess debt risk.

Introducing these policies would increase the pressure on lenders to accept necessary debt restructurings, freeing up money to finance development, mean lenders act more responsibly in future, share the costs of crises more equitably between creditors and the population of the country in crisis and protect public funds from needing to give debt relief.

2. Effectiveness of debt restructurings in IMF programmes

The IMF has a policy of not lending into unsustainable debt situations unless a debt restructuring takes place during the IMF programme, or grants or low interest loans are provided in such a way as to make the debt sustainable. As explained in one recent IMF paper: "The Fund may only lend if debt is assessed to be sustainable in the medium term under the GRA[6] and PRGT[7]. If debt is not sustainable, the Fund is precluded from lending unless the member takes steps to restore debt sustainability, including through either debt restructuring or the provision of concessional financing."[8]

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

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

- The IMF may itself need to offer debt relief in the future to restore debt sustainability, which means member governments of the IMF have to pay for the debt crisis, rather than the original lenders.

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

The IMF has argued that "debt restructurings have often been too little and too late, thus failing to reestablish debt sustainability and market access in a durable way".[9] However, IMF loan programmes are one of the reasons this is the case.

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

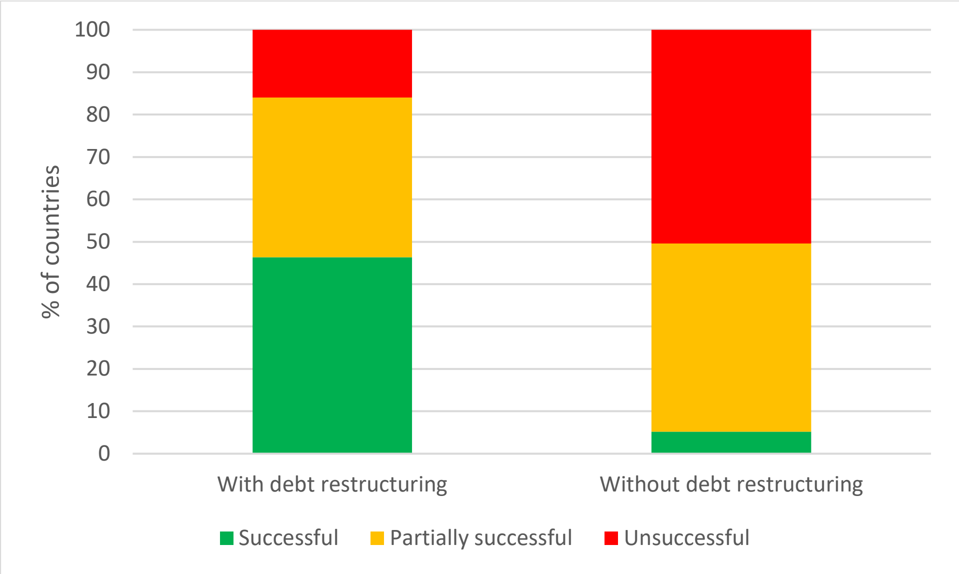
Furthermore, even when the IMF says a debt restructuring is required to make debt sustainable as part of its lending programmes, usually the bare minimum restructuring takes place. As long as default is avoided, the IMF says a restructuring makes debt sustainable, rather than seeing sustainability as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

The IMF itself has concluded that its lending programmes in high debt countries are more successful if there is a debt restructuring at the start. The 2018 review of IMF conditionality found that of 33 IMF programmes in countries with high debt vulnerabilities[i],[10] in only 40% of them was any kind of debt reprofiling or restructuring carried out. However, in high debt countries where there was a restructuring as part of the IMF programme, 45% were successful, 40% partially successful and 15% unsuccessful. In contrast, in programmes in high debt countries without a restructuring, just 5% were successful, 45% partially successful and 50% unsuccessful (see Graph 1 below).[ii]

[i] The IMF do not make clear which the 33 countries are.

[ii] For General Resources Account countries the IMF defines success as ending the need for balance-of-payments support and reducing medium-term macroeconomic vulnerabilities. For Poverty Reduction and Growth Trust the IMF defines success as reducing external debt vulnerabilities and making progress on increasing social expenditure, increasing tax revenue and achieving stable inflation and real GDP growth. More detail is at https://www.imf.org/~/media/Files/Publications/PP/2019/PPEA2019012.ashx Supplement Section III: Assessing Program Success.

Graph 1. IMF evaluation of the success of its programmes in high debt countries with and without debt restructurings[11]



The IMF review finds that one of the reasons why debt restructurings in high debt countries do not happen is because "Judgment on debt sustainability appears to have been tilted in favour of large fiscal adjustments and optimistic macro-frameworks". [12]

In high debt cases where restructurings are not part of an IMF programme, the IMF attempts to make the numbers add up by requiring more austerity. Greater "fiscal adjustment" – spending cuts and tax increases – is used as a way to try to make the debt sustainable. Peter Doyle, a former IMF mission chief has criticised "the lengths to which the IMF will go to avoid debt write-offs necessary and sufficient to secure macro sustainability".[13] This means the IMF, writes Doyle, has been captured by creditors, turning it into "brute bailiff-cum-debt-collector".[14]

The focus of IMF programmes in high debt countries on fiscal austerity alone contributes to such programmes failing, because too often it has underestimated the knock-on impact of austerity on the domestic economy. Large cuts and tax increases cause an economic crisis to continue or worsen. The result is that IMF programmes may themselves end up making the risk of default more likely: academic research has shown that the policy reforms attached to IMF loans have increased income inequality in programme countries, while evidence suggest inequality ultimately makes defaults more likely in indebted countries.[15]

As well as being unsuccessful, putting all the pressure of "adjustment" in response to a crisis on the population of the debtor country is also unfair. IMF loan programmes can enable lenders who lent at high interest to continue to be repaid, even after an economic shock, while all the impacts of the shock fall on local people. Debt restructurings share the cost of the crisis more equally between creditors and the country in crisis. Of the costs that do fall on the country concerned, these should borne by richer people through tax increases and cuts in any public spending which is used just by the rich.

It is possible for high debt countries to escape from a debt trap without debt restructuring. However, in a review of PRGT countries the IMF found that in the last twenty years there have been just seven cases where substantial and sustained debt reduction was achieved without debt relief or restructuring. In these cases they largely relied on the luck of positive economic shocks.[16]

Finally, restructurings can also be good for creditors in the medium-term. A recent working paper for the IMF[17] found that for 32 cases of bond restructurings in the global South, the long-term return for creditors was "about the same" as on global South bonds that were not restructured. This is because the interest income before and after the restructuring more than covered the haircut on the bonds. Furthermore, this means long-term holders of global South restructured bonds received more than holders of "risk-free" global North bonds such as US or German government debt.

3. Debt restructurings in recent IMF programmes

The IMF divides countries up into two groups. First are those eligible to borrow from the Poverty Reduction and Growth Trust (PRGT), 68 countries made-up of all low income and some lower- and upper-middle income countries.[18] Secondly are all other countries, which borrow at higher interest rates from the General Resources Account.

The PRGT countries all have Debt Sustainability Assessments conducted by the IMF and World Bank which produce ratings of the risk of external government debt default. General Resources Account countries also have Debt Sustainability Assessments conducted by the IMF, but these do not produce a risk rating, and provide far less information on the debt situation of the country concerned.

3.1 Debt in PRGT countries

The recent IMF review of conditionality states "It is generally understood that countries either in debt distress or at high risk of debt distress should restructure their debt or obtain debt relief in order to restore debt sustainability by upgrading the debt distress rating to at least moderate."[19]

This would be a useful IMF policy to incentivise debt restructurings to take place when needed and make it more likely debt is reduced to a properly sustainable level – tackling the "too little, too late" problem. However, this is not what happens in practice, and according to other sources in the IMF, neither is it IMF policy.

Since 2015 there have been eight IMF lending programmes in PRGT countries assessed by the IMF and World Bank to be at high risk or in debt distress. Of these eight, in five there has not been any debt restructuring or debt relief (Afghanistan, Cameroon, Ghana, Mauritania and Sierra Leone). In the three where there has been debt restructuring or relief, none have reduced the risk rating to moderate or less. Central African Republic has remained at high risk, Sao Tome and Principe has worsened to in debt distress. Chad is the only country with any improvement following the restructuring with Glencore (see Box 1 below), but it has only gone from in debt distress to high risk.

Table 1. Recent IMF loan programmes in PRGT countries judged as at high risk or in debt default

Country	Dates of IMF loans	Risk rating at start of IMF loans	Any change in rating during IMF loans?	Was there a debt restructuring?	Risk rating following debt restructuring / current risk rating	Size of IMF loans ($ million)
Afghanistan	Jul 2016 – Dec 2019	High	No	No	High	$44
Cameroon	Jun 2017 – Jun 2020	High	No	No[20]	High	$667

Central African Republic	Jul 2016 – Jul 2019	High	No	Yes	High	$116
Chad	Jun 2017 – Jun 2020	In debt distress	Change to high	Yes	High	$309
Ghana	Apr 2015 – Apr 2019	High	No	No	High	$916
Mauritania	Dec 2017 – Dec 2020	High	No	No	High	$160
Sao Tome and Principe	Jul 2015 – Dec 2018	High	Change to in debt distress	Yes	In debt distress	$6
Sierra Leone	Nov 2018 – Jun 2022	High	No	No	High	$171

Following the 2017 review of the PRGT debt sustainability framework, a guidance note on the framework published in February 2018 does allow the IMF and World Bank to define debt as unsustainable even if it is still being paid. This it says can be a matter of judgement “where one or more debt burden indicators are continually rising and above thresholds as the forecast horizon advances”. Factors that are meant to be considered as part of this judgement are how much fiscal adjustment is “politically feasible” and “socially acceptable” while preserving growth at a satisfactory level and making “adequate progress” towards development goals.[21]

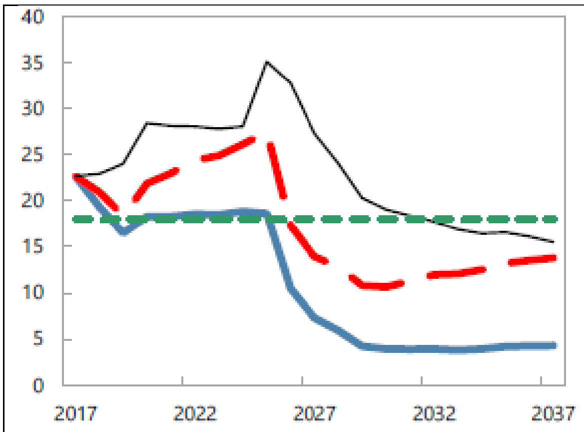
This again is a small step in the right direction. But the high level of discretion and absence of a systematic approach to considering legal human rights frameworks and development priorities, reveals that the IMF still prefers an approach that does everything to avoid a necessary restructuring in high debt cases, by imposing austerity alongside IMF bailout loans being available to repay creditors. This is instead of recognising the effectiveness and fairness of more debt restructuring up front.

Box 1. Chad’s debt restructuring

In 2018, as part of its IMF programme, Chad completed its debt restructuring with Glencore, which lengthened the maturities on the debt and lowered interest rates. However, following the restructuring, the IMF still rates Chad as at high risk of debt distress.[22]

Under the new debt payment schedule, Chad’s external debt service was projected by the IMF to stay on the IMF’s threshold of 18% of government revenue until 2025 (see graph below). In effect, the debt restructuring was designed to provide the minimum debt relief necessary to allow the IMF to say Chad’s debts are sustainable. However, one economic shock could quickly lead to another default, with debt payments rising over 25% of government revenue.

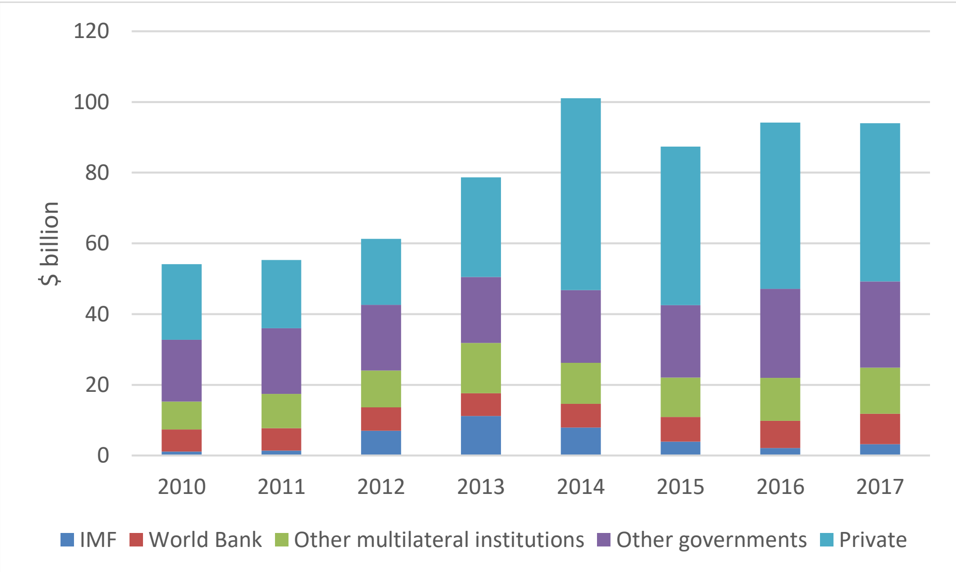
Graph. IMF prediction of Chad external government debt service as a proportion of revenue (blue = baseline, red = historical scenario, black = one economic shock, - - - - = IMF historical threshold for when defaults start to occur)[23]



Despite the restructuring, in reality Chad remains in a debt crisis. Between 2015 and 2022, current public spending per person[24] is projected to be cut by 37% in real terms, from €123 per person in 2015 to €78 per person by 2022.[25]

For low- and lower-middle income country governments, in recent years 44% of external debt payments (principal and interest) have been to the private sector, 26% to other governments and 29% to multilateral institutions (see Graph 2. below).

Graph 2. External debt payments by low- and lower-middle income governments by creditor, 2010-2017, $ billion[26]



3.2 General Resources Account countries

For non-PRGT countries there is no clear way in which debt sustainability risks are assessed by the IMF. Debt sustainability assessments are conducted, but these do not produce a risk rating. Instead, IMF staff just use their own judgement, rather than being guided by statistical thresholds, to decide whether they view debt as sustainable. This very loosely defined framework may be changed through "the ongoing review of the MAC [Market Access Countries] DSA framework" which "is exploring improvements to analytical tools to inform staff's bottom-line judgment on debt sustainability."[27]

The debt sustainability assessments for General Resources Account countries also contain much less information than for PRGT countries. For instance, there are no figures for debt service either current or projected into the future (these usually have to be calculated by the reader from elsewhere in the IMF document). The main figure used in the assessment is external debt as a percentage of GDP but this is a poor guide to the size of a debt burden as it takes no account of:

- The interest rate on the debt
- The maturity of the debt
- The percentage of GDP the government is collecting in revenue with which to meet debt payments
- The assets a government holds (such as natural resources or national industries)

Debt Sustainability Assessments have now started to use the concept of Gross Financing Need which does cover some of these aspects of the debt burden. But a more thorough analysis along the lines of the assessments for PRGT countries is still needed.

In Table 2 below we look at current IMF loan programmes in countries which do not have a PRGT debt sustainability assessment. This includes analysing government external debt service as a proportion of revenue and exports. Because the IMF does not have any thresholds for non-PRGT countries there is no figure these can be compared against to guide sustainability. However, for PRGT countries the thresholds are:

- Up to 23% for external government debt service as a percentage of revenue
- Up to 21% for external government debt service as a percentage of exports

This is not to say the thresholds should be the same for assessing debt risk in non-PRGT countries as PRGT, but these thresholds are the only ones that the IMF currently has.

Of the programmes in non-PRGT countries below we find:

- Only in Barbados did the IMF judge the debt to be unsustainable without a restructuring. The external debt restructuring is yet to be completed, so it is not yet known how much debt service burdens will have been reduced as a result.
- In Ukraine a debt restructuring happened as part of the previous IMF programme. However, external government debt service is still around the PRGT thresholds indicating there may still be a high risk of debt default.
- In six countries (Angola, Argentina, Ecuador, Egypt, Pakistan and Sri Lanka) the IMF is lending without a restructuring even though external government debt service as a proportion of both revenue and exports is well above the PRGT country thresholds.
- In a further three countries (Jordan, Mongolia and Tunisia) the IMF is lending without a restructuring even though one of external government debt service as a proportion of revenue or exports is over the threshold, and the other is close to it.[28]

Argentina is the largest IMF bailout programme ever. When the loan programme began in 2018 the IMF estimated that government foreign-currency debt payments would be 50% of exports in 2019[29] (the current estimate is 47%, see below). Yet despite this huge external debt payment burden, the IMF said Argentina's debt burden was "sustainable but not with high probability". [30] Having spent the last year using $43 billion of IMF loans[i] to make interest and principal payments to other lenders, the government of Argentina has now announced plans to finally restructure the debt.

[i] $43 billion has been disbursed so far, the IMF has committed $56 billion of loans in total.

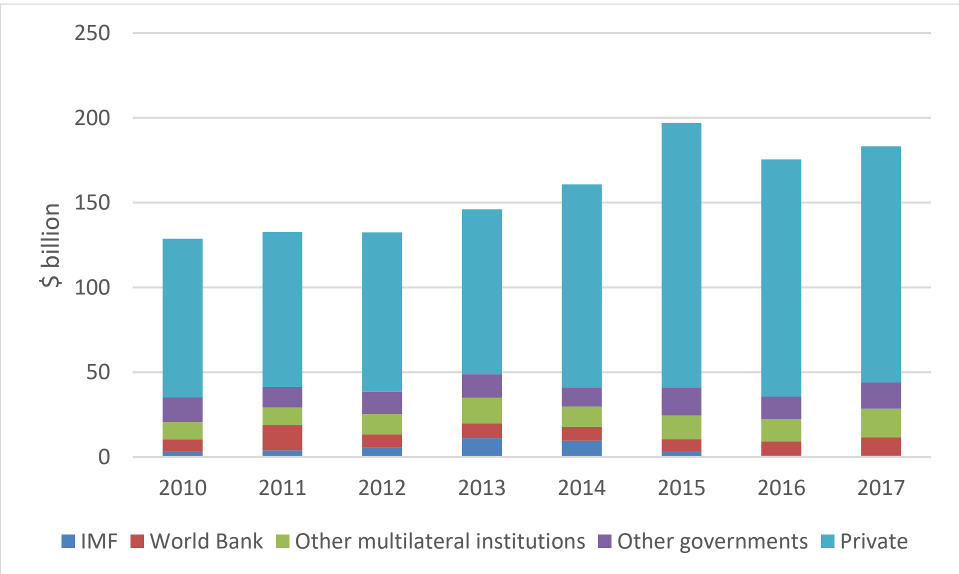
Table 2. Current IMF programmes in General Resources Account countries where loans have been disbursed

Country	Dates of IMF loans	Current IMF assessment of debt	External government debt service as a proportion of revenue	External government debt service as a proportion of exports	Restructuring required?	Size of IMF loans ($ million)
Angola	Dec 2018 – Dec 2021	Sustainable	51% (2019)[31]	28% (2019)[32]	No	$3,689
Argentina	June 2018 – June 2020	Sustainable, not with a high probability	25% (2019)[33]	47% (2019)[34]	No	$56,185
Barbados	Oct 2018 – Sep 2022	Not stated	Unclear given ongoing restructuring	Unclear given ongoing restructuring	Yes (domestic debt concluded, external ongoing)	$287
Bosnia-Herzegovina	Sep 2016 – Sep 2020	Not stated, but presumably sustainable.	6% (2019)[35]	7% (2019)[36]	No	$611
Ecuador	Mar 2019 – Mar 2022	Sustainable "if strong fiscal improvement"	42% (2019)[37]	62% (2019)[38]	No	$4,188
Egypt	Nov 2016 – Nov 2019	Sustainable, subject to significant risks	26% (2019)[39]	27% (2019) [40]	No	$11,864
Gabon	Jun 2017 – Jun 2020	Sustainable	22% (2020)[41]	11% (2020)[42]	No	$640
Georgia	Apr 2017 – Apr 2020	Sustainable but vulnerable to large shocks	10% (2020)[43]	5% (2020)[44]	No	$290
Jordan	Aug 2016 – Mar 2020	Sustainable	21% (2020)[45]	30% (2020)[46]	No	$711
Mongolia	May 2017 –	Sustainable	35% (2022)[47]	20% (2022)[48]	No	$435

	May 2020					
Pakistan	Jul 2019 – Oct 2022	"Limit of sustainability and subject to high uncertainty."	37% (2020)[49]	54% (2020)[50]	No	$5,890
Sri Lanka	Jun 2016 – Jun 2020	Sustainable, but with high currency risks	40% (2020)[51]	44% (2020)[52]	No	$1,478
Tunisia	May 2016 – May 2020	Sustainable	24% (2019)[53]	14% (2019)[54]	No	$2,694
Ukraine	Dec 2018 – Feb 2020	Sustainable	16% (2020)[55]	20% (2020)[56]	No (there was a restructuring under the previous programme, but this has still left debt servicing at high levels)	$3,944

For upper-middle income country governments, in recent years 74% of external debt payments (principal and interest) have been to the private sector, 9% to other governments and 17% to multilateral institutions (see Graph 3. below).

Graph 3. External debt payments by upper-middle income governments by creditor, 2010-2017, $ billion[57]



3.3 Total IMF resources used on bailing out lenders

In the two sections above we have identified 18 cases[58] where IMF loans in recent years have gone to very high debt countries, without a debt restructuring reducing the risk of debt default to moderate or the equivalent. These are effectively cases where IMF loans are helping to bail out previous lenders. Across these 18 countries the total amount of IMF loans committed is $93 billion.

4. Conclusions

Ultimately a multilateral debt workout mechanism ideally under the auspices of the United Nations is needed to ensure timely, durable, just and equal treatment in response to sovereign debt crises. A debt workout mechanism needs to be housed in an institution which is not a creditor – like the UN and unlike the IMF – but also be able to operate independently from political pressures. However, until this is created, the IMF should clarify its policies on lending into debt crises.

The IMF is the western-led multilateral institution which takes a lead on assessing debt situations. However, its bailout loans are often supported by other general budget support loans from institutions such as the World Bank and regional development banks. Therefore, these lenders should also follow the same policies for budget support loans (as opposed to project loans) as the IMF.

4.1 Policy proposals

The IMF already has the key policy of not lending into unsustainable debt situations. The first problem is that it does not define what unsustainable debt is, and so is willing to lend into debt crises too readily. Generally, greater awareness of debt sustainability would also mean more measures could be taken by lenders and borrowers to remedy the situation.

The second is that it does not require large enough debt restructurings when these do take place. Below we set out what changes to IMF policy should be.

1. The IMF should adopt clear guidelines on how it defines whether debts are sustainable, as set out below in 4.2 and 4.3.

2. IMF loans to governments with unsustainable debts from non-emergency lending programmes should only be given if there is a debt restructuring during the programme, or if a government defaults or there is a standstill in debt repayments.

3. Debt restructurings should only be considered as having done enough if they reduce a country's debt risk rating to at least moderate with substantial space to absorb shocks.

4 Detail for PRGT countries

For PRGT countries the recent review of conditionality set-out what a policy could be: "It is generally understood that countries either in debt distress or at high risk of debt distress should restructure their debt or obtain debt relief in order to restore debt sustainability by upgrading the debt distress rating to at least moderate."[59] The main problem with this is that it is not what the IMF does. This should become IMF policy *and* practice.

Three additional clarifications are needed to this policy. Firstly, the PRGT Debt Sustainability Framework does not take adequate account of where debt payments are preventing the meeting of human rights obligations and development priorities in a country. Debt sustainability is assessed purely based on risk of debt default. Therefore, **the Debt Sustainability Framework should be reformed to include systematically the findings from human rights impact assessments of debt burdens, including the impact of debt on meeting the Sustainable Development Goals.**

Secondly, under the Debt Sustainability Framework there are two bands of moderate risk of debt default - “Limited space to absorb shocks” and “Substantial space to absorb shocks”.[60] To ensure that a country does not need to restructure its debt again soon after the first restructuring – the “too little” problem – **a restructuring should get debt risk down to at least moderate with substantial space to absorb shocks**.

Thirdly, it is not in the debtor country’s power to restructure debt or obtain debt relief if creditors are not willing to do so. Moreover, the main thing that will make creditors agree to a debt restructuring is the threat of default by the debtor. Therefore, **the IMF should be able to lend if the debtor country defaults, so that uncooperative creditors cannot block the IMF loans**, and to put more pressure on creditors to negotiate in good faith. This is already reflected in IMF policy – it can lend to governments in default to private and bilateral creditors so long as the debtor is negotiating debt restructuring in good faith. If creditors are failing to negotiate in good faith the IMF is allowed to keep lending into a default, and this policy should be maintained.

The IMF should also be willing to publicly support the need for debt standstills. Under a debt payment standstill, rather than formerly defaulting, creditors would agree to no payments on the debt needing to be made while the restructuring negotiations are ongoing. This would protect public money while ensuring a timely restructuring is agreed.

5. Detail for GRA countries

For other countries, the first step needs to be for **the IMF to create a framework to properly assess debt risk**. While the thresholds and relevant indicators may be different, this should be developed in a similar way to the Debt Sustainability Framework for PRGT countries, with the same addition as for PRGT countries that the Framework should systematically integrate findings from human rights impact assessments of debt burdens, including the impact of debt on meeting the Sustainable Development Goals. A set of indicators should be used to assess debt risks alongside alternative scenarios with economic shocks.

No one indictor can ever capture all the relevant information about a country’s debt situation, so assessments should always be based on a set. However, it is important that these are clear so as to guide lender expectations as to when they will and will not be bailed out, and to ensure equal treatment between countries.

Once such a risk framework has been created, IMF policy should operate in the same way as for PRGT countries above, only lending into high debt situations if the debt is restructured to get the rating down to moderate risk with substantial space to absorb shocks, or if the debt is defaulted on.

6. Changes during an IMF programme

If at the start of an IMF programme debt risk is assessed as moderate, and so no restructuring is needed, but then an economic shock moves a country to high risk, a debt restructuring or default should become part of the IMF lending programme.

References

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[1] Jubilee Debt Campaign (UK)
African Forum on Debt and Development (Afrodad)
Latin American Network for Economic and Social Justice (Latindadd)
European Network on Debt and Development (Eurodad)
Jubilee Caribbean
Action Aid International

The Society for International Development
COAST (Bangladesh)
EquityBD (Bangladesh)
Centre national de coopération au développement, CNCD-11.11.11 (Belgium)
Gestos (Brazil)
Federation of Environmental and Ecological Diversity for Agricultural Revampment and Human Rights (FEEDAR & HR, Cameroon)
Erlassjahr.de (Jubilee Germany)
The CSO Gender Platform (Gambia)
The Integrated Social Development Centre (ISODEC) (Ghana)
UndebtedWorld (Greece)
National Society of Conservationists - Friends of the Earth Hungary
Financial Justice Ireland
Budget Monitoring Forum (Mozambique)
The Mozambique Debt Group (Mozambique)
Both ENDS (Netherlands)
Debt Justice Norway
Freedom from Debt Campaign of Pakistan
Oikos - Cooperação e Desenvolvimento, Portugal
Jubilee Scotland
Lumiere Synergies pour Les Developpement (Senegal)
Budget Accountability Network (Sierra Leone)
Enabanda (Slovenia)
Uganda Debt Network
Action for Argentina (UK)
Bretton Woods Project (UK)
Action for Southern Africa (ACTSA - UK)
Global Justice Now (UK)

[2] This is made up of 17 General Resources Account programmes where debt was viewed as "unsustainable" or "sustainable but not with high probability", and 16 Poverty Reduction and Growth Trust countries with a debt risk rating of "high risk" or in "debt distress".

[3] These are made-up of eight IMF Poverty Reduction and Growth Trust countries: Afghanistan, Cameroon, Central African Republic, Chad, Ghana, Mauritania, Sao Tome and Principe, Sierra Leone. And ten IMF General Resources Account countries: Angola, Argentina, Ecuador, Egypt, Jordan, Mongolia, Pakistan, Sri Lanka, Tunisia, Ukraine

[4] And World Bank general budget support loans

[5] UNCTAD. (2012). Principles on promoting responsible sovereign lending and borrowing. https://unctad.org/en/PublicationsLibrary/gdsddf2012misc1_en.pdf

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

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

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

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

[10] This is made up of 17 General Resources Account programmes where debt was viewed as "unsustainable" or "sustainable but not with high probability", and 16 Poverty Reduction and Growth Trust countries with a debt risk rating of "high risk" or in "debt distress".

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

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

[13] https://ftalphaville.ft.com/2019/01/04/1546594809000/Guest-Post--Macroeconomic-malpractice-in-action/

[14] https://ftalphaville.ft.com/2019/01/04/1546594809000/Guest-Post--Macroeconomic-malpractice-in-action/

[15] See Timon Forster et al., 'How Structural Adjustment Programs Affect Inequality: A Disaggregated Analysis of IMF Conditionality, 1980–2014', *Social Science Research* 80 (May 2019): p.83-113, https://doi.org/10.1016/j.ssresearch.2019.01.001, and Eugenia Andreasen, Guido Sandleris and Alejandro Van

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[17] Andritzky, J. and Schumacher, J. (2019). Long-term returns in distressed sovereign bond markets: How did investors fare? IMF Working Paper No. 19/138 https://www.imf.org/en/Publications/WP/Issues/2019/07/01/Long-Term-Returns-in-Distressed-Sovereign-Bond-Markets-How-Did-Investors-Fare-46945
[18] The IMF tends to refer to these countries as "Low Income Countries" but this is inaccurate as only 27 of the 68 are Low Income Countries as classified by the World Bank. In this position we therefore refer to them as PRGT countries.
[19] IMF. (2019). 2018 REVIEW OF PROGRAM DESIGN AND CONDITIONALITY. May 2019. https://www.imf.org/~/media/Files/Publications/PP/2019/PPEA2019012.ashx
[20] China gave debt relief on a small portion of Cameroon's debt in 2019, but this was not required by the IMF programme and not mentioned in IMF programme documents. Furthermore, Cameroon remains at high risk of debt distress following this restructuring https://edition.cnn.com/2019/02/04/china/cameroon-china-debt-relief-intl/index.html
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[22] https://www.imf.org/en/Publications/CR/Issues/2018/08/22/Chad-Second-Review-of-the-Program-Under-the-Extended-Credit-Facility-Request-for-Waivers-of-46187?cid=em-COM-123-37617
[23] https://www.imf.org/en/Publications/CR/Issues/2018/08/22/Chad-Second-Review-of-the-Program-Under-the-Extended-Credit-Facility-Request-for-Waivers-of-46187
[24] Not including interest payments and foreign financed investment.
[25] Calculated by Jubilee Debt Campaign from https://www.imf.org/en/Publications/CR/Issues/2018/08/22/Chad-Second-Review-of-the-Program-Under-the-Extended-Credit-Facility-Request-for-Waivers-of-46187?cid=em-COM-123-37617 and https://www.imf.org/en/Publications/CR/Issues/2019/01/24/Chad-Third-Review-Under-the-Extended-Credit-Facility-Arrangement-Request-for-Waiver-of-46545
[26] Calculated from World Bank. World Development Indicators database.
[27] IMF. (2019). 2018 REVIEW OF PROGRAM DESIGN AND CONDITIONALITY. May 2019. https://www.imf.org/~/media/Files/Publications/PP/2019/PPEA2019012.ashx
[28] Under the PRGT debt sustainability framework, any one indicator breaching a threshold is enough to define a country as at high risk of debt default.
[29] https://www.imf.org/en/Publications/CR/Issues/2018/07/13/Argentina-Request-for-Stand-By-Arrangement-Press-Release-and-Staff-Report-46078
[30] https://www.imf.org/en/Publications/CR/Issues/2018/07/13/Argentina-Request-for-Stand-By-Arrangement-Press-Release-and-Staff-Report-46078
[31] https://www.imf.org/en/Publications/CR/Issues/2019/06/19/Angola-First-Review-of-the-Extended-Arrangement-Under-the-Extended-Fund-Facility-Requests-47003
[32] https://www.imf.org/en/Publications/CR/Issues/2019/06/19/Angola-First-Review-of-the-Extended-Arrangement-Under-the-Extended-Fund-Facility-Requests-47003
[33] Calculated from https://www.imf.org/en/Publications/CR/Issues/2019/04/05/Argentina-Third-Review-under-the-Stand-By-Arrangement-Request-for-Waivers-of-Applicability-46740
[34] Calculated from https://www.imf.org/en/Publications/CR/Issues/2019/04/05/Argentina-Third-Review-under-the-Stand-By-Arrangement-Request-for-Waivers-of-Applicability-46740
[35] https://www.imf.org/en/Publications/CR/Issues/2018/02/13/Bosnia-and-Herzegovina-2017-Article-IV-Consultation-First-Review-Under-the-Extended-45624
[36] https://www.imf.org/en/Publications/CR/Issues/2018/02/13/Bosnia-and-Herzegovina-2017-Article-IV-Consultation-First-Review-Under-the-Extended-45624
[37] https://www.imf.org/en/Publications/CR/Issues/2019/07/03/Ecuador-First-Review-under-the-Extended-Fund-Facility-Arrangement-Requests-for-Waiver-of-47087
[38] https://www.imf.org/en/Publications/CR/Issues/2019/07/03/Ecuador-First-Review-under-the-Extended-Fund-Facility-Arrangement-Requests-for-Waiver-of-47087
[39] https://www.imf.org/en/Publications/CR/Issues/2019/04/05/Arab-Republic-of-Egypt-Fourth-Review-Under-the-Extended-Arrangement-Under-the-Extended-Fund-46738

[40] https://www.imf.org/en/Publications/CR/Issues/2019/04/05/Arab-Republic-of-Egypt-Fourth-Review-Under-the-Extended-Arrangement-Under-the-Extended-Fund-46738
[41] https://www.imf.org/en/Publications/CR/Issues/2017/07/11/Gabon-Request-for-an-Extended-Arrangement-Under-the-Extended-Fund-Facility-Press-Release-45066
[42] https://www.imf.org/en/Publications/CR/Issues/2017/07/11/Gabon-Request-for-an-Extended-Arrangement-Under-the-Extended-Fund-Facility-Press-Release-45066
[43] https://www.imf.org/en/Publications/CR/Issues/2018/12/19/Georgia-Third-Review-Under-the-Extended-Fund-Facility-Arrangement-Press-Release-Staff-Report-46484
[44] https://www.imf.org/en/Publications/CR/Issues/2018/12/19/Georgia-Third-Review-Under-the-Extended-Fund-Facility-Arrangement-Press-Release-Staff-Report-46484
[45] https://www.imf.org/en/Publications/CR/Issues/2019/05/08/Jordan-Second-Review-Under-the-Extended-Arrangement-Under-the-Extended-Fund-Facility-46879
[46] https://www.imf.org/en/Publications/CR/Issues/2019/05/08/Jordan-Second-Review-Under-the-Extended-Arrangement-Under-the-Extended-Fund-Facility-46879
[47] https://www.imf.org/en/Publications/CR/Issues/2018/11/02/Mongolia-Fifth-Review-Under-the-Extended-Fund-Facility-Arrangement-and-Request-for-46323 Mongolia's external government debt payments are lower until 2020, but then increase each year from 2021 to 2023.
[48] https://www.imf.org/en/Publications/CR/Issues/2018/11/02/Mongolia-Fifth-Review-Under-the-Extended-Fund-Facility-Arrangement-and-Request-for-46323 Mongolia's external government debt payments are lower until 2020, but then increase each year from 2021 to 2023.
[49] https://www.imf.org/en/Publications/CR/Issues/2019/07/08/Pakistan-Request-for-an-Extended-Arrangement-Under-the-Extended-Fund-Facility-Press-Release-47092
[50] https://www.imf.org/en/Publications/CR/Issues/2019/07/08/Pakistan-Request-for-an-Extended-Arrangement-Under-the-Extended-Fund-Facility-Press-Release-47092
[51] https://www.imf.org/en/Publications/CR/Issues/2019/05/15/Sri-Lanka-Fifth-Review-Under-the-Extended-Arrangement-Under-the-Extended-Fund-Facility-46900
[52] https://www.imf.org/en/Publications/CR/Issues/2019/05/15/Sri-Lanka-Fifth-Review-Under-the-Extended-Arrangement-Under-the-Extended-Fund-Facility-46900
[53] https://www.imf.org/en/Publications/CR/Issues/2018/10/08/Tunisia-Fourth-Review-Under-the-Extended-Fund-Facility-Arrangement-and-Request-for-46285
[54] https://www.imf.org/en/Publications/CR/Issues/2018/10/08/Tunisia-Fourth-Review-Under-the-Extended-Fund-Facility-Arrangement-and-Request-for-46285
[55] Calculated from https://www.imf.org/en/Publications/CR/Issues/2019/01/08/Ukraine-Request-for-Stand-By-Arrangement-and-Cancellation-of-Arrangement-Under-the-Extended-46499 and IMF World Economic Outlook database.
[56] Calculated from https://www.imf.org/en/Publications/CR/Issues/2019/01/08/Ukraine-Request-for-Stand-By-Arrangement-and-Cancellation-of-Arrangement-Under-the-Extended-46499 and IMF World Economic Outlook database.
[57] Calculated from World Bank. World Development Indicators database.
[58] PRGT countries: Afghanistan, Cameroon, Central African Republic, Chad, Ghana, Mauritania, Sao Tome and Principe, Sierra Leone.
Non-PRGT countries: Angola, Argentina, Ecuador, Egypt, Jordan, Mongolia, Pakistan, Sri Lanka, Tunisia, Ukraine
[59] IMF. (2019). 2018 REVIEW OF PROGRAM DESIGN AND CONDITIONALITY. May 2019. https://www.imf.org/~/media/Files/Publications/PP/2019/PPEA2019012.ashx
[60] https://www.imf.org/~/media/Files/Publications/PP/2017/pp082217lic-dsf.ashx