

# DROP IT!

Winter 2019



**BAIL OUT PEOPLE  
NOT BANKS**

  
**JUBILEE DEBT  
CAMPAIGN**

# TAKING ON THE IMF

The **debt crisis in the global south is growing** rapidly and loans granted by the International Monetary Fund (IMF) are fueling the crisis.

Our research, published by the Guardian, reveals **the IMF has been breaking their own rules** on lending; issuing loans to countries with debts at unsustainable levels.

Loans totaling \$93 billion have been issued to countries facing chronic debt repayments while their citizens suffer inadequate basic services. Without supporting countries to restructure debts, these loans simply serve **to bail out the reckless lenders.**

Kristalina Georgieva is the new chief of the International Monetary Fund and you can help us put the debt crisis at the top of her agenda.

Take action alongside activists from all over the world who have united in a resounding call for debt justice. **Write to the new chief of the IMF using the postcard at the back of this booklet.**

A protest against the IMF in Buenos Aires in 2018. The banner reads “Down with Austerity, Macri, IMF, the Governors. No to the Payment of the Debt.”



Image: Action for Argentina UK



Image: Copyright Tom Bowker

**“By constantly bailing out countries in debt crisis without requiring debt restructuring, the IMF is placing the burden of a crisis squarely on the shoulders of the citizens of a debtor country, letting lenders off the hook and ensuring the cycle of debt crises continues.”**

Sarah-Jayne Clifton, Director of Jubilee Debt Campaign 2019

## **THE DANGER OF RECKLESS LENDING**

Many financially troubled countries are being forced to prioritise debt repayments while their citizens suffer devastating cuts to basic services like healthcare and education. Human needs must come before investor’s profits. This means debts must be written off or brought down to sustainable levels before new loans are issued. When debts are restructured, reckless lenders should be forced to take responsibility too, not simply bailed out with public money or paid off by new loans.

During the debt crises of the 1980s and 90s the standard response of international

institutions, usually led by the IMF, was to lend more money to pay off previous lenders. This continued the debt crisis for the countries concerned and reduced the risk for lenders so much so that it encouraged them to act irresponsibly and keep lending. Unfortunately, the same responses are now being made to the current round of debt crises.

## **HISTORY REPEATING?**

Our research indicates a major breach by the IMF of its own policies. The IMF has a policy of not lending to governments with unsustainable debt unless lenders reduce the size of the debt to make it sustainable. However, we found 18 current cases where the IMF has lent to governments without debt restructuring, even though the country’s debts are unsustainable. This practice mirrors the experience in Greece where IMF loans bailed out banks while maintaining the debt crisis in the country.

The 18 cases we found include countries that already have high debts including Argentina, Cameroon, Ecuador, Egypt, Pakistan and Tunisia. In total the IMF is spending \$93 billion bailing out reckless lenders. This approach incentivises reckless lending because lenders do not need to take risk into account if they know the IMF will enable them to be repaid.

## **CITIZENS DEMAND ACTION**

Ahead of the IMF annual meetings this autumn, together with our allies around the world, we called on the IMF to take urgent action to prevent another global south debt crisis from exploding as it did in the 1990s.

We have previously warned that debt crises and risks are increasing across the global south. In April this year we released figures showing that developing country debt payments have shot up by 85% between 2010 and 2018 and are at the highest level since 2004.

# The IMF are spending **\$93 BILLION** bailing out reckless lenders to 18 countries with high debts:

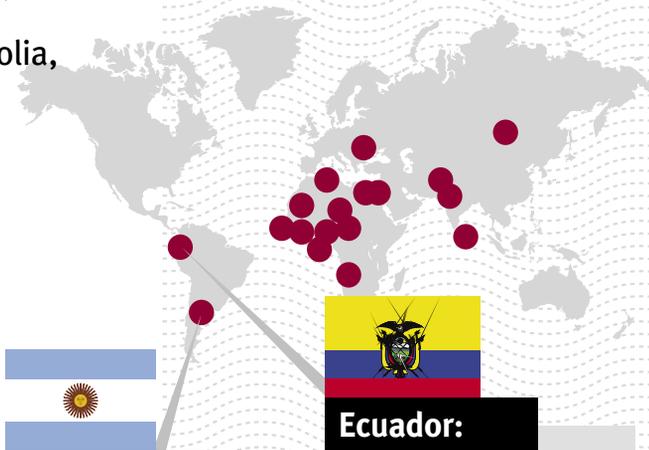
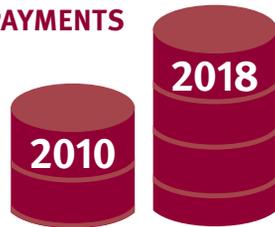
Afghanistan, Cameroon, Central African Republic, Chad, Ghana, Mauritania, Sao Tome and Principe, Sierra Leone, Angola, Argentina, Ecuador, Egypt, Jordan, Mongolia, Pakistan, Sri Lanka, Tunisia, Ukraine

The IMF's own research has found that its programmes in highly indebted countries are much more successful if there is a debt restructuring at the start. In highly indebted countries where there was a restructuring as part of the IMF programme, **45% were successful**. In contrast, in programmes in high debt countries without a restructuring, **just 5% were successful**.

The new debt crisis in the global south is escalating. There are now 31 countries in debt crisis.

## 85% increase

IN DEPT PAYMENTS



### Argentina:

Turmoil continues in Argentina where huge loans from the IMF have been granted despite the nation's struggle with debts. In 2016 the government paid off vulture funds through extensive borrowing and the IMF agreed to bail out reckless lenders with new loans. Vulture funds had bought the debt cheaply when it was in default and made profits of over 1000%. In widespread protests citizens have been resisting austerity measures and in September the government announced plans to restructure the debt.

### Ecuador:

This autumn saw a huge uprising in Ecuador linked, in part, to the country's debt crisis. People took to the streets to protest fuel hikes and a controversial IMF-backed austerity package. When President Lenín Moreno ended fuel subsidies a spike in the price of petrol and diesel also pushed up food and transport costs. After weeks of street protests in which eight protesters were killed, he agreed to restore fuel subsidies and revoke austerity policies. The victory was a show of strength by Ecuador's indigenous Andean and Amazon peoples.



Image: World Bank Group, Grant Ellis

## Write to the new head of the IMF

As Kristalina Georgieva begins her new role as one of the most powerful leaders in global finance, send a strong message: it's time for urgent action before the global debt crisis explodes.

Problem debts need to be written off or brought down to sustainable levels, but instead the IMF are supplying new loans that fuel the debt cycle. The IMF's own rules make it clear that restructuring debts should come before issuing new loans. Otherwise reckless lenders are being rewarded while struggling countries become more indebted and ordinary people pay a heavy price.

The first thing Kristalina Georgieva must do in her new role is tackle the growing debt crisis. And along with 33 civil society organisations we have written a paper detailing exactly what she needs to do.

When citizens around the world take a stand against exploitative debt we have achieved huge changes, including billions in debt relief for the most impoverished countries.

We can win again if enough of us act.

# 45%

high debt countries successful bail-out programme



**with**

Debt restructuring

# 5%

high debt countries successful bail-out programme



**without**

Debt restructuring

## What is the IMF?

The International Monetary Fund was created in 1944 to give emergency loans to countries hit by sudden crises. Over time its role has expanded to give loans to governments suffering long term debt crises, effectively bailing out previous lenders. The IMF then insists on austerity measures such as cuts in government spending. Most countries are members of the IMF, but it is still run by the rich governments which created it. Together, the US, EU and other rich countries hold 60% of the votes in the IMF, despite only having 14% of the world's population.

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# END THE DEBT TRAP

## UK: 1 IN 4 PEOPLE TRAPPED BY DEBT

One in four people in the UK today have debt problems and once you're pulled in it can be impossible to get out. A whole industry preys on some of the UK's poorest families. People who struggle to buy food and pay essential bills face being charged rip-off interest rates. Despite this, the Government is doing very little. Earlier in 2019, the FCA (the Financial Conduct Authority – the body that regulates the banks) reviewed the rules around debt and did virtually nothing to stop rip-off lending.

Along with organisations in the End The Debt Trap Coalition we published a report showing how far the FCA have failed to protect consumers from high interest credit card debt. Credit card debt has been growing alarmingly in recent years. Total consumer credit debt now stands at £217 billion – the highest level on record and greater than prior to the financial crisis of 2008. Around one-third of this amount is owed on credit cards.

During Debt Week 2019 Jubilee Debt Campaign supporters held stalls and events across the UK to take action for debt justice in our communities. We launched a renewed call for a cap on interest and charges and we are pushing the Government to hold an urgent inquiry into the FCA's failings. Hundreds of people shared their personal story of living with debt and we will deliver these anonymously to the FCA and the government so they can see the real impact on people's lives.

Millions of us face unfair debts. We need to stand together.



**Sign the petition online at**  
[www.jubileedebt.org.uk/debt-trap](http://www.jubileedebt.org.uk/debt-trap)

To take action and get involved please complete the order form at the back of this booklet and we will be very happy to send you materials.

## CLIMATE JUSTICE MEANS DEBT JUSTICE

In September Jubilee Debt Campaign supported the UK Student Climate Network call for a global general climate strike and stood in solidarity with people on the frontlines of climate breakdown.

Climate breakdown threatens us all and the most harsh impacts are already being felt in the global south. It is horrendously unjust that people who have done the least to cause the climate crisis are suffering from the greenhouse gas emissions of rich people and countries. Many small states like the Caribbean and Pacific Islands have very low historic and per capita emissions, but are on the front line of worsening extreme storms and flooding.

On top of this, many of the world's poorest nations are struggling with legacies of economic exploitation and unjust debts. When climate disasters like hurricanes hit, they wipe out homes, schools, hospitals, businesses and vital infrastructure like roads and pipes for water and sewage.

And then because rich countries are not delivering on their climate finance commitments, countries hit by disasters have no option but to borrow to rebuild, taking on additional debts.

**Did you know?** There are 29 small island developing states, making up just 0.7% of the global population. They are responsible for just 0.2% of global carbon dioxide emissions. Yet 80% of the most damaging disasters linked to climate change since 2000 have happened in small island developing states.

Climate-fuelled disasters are becoming more and more frequent, and many of the countries affected face a double whammy of debt and climate disaster, sometimes taking on new debt to cope with the aftermath. That's why we're calling for debt write-off, including specific mechanisms for small Island states.



Find out more at

[www.jubileedebt.org.uk/climate](http://www.jubileedebt.org.uk/climate)



Image: Photo credit: Lorrie Shauli

## MOZAMBIQUE'S MISSING MILLIONS

A former Credit Suisse banker pleaded guilty over Mozambique loans this summer. Andrew Pearse pleaded guilty to taking millions of dollars in kickbacks on three loans he helped arrange to state-owned companies in Mozambique. The three loans are all in default and they triggered a debt crisis in the southern African country.

Pearse was arrested in January in the UK as part of a US investigation into the case. He pleaded guilty in New York to one count of wire fraud conspiracy. So far three of the bankers involved have pleaded guilty, and the Mozambique Constitutional Council has ruled that at least one of the loans was illegal.

The three loans were arranged by the London-based branches of Credit Suisse and VTB Capital. Despite this UK link, no UK regulator or crime enforcement agency has taken any action against Credit Suisse or VTB. The US has also so far failed to take any action against the banks responsible.

Thousands of people in Mozambique have joined Jubilee Debt Campaign supporters in writing to the UK government calling on them to hold the London-based banks to account for their role in creating this crisis. In May, Jubilee Debt Campaign hosted Denise Namburete and Paula Monjane from the Mozambique Budget Monitoring Forum, who came to London to demand action from UK authorities.

Denise told a meeting in parliament: "In 2013, two London-based banks lent \$2 billion to three state owned companies in Mozambique. The loans were not approved by the Mozambique parliament, breaking our constitution. Subsequent revelations have shown that much of the money was stolen or wasted. Mozambique civil society is calling for the Mozambique people not to have to pay one cent on these loans. Instead, the politicians and banks who arranged the deal should be held to account."



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### ABOUT US

The Jubilee Debt Campaign is a UK charity working to end poverty caused by unjust debt through education, research and campaigning.



Jubilee Debt Campaign



dropthedebt

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Registered charity no. 1055675

Dear Ms. Georgieva,

Congratulations on your appointment to the role of Managing Director of the IMF.

External debt payments by governments in the global south have increased by 85% since 2010. I am concerned that the IMF has been lending more money to countries in debt crisis, without previous lenders having to reduce or restructure the debt. Research from the Jubilee Debt Campaign shows the IMF are spending \$93 billion bailing out reckless lenders to 18 countries.

When the IMF bails out reckless lenders there is no incentive for them to change or for the debt to be restructured. The IMF's own research states that new lending to highly indebted countries is more successful if debt is restructured at the start. To stop the cycle of recurring debt crises the IMF must stop bailing out reckless lenders.

Yours sincerely

Full name \_\_\_\_\_

Address \_\_\_\_\_

\_\_\_\_\_ Postcode \_\_\_\_\_

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Affix stamp  
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KRISTALINA GEORGIEVA, IMF,  
C/O JUBILEE DEBT CAMPAIGN,  
28 CHARLES SQUARE,  
LONDON,  
N1 6HT

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