

G7 responsibility for debt crises in lower income countries

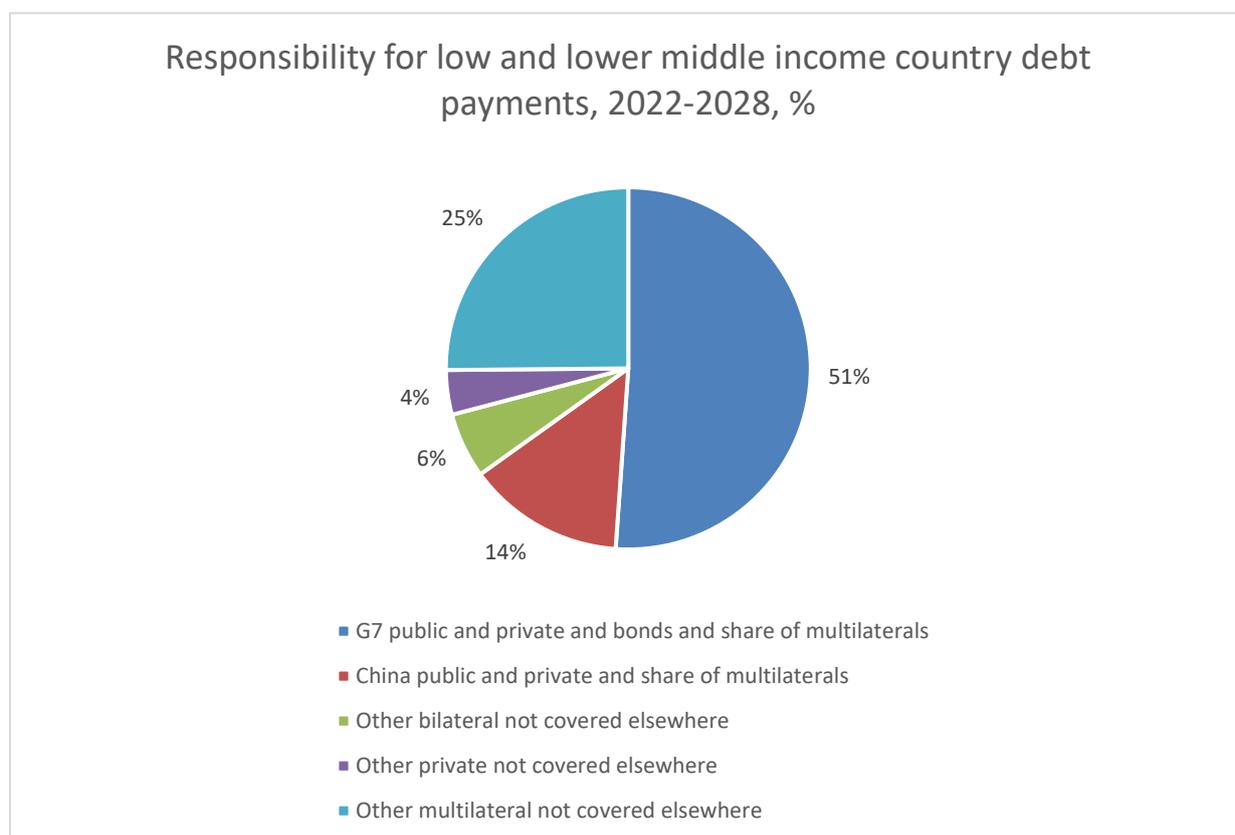


May 2022

1. G7 responsibility

G7 Finance Ministers will meet in Germany from 18-20 May, with growing debt crises in many lower income countries one of the key issues on their agenda. However, G7 governments often focus on China as the cause and solution to debt crises, and do not recognise their own responsibility.

This briefing highlights that G7 governments are responsible for over 50% of low and lower middle income country debt payments, while China is responsible for 14%. This is because many debts owed to private lenders are governed by English or New York law, many private lenders are based in G7 countries, and G7 countries hold large shareholdings in multilateral institutions such as the IMF and World Bank, which are themselves recipients of a large proportion of debt payments.



2. How this was calculated

The data has been obtained from the World Bank International Debt Statistics database, or the IMF website for payments to the IMF. It is for all low and lower middle income countries as defined by the World Bank. This is 82 countries with a GDP per person of between \$0 and \$4,095 a year (£0 - £3,250). The external debt payments are on loans already contracted and due to take place between 2022 and 2028, the latest year with figures available from the World Bank. The debt payments include both principal and interest.

For these 82 countries, 42% of their debt payments over the next seven years are to private lenders,

33% to multilateral institutions, 11% to China, 8% to G7 governments and 6% to other governments.

Type of lender	Debt payments 2022 to 2028 for low and lower middle income countries	Percentage share of debt payments
Private	\$414 billion	42%
Multilateral	\$325 billion	33%
China	\$112 billion	11%
G7 government	\$84 billion	8%
Other government	\$58 billion	6%

Within private lenders there are two broad categories of loans – bonds and other types of loans. The World Bank classifies some of the other types of loans by residence of the private lender. From this data, \$39 billion of debt payments in the next seven years are to private lenders known to be based in G7 countries, \$19 billion to Chinese private lenders known to be based in China, but still \$355 billion to other private lenders in unknown jurisdictions.

Type of lender	Debt payments 2022 to 2028 for low and lower middle income countries	Percentage share of debt payments
Private	\$414 billion	42%
<i>G7 private lender</i>	<i>\$39 billion</i>	<i>4%</i>
<i>China private lender</i>	<i>\$19 billion</i>	<i>2%</i>
<i>Other private lender</i>	<i>\$356 billion</i>	<i>36%</i>
Multilateral	\$325 billion	33%
China	\$112 billion	11%
G7 government	\$84 billion	8%
Other government	\$58 billion	6%

The largest share of private debt payments are bonds. \$316 billion of external debt payments by low and lower middle income countries due over the next seven years are to bondholders. Bonds are types of loan contracts that are easily traded. While the World Bank database does not give any residency data on bondholders, many are based in G7 countries. For example, Eurodad have shown that BlackRock is the largest known owner of lower income country bonds,¹ and it is based in the US and UK.

Of bonds, the IMF says that over 99% of external bonds contracts are governed by English or New York law.² For the low and lower middle income countries which owe external bond payments between 2022 and 2028, all are governed by English or New York law (51% are English law, 49% New York law) (see Appendix). Other private debts are also likely to be governed by English or New York law. For example, of the loans disclosed through the International Institute for Finance and OECD's loan registry, all are governed by English or New York law.³ However, we have not included other

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https://www.eurodad.org/new_report_sheds_light_on_structure_and_holdings_of_sovereign_bonds_of_developing_countries

2 <https://www.imf.org/~media/Files/Publications/PP/2017/pp113017third-progress-report-on-cacs.ashx>

3 [https://data-](https://data-explorer.oecd.org/vis?lc=en&df[ds]=DisseminateFinalDMZ&df[id]=DSD_DEBT_TRANS_COLL%40DF_MICRO&df[ag]=OECD.DAF&df[vs]=1.0&av=true&pd=2020%2C2021&dq=.....&ly[rw]=DD_ID%2CREF_AREA%2CRECIPIENT_TYPE%2CTIME_PERIOD%2CFIN_TYPE%2CCURRENCY%2CINTEREST_RATE%2CINTEREST_RATE_TYPE%2CCLAIM_RANK)

[explorer.oecd.org/vis?lc=en&df\[ds\]=DisseminateFinalDMZ&df\[id\]=DSD_DEBT_TRANS_COLL%40DF_MICRO&df\[ag\]=OECD.DAF&df\[vs\]=1.0&av=true&pd=2020%2C2021&dq=.....&ly\[rw\]=DD_ID%2CREF_AREA%2CRECIPIENT_TYPE%2CTIME_PERIOD%2CFIN_TYPE%2CCURRENCY%2CINTEREST_RATE%2CINTEREST_RATE_TYPE%2CCLAIM_RANK](https://data-explorer.oecd.org/vis?lc=en&df[ds]=DisseminateFinalDMZ&df[id]=DSD_DEBT_TRANS_COLL%40DF_MICRO&df[ag]=OECD.DAF&df[vs]=1.0&av=true&pd=2020%2C2021&dq=.....&ly[rw]=DD_ID%2CREF_AREA%2CRECIPIENT_TYPE%2CTIME_PERIOD%2CFIN_TYPE%2CCURRENCY%2CINTEREST_RATE%2CINTEREST_RATE_TYPE%2CCLAIM_RANK)

private debts in the calculation of G7 responsibility, because we do not know for certain what proportion are governed by English or New York law. Similarly, it is thought that some debts owed to Chinese entities are governed by English or New York law, but these payments have been assigned to China rather than the G7 in our calculations.

Type of lender	Debt payments 2022 to 2028 for low and lower middle income countries	Percentage share of debt payments
Private	\$414 billion	42%
<i>Bonds governed by G7 law</i>	<i>\$316 billion</i>	<i>32%</i>
<i>G7 private lender</i>	<i>\$39 billion</i>	<i>4%</i>
<i>China private lender</i>	<i>\$19 billion</i>	<i>2%</i>
<i>Other private lender</i>	<i>\$40 billion</i>	<i>4%</i>
Multilateral	\$325 billion	33%
China	\$112 billion	11%
G7 government	\$84 billion	8%
Other government	\$58 billion	6%

Multilateral institutions are large recipients of debt payments, accounting for one-third of payments from low and lower middle income countries between 2022 and 2028. G7 countries have a large say and shareholding in multilateral institutions. In particular, G7 countries hold 41% of votes in the IMF, 42% in the IBRD part of the World Bank, and 39% in the IDA part of the World Bank. The corresponding figures for China are 6%, 6% and 2%. We have therefore used these proportions to assign some multilateral debt payments to G7 countries and China, in proportion to their vote shares. We have not done this for other multilateral institutions than IMF, IBRD and IDA, but the G7 also hold large shareholdings in other multilateral institutions such as the regional development banks.

Type of lender	Debt payments 2022 to 2028 for low and lower middle income countries	Percentage share of debt payments
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<i>G7 private lender</i>	<i>\$39 billion</i>	<i>4%</i>
<i>China private lender</i>	<i>\$19 billion</i>	<i>2%</i>
<i>Other private lender</i>	<i>\$40 billion</i>	<i>4%</i>
Multilateral	\$325 billion	33%
<i>G7 share of IMF and World Bank payments</i>	<i>\$68 billion</i>	<i>7%</i>
<i>China share of IMF and World Bank payments</i>	<i>\$8 billion</i>	<i>1%</i>
<i>Other multilateral</i>	<i>\$250 billion</i>	<i>25%</i>
China	\$112 billion	11%
G7 government	\$84 billion	8%
Other government	\$58 billion	6%

These produce our overall figures of G7 responsibility:

Type of lender	Debt payments 2022 to 2028 for low and lower middle income countries	Percentage share of debt payments
Bonds governed by G7 law	\$316 billion	32%
G7 private lenders	\$39 billion	4%
G7 share of IMF and World Bank payments	\$68 billion	7%
G7 government	\$84 billion	8%
G7 total	\$507 billion	51%
China private lenders	\$19 billion	2%
China share of IMF and World Bank	\$8 billion	1%
China government	\$112 billion	11%
China total	\$139 billion	14%
Other private	\$40 billion	4%
Other multilateral	\$250 billion	25%
Other government	\$58 billion	6%

3. Individual countries

These overall figures could be heavily influenced by large countries, or not reflect the situation in the countries with the largest debt crises. To check this we have therefore calculated the figures for ten individual countries. The three countries which have applied for the G20's Common Framework for debt restructuring (Chad, Ethiopia and Zambia) and seven low and lower middle income countries which are either in default or whose bond prices suggest they cannot refinance their private debt, and so are likely to need to restructure or default on debt if this situation continues (Egypt, El Salvador, Ghana, Pakistan, Sri Lanka, Tunisia, Ukraine). All the calculations have been done using the same methodology as above.

The figures for the ten crisis countries are very similar to the overall figures for all low and lower middle income countries, with G7 responsibility slightly higher (see Table below). On average, 54% of debt payments between 2022 and 2028 can be assigned to the responsibility of the G7, compared to 18% for China. There are of course differences between the individual countries, but in only two is G7 responsibility less than 40% (Ethiopia and Pakistan), whereas China's responsibility is only above 40% in one country (Ethiopia). G7 responsibility is above 50% in Egypt, El Salvador, Ghana, Sri Lanka, Tunisia and Ukraine. China's responsibility is less than 20% in Chad, Egypt, El Salvador, Ghana, Tunisia and Ukraine.

For the ten countries, in terms of who the debt payments are to, on average 46% are to private creditors, 27% to multilateral institutions, 15% to China and 12% to other governments. 46% to private creditors is slightly higher than the average for low and lower middle income countries, suggesting private creditors are even more important in countries with large debt payment problems.

Proportion of debt payments by grouping with responsibility, individual countries, 2022-2028

Country	G7 responsibility	China responsibility	Other multilateral	Other private	Other bilateral	Eligible for G20 Common Framework?	Current yield on foreign currency bonds ⁴
Chad	49%	11%	25%	0%	15%	Yes - applied	N / A
Ethiopia	26%	47%	16%	6%	5%	Yes – applied	30% ⁵
Zambia	41%	37%	9%	7%	6%	Yes – applied	17%-30% ⁶
Egypt	67%	6%	8%	6%	13%	No	11% ⁷
El Salvador	61%	1%	37%	0%	1%	No	20%-50% ⁸
Ghana	60%	13%	9%	11%	7%	Yes	15%-17% ⁹
Pakistan	30%	39%	27%	1%	2%	Yes	12%-15% ¹⁰
Sri Lanka	59%	20%	13%	2%	6%	No	30%-50% ¹¹
Tunisia	55%	1%	33%	>1%	11%	No	16%-30% ¹²
Ukraine	88%	2%	10%	>1%	>1%	No	40%-60% ¹³
Unweighted average	54%	18%	19%	3%	7%		

⁴ A bonds yield is the indication of what interest rate private lenders would charge to lend to that country. A high interest rate (eg, of over 10%) suggests they would be unlikely to lend.

⁵ https://markets.businessinsider.com/bonds/aethiopien- demokrat_bdsrepl-notes_201424_regs-bond-2024-xs1151974877

⁶ https://markets.businessinsider.com/bonds/sambia- republikdl-bonds_201424_regs-bond-2024-xs1056386714

⁷ https://markets.businessinsider.com/bonds/aegypten- arabische_republikdl-med-term_nts_201848regs-bond-2048-xs1775617464

⁸ https://markets.businessinsider.com/bonds/7_750-el-salvador-republik-bond-2023-usp01012aj55

⁹ https://markets.businessinsider.com/bonds/ghana- republic_of-bond-2026-xs1108847531

¹⁰ https://markets.businessinsider.com/bonds/pakistan- republikdl-notes_201727_regs-bond-2027-xs1729875598

¹¹ https://markets.businessinsider.com/bonds/sri_lanka- republikdl-bonds_201924_regs-bond-2024-usy8137fan88

¹² https://markets.businessinsider.com/bonds/tunesische_republikdl-notes_201525_regs-bond-2025-xs1175223699

¹³ https://markets.businessinsider.com/bonds/ukrainedl-notes_201522_regs-bond-2022-xs1303921214

Proportion of debt payment by who the debt payments are to, individual countries, 2022-2028

Country	Private creditors	Multilateral	China	Other governments
Chad	39%	33%	10%	17%
Ethiopia	32%	22%	38%	7%
Zambia	52%	10%	29%	8%
Egypt	49%	25%	4%	22%
El Salvador	54%	42%	>1%	4%
Ghana	63%	17%	11%	9%
Pakistan	12%	36%	38%	14%
Sri Lanka	54%	18%	15%	13%
Tunisia	34%	39%	>1%	26%
Ukraine	73%	25%	0%	2%
Unweighted average	46%	27%	15%	12%

Appendix

Low and lower middle income countries with external bond payments from 2022 to 2028, and governing law

Country	Total bond payments 2022 to 2028	Governing law
Angola	\$7.6 billion	English
Benin	\$0.8 billion	English
Cameroon	\$1 billion	English
Cote d'Ivoire	\$4.1 billion	English
Egypt	\$21.2 billion	English
Ethiopia	\$1.2 billion	English
Ghana	\$6.5 billion	English
India	\$54.9 billion	English
Kenya	\$6.2 billion	English
Morocco	\$7.4 billion	English
Nigeria	\$8.4 billion	English
Pakistan	\$5.2 billion	English
Rwanda	\$0.4 billion	English
Senegal	\$2.9 billion	English
Tajikistan	\$0.7 billion	English
Tunisia	\$6.2 billion	English
Ukraine	\$21 billion	English
Uzbekistan	\$0.9 billion	English
Zambia	\$3.8 billion	English
Total	\$160.5 billion	

Country	Total bond payments 2022 to 2028	Governing law
Belize	\$0.5 billion	New York
Bolivia	\$1.4 billion	New York
El Salvador	\$3.8 billion	New York
Honduras	\$1.5 billion	New York

Indonesia	\$114.8 billion	New York
Laos	\$1 billion	New York
Mongolia	\$3.7 billion	New York
Papua New Guinea	\$0.8 billion	New York
Philippines	\$13.1 billion	New York
Sri Lanka	\$14.2 billion	New York
Vietnam	\$0.8 billion	New York
Total	\$155.7 billion	