

SHINE A LIGHT ON LOANS TO GOVERNMENTS:

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THE PROBLEM

Increasing debts threaten to make it harder for impoverished countries to reduce poverty and inequality. Debt payments by impoverished country governments have increased by 60% in the last three years, taking money away from vital services such as healthcare and education. The number of impoverished countries rated by the IMF as in debt distress or at high risk of being so has more than doubled from 15 in 2013, to 32 by the end of 2018. One of the reasons for this increase is because loans are being given recklessly, so the money is not spent well. In the worst cases, loans have been given in secret. This prevents parliaments, media and civil society from holding governments to account.

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ROLE OF THE UK

The UK is vital to this. Secret loans in recent years to Mozambique, Congo and Chad were given by British companies, and they are owed under UK law. In fact, of the debts owed by African governments to private companies that we publicly know about, 90% of them are owed under UK law. Virtually 100% of international loans to any government are owed under UK or New York law.

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STATE OF PLAY

Following campaigning by Jubilee Debt Campaign and other groups around the world, transparency of loans to developing countries is one of the key issues to be discussed at the G20 finance ministers meeting in Japan, 8-9 June 2019. The global banking group, the Institute of International Finance, are discussing adopting voluntary guidelines which would require all loans to governments to be disclosed on a publicly available registry.

Of international debt owed by low- and lower-middle income governments 39% is owed to the private sector, 33% to multilateral institutions such as the World Bank and 28% to other governments.

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SOLUTIONS

All lenders, governmental and private, should commit to disclosing the existence of loans to governments, and some specific information such as the amount lent and interest rate, on a publicly available registry, when the loan is given. This would ensure that loans cannot be secret, and allow parliaments, media and citizens to hold their governments to account.

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WHAT THE UK SHOULD DO

The UK government should champion action at the G20 Finance Ministers meeting in Japan to create a public registry of all loans to governments, a commitment by all lenders to disclose all loans to governments on this registry, and laws in the relevant jurisdictions (primarily the UK and New York) that all loans to governments must be publicly disclosed for them to be enforced.

The UK should pass a law which says that for a loan to be enforceable under UK law, it should be publicly disclosed when it is given. This would create an incentive for lenders to disclose the existence of loans, and ensure all lenders have to disclose, not just the more responsible lenders which commit to the voluntary guidelines mentioned above.