

Financial institutions and the forthcoming debt cancellations in developing countries: How to get rid of moral hazard?

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Abstract: At a time when a wave of debt defaults is looming, international financial institutions should resist calls for blanket debt relief when there is little scope for improved governance, hence for better creditworthiness in debtor countries. Private creditors should insist on strict criteria to link debt cancellations and inclusive development policies. So far, debt reduction has not distinguished developing country beneficiaries according to their performance in sustainable policies. No more than they took into account commitments toward improved governance despite the requirements of poverty reduction programs involving civil society. Moreover, with the current global pandemic, NGOs call for delinking debt relief and conditions on developing countries so that debt cancellations should be delivered immediately without performance criteria or record of accomplishment. Actually, poverty should always be a necessary condition for debt relief, but never a sufficient one. Given that new legislation to facilitate debt restructuring agreements is currently discussed, boiling down to legal arm-twisting with private financial institutions, the focus on fair burden sharing between official and private creditors puts growing pressure on banks. A range of financial instruments should be used to link debt relief with enhanced governance commitments, including debt swaps and the monitored recycling of debt servicing relief into high priority social projects. Debt relief can and should be a leverage for improving sustainable development prospects. The pandemic crisis offers the perfect opportunity.

Keywords: financial crisis, debt cancellations, governance, corruption, developing countries, capital flight (JEL Cl.: F34, F35 F63, H63, 055)

1. **Introduction: Another full-blown debt crisis is looming.** A specter is haunting the global financial system — the specter of an upcoming chain reaction of debt defaults in developing countries. Following waves of debt accumulation since the 1990s, a tsunami of debt servicing crises is about to occur due to a combination of headwinds. The challenges comprise the pandemic-related global recession, a sharp fall in trade volume and commodity prices, global risk aversion and the retreat in private funding, and a fall in workers remittances. A rising number of sovereign debt downgrades might precipitate a chain reaction of debt moratoria. At end-2020, thirty-eight governments have a credit rating that denotes a “material” risk of default or worse, twice the number at the end of 2009².

Over again, the consensus to tackle debt crises calls for implementing debt cancellations programs. During the peak of the pandemic crisis, G20 countries agreed to a “debt service standstill” from all official bilateral creditors, providing some direct liquidity support to the poorest countries. In the words of David Malpass, the World Bank president: “Kicking the can down the road should not be an option - greater transparency and debt relief are needed now. The G-20 governments should instruct and create incentives for all their public bilateral creditors, and forcefully encourage the private creditors under their jurisdiction, to participate fully in debt relief efforts³.” International financial institutions thus are expected to follow suit.

Pandemic-related debt relief would come on top of a number of restructuring programs that emerged during the debt crisis of the mid-1980s. Since then, private financial institutions were deeply involved in debt restructuring through London Club negotiations with developing country governments, hence bearing large losses (so-called haircuts) partly offset by regulatory incentives. Increasingly, however, protracted negotiations have become more

complex due to “write-off fatigue” as well as declining homogeneity within the community of private creditors. Diversity of client interest and of institutional status stems from a growing importance of non-bank financial institutions, such as bondholders and investment funds. Consequently, a number of negotiations has involved lawsuits and holdouts, with the threat of so-called “vulture funds” which resist large debt write-downs and restructurings⁴.

This paper exposes that much of the resistance of private creditors comes from deeply rooted skepticism regarding the debt relief benefits for local populations as well as the improvement in creditworthiness. Poorly designed debt restructuring programs highlight a lack of links between debt relief and good governance policies, with stubborn corruption in the governments of the debtor countries. In the wake of substantial improvement in debt ratios, at the expense of foreign creditors, irresponsible borrowing fills the black hole of balance of payment and budget deficits without boosting development prospects. Moral hazard is the perverse effect of a party that has an incentive to take unusual risks because it does not bear the full costs of that risk. This is the case with the complacent promises of debt cancellation to developing countries, encouraging corruption and freewheeling indebtedness. Private financial institutions should resist calls for blanket debt relief, while insisting on strict criteria in relation with good governance and sustainable development policies.

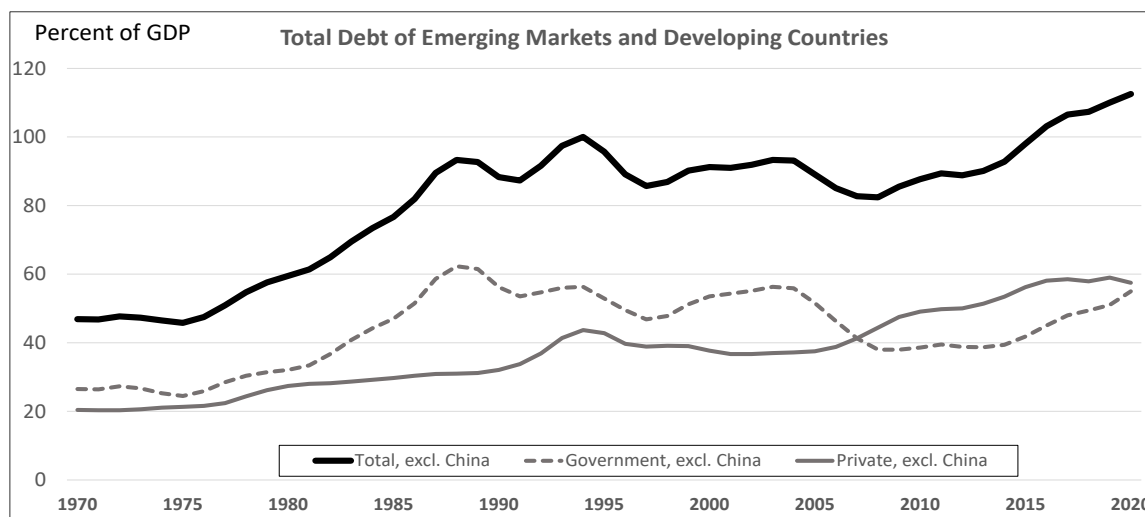
2. **The unfolding of debt crises in developing countries.** Since the 1970s, the vast majority of developing countries has generated an impressive number of balance of payments, currency, banking, and debt crises. The trigger of financial turbulences has been a blend of exogenous shocks, such as global recessions and rises in interest rates in the global markets, and often policy missteps. Overvalued exchanges rates and inflation, as well as runaway deficits and uncontrolled banking credit, are the usual ingredients of financial crises. One can observe waves of debt accumulation, each one leading to a financial crunch over the last half century. External debt in emerging markets and developing countries has started to rise again in 2009 after two decades of stabilization thanks to debt restructuring transactions with both public and private creditors, mainly international banks. In the wake of the global financial crisis, emerging market countries took advantage of ultra-low interest rates and investors’ search for yield to issue Eurobonds massively, hence narrowing spreads, particularly in Latin American countries. What has been striking is the rising share of local currency debt, notably in Russia, China, South Africa, Brazil, and a number of ASEAN countries. Developing countries’ local currency-denominated debt has increased sharply after the global financial crisis, to reach 60% of GDP in 2018, with the issuance of local-currency bonds by corporate and sovereign borrowers. Liquidity, however, remains limited by definition to the country’s domestic financial market, hence risks of crowding out between public and private borrowers.

Total debt (excluding China) increased to around 112 percent of GDP in 2020, up from 82 percent of GDP in 2008. Moreover, a growing share of developing countries’ external debt is short-term and private, worsening the debt servicing prospects. Private debt in Emerging and Developing countries (excluding China) has increased by more than 10 percentage points of GDP since 2010, to reach roughly 75 percent of GDP at end-2020.

The recent debt increase announces a tsunami of debt defaults in a number of developing countries. The global pandemic currently provides all the trigger elements for a next wave of debt turbulences. Any spark could trigger protracted financial crises in the current global environment of risk aversion and capital outflows, higher risk premiums, sharp fall in global trade, and recession in OECD countries. The health crisis, indeed, substantially

increases fiscal deficits and sovereign debts in most developing and developed countries. The following chart illustrates the Emerging Markets' waves of debt accumulation since 1970, with an abrupt rise after 2008. The stabilization of debt ratios between 1985 and 2010 owes much to a number of debt reduction transactions with both official creditors and international financial institutions.

Chart 1: Emerging Markets Debt in % of GDP source: adapted from World Bank Report December 2019⁵ (excl. China)



3. **Four decades of debt relief programs for developing countries.** Developing countries have benefited from wide-ranging debt reduction programs according to their level of GDP. Regarding higher-income emerging markets, their debt overhang has been treated under the framework of the Brady Plan since 1989, in the wake of a sharp increase in interest payments due to a combination of rising Libor and falling exports. The Plan provides for debt relief through a menu of debt restructuring options, including the conversion of bank loans into long-term discounted bonds, guaranteed by OECD government securities (mostly US and French). Private banks have suffered from heavy haircuts and write-offs, partly offset by loan-loss reserves, though without benefiting from improved creditworthiness. Overall, 18 countries benefited from Brady deals forgiving \$60 billion of debt and representing about \$190 billion in international bank claims. On average, the debt reduction transactions led to about 35 percent forgiveness of a country's bank debt. Arm-twisting between official and private financial institutions, yesterday as much as today, illustrates the different agenda between creditors. As Vasquez summarizes: "The Brady Plan was driven by political, not market, considerations. Washington saw the issue as a security and geopolitical concern."⁶

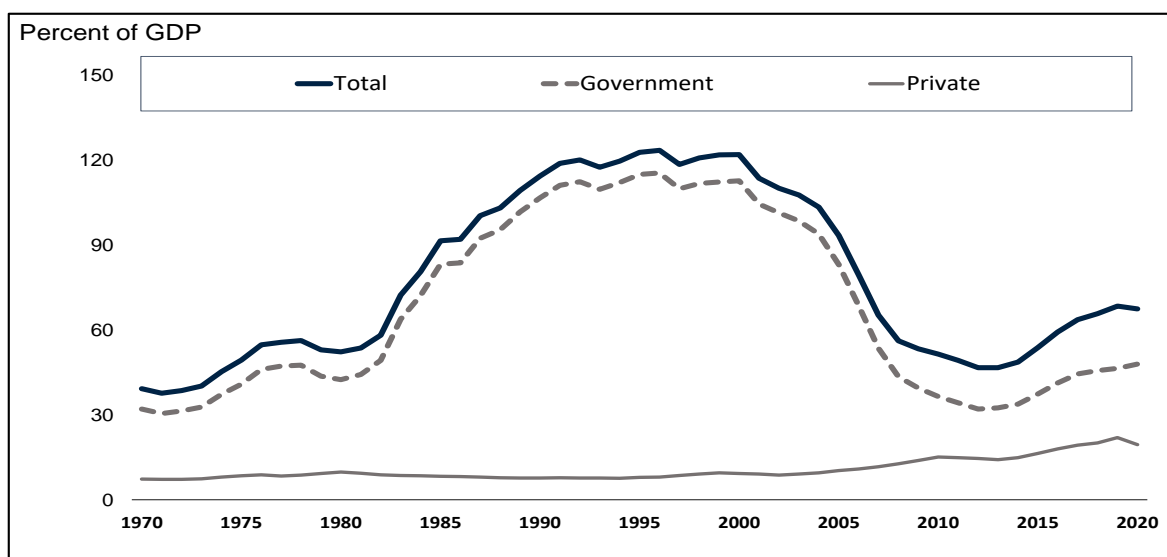
Regarding low-income countries whose GDP per capita is below \$1326, three key programs have been implemented. A group of 37 low-income countries has been made eligible for massive multilateral debt reduction since the mid-1990s. These countries have resorted to the "Highly Indebted Poor Countries" (HIPC) initiative and the "Multilateral Debt Relief Initiative", under the auspices of the World Bank, the IMF, and the Paris Club. In addition, highly-indebted low-income countries benefited from a major turnaround in the treatment of their debt due to the Paris Club of developed countries. First, in 1994, the Paris Club shifted the debt relief to a stock treatment, meaning that the debt reduction cancelled a large part of the country's debt, hence a sharp improvement in solvency ratios (debt/GDP or

debt/exports) and not only in liquidity (debt servicing profile). In addition, the enhanced debt relief measures include the possibility for creditor countries to conduct debt swaps, cancelling claims in exchange for sustainable development projects in the debtor countries⁷. Second, in November 1999, the Paris Club creditors joined the HIPC initiative, thereby raising the level of debt cancellation for 37 poor countries “up to 90% or more if necessary”, providing \$76 billion in debt-service relief over time.

Overall, the Paris Club governments renegotiated nearly US\$ 600 billion in debts, combining the granting of time (rescheduling) and money (refinancing) with total cancellations, affecting their national budgets. Developing countries that benefited from exceptional debt reduction measures include Cameroon, Ivory Coast, Dem. Rep. of Congo, Guinea, Togo, Congo, CAR, Afganistán, Haití, Honduras, Gambia, Nicaragua, Chad, Zambia, etc...⁸ Third, developing countries have borrowed heavily from Eurobonds taking advantage of the fall in interest rates since 2009. Debt has started to rise after a prolonged period of decline thanks to the aforementioned debt-relief measures. Consequently, the debt-relief impact was so short-lived that the multilateral agencies decided to write off over US \$ 40 billion in debts from 18 developing countries during the 2005 G28 meeting in Gleneagles. Most recently, in the Spring 2020, the IFIs pushed the G20 to endorse the Debt Service Suspension Initiative to bring additional debt relief to 73 of the poorest countries, whose total external debt climbed to a record \$744 billion in 2019.

Following a steep fall between 2000 and 2010, low-income countries’ total debt increased to roughly 69 percent of GDP in 2020, up from 51 percent of GDP in 2010. That trend coincides with growing current account deficits, reaching roughly 3,5% of GDP in Africa. The following chart illustrates the “elephant curve” of low-income countries’ debt to GDP ratios. In 2020, the level is back to 1985, hence eliminating the benefits of 30 years of debt restructuring.

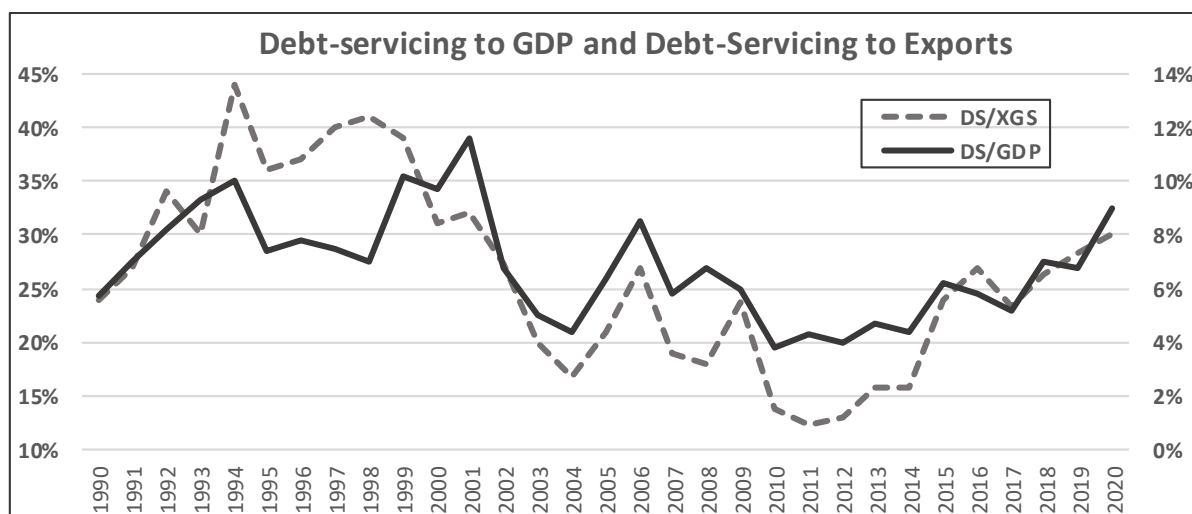
Chart 2: Low-Income Countries’ Total Debt in % of GDP: (source adapted from World Bank Report December 2019)



Overall, the mechanisms for canceling official and private (especially banking) debts have had little lasting impact on the weight of indebtedness in budgets, balances of payments, and national wealth, and even less on the nature of public policies. Regarding sub-Saharan

Africa, the graph below illustrates the decline in debt service-to-export income ratios since 1997, and their rapid rise in 2011, despite very low interest rates. Their level in 2020 returned to that of 1991. The ratio of debt servicing burden to GDP is back to its 1994 level, erasing 25 years of debt reduction programs by both official and private creditors.

Chart 3: Liquidity (left axis) and Solvency Ratios (right axis) for Sub-Saharan African countries (Source: World Bank report December 2019) estimates for 2020



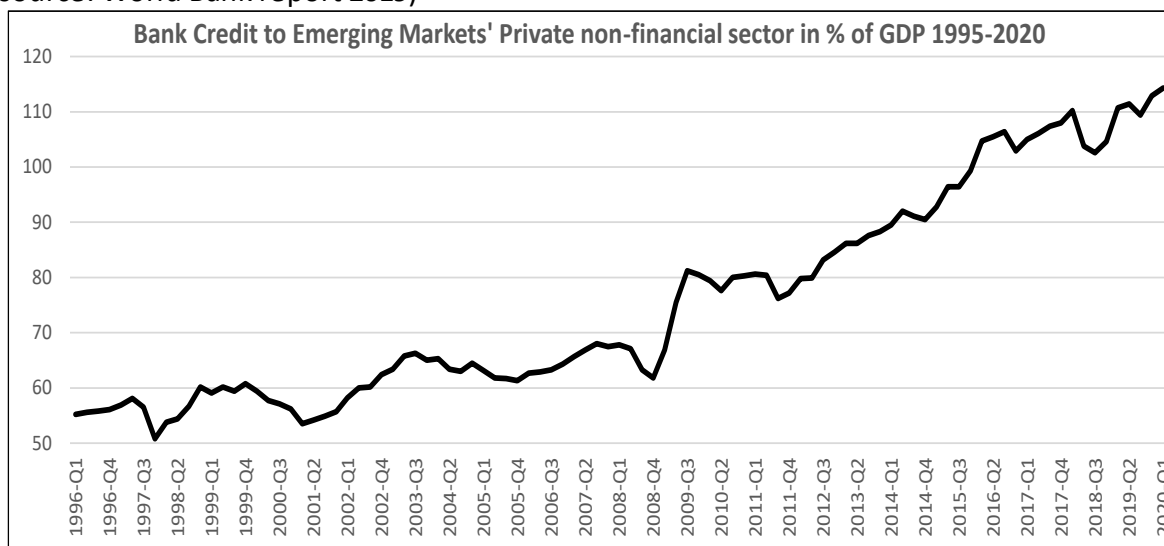
4. **International bank loans to developing countries and regulatory incentives for sovereign debt reduction.** Financial crises generate a vicious circle between creditor banks and sovereign debtors. This mutual dependence between bank risk and sovereign risk creates additional risk endogenously, so-called “doom loop”. The objectives of debt reduction programs are as much to finance the current account deficits of the debtor countries of Latin America, Africa and Asia, to stimulate growth, to stabilize the socio-political systems, and to maintain their trade flows, as to protect the balance sheets of under-capitalized banks. Indeed, back in the mid-1980s, international banks were both undercapitalized and overexposed to developing countries, particularly in Latin America. Banks’ claims to capital ratios were such that a chain reaction of defaults could have endangered the very solvency of international banks.

Forced solidarity between creditor banks and debtor countries led to endless rounds of refinancing, rescheduling, and ultimately, debt reductions with a view to enhancing the creditworthiness of the countries holding less debt, hence with higher market value. Regulators developed incentives to protect banks’ balance sheets and to mitigate the cash-flow consequences of debt write offs. A number of regulatory incentives provided banks with equity relief, such as loan-loss reserves included in regulatory capital as well as various tax exemptions for charge-offs⁹.

Since the late 1990s, for sovereigns, the standardized approach in Basel accords prescribes risk weights as a stepwise function of credit ratings, ranging from 0% for sovereign bonds and assets rated at least AA to 150% for bonds rated at most B, though regulations accept a lower risk weight for exposures denominated and funded in domestic currency. In practice, bank regulation treats sovereign debt as risk-free. Consequently, banks are able to purchase sovereign bonds without funding them with any equity¹⁰. Regarding sovereign outside the Eurozone, local currency- denominated bonds are still consider risk-free.

More recently, since the global financial crisis, these regulatory incentives coincided with the accommodative monetary policy in the OECD countries. Banks have invested exceptionally large liquidity in purchasing Euro-area bonds, which require low capital backup though generating little profit, while diversifying in high-risk developing country bonds, which require larger capital though generating higher profit. The exposure of private financial institutions shifted to sovereign bonds while loans to emerging market countries' private sector kept increasing after the 2009 financial crisis to reach more than 110% of the countries' GDP currently.

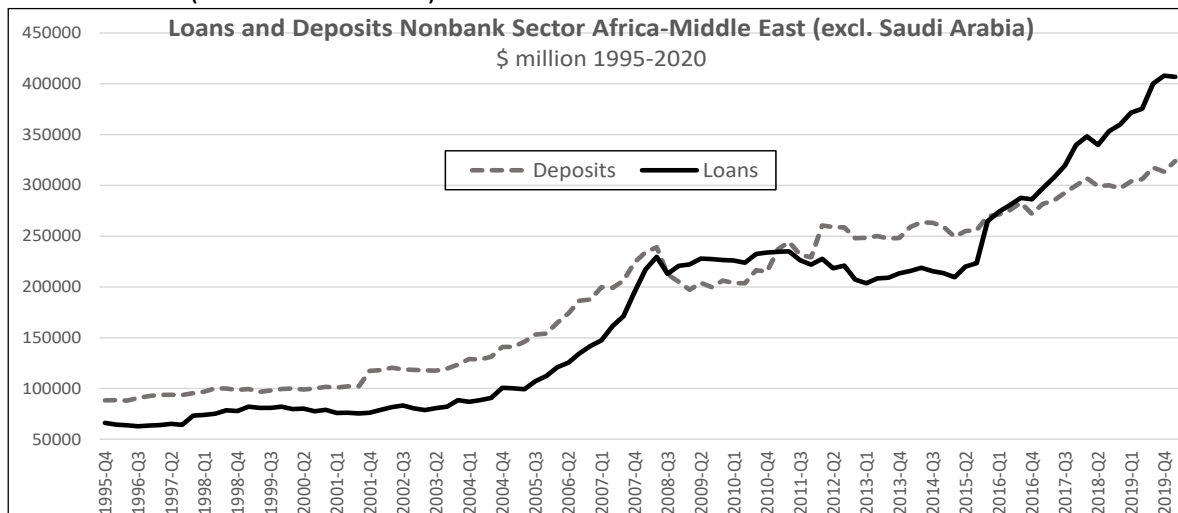
Chart 4: Bank loans to the private sector of Emerging Market countries in % of GDP
(source: World Bank report 2019)



Private financial institutions kept increasing exposure to the private nonbank sector in African countries, particularly during two periods of rising commodity prices, 2004-2008 and 2015-2020. It is striking that while bank loans steadily increased, private nonbank deposits in international banks kept increasing at the same pace, sometimes exceeding the volume of loans. Though these deposits might comprise “legitimate” deposits by private companies, a large share comes from the recycling of capital inflows, namely capital flight. A robust academic research confirms that external borrowing is positively related to capital flight due to corrupt elites, therefore depriving the economy of sources of financing for development¹¹. Econometric analysis concludes that capital flight is debt-fueled.¹²

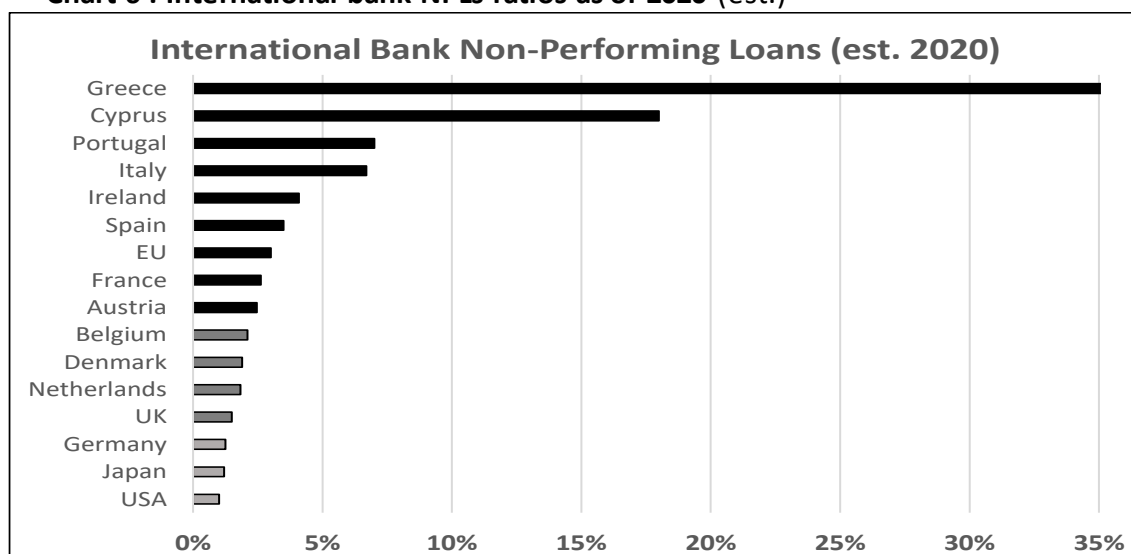
The scissor effect between capital flight on the one hand, and ongoing debt increase on the other, clearly exposes developing countries to the risk of defaults, hence liquidity risk for private financial institutions. The following chart illustrates the continuous rise in Africa's private non-bank deposits in international banks since the mid-1980s until 2020. Private deposits of residents in Africa-Middle-East (excl. Saudi Arabia) grow almost continuously over bank loans.

Chart 5: Flows of bank loans and deposits of the private sector from Africa & Middle-East countries (excl. Saudi Arabia) source: BIS



Today, any large developing countries' debt defaults would severely affect the balance sheets of banks worldwide. In Europe, the Association for Financial Markets has successfully pressed policy makers to grant an exemption for sovereign debt from a rule that mandates banks hold a certain amount of capital against all assets on their balance sheet. This is not the case for developing countries' external debt, hence a growing threat on financial institutions' resilience. In November of 2020, Zambia became the sixth country to default on its bonds this year—after Argentina, Belize, Ecuador, Lebanon and Suriname. Large bank exposure to developing countries coincides with rising fragility due to non-performing loans (NPLs), which remain large, particularly in Europe where NPLs still reached €616 billion, the equivalent of 3,6% of bank claims as of 2019, compared with only 1,5% in US banks.¹³ Bank fragility is particularly acute in the south of Europe.

Chart 6 : International bank NPLs ratios as of 2020 (est.)¹⁴



5. **The Debt Cancellation Ideology and Moral Hazard.** It is fashionable to preach debt cancellation in the name of morality or the commercial or even political interest of creditors. The argument would be to promote social justice in the form of forgiving debts to break the subordination of poor countries to rich countries. The purpose of this release is to

"reset the counters". In the Torah, Deuteronomy and Leviticus invite the cancellation of debts every 7 years and then during jubilees every 50 years, a continuation of the Assyrian-Babylonian tradition of remission of debts by the monarch between 2500 and 1500 BC¹⁵. The Qur'an also calls on creditors to show understanding towards their debtors when they have difficulty honoring their commitments. Faced with the global pandemic threat, in April 2020, Pope Francis called *Urbi et Orbi* for international solidarity "by reducing or canceling the debt which weighs on the budgets of the poorest countries".¹⁶ The World Bank and the IMF urge OECD governments to participate fully in debt relief efforts while forcefully encouraging the private creditors under their jurisdiction to follow suit. The risk for private financial institutions is to get drawn into IMF-driven rounds of debt cancellations while losing any margin of maneuver.

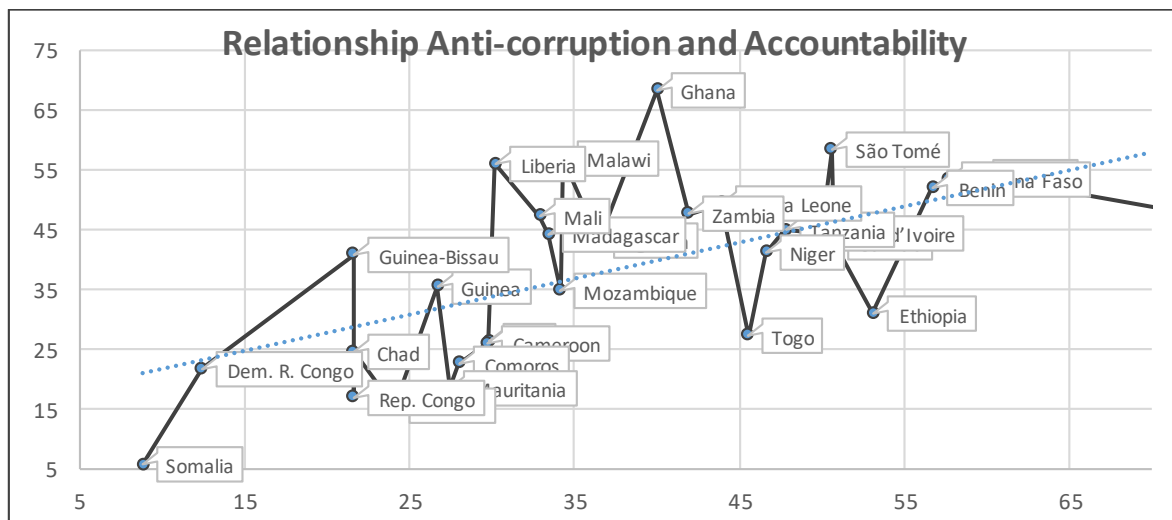
At the forefront of the militant call for the cancellation of debts are a number of NGOs (Oxfam, Attac, CADTM, FONDAD...). The rants of the Committee for the Cancellation of Illegitimate Debt revile the IMF and the World Bank for using "external debt as an instrument of debtor subordination ... by violating international human rights covenants and by supporting dictatorships."¹⁷ The public debt would be an instrument of enslavement by a massive transfer of wealth from the peoples of the South to globalized capitalists and local ruling classes. Debt boils down to an instrument of political and economic domination through a new form of colonization: "The peoples of the South are bled dry"¹⁸. The operational conclusion of these libels is that the "odious debt" doctrine, formulated in 1927 by the Russian jurist Alexander Sack, invites states to default on account of "debts contracted by despotic governments, contrary to the interests of the population, and with the complicity of creditors".¹⁹

NGOs and official creditors bring forward the equation between poverty and foreign debt without deeply investigating the links between poverty, debt and, corruption. The perverse effect of debt cancellations policies stems from the lack of links between debt relief and good governance policies in the debtor countries. The most corrupt countries have obtained access to debt cancellation programs despite no improvement in governance nor any credible commitment toward sustainable development. What is more, debt reduction negotiations have often benefited unscrupulous investment banks combining all possible conflicts of interest, both traders and advisers.

6. **De-linking bad governance and debt cancellation.** The issue of governance and corruption is complex, hence the challenge of comparative analysis of countries of diverse institutional structures and traditions. One can distinguish four sources of corruption data. One is the annual Corruption Perception Index, designed by former World Bank economists back in 1996; a second is the World Bank Governance indicators that break down governance into four sub-indices; the third one is the measure provided by the International Country Risk Guide since 1984; and the fourth, the most disaggregated, is provided by the Ibrahim Index of African Governance, a tool that measures and monitors governance performance in 54 African countries since 2007 with 79 indicators²⁰. Whatever the measure of the components of governance, namely corruption, accountability and transparency, the four methods converge to list the debt relief eligible countries among the most corrupt worldwide. It is no surprise that corruption is closely related to the degree of accountability and transparency in a political regime. The larger the corruption, the weaker the institutional and civic checks and balances

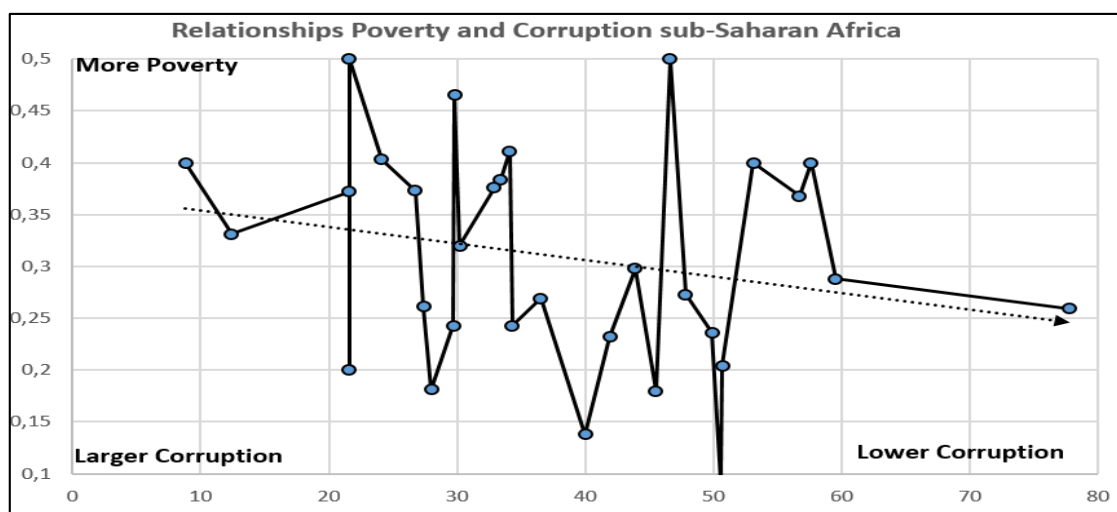
as well as the public access to information. We use the Ibrahim index for the following analysis in Africa.

Chart 7. Relationships between Corruption (left) and Transparency and Accountability (bottom) (source: Ibrahim Index of Governance in Africa)



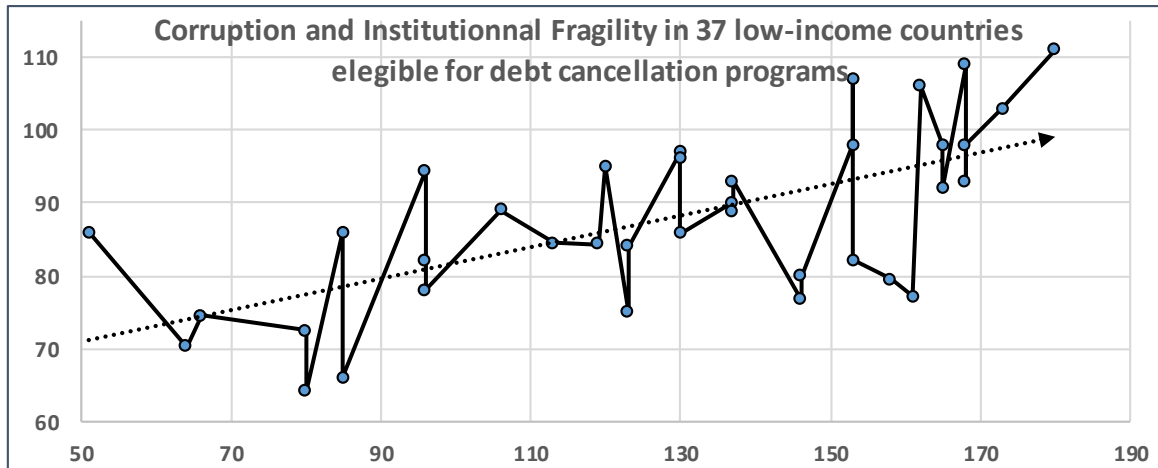
Exceptional debt cancellation measures should be justified for those poor countries that have suffered from exogenous headwinds, such as sudden and protracted fall in export revenues, or natural disasters. However, in many eligible countries, corruption has been a social disaster that has engineered deeply rooted poverty and institutional fragility. As the following graph clearly shows, the larger the corruption, the poorer the population. Overall, poverty should always be a necessary but not sufficient condition for debt cancellations.

Chart 8: Relationships Poverty (left) and Corruption (bottom) Indices in 31 Sub-Saharan African countries eligible for debt cancellation programs



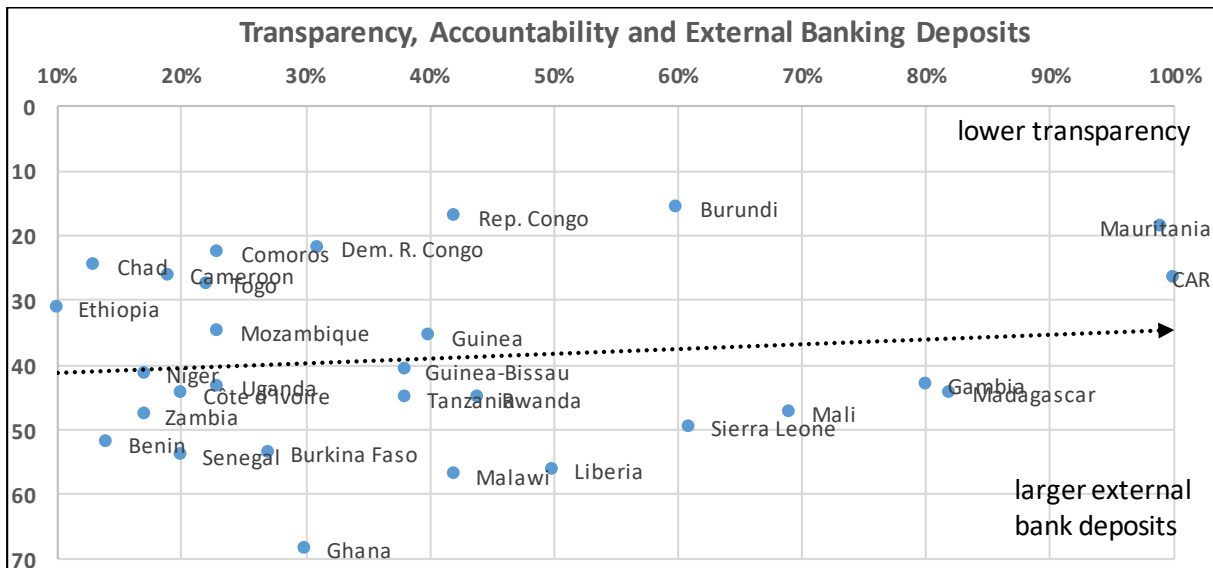
The countries which have remained very poor despite debt cancellations are also the most corrupt and those which show a persistent institutional fragility, according to an index backed by some fifteen criteria.²¹

Chart 9: Relationships Corruption and Institutional Fragility Indices (37 low-income countries Africa and Latin America) (source: Fragility Index: Fund for Peace <https://fragilestatesindex.org/country-data/>)



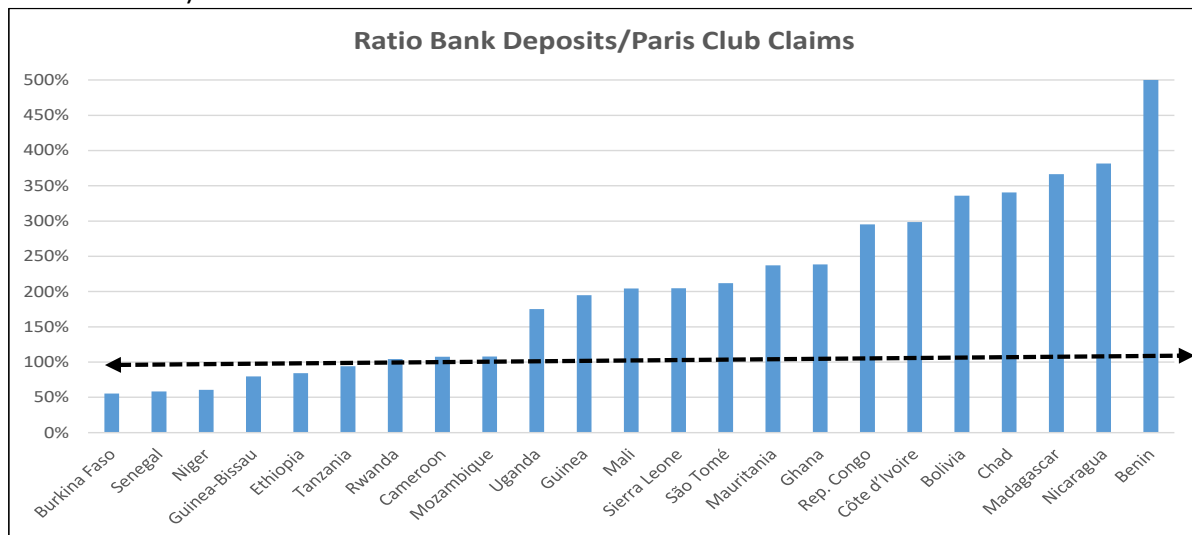
The combination of corruption and capital flight can be observed in the close relationships between two major components of governance, namely, transparency and accountability, and their consequence upon large private deposits held in international banks. The graph illustrates that the lower the transparency (and the larger the corruption), the higher the ratio of private deposits to bank loans in sub-Saharan African countries eligible for debt cancellation.

Chart 10: Relationship between Governance (left) and ratio of private deposits/loans held in international banks (Source: Ibrahim Governance Index and BIS)



As observed above, capital inflows are often either poorly invested at home or redeposited in tax havens abroad. The attached graph illustrates the relationship between private deposits in international banks and debt to Paris Club creditor governments: the vast majority could repay their debt by repatriating their exiled capital.²²

Chart 11: Ratio of private deposits in international banks to Paris Club claims (source: BIS and Paris Club)



So far debt cancellations neither distinguished beneficiaries according to their performance in governance and sustainable development policies, nor improved good governance trajectories despite the conditions of poverty reduction programs involving civil society. The latter is however a cornerstone of the IMF's debt reduction objectives with the support of official creditors: "Governments, even the most generous, take seriously their role as trustees of their citizens' money. They therefore need assurances that debt relief will be used effectively for poverty reduction with strengthened governance and accountability"²³ Actually, the populations have not benefited from the budget expenditure alleviation. And corruption remains constant before, during and after debt cancellation. The 37 countries of the HIPC Initiative are among the most corrupt in the world in their vast majority, whatever the criterion of measurement.

Poverty is not inevitable, however. Sub-Saharan Africa, for example, shows examples of "relative success" in development and good governance: Mauritius, Sao Tome, Ethiopia, Rwanda, Ghana, Botswana, or Namibia, for that matter without any former French colony²⁴. In 2020 as ten or twenty years ago, the relationship between the criteria of the UNDP Poverty Index and corruption remains strong. This is particularly the case of countries whose growth depends on hydrocarbons and mineral wealth which combine corruption, poverty and inequalities, due to the triple concentration of power, economic, financial, and political: Cameroon, Gabon, Niger, Bolivia, Mali, Togo, Uganda, Mozambique, Angola, Zimbabwe, and the two Congo ...

Despite the perverse effects of debt cancellations, which in no way encourage the promotion of inclusive development, demands have multiplied, such as a right inherent to low and stagnant GDP per capita. Poverty measured by GDP per capita threshold has been used as a both a necessary and sufficient condition for eligibility without enough attention devoted to governance and inclusive development policies. The "odious debt" concept has also been agitated during the Arab Spring revolution in Tunisia and its neighbors, as well as in Lebanon, a country plagued by decades of deeply-rooted corruption. Similarly, Ivory Coast benefited from a debt reduction of more than 90% in 2012 following the end of its civil war, and from additional relief as part of the global initiative to fight the pandemic, while facing renewed threats of turmoil in the wake of controversial presidential elections in November of 2020. On

the front-burner at end-2020 is also Zambia, one of the most corrupt country worldwide, in default over \$3 billion Eurobonds, hence tough relations with its bondholders.

7. **Private financial institutions should push for combining debt relief and good governance.** Four avenues are promising:

a) Private creditors should resist calls to alleviate a country's debt burden unless a credible plan is presented that allows a convincing and monitored improvement in governance and development prospects. Debt relief must be linked to the uncompromising fight against corruption and to the reorientation of debt payments towards social and sustainable development purposes. This is the spirit of the debt conversion transactions implemented in the 1990s with UNICEF, USAID, or WWF for countries such as Senegal, Morocco, Bolivia, Vietnam, Poland, Mexico, Chile, Costa Rica, Zambia, or Brazil. Debts were reduced and converted into local currency to fund development projects.

b) Second, private creditors should unite with the IFIs and the Paris Club to refuse that a public creditor such as China maintains opacity both on debt data and on relief measures, while representing more than 25% of loans to African countries, often in transactions pledged on natural resources (Angola, Kenya, Zambia, Tanzania, Mozambique, Ghana, Cameroon, and Ethiopia).

c) Third, private creditors should promote debt relief and inclusive growth when the country demonstrates a real commitment to good governance. The solution is to link the interest rate and the repayment profile to the economic performance of the country or to its export earnings, in the spirit of Islamic finance, which combines the destinies of creditors and debtors. Sovereign bonds can be structured so that they pay less when commodity prices tumble, terms of trade deteriorate, or natural disasters strike. Conversely, bonds might incorporate recapture clauses so that they pay out extra when GDP growth exceeds a threshold. Another tool worth exploring is "bendy bonds", which already exist in the corporate-debt markets. The borrower would stretch the maturity (and defer interest payments) in return for extra interest at the end of the bond's extended life²⁵.

d) Finally, private creditors could negotiate the gradual and conditional switch of bank loans into long-term zero-interest bonds that can be converted at a discount into local equity. Swaps would take place at regular intervals when corruption indicators unequivocally point towards a lasting improvement. Banks could also accept discounted debt buybacks when loans-loss provisions are large enough, within the framework of the World Bank's IDA Buyback Facility.

In conclusion, the debt remains primarily a contract between two parties, and the concept of "odious debt" is only an alibi to exonerate debtors from their social responsibilities and for creditor countries to conceal complacency and geopolitical as well as commercial interests. Public creditors and private financial institutions have diverse agendas that should respect the rights of their respective stakeholders. Banks and funds should resist calls for blanket debt relief whose consequence is maintaining a perverse combination of poverty and corruption in the developing countries. Debt relief can and should be a leverage for improving sustainable development prospects. The pandemic crisis offers the perfect opportunity.

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³ David Malpass (2020) Wall Street Journal, November.

⁴ Bulow J., Reinhart C., Rogoff K., and Trebesch C. (2020) "New steps are needed to improve sovereign debt workouts", Finance and Development Fall 2020.

⁵ World Bank (2019) Waves of debt Report, December.

⁶ Vasquez, I. (1996) "The Brady Plan and Market-based solutions to debt crises", Cato Journal, Vol. 16, n° 2.

⁷ Paris Club Debt Treatment Granted <https://clubdeparis.org/en/communications/page/naples-terms>

⁸ https://clubdeparis.org/en/traitements?tid_1=All&tid_2=All&tid=302&field_treatment_date_value%5Bvalue%5D%5Byear%5D=

⁹ See Bouchet M. and Hay J. (1989) "The Tax, Accounting and Regulatory Treatment of Sovereign Debt", World Bank Working Paper 11228. <https://documents.worldbank.org/en/publication/documents-reports/documentdetail/699771468740958154/the-tax-accounting-and-regulatory-treatment-of-sovereign-debt>

¹⁰ See for instance: Alogoskoufis S., Langfield, S. (2019) "ECB Working Paper Series: Regulating the doom loop", N°2313, September.

¹¹ <https://www.imf.org/en/Publications/Books/Issues/2016/12/30/External-Debt-and-Capital-Flight-in-Sub-Saharan-Africa-3564>

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¹² Ndikumana, L. and Boyce, J. (2003) "Public Debts and Private Assets: Explaining Capital Flight from Sub-Saharan African Countries", World Development Vol. 31, No. 1, pp. 107–130.

¹³ Source : ECB (2019), Table T04.02.2 "Asset quality: non-performing loans and advances by country", Supervisory Banking Statistics, Second quarter.

¹⁴ ECB and European Commission Eurostat :

<https://ec.europa.eu/eurostat/data/browser/view/tipsbd10/default/table?lang=en>

¹⁵ See: <http://cadtm.org/La-remise-des-dettes-au-pays-de> and :

<https://www.imf.org/external/np/hipc/options/index.htm>

¹⁶ <http://www.finance-muslim.com/2010/12/enseignement-dettes>

¹⁷ See for instance : Toussaint E., « Le système dette. Histoire des dettes souveraines et de leur répudiation », Les liens qui libèrent, 2017. <https://laviedesidees.fr/La-dette-odieuse.html> and also: Graeber, D. : « La Dette : 5000 ans d'Histoire », Les Liens qui Libèrent, 2013. <https://journals.openedition.org/regulation/11412>

¹⁸ <https://www.cadtm.org/L-ABC-du-Fonds-monetaire-international-FMI>

¹⁹ See : Charte politique du CADTM <https://www.cadtm.org/Charte-politique-du-CADTM-International-18147>

²⁰ <http://iiag.online/about.html>

²¹ <https://fragilestatesindex.org/excel/>

²² Data from BIS, table A6 and Paris Club data : <https://clubdeparis.org/fr/communications/page/encours-du-club-paris>

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