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FOCUS PAPER **10**

„Debt crisis not yet bad enough“

How creditors downplay the need to act

Focus Paper 10:
"Debt crisis not yet bad enough"
How creditors downplay the need to act

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"Debt crisis not yet bad enough"
How creditors downplay the need to act

by Kristina Rehbein and Jürgen Kaiser

136 out of 152 countries in the Global South are at least slightly critically indebted, 40 of them very critically.[1] Without urgently needed reforms of the international debt architecture, the latest wave of debt crises in the Global South cannot be solved. The leaders of the World Bank and the International Monetary Fund (IMF) have also repeatedly called for this.[2]

Recently, however, the staff of the institutions has been cautiously moving away from the alarmist discourse of the leaderships and adopting more reassuring tones.[3] This also applies to other actors in global debt crisis management such as the Paris Club, the World Bank or individual governments, including the German government.[4] In April 2023, (current and former) IMF staff have now attempted to support this discourse through a more detailed study. In the study, they demonstrate that the situation of low-income countries today is still a long way from the dramatic levels of over-indebtedness of the last global debt crisis in the 1990s.[5] The implicit message of this study is that comparably dramatic changes in dealing with debt crises, such as the far-reaching debt relief through the *Heavily Indebted Poor Countries Initiative* (HIPC) at the turn of the millennium, are not (yet) necessary. The study comes at a time when criticism of the G20's Common Framework and the lack of debt relief is growing louder.

For political decision-makers, especially in G7 countries, the HIPC initiative and with it the realisation that action was taken far too late at the time, thus making the crisis unnecessarily expensive, was a "painful" process. The debt situation in the mid-1990s is therefore a politically significant reference point for today's debate on how to deal with the debt of countries in the Global South.

This focus paper explores the question of whether the thesis of the study ("The situation of indebted countries in the Global South is less dramatic today than it was on the eve of the creation of the HIPC Initiative in the mid-1990s") is tenable or whether this can be seen as a politically motivated discourse of the creditors.

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[1] See Stutz, M. (2023): "The global debt situation" in erlassjahr.de and Misereor: Debt Report 2023.

[2] See prominently: World Bank (2022a): "Opening Remarks by World Bank Group President David Malpass during the Launch of the International Debt Report 2022"; 6 December 2022.

[3] IMF (2022): "Macroeconomic Developments and Prospects in Low-Income Countries", Annex IV. Debt Vulnerability today and in the pre-HIPC era.

[4] See for example Estevao, M. (2022): "Are we ready for the coming spate of debt crises", World Bank Blogs, and the suggestion therein that there is no global systemic crisis.

[5] Chuku, Ch.; Samal, P.; Saito, J.; Hakura, D.; Chamon, M.; Carisola, M; Chabert, G. and Zettelmeyer, J. (2023): "Are we heading for another debt crisis in low-income countries?", Working Paper No. 2023/079, hereafter Zettelmeyer et al.

1 What exactly does the IMF study look at?

The IMF authors compare the relative debt levels as of 31 December 1994 (i.e. on the eve of the HIPC Initiative) with the debt levels and indicators today (and thus with the most recent data available as of 31 December 2021) for three groups of countries:

- The entirety of the low-income countries
- Countries that were critically indebted in 1994 (defined as those countries that qualified for the HIPC Initiative)
- Countries that are critically indebted in 2021 (defined as countries with a high risk of debt distress according to the IMF).[6]

The authors show that the median values of all three country groups are now significantly below the level before the creation of the first HIPC Initiative in 1996.

With this approach, the study supports the initial thesis: Neither the entirety of low-income countries nor the two smaller groups of countries that were critically indebted in 1994 and today, respectively, according to IMF categorisation, have yet reached debt levels at the 1994 level. [7]

Table 1: Median values of debt indicators 1994 vs. 2021 for various country groups from the IMF study

Country group	Year	Public external debt relative to GDP	Public external debt relative to exports	Public external debt relative to exports
All low-income countries (69 countries)	1994	71	318	10
	2021	33	137	8
HIPCs (39 countries)	1994	101	466	16
	2021	29	155	8
Countries at high risk of debt distress according to IMF (40 countries)	1994	72	366	11
	2021	39	163	9

Source: Table 3, p. 15 from Zettelmeyer et. al. (2023). Editorial changes are those of the authors of this focus paper.

[6] The IMF includes 28 countries with a high risk of debt distress and 12 countries in debt distress. The categorisation refers exclusively to lower income countries that have access to the *Poverty Reduction and Growth Trust*. Thus, not all countries of the Global South are considered here.

[7] However, the chart "Figure 6.A" on page 13 already shows that those low-income countries that today are classified as countries with a "high risk of debt distress" or already as countries "in debt distress" are rapidly approaching this level again. See Zettelmeyer et al (2023).

2 Is the thesis tenable?

2.1 Looking at the heavily indebted countries in 1994

Now, debt crises rarely arise because all countries in the world are moving towards critical situations on a broad front and virtually in lockstep, which is why looking at average or median values makes little sense in order to make statements about the dramatic nature of debt crises and the need for reforms to solve debt crises.

Therefore, in the following, the individual countries that benefitted from the HIPC Initiative and whose hopeless debt situation provided the impetus for creating the HIPC Initiative in 1994 were examined more closely. For this purpose, the most common debt indicators[8] , which also played the decisive role in terms of qualification and dimensioning for debt relief under the HIPC Initiative, were compared. Table 2 divides the countries into four categories:

- Countries that clearly support the thesis that the debt situation was more critical at the end of 1994 than in 2021 (column 1);
- countries, the majority of which support the thesis of the study (column 2);
- Countries that contradict the thesis (column 3);
- Countries clearly more critically indebted in 2021 than at the beginning of 1994 (column 4).

Table 2: Trend in debt of HIPC countries between 1994 and 2021

Clear Improvement	**Overwhelming improvement[9]**	**Overwhelming deterioration**	**Clear deterioration**
Bolivia, Cameroon, Côte d'Ivoire, Burkina Faso, Mozambique, Ghana, Guinea, Guyana, Haiti, Honduras, Madagascar, Comoros, Malawi, Mali, Mauritania, Nicaragua, Uganda	Ethiopia, Benin, Burundi*, Central African Republic*, Guinea-Bissau, Chad*, Democratic Republic of Congo*, Republic of Congo*, Sierra Leone*, Tanzania, Togo, Zambia*, Rwanda, Niger, Senegal	Gambia	

* For these countries, there is no comparative data for each of the indicators. They have been placed in column 2 if there has been improvement and no deterioration and in column 3 if, conversely, there has been deterioration.
Three countries (Liberia, Afghanistan and São Tomé & Príncipe) do not provide any comparative data.

Explanation: If there is an improvement in all three indicators in 2021 compared to 1994, the countries are in the first column; if there is an improvement in two indicators, but a deterioration in one, countries are in column 2; if there is a deterioration in two indicators, but an improvement in one, they are placed in column 3 and if there is a deterioration in all indicators column 4 applies.

[8] These indicators are: (1) public and publicly guaranteed external debt as a share of GDP, (2) public and publicly guaranteed external debt as a share of annual exports of goods and services, and (3) public and publicly guaranteed annual external debt service as a share of annual exports of goods and services.

[9] This also includes countries for which not all data are available and therefore no statement can be made on all indicators.

The distribution in Table 2 shows a clear picture that supports the thesis of the IMF staff's study: the majority of countries that received debt relief under the HIPC Initiative are less critically indebted today than in 1994. However, this picture is not surprising: the HIPC Initiative provided deep debt relief to participating countries and therefore led to low debt indicators. The initiative has created significant scope for new debt. The result is therefore not surprising, but was rather one of the declared goals of the initiative, which was successfully achieved.

In addition, to assess the study's thesis, the extent to which countries have built up arrears in repayments and interest was examined. This is an important indicator for debt crises that are building up. Not a single HIPC country has higher arrears relative to economic output today than on the eve of the HIPC initiative. There are some exceptions in relation to hard currency revenues, but these concern weak and highly vulnerable economies where individual reasons for payment difficulties probably play the most important role: Afghanistan, the Central African Republic, Chad and The Gambia.

2.2 Looking at today's critically indebted countries

Instead of looking at the group of critically indebted low-income countries at the time and concluding that the debt situation in these countries is less dramatic today (and ignoring the fact that, of course, debt relief was largely responsible for this), the critically indebted countries in the Global South today should be looked at. The IMF staff does this by looking at the countries that the IMF itself certifies as being at high risk of debt distress.[10] With few exceptions, however, only lower income countries are considered here. This is because the IMF only assesses the debt situation of countries that have access to its *Poverty Reduction and Growth Trust* soft loan window. Thus, the IMF establishes the questionable premise that only debt crises of lower income countries are relevant for the political reform discussion - those of middle- and high-income countries in the Global South are not.

In order to counteract this limitation, countries that are critically indebted today were considered in the following, regardless of their income category. For this purpose, a data comparison was made for those countries that are classified as "very critically indebted" in the Global Sovereign Debt Monitor 2023[11] on the basis of the most currently available data and for which current and historical comparative data are available.

[10] See IMF (2023): "List of LIC DSAs for PRGT-Eligible Countries".

[11] See Stutz (2023). erlassjahr.de looks not only at low-income countries, but at all countries in the Global South, regardless of their income level. In the Global Sovereign Debt Monitor, 40 countries are classified as very critically indebted. The table includes 33 countries, no data was available for 7 countries.

Table 3: Median values of debt indicators 1994 vs. 2021 for different groups of countries with a currently high risk of debt distress according to the IMF and analysis by erlassjahr.de, respectively

Country group	Year	Public external debt relative to GDP	Public external debt relative to exports	Public external debt service relative to exports
Very critically indebted countries today according to erlassjahr.de classification	1994	58	225	14
	2021	51	208	19
Countries at high risk of debt distress according to the IMF	1994	72	366	11
	2021	39	163	9

Source: World Bank International Debt Statistics.

Explanation: The data for the countries with high risk of debt distress according to the IMF may differ in this table from the presentation in Table 1. The information in Table 1 is taken from Zettelmeyer et. al (2023). For the countries with a very critical debt situation according to erlassjahr.de's classification, we rely on publicly available data from the World Bank's *International Debt Statistics* (IDS). For the sake of comparability, the data for other country groups used by the IMF were also taken from the IDS. Slight deviations may occur due to the different data sources.

The current values for countries at high risk of debt distress according to the erlassjahr.de classification are today already much closer to the values of 1994 than those of the group of countries at high risk of debt distress defined by the IMF. This is because erlassjahr.de does not limit the analysis of critically indebted countries today to lower income countries only.

Analogous to the analysis of the HIPC countries in 1994, a case-by-case analysis must also be carried out for the group of currently very critically indebted countries. Sufficient data was available for 29 countries. Nine of these countries received debt relief under the HIPC initiative and are already listed in Table 2. They are shown in italics in Table 3.

Table 4: Trend in debt of today's very critically indebted countries according to analysis by erlassjahr.de between 1994 and 2021

Clear Improvement	Overwhelming improvement	Overwhelming deterioration	Clear deterioration
Ghana, Jordan, Malawi, Mozambique, Zimbabwe	Angola, Argentina, Pakistan, Guinea-Bissau, Republic of Congo*, Egypt, Rwanda, Senegal, Sudan, Zambia, Yemen	Bhutan, Cabo Verde, Jamaica, El Salvador, Gambia, Kenya, Sri Lanka	Armenia, Belize, Grenada, Lebanon, Maldives, Mongolia

* For these countries, there is no comparative data for each of the indicators. They have been placed in column 2 if there has been improvement and no deterioration and in column 3 if, conversely, there has been deterioration.

While the focus on the HIPC countries alone (cf. Table 2) gives the impression that almost all countries are better off today than they were in 1994, this picture is shaken when looking at the current critically indebted countries.

In thirteen countries, the debt indicators tend to be worse today than in 1994. The group of countries with a clear improvement compared to 1994 consists mainly of HIPC countries.

Similar to the positive picture when looking at the HIPC countries, the rather negative picture here is not surprising, as countries were explicitly included which are currently categorised as "very critically indebted". It is interesting to note, however, that almost all thirteen countries in which the majority of indicators have worsened are countries with lower middle or higher middle incomes. By systematically excluding these countries from the consideration of critically indebted states, the authors of the study distort the picture. Just as the de facto critically indebted countries were considered in 1994, this must also be done today, regardless of other factors such as income levels.

The decision to include or exclude certain countries when assessing the risk of debt distress is not a factual one, but a political one. Already in the 1990s, access to the HIPC Initiative was arbitrary in the sense that not all countries with critical debt situations were given access to the Initiative. In addition to debt indicators, per capita income was used as a decision-making factor.[12] Debtor countries thus had to be "poor enough" (and thus relatively cheap for creditors) to qualify for debt relief.

The study's statement that the situation of indebted countries in the Global South is not as bad today "as it was then" is therefore misleading. It only applies to the group of HIPC countries and to lower income countries that are critically indebted today, but not to the countries that are particularly critically indebted today, regardless of income level.

3 Does the comparative period of the study make sense?

The HIPC Initiative was by no means adopted promptly after the first payment suspensions starting in the early 1980s. It was the end point of a long delaying process through which the countries concerned had to experience a lost decade of development. As a result, the debt crisis - and thus the debt indicators - had become ever more acute.[13] The HIPC Initiative had become necessary not least because of long years of successive and all inadequate debt restructurings. At the time of the creation of the HIPC Initiative, this also meant that debt was being negotiated that had not been serviced for a long time before and a considerable part of which was already default interest. A comparison of the indicators at that time with today's indicators is also therefore not useful.

In order to adequately assess the dramatic situation of indebted countries in the Global South today, it would therefore make more sense to compare the debt indicators not with the reference year 1994, as the IMF does, but with the actual start of the crisis.

The beginning of the crisis is defined in the following as the beginning of serial debt reschedulings in the Paris Club. The Paris Club is a cartel of today 22 creditor governments which, as holders of the bulk of the claims on countries in the Global South at the time, were able to largely determine the rules for debt restructuring. While some of the later HIPC countries had to begin the painful path of inadequate debt rescheduling negotiations in the Paris Club as early as the mid to late 1970s, the first major wave came from 1981 onwards. In that year, seven later HIPC countries negotiated in the Paris Club. On average, HIPC countries had to negotiate seven times in the

[12] In addition, the political preferences of the creditor governments organised in the Paris Club influenced the decision for some countries. For example, with Nigeria: The country was part of the original HIPC list, but was then taken out in 2000 under an excuse when the long-standing military dictatorship came to an end and the creditors feared that they could no longer deny HIPC relief to Nigeria on the grounds of its notoriously bad governance, Nigeria which would have been expensive for the creditors, if they had to provide HIPC debt relief.

[13] See also Figure SF.4 in World Bank (2022b): "Resolving High Debt After the Pandemic - Lessons from Past Episodes of Debt Relief".

Paris Club until the expansion of the HIPC Initiative by the *Multilateral Debt Relief Initiative* (MDRI), some countries, like Senegal, even 14 times. The HIPC Initiative ended this odyssey through deep debt relief. So in 1981, the indicators were lower compared to 1994.

If 1981 and not 1994 is taken as the reference year, then the following picture emerges in the individual case analysis for the 36 countries that have gone through the HIPC Initiative (Table 5) and for the countries that are very critically indebted according to the Global Sovereign Debt Monitor 2023 (Table 6) (and for which there is sufficient data in each case):

Table 5: Trend in debt of HIPC countries between 1981 and 2021

Clear Improvement	**Overwhelming improvement**	**Overwhelming deterioration**	**Clear deterioration**
Bolivia, Côte d'Ivoire, Guyana, Haiti, Honduras, Madagascar, Malawi, Mali, Mauritania, Nicaragua, Togo, Uganda, Zambia	Burkina Faso, Cameroon, Central African Republic*, Comoros, Democratic Republic of Congo*, Republic of Congo*, Guinea-Bissau*, Liberia*, Sierra Leone*, Tanzania*	Burundi*, Chad*, Ethiopia, Gambia	Benin, Ghana, Niger, Rwanda, Senegal

* For these countries, there is no comparative data for each of the indicators. They have been placed in column 2 if there has been improvement and no deterioration and in column 3 if, conversely, there has been deterioration.

Table 6: Trend in debt of today's very critically indebted countries according to analysis by erlassjahr.de between 1981 and 2021

Clear Improvement	**Overwhelming improvement**	**Overwhelming deterioration**	**Clear deterioration**
Malawi, Zambia	Egypt, Republic of Congo*, Guinea-Bissau*, Sudan	Argentina, Belize, Bhutan, Jamaica, Kenya, Lebanon, Maldives, Pakistan, Sri Lanka, Chad, Zimbabwe*.	Cabo Verde, El Salvador, Ghana, Grenada, Jordan, Rwanda, Senegal

* For these countries, there is no comparative data for each of the indicators. They have been placed in column 2 if there has been improvement and no deterioration and in column 3 if, conversely, there has been deterioration.

Although the overall situation of the HIPC countries is still much more relaxed than in 1981, the picture is no longer quite as clear-cut as suggested by the IMF study. Ghana, for example, which had to suspend payments in 2022 and apply for debt restructuring negotiations under the G20 Common Framework, was in the "clear improvement"-category compared to 1994, but in the "clear deterioration"-category compared to 1981. Chad and Ethiopia, both of which have requested negotiations under the Common Framework in 2021, also had predominantly better debt indicators in 1981 than in 2021. Only two countries nevertheless had lower indicators in 2021 than in 1981: Zambia, which had to suspend payments in 2020 and is negotiating under the Common Framework as a showcase case for the framework, and Malawi, which is negotiating with its creditors outside the Common Framework.

The picture is more negative for the countries with very critical debt according to the Global Sovereign Debt Monitor 2023: almost all countries have higher relative debt indicators today than in 1981.

If, in addition to the individual case analysis, the median values are also considered, especially for the group of all countries with a very critical debt situation according to the Global Sovereign Debt Monitor 2023, the following result emerges:

Table 7: Median values of debt indicators 1981 vs. 2021 for different country groups

Country group	Year	Public external debt relative to GDP	Public external debt relative to exports	Public external debt service relative to exports
HIPCs	1981	50	241	14
	2021	31	167	9
Countries with a very critical debt situation today according to erlassjahr.de classification[14]	1981	35	148	13
	2021	51	208	19

Source: World Bank International Debt Statistics.

Explanation: The data for the HIPC countries in this table may differ from the presentation in Table 1. The information in Table 1 is taken from the IMF study Zettelmeyer et. al (2023). For the countries with a high risk of debt distress as classified by erlassjahr.de, the analysis shown here is based on publicly available data from the *International Debt Statistics* (IDS) of the World Bank. For the sake of comparability, the data for the HIPC countries 2021 used by the IMF was also taken from the IDS. Slight deviations may occur due to the different data sources.

While the former HIPC countries have somewhat lower indicators today compared to the high indicators in 1981, it is clear that today's critically indebted countries of the Global South already have higher debt indicators than in 1981 at the beginning of the Global South debt crisis, for the majority of indicators also compared to the HIPC countries in 1981.

[14] erlassjahr.de looks not only at lower income countries, but at all countries of the Global South, regardless of their income level.

4 Conclusions

Even though the IMF staff can support their thesis by comparing the 1994 and 2021 data, the validity is limited - as they themselves admit.[15] However, both the selection of the country groups considered and the choice of the late reference year must be recognised and questioned as arbitrary assumptions to a certain extent. The following insights can be gained from this:

- **The HIPC Initiative was successful.** The debt levels in the countries concerned were extensively reduced by the HIPC Initiative and the majority of these countries has not yet reached the very high debt levels of the eve of the HIPC Initiative in 1994. However, the debt situation of some HIPC countries has deteriorated significantly in recent years. [16]

- **The suggestive statement that a next debt crisis is still far away is wrong.** Unlike the introduction of the HIPC initiative in the 1990s, the next sovereign debt crisis is not predominantly one of low-income countries. By excluding middle-income countries from consideration, the IMF is not fulfilling its mandate to provide early warning of crises.

- **Looking at the development of the debt situation of HIPC countries is not helpful in deciding what action is needed today.** The HIPC Initiative came only after a long delay process that started in the early 1980s. Most countries were therefore dealing with exorbitantly high debt levels at the time the HIPC Initiative was created. Very critically indebted countries today already have higher debt indicators than at the beginning of the first debt restructuring wave in the early 1980s. As early as 2020, the heads of the international financial institutions warned that a lost decade loomed for critically indebted countries if the public community did not act quickly and provide sufficient debt relief.[17] The comparison of the eve of the HIPC initiative suggests that countries will have to wait for such a lost decade before the creditor community has to think about more drastic debt relief.

- **Sovereign debt crises affect individual critically indebted countries and must also be resolved in each individual case.** The crisis is not less threatening for one country just because it has not yet affected neighbouring countries to the same extent. A narrative that denies the need for reforms in the global debt architecture by referring to globally lower indicators is nonsensical.

It should also be borne in mind that both the study and the supplementary analyses presented in this paper can only draw on data up to the end of 2021. This means that the additional shock from the Russian invasion of Ukraine and the resulting price increases could not be taken into account, nor could the effects of the global interest rate turnaround emanating from the USA. It is likely that the indicators will continue to rise, at least for countries that rely on imports of energy and food and those that finance themselves to a significant extent via the international capital market.

[15] The IMF authors rightly point out that the methodology can also mask risks, for example those resulting from unreliability of the database or from the creditor profile, for example if there is a higher proportion of bond debt that is difficult to restructure, as is the case for some countries. See Zettelmeyer et al. (2023), pt. 17.

[16] This is also stated by IMF (2022b) in pt. 4.

[17] See K. Georgieva, Pazarbasioglu, C., Weeks-Brown R. (2020) "Reform of the International Debt Architecture is Urgently Needed".

5 Political dynamics - then and now

The study must be understood as part of a politically motivated discourse. The central question is whether more ambitious coordinated debt relief - and in particular by multilateral institutions as under the HIPC Initiative - is necessary today.

In autumn 1994, i.e. on the eve of the HIPC Initiative, there were already heated discussions about the inclusion of claims of multilateral creditor in debt reductions. Cancelling claims from the IMF, World Bank and other multilateral development banks as well as debt to bilateral and private creditors was a key prerequisite for indebted countries to escape the debt crisis at that time. In 1994, the World Bank wrote in its "World Debt Tables":

"...debt rescheduling or cancellation or the use of loan loss provisions or reserves for debt reduction, are ruled out, since these would not yield significant benefits and would entail high costs for all borrowers". [18]

A good year later, the World Bank introduced the HIPC Initiative, which did just that: for the first time, multilateral claims could also be included in debt relief. For this relief, the World Bank, IMF and other multilateral creditors were only partially compensated from the development cooperation budgets of their rich members. The World Bank also financed its write-offs through profits from the International Bank for Reconstruction and Development, the IMF through a partial sale of its already dramatically undervalued gold reserves. The threatened increase in the cost of future lending by the participating international financial institutions did not materialise.

Today, too, the same dismissive discussions are being held on key issues that could make debt restructuring more comprehensive and thus more effective in the long term. For example, the participation of multilateral creditors in the debt restructurings envisaged under the G20*'s* Common Framework is rejected no less emphatically and with no less specious justification: Participation of multilateral institutions in debt relief would diminish their ability to contribute to financing the achievement of the Sustainable Development Goals or climate change mitigation, and thus harm the countries concerned themselves.[19] In reality, of course, every dollar of multilateral debt forgiven is exactly one dollar that the countries concerned can use for climate protection, development goals or whatever their priorities are - and without additional transaction costs. Other issues relate to, for example, ensuring the participation of private creditors through coercive measures in order to be able to ensure rapid and comprehensive debt restructurings, or that real debt cancellations are rejected in principle in the Common Framework.

These delays are therefore all the more worrying because the 2023 study looked at here explicitly recognises how fatal the delay in sufficient debt relief from refinancing the debt service in the 1980s to the completion of the HIPC Initiative by the MDRI after 2005 has been for all parties concerned. This is because from the first insufficient debt reschedulings in the Paris Club in 1981 to the creation of the HIPC Initiative, the shift from debt owed to private creditors to debt owed to public creditors was a central feature of the delay process. Indebted countries received public funds from bilateral and multilateral donors to maintain debt service, mainly to private creditors from rich countries. Meanwhile, these increasingly withdrew, so that the costs of the crisis, when the debtor countries finally had to stop their debt service payments, had to be borne to a large extent by the public sector. Even today, the participation of all creditors in necessary debt relief is a central problem of debt restructuring negotiations.

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[18] See World Bank (1994): "World Debt Tables 1994-1995 - External Finance for Developing Countries. Volume 1 - Analysis and Summary Tables".

[19] Zettelmeyer et al. (2023), pt. 33.

The authors of the study do not see this delay today: they attest the G20 rapid and decisive action with the *Debt Service Suspension Initiative* (DSSI) and the *Common Framework for Debt Restructuring beyond the DSSI*. At the same time, a World Bank study shows that the Common Framework bears no resemblance whatsoever to the HIPC Initiative, but on the contrary must rather be placed among the early first attempts at solutions in the 1980s, which led to costly delays in crisis resolution.[20] So far, only four countries have sought debt relief within this framework[21], of which, at the time of going to press, only Chad was able to conclude a final agreement with its creditors 18 months after the creation of the Common Framework - albeit one that did not include any debt relief at all due to the rise in oil prices in the meantime, but only a promise to negotiate all over again if oil prices collapse again. Other debt restructuring negotiations, both within and outside the Common Framework, also show how the mistakes of the 1980s are being repeated, for example in Suriname, where debt relief is based on the minimum consensus of what creditors are willing to concede, not on the relief necessary for debt sustainability.

At present, everything indicates that the central actors of international debt crisis management, including the IMF, have learned nothing from history and are heading towards repeating the mistakes of the past. With this study, the IMF is trying to calm down in a situation where decisive action would be called for. In the year of the 2030 Agenda's mid-term, the question arises as to whether waiting for the state of affairs in 1994 and thus accepting a lost decade should really be the political goal.

[20] See World Bank (2022b).

[21] Ethiopia, Zambia, Chad and Ghana.

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