



## Debt in 2009: The Numbers

This publication by the SJC highlights the most recent figures concerning debt in impoverished nations. The numbers discussed below were obtained from official sources, notably the international financial institutions to which they relate, so as to provide the most recent, up-to-date information on debt.

### The 1970s: The Rise of Debt

- Between 1970 and 1982, the total amount of debt owed by impoverished nations was increased by a factor of 8.
- The percentage of developing nations' Gross Domestic Product (GDP) representing amounts paid in interest to lenders quadrupled during this period.

**Main Indicators of Debt Levels in Developing Nations Between 1970 and 1982**

	1970	1974	1976	1978	1980	1981	1982
Total exterior debt (millions of \$ US)	68	141	204	313	430	488	546
Annual debt payment as a percentage of GDP	14.1%	15.1%	18.1%	21.0%	20.9%	22.4%	26.3%
Annual interest payment as a percentage of GDP	0.5%	0.8%	0.8%	1.1%	1.6%	1.9%	2.3%

Source: World Bank, World Development Report 1985, Table 2.6, p.24.

### The 1980s: Onset of the Debt Crisis

- In 1972, the average interest rate paid by impoverished nations was 5.4%. In 1981, the rate continued to skyrocket, reaching 16.8%. This dramatic inflation plunged many developing nations into a crisis in which they faced unsustainable debt payments.
- The money that was borrowed was often used to fund "prestige projects" by dictators and undemocratically elected governments, therefore offering no benefit to the average citizen.
- For example, the construction of a nuclear power plant in Bataan, Philippines, which began in 1976 under the regime of dictator Ferdinand Marcos, cost citizens between 1.9 and 2.3 billion \$ US. The project never reached completion. The people of the Philippines are projected to spend 170 000 \$

US every day repaying the loan incurred for this project until the year 2018.

- This kind of debt is often referred to as "odious" because the funds were not used to benefit the people, and lenders were aware of what the money was to be used for. It is estimated that 726 billion US \$ of debt is odious and thus illegitimate, owed to international lenders by impoverished nations.

### The 1990s: The Crisis Escalates

- The onset of protectionist policies by industrialized countries around the world began to impede the ability of third world nations to emerge from their state of extreme indebtedness. Furthermore, these nations must often incur more loans to be able to make the annual interest payments demanded from them by international lenders.

## State of Debt in Developing Nations: 2003-2007

Debt level in 2003	2570 billion \$ US
Total payments (principal + interest) paid by developing nations between 2003 and 2007 (in 2003 \$)	1147 billion \$ US (45 % of total debt in 2003)
Debt level in 2007	3 360 billion \$ US

Source: SJC's calculations based on figures from the FMI's World Economic Outlook Database, April 2008.

- Since 2003, total debt levels in developing nations have increased by a factor of 1.3.
- Between 2003 and 2007, payments made by impoverished nations represent almost half of what their total debt level was in 2003.
- In 2006, the citizens of Zimbabwe spent over 420 000 \$ US per day repaying odious debt. Zimbabwe is home to over 12 million people, 80% of which must survive on less than 1 \$ US per day.
- In 2007, developing nations spent over 14 billion \$ US on principal and interest payments.

## The Heavily Indebted Poor Countries (HIPC) Initiative

- The HIPC initiative lists 41 impoverished countries, the majority of which are located in Sub-Saharan Africa. The HIPC Initiative, established in 1996, offers strategies for these nations to surface from their state of extreme indebtedness. Unfortunately, experts have called these strategies into question, and the speed at which they have been implemented has been insufficient thus far to allow these nations to emerge from the crisis.

### The Debt of Heavily Indebted Poor Countries

Selected HIPC	Total Debt (billions of \$ US)	Total Debt/Value of Exported Good and Service
Burundi	1 411	1 643 %
Eritrea	800	1 290 %
Liberia	2 674	1 884 %
São Tomé and Príncipe	355	2 230 %
All Developing Nations	3 360 000	65.6 % (in 2006)

Source: World Bank, Global Development Report 2008, table 1, Key Indebtedness Indicators 2004-06, p.29-31.

- The HIPC initiative has not achieved the objectives it was created for, nor has it been able to help arm impoverished nations against the insurmountable effects of the recent economic crisis.

The Social Justice Committee of Montreal urges the Canadian government to argue for a closer examination of the debt of third world countries, with the aim of identifying credible and practicable policy options for addressing debt that has been deemed odious, and thus unenforceable.