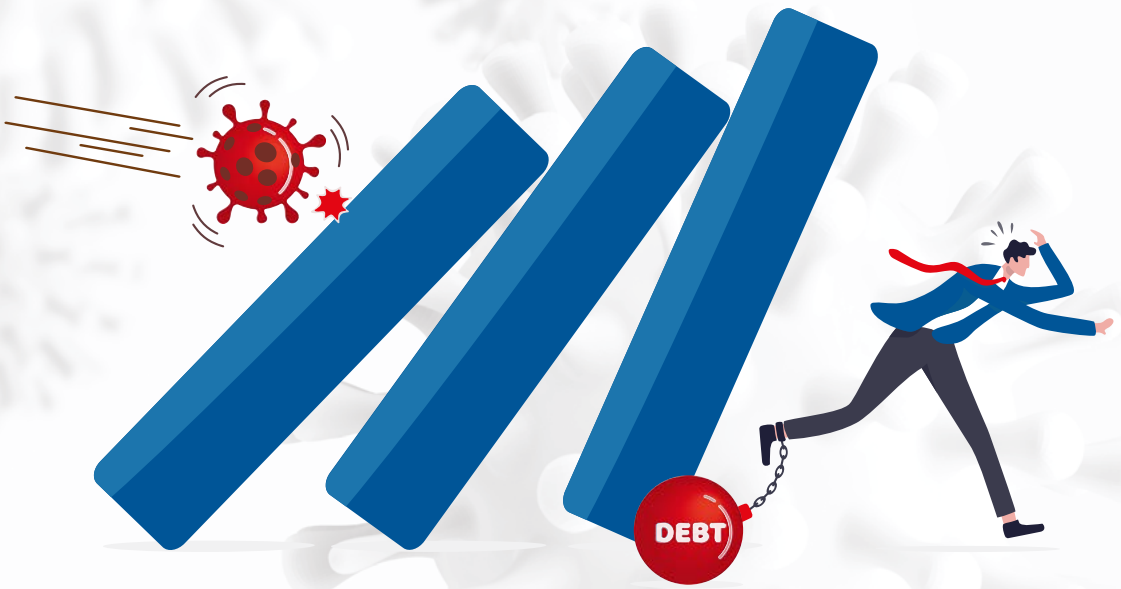
THE TUNISIAN DEBT CRISIS IN THE CONTEXT OF THE COVID-19 PANDEMIC

DEBT REPAYMENTS OVER HUMAN RIGHTS?

Tunis, Tunisia, August 2021



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Introduction

At the beginning of the pandemic in spring 2020, it was not so much the health crisis, which hit developing countries like Tunisia hard. While Europe and the US struggled with the health impact of the pandemic, it was the global economic impact, which devastated the Tunisian economy. In April 2020, the IMF forecasted the economy to contract by 4.3 percent over the year. In the end, real GDP contracted double as much, by an unprecedented 8.2 percent, the largest GDP drop since independence. Tourism and transport collapsed, manufacturing declined in export-oriented sectors. As a result, unemployment jumped to 16.2 percent, with a poverty rate increasing from 14 percent to over 20 percent in 2020. Public debt[1] jumped by 15 percentage points from 72 % to 87 % in 2020, due to the economic contraction. Given the dire situation, the Tunisian government officially applied for a new IMF financing program in April 2021, which is not yet finally agreed. By analyzing the latest IMF assessment on Tunisia, this paper discusses the current debt situation of Tunisia, suggested reforms that may end up being part of the IMF program and alternative ways forward.

Debt sustainability assessed by the IMF in the context of COVID-19 – Debt clearly unsustainable

In February 2021, the IMF published its latest debt sustainability analysis for Tunisia in preparation of the potential IMF loan program for the troubled economy[2].

Debt sustainability analyses for countries with "market access" – such as Tunisia – are different from debt sustainability analyses (DSA) for low income countries (LIC). Differently from LIC-DSA, in market access countries (which are highly diverse and range from Russia and Fiji), the IMF does not give a clearly labelled judgment on how much debt sustainability is under threat. Both analyses work with a baseline scenario, which the IMF thinks is the most realistic development, and different alternative scenarios, in which the change of the debt trajectory is being assessed under potential upside and downside risks. While the debt sustainability of LICs then gets a label of low, moderate or high risk of debt distress, the final assessment of debt sustainability risks in market-access countries will be displayed in a colored "heat map"[3] (see below) without any final summary judgment. However, the heat map, which analyses 15 different aspects of the debt situation, clearly displays judgment by the chosen colors: the redder the heat map is, the higher is the risk of debt being unsustainable.

1 Of the central government
2 See IMF (2021): "Tunisia: 2021 Article IV Consultation", IMF Country Report No. 21/44. The details and data in this chapter relate to this country report, unless otherwise indicated.
3 In the heat map, the debt level, gross financing needs and the debt profile are being assessed. If the debt level does not exceed the benchmark of 70 percent of GDP, the heat map is colored in green. If the benchmark is exceeded in alternative scenarios, the heat map is colored in yellow. If the benchmark is exceeded already in the baseline and therefore in the "current" development, the chosen color is red. For gross financing needs, the benchmark is 15 percent of GDP (under 15 percent = green, over 15 percent in stress tests = yellow, over 15 percent in the baseline scenario = red). The benchmarks for the debt profile are a bit more sophisticated. They range from how much external financing is being required to how much debt is in foreign currency to the share of short-term debt.

In Tunisia, both, public and external debt sustainability, are clearly at risk. Public debt (which includes external and domestic debt of the public sector) has declined in 2019 from 77.5 percent to 72 percent. This is close to the IMF debt burden threshold of 70 percent of GDP, which indicates whether debt sustainability may be at risk or not. This decline was abruptly reversed in 2020 due to the unprecedented economic contraction. Also the fiscal deficit deteriorated strongly, due to lower revenues, while at the same time expenditures for emergency measures and additional hiring of health staff increased. With 87.6 percent, the debt burden benchmark of 70 percent of GDP is significantly breached. Also other indicators point to debt sustainability being at risk, such as the level of financing needs. The clearly colored heat map[4] clearly shows the heightened risks to debt sustainability:

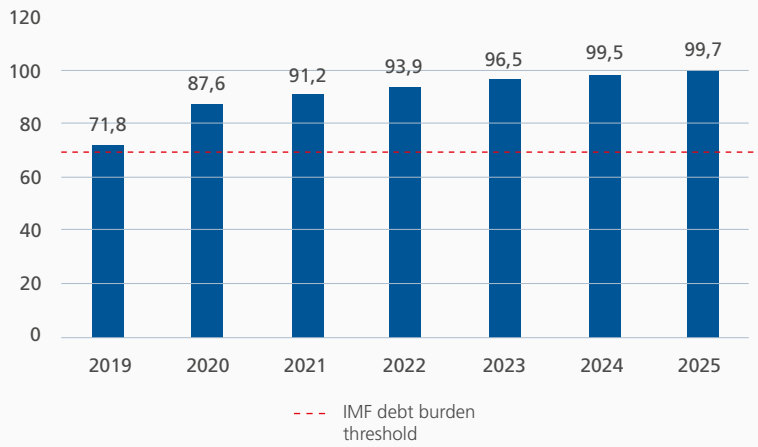
Table 1: Heat Map of Tunisia

Debt Level	Real GDP growth shock	Primary balance shock	Real interest rate shock	Exchange rate shock	Contingent Liability shock
Gross financing needs	Real GDP growth shock	Primary balance shock	Real interest rate shock	Exchange rate shock	Contingent Liability shock
Debt profil	Market perception	External financing requirment	Change in the share of short term debt	Public debt held by non resident	Foreign Currency debt

The only green and therefore "unrisky" tile relates to the debt stock being largely held by official sector creditors and therefore loans having long maturities, posing a lower risk to refinancing the debt, when it matures.

In the baseline scenario, it is expected that the already very high debt level will just continue increasing, which means, that debt is growing faster than the economy:

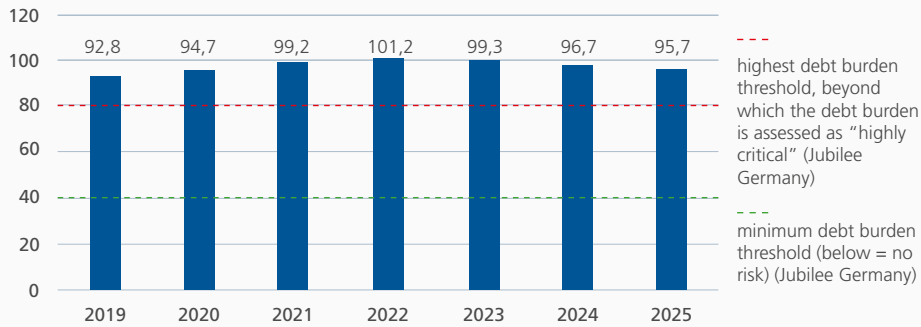
Figure 1 : Projection Public debt / GDP in the IMF baseline scenario



4 See IMF 2021 Article IV Consultation, p. 48.

When it comes to external debt (which includes the external debt of the public sector as well as private sector such as from Tunisian companies), the level is equally high: In 2020, external debt to GDP was at 94.7 percent. For external debt, the IMF only sets debt burden benchmark to assess the risk for debt sustainability for LICs, not for market access countries. However, standard benchmarks range from 40 percent to 80 percent, with a level beyond 80 percent being seen as very critical.[5] In the realistically expected baseline scenario, external debt is projected to remain high and elevated:

Figure 2 : Projection external debt / GDP in the IMF baseline scenario



Alternative scenarios, such as the risk stemming from more frequent natural disasters and lower GDP growth in the event of a prolonged pandemic (such as due to lower deployment of vaccination) would further deteriorate the already dire debt situation. A scenario like the latter does not seem to be unlikely: Although Tunisia started its vaccination program, it is far behind schedules. In February, the authorities planned to secure enough doses to vaccinate at least half the population starting in April/May, to get tourism, one of the backbones of the Tunisian economy, going for the 2021 season.[6] However, end of June, it is estimated that Tunisia has administered vaccine doses for around 7.5 % of the population[7]. At the same time, a deadly third COVID-19 wave has just started to get the African continent in a tight grip.[8]

The IMF's "reform scenario" for Tunisia - recovery or lost decade?

In order to bring the debt down to sustainable levels, the IMF suggests a reform scenario with the catchy title "from stabilization to recovery and sustainability". The key element of the reform scenario however is a heavy internal adjustment, restoring the primary balance from -8.2 percent in 2020 to 0.1 percent in 2023. This shall be achieved by, for instance, reducing the public wage bill, phasing out energy subsidies and targeting social spending. In later media

5 See erlassjahr.de and Misereor (2021): "Global Sovereign Debt Monitor", p. 17. Debt sustainability thresholds do not indicate that a debtor is already insolvent, but it does give an indication, that debt could become problematic and needs a closer look.
6 See IMF 2021 Article IV report, p.6.
7 See https://graphics.reuters.com/world-coronavirus-tracker-and-maps/countries-and-territories/tunisia/. In comparison: In Germany, it is estimated that around 36 percent of the population is already fully vaccinated with 54 percent having received at least one vaccine dose.
8 See https://www.dw.com/en/third-wave-of-covid-hits-africa/a-57939389

reports, a reduction in other subsidies such as those of food have been discussed as well.[9] The success of the reform scenario would hinge on continued access to low-cost finance as well as the success of the Tunisian government in bringing down the fiscal deficit and starting fiscal austerity measures as early as 2021. However, in other contexts, the IMF strongly warned that fiscal austerity, that comes back too early, would threaten the recovery, and rather advocates for additional fiscal support.[10] Also other institutions, such as the UN Conference on Trade and Development (UNCTAD), warned that the need to combat debt burdens through austerity policies in the absence of appropriate multilateral support from the international community (such as through debt relief and low-cost finance) would not only put global economic recovery at risk, but could also cause another lost decade for many developing countries.[11]

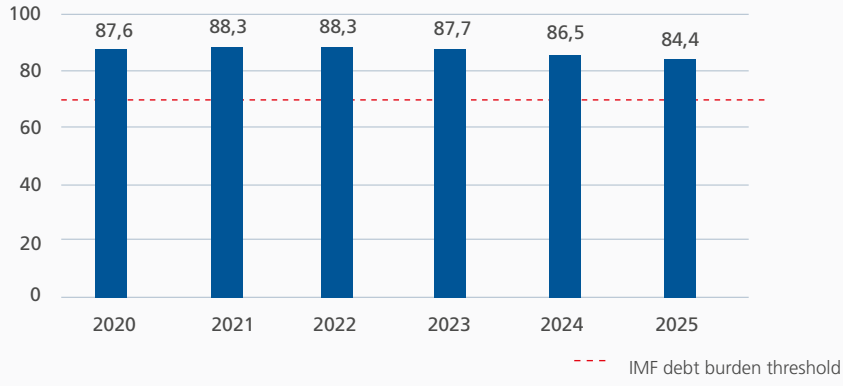
A comprehensive study of public service experts shows that it is exactly those proposed austerity reforms that should be avoided in the post-pandemic period, assessing historical austerity trends such as after the global financial crisis, in order to prevent poverty and inequality from increasing[12]. Reducing subsidies for fuel and food would make basic goods unaffordable for many households in the respective countries, higher energy prices would also often lead to a contraction in employment-generating economic activities[13]. When it comes to more targeted social safety nets, the study remarks that this often means a "de facto reduction of social protection coverage", because in "most developing countries, the so-called middle classes have very low incomes, and restricting support to the poorest only excludes them and increases their vulnerability"[14]. Reports show that the middle-class in Tunisia is already heavily stretched and that additional austerity measures would further increase the risk of shrinking the middle-class, a trend which has already been ongoing since 2010[15]. This is one reason for regular public protests, such as the latest in January 2021 in Tunis. Other studies also show that fiscal tightening mainly led by reducing expenditures often leads to lower growth[16] – one of the strong risks to the success of the IMF's reform scenario in Tunisia.

Given the potentially low social acceptance of the planned adjustments, the IMF suggests that the Tunisian authorities convince the population that the painful belt-tightening is necessary, under the smokescreen of offering a new "social compact" that the Tunisian populace may have a say in through a "national dialogue" that establishes a "home-grown program"[17]. However, the economic reform program "that could garner the support of external partners"[18] is the prerequisite for the agreement on an IMF loan program, which is seen as necessary for unlocking more external financial support which Tunisia may need in absence of debt relief in order to meet financing needs in 2021. Differently from other countries however, the traditionally strong labour union in Tunisia could give the IMF a hard time to get through with its agenda[19].

9 See https://www.reuters.com/world/africa/exclusive-tunisia-propose-wage-subsidy-cuts-imf-talks-document-shows-2021-05-05/
10 See for instance https://www.imf.org/en/Publications/FM/Issues/2021/01/20/fiscal-monitor-update-january-2021, p. 2: "Most countries are projected to experience lower fiscal deficits in 2021 as revenues rise and expenditures decline automatically with the recovery and temporary pandemic-related measures expire. However, without additional fiscal support beyond that included in 2021 budgetary plans, projected fiscal contractions this year could slow the recovery, whose pace and extent remain uncertain."
11 See UNCTAD (2020): 'Trade and Development Report 2020 – From Global Pandemic to Prosperity for All: Avoiding another lost decade', https://tinyurl.com/y23dhmc3.
12 https://policydialogue.org/files/publications/papers/Global-Austerity-Alert-Ortiz-Cummins-2021-final.pdf
13 Ibid. p. 12
14 Ibid.
15 https://www.thenationalnews.com/mena/tunisia-s-vanishing-middle-class-braces-for-proposed-imf-austerity-1.1222360
16 The most recent one: https://www.cgdev.org/blog/low-income-developing-countries-will-surely-need-more-debt-relief-down-line
17 IMF 2021 Article IV report, p. 2.
18 Ibid.
19 See fore example the protests in 2019: https://en.qantara.de/content/social-unrest-in-tunisia-taking-on-the-imf?nopaging=1.

All the internal "blood-letting" would not even lead to a sustainable debt level according to the IMF's own DSA standards, which sets the public debt burden threshold at 70 percent of GDP:

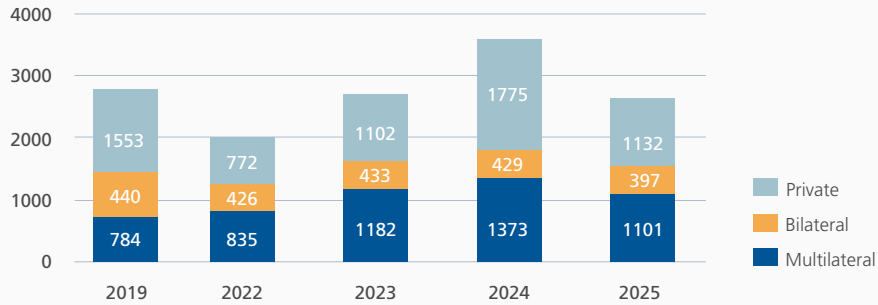
Figure 3 : Projected public debt / GDP under the IMF "reform scenario"



The lack of debt relief as policy option: the (missing) role of the IMF debt sustainability analysis in restoring debt sustainability

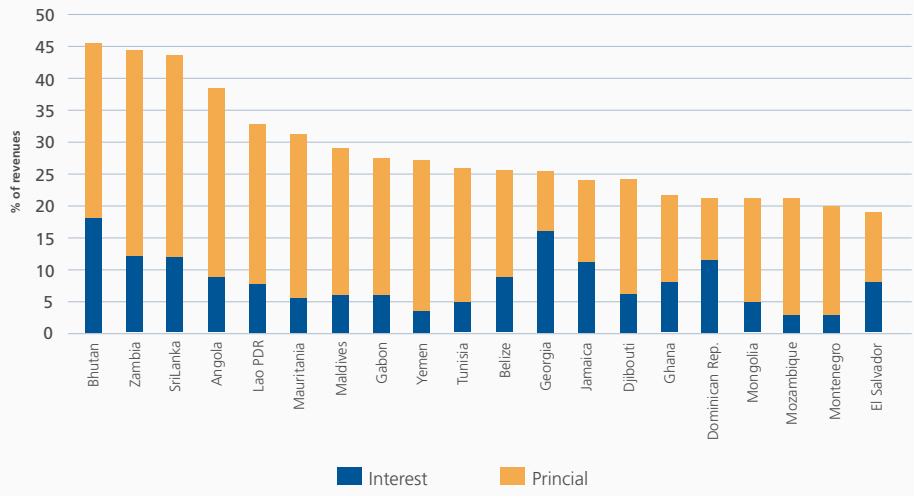
What is not part of the reform scenario is any adjustment on the side of creditors, although the IMF debt sustainability analysis clearly shows that debt sustainability is under threat. Seeking a debt restructuring is not part of the reform scenario and the recommendations to the Tunisian authorities. An alternative scenario, which shows the impact of debt treatments by the different creditors on stabilizing the debt ratio is not part of the analysis. In contrast, the internal adjustment aims at ensuring that the high debt service level that is projected between 2021 and 2025 can remain current. On average, debt service amounts to annually 2,750 billion US Dollars until 2025:

Figure 4 : External debt service central government (principal and interest, in million US-Dollar)



A study from UNDP on sovereign debt vulnerabilities calculated that debt service payments would eat up more than 25 percent of government revenues on average between 2019 and 2025, which makes Tunisia one of the top 20 vulnerable countries:[20]

Figure 5 : Top 20 - Total external debt-service payments as a percentage of revenues (2019-2025)



In principle, standard debt sustainability analyses in the context of the Article IV consultations are not automatically linked to the initiation of debt restructuring negotiations if debt is unsustainable. In general, it is a fundamental problem that in standard DSA, there are no scenarios which deviate from the standard recommendation of fiscal consolidation as the only appropriate strategy for stabilizing the debt ratio. Alternative scenarios, which incorporate debt rescheduling and partial debt relief and their impact on economic recovery, as well as the improvement of debt indicators, are non-existent. If such scenarios were to exist, it would be possible to identify debt restructuring requirements at a significantly earlier stage and potentially incentivize the initiation of debt restructuring negotiations.

One of the reasons for this strangely missing function of the IMF DSA is that after the multilateral debt relief initiative for heavily indebted poor countries (HIPC-initiative), the international community was convinced that debt problems in the Global South would not be a problem anymore (despite of potentially exceptional cases), which means, that an analysis that identifies the dimensions of necessary debt relief would not be needed. Another reason is the lack of a single, comprehensive multilateral process with clear rules and with the purpose to deliver fair and comprehensive debt restructuring. Instead, the current debt crisis management architecture consists of a non-system of different rules and ad-hoc processes for different types of creditors[21].

20 See https://www.undp.org/publications/sovereign-debt-vulnerabilities-developing-economies, p. 25.
21 For a detailed and principal analysis see https://library.fes.de/pdf-files/iez/10263.pdf and https://www.globalpolicy.org/sites/default/files/download/Briefing_0621_Debt_Crisis.pdf.

Just recently, relevant actors in global economic governance accepted the fact, that debt restructurings may be a necessary feature for a broader group of countries and that it is better to have processes in place to ensure preemptive action. The G20 established the "G20 common framework for debt treatments beyond the DSSI" in November 2020 to enable a rules-based process to restructure the debt of poorer countries (see below). In this process, the IMF debt sustainability analysis clearly has the role to recommend the dimension and burden-sharing on debt relief. However, this framework is only open to 73 countries with a low per capita income. This means, for countries like Tunisia, standard recommendations to reduce debt to a sustainable level remain focused on the expectation that concessions come solely from the debtor in the form of fiscal consolidation.

Debt relief initiatives in times of COVID-19 creditor-led, ineffective, not inclusive

At the beginning of the pandemic, debt relief as an instrument to create additional fiscal space in support to countries to deal with the health and economic crisis, caused by the COVID-19 virus, was at the top of the political agenda. The IMF offered debt service relief through its Catastrophe Containment and Relief Trust (CCRT) to 29 poor countries, the G20 offered debt service suspension through their newly established Debt Service Suspension Initiative (DSSI). While at the early stages, there were calls for a moratorium on all payments, be them bilateral or multilateral, private or official[22], in the end, the moratorium was limited to payments to the 20 member countries of the G20 and the members of the Paris Club[23], accompanied by a call on private creditors to participate voluntarily, which none has to date. Multilateral claims were exempted entirely. Around 27 percent of Tunisia's external debt is owed to the IMF and official bilateral creditors (see table 1), the latter which consists mainly of G7 countries such as France and Japan as well as non-G7 countries such as Saudi Arabia, all of them part of the G20[24]. While Tunisia therefore would have benefitted from both initiatives at least with a part of its debt stock, both initiatives were restricted to the poorest countries. Country coverage was determined by low per capita income, not by the existence of a debt problem or other vulnerabilities such as the economic and health impact of the pandemic, thus leaving out more than 95 percent of debt service payments of developing countries in 2020 outside the scheme.

Given the lack of participation of private creditors in the DSSI and the potential need to offer deeper debt relief to countries with a potential solvency problem, the G20 agreed on the G20 Common Framework for Debt Treatments beyond the DSSI. The framework was meant to offer a comprehensive format to negotiate debt treatments, having important official creditors at the table that are currently not part of any multilateral creditor format, such as China and India. Furthermore, the G20 claim that with the framework, private sector creditors, such as bondholders or commercial banks, would be forced to participate in debt treatments, differently from the DSSI. If that is the case will have to be seen. Given that no country has

22 Merkel https://www.consilium.europa.eu/en/press/press-releases/2020/04/15/only-victory-in-africa-can-end-the-pandemic-everywhere/
23 Paris Club erklären
24 Germany is a creditor as well, with the amount of 150 million Euros stemming from development cooperation (end-2019 data).

completed a treatment under the framework, it is not tested yet. As the framework currently stands, it is however the debtor alone that is expected to achieve debt relief from private creditors comparable to the concessions given by the G20, without any legal means to enforce this condition set by the G20. In any case, the adoption of the framework mirrors that the international community accepted the necessity of restructuring debt in order to prevent that unsustainable debt service to creditors will hamper development prospects of developing countries:

"While temporary liquidity relief can help mitigate the lack of policy space, for some countries it may not be enough in situations where sovereign debt is unsustainable. In such instances, eligible countries should work with creditors to restructure their debt under the new common framework approved by the G20. Without such action, these economies may be forced to forgo critical health care and capital spending as they divert scarce foreign reserves to meet external payment obligations, setting back their long-term development and convergence to higher income per capita even further."[25]

In the case of Tunisia, around 46 percent of the debt stock would consequently be covered by the Common Framework (see Table 2) if qualification were based on vulnerability rather than per capita income. More than half of the external debt stock is however owed to multilateral creditors, such as the African Development Bank and the World Bank. Multilateral creditors claim a de facto exempt creditor status, which means that their claims shall not be restructured or cancelled, but must be repaid at all costs.

Table 2: External debt stock by creditor category, September 2020[26]

	in million US-Dollar	in percent of total
Multilateral creditors	**15,048**	**54,1**
of which African Development Bank	3,096	11,1
of which the European Investment Bank	2,404	8,6
of which the IMF	2,434	8,7
of which the World Bank	3,930	14,1
Official bilateral	**5,066**	**18,2**
of which the G7	3,248	11,7
Private creditors	**7,717**	**27,7**
of which bondholders	6,986	25,1
of which banks and trade creditors	0,731	2,6

25 See IMF World Economic Outlook "Managing Divergent Recoveries", April 2021.
26 See IMF 2021 Article IV report, p. 55.

In any case, Tunisia, despite of its threatened debt sustainability, does not have access to this initiative either, given its restriction to 73 countries with the lowest per capita income. This has been criticized heavily by various actors world-wide, such as the UN General Secretary, who repeatedly called for solutions for middle-income countries[27]. Debtor countries themselves raised their voice and demanded inclusion in the development of solutions as well as fair debt relief for middle-income countries. Initiatives came, among others, from Mexico and Argentina in April 2021[28] or the Alliance of Small Island States in July 2020, October 2020 and April 2021[29].

Countries like Tunisia left behind with hostile creditors and lack of options

The lack of access to the G20 Common Framework leaves Tunisia with a chaotic non-system of different fora and rules if it wanted to restructure its debt, while at the same time, more than half of its debt stock is deemed as non-restructurable by creditors. However, in order to find sustainable solutions, debt sustainability needs to be looked at comprehensively. Alternatively, the creditors of the other 46 percent of the debt stock need to grant higher concessions, in order to restore debt sustainability. Given that this is far away from fair burden-sharing, it is unclear whether other creditors would be willing to do so.

In addition to this highly complicated setting, private creditors, in the context of the DSSI and the G20 common framework, established the narrative that debt relief would not be in the interest of debtor countries while staying current on their debt service would prevent countries from losing their "hard-won" market access. This effectively persuaded some governments and prevented eligible countries from participating in the DSSI. It is also assumed that this effectively prevents countries from seeking a restructuring under the G20 Common Framework. In April 2021, the governor of the Tunisian Central Bank joined those ranks and slashed rumors that Tunisia might be seeking a debt restructuring. Instead, he says, the country would focus on securing IMF financing to improve the standing with private investors.[30] The French ambassador to Tunisia officially supported the skewed private sector discourse, by discouraging Tunisia to seek a restructuring from the Paris Club, the informal group of official creditors representing mainly industrial countries, among them France as the biggest bilateral creditor to Tunisia.[31] He warned that if Tunisia would ask for debt relief, even if it were from official creditors only, the country would be cut off from private sector lending[32].

Till to date, the G20 initiatives and the IMF debt service relief have not been expanded to all countries in need and separate initiatives for middle-income countries, such as group-wise approaches for special groups of countries have not been adopted. In contrast, despite

27 The latest see https://news.un.org/en/story/2021/06/1094202
28 https://www.batimes.com.ar/news/economy/mexico-argentina-urge-debt-relief-for-middle-income-nations.phtml
29 See https://www.aosis.org/wp-content/uploads/2021/04/200710-UN-Doc-A-74-943-Statement-on-Debt.pdf; http://test.aosis.org/blog/wp-content/uploads/2020/10/5.-Sustainable-Development-incld-SAMOA-Pathway_AOSIS-Statement_Final.pdf and https://www.aosis.org/release/small-island-states-call-for-a-systemic-debt-shake-up-at-imf-and-world-bank-meetings/
30 See Interview in Global Capital „Tunisia CB chief: IMF first, capital markets later", 27 April 2021.
31 See https://allafrica.com/stories/202106220878.html
32 However, empirical evidence does not support this argument. See comprehensive discussion in Rehbein, K. and Kaiser, J. (2021): „Nie wieder einen Kredit – wie Gläubiger Entschuldungsinitiativen torpedieren"; Perspective Economy and Finance: Friedrich-Ebert-Stiftung (forthcoming).

the rhetoric about the grave danger of a "great divergence" between richer countries, that are on track with a fast recovery and most of the developing world, that does not have appropriate access to vaccines and has little fiscal and policy space to invest into the recovery[33], the international community seems to be willing to leave critically indebted middle-income countries behind by not offering any other options to them than the recourse to austerity:

"Reflecting elevated debt levels, exchange rate risks, and concerns about rating downgrades and adverse market reactions if large deficits persist, many emerging market and developing economies are expected to tighten fiscal policy in 2021. Under the current projections, countries with elevated public debt and financing constraints will implement larger fiscal adjustments over the medium term."[34]

A call for action: Alternative ways forward for a new social compact

A debt crisis and subsequent austerity is not without alternative. A new social compact must start with comprehensive debt relief and a true national dialogue on economic reforms that are not prescribed by the IMF. For the latter, the global campaign to end austerity offers a variety of ideas on "policies that advance gender justice, reduce inequality and put people and planet first"[35]. Civil society should proactively demand that the human rights of Tunisian people should be prioritized over creditors' rights to be paid in full. It is not appropriate that the people in Tunisia shall accept higher energy and food prices while more than a quarter of Tunisian public revenues go to creditors. Given the immediate need to prioritize lives and livelihoods in the context of the COVID-19 pandemic and its multidimensional impact, a meaningful approach would consist of an immediate debt service moratorium on all payments followed by a process of comprehensive debt restructuring. This two-step-approach is also proposed by actors such as the UN General Secretary and the already mentioned initiative by AOSIS and, in a national dialogue, should be demanded as being considered as credible reform option.

Civil society should also demand to be equally heard in occasions such as the discussions with the IMF mission. Decisions that affect the lives of millions of people must not be taken behind closed doors at the Ministry of Finance and in Washington.

Given the lack of a comprehensive debt restructuring process and the failure of relevant global decision-makers to establish such a process, Tunisia needs to defend its own interests with more force. One way is to start an impartial and independent debt restructuring negotiation process outside established creditor formats on its own with support from friendly development partners (the pilot case approach). The "Roadmap and Guide on Sovereign Debt Workouts" by the UN Conference on Trade and Development provides a practical step-by-step guide

33 See IMF director Kristalina Georgieva: https://blogs.imf.org/2021/02/24/the-great-divergence-a-fork-in-the-road-for-the-global-economy/
34 IMF "Fiscal Monitor Update", January 2021, https://www.imf.org/en/Publications/FM/Issues/2021/01/20/fiscal-monitor-update-january-2021, p. 2.
35 See https://policydialogue.org/files/publications/papers/Global-Austerity-Alert-Ortiz-Cummins-2021-final.pdf, concrete proposals from p. 16.

for debtor governments, that would like to do things differently.[36] Debtor countries should generally not be afraid of the (empty) threat of private creditors on the potential long-term loss of market access if countries actively seek debt relief negotiations[37]. Empirical evidence (and common sense) prove that a potential rating downgrade by credit rating agencies, that may affect market access, will be short-lived; the improvement hinges on debt treatments that are far-reaching and effective enough to restore debt sustainability. The top priority should be to stabilize the health, social and economic situation as quickly and as comprehensively as possible. What would be most hurtful not only for a credit rating but more so for the economy and people's well-being would be a protracted crisis that would be constantly prolonged by attempts to preserve the short-term income expectations of one's own creditors.

Beyond the individual debt situation, Tunisia could also play a proactive role in regional opinion- and coalition-building to join ranks with other debtor voices, such as AOSIS, to demand debt relief for middle-income countries. In the early stages of the pandemic, African finance ministers demanded action on debt relief from the IMF, World Bank and other creditors[38], while later in 2020, African parliamentarians launched the "Debt Cancellation Campaign Initiative"[39]. Tunisia could lead on regional or continent-wide opinion-building and push for action on comprehensive debt relief for middle-income countries in upcoming multilateral processes (the champion approach). Debt relief should be granted by need and vulnerability and not by per capita income. Such initiatives provide the basis for even larger ad-hoc coalitions which may also include individual progressive governments from the global North as well as civil society.

Kristina Rehbein, Political coordinator erlassjahr.de (Jubilee Germany)

36 See https://unctad.org/system/files/official-document/gdsddf2015misc1_en.pdf
37 See comprehensive discussion in Lang, V., Mihalyi, D. et. Al (2020): "Borrowing costs after debt relief", https://voxeu.org/article/borrowing -costs-after-debt-relief and Rehbein, K. and Kaiser, J. (2021): „Nie wieder einen Kredit – wie Gläubiger Entschuldungsinitiativen torpedieren"; Perspective Economy and Finance: Friedrich-Ebert-Stiftung (forthcoming)
38 https://www.reuters.com/article/us-health-coronavirus-africa-finmins-idUSKBN21J4YT
39 https://www.modernghana.com/news/1036923/african-parliaments-launch-debt-cancellation-campa.html

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