

Debt-for-Development Exchanges in Australia



Working Paper of Jubilee Australia, 2010

Written by Adele Webb and Luke Fletcher

Introduction

The following chapter is an attempt to write the eight-year history of Australia's first debt-for-development exchange. This is a story not just about Australian benevolence, sacrificing money owed to it in order to assist poor Indonesian children suffering from tuberculosis. It is also a story about the consequences of rich country policies that are designed to make their exporters competitive in a global marketplace, for these export finance policies and the debt accumulation of less-developed countries are inherently linked. The relationship between a competitive trade policy and the accumulation of debt runs as a constant theme throughout this contribution.

The chapter itself is written from a perspective that is critical of what may be called the 'debt-dependent development model'. This is not the simplistic belief that debt is always bad: many countries, such as Australia in the late 19th/early 20th century, and, more recently, South Korea, have become development success stories despite borrowing heavily in key periods. Rather, it is the more nuanced position that borrowing to facilitate

development should be done selectively and with great caution, lest it lock one into a subordinate relationship to richer countries and financial institutions; and that unless the borrowing regime is a mature democracy (or an extremely enlightened autocracy) with a functioning development model, the borrowing will almost certainly produce more problems than solutions. It is unfortunate that the occasional blindness of economic theory has combined with the often self-centredness of wealthy nations' foreign policy to exploit and at times even create these problems. Critical civil society and movements like the international Jubilee network see themselves as existing to redress these imbalances.

Much more could be written about these broader development issues, but there is not the space to do so here. Rather it is better to turn to the task at hand: that of telling the tale of the origins, development and implementation of, and future possibilities for, Australian debt-for-development exchanges.¹ As such, this paper first looks at the mechanisms by which Australia has become a creditor nation; the second part then looks specifically at the nature of Indonesian debts still owed to Australia; part three tells the story of civil society advocacy for debt exchanges; the paper then discusses the challenges and processes by which Australia's first debt exchange, *Debt2Health*, was brokered; and the final section looks forward to suggest where the best opportunities lie for future debt exchanges.

Australia as a Creditor Nation

Notwithstanding its membership of international lending agencies, including the World Bank and International Monetary Fund (IMF), Australia is a relatively small player when it comes to the debt of the two-thirds world². Compared with countries like the United States, Japan, the United Kingdom and Germany, Australia is a minor creditor with little outstanding bilateral debt. This is in part because of the way that Australian development assistance has been delivered. With a couple of notable exceptions³, the Australian aid program has provided bilateral assistance only in the form of grants.

Despite a relatively minor role as a lender to the two-thirds world, the Australian Government joined with the others creditor countries in supporting the 1996 introduction of the Heavily Indebted Poor Country (HIPC) Initiative, an official debt relief scheme coordinated by the World Bank and the IMF. The HIPC Initiative and the subsequent 1999 Enhanced HIPC Initiative were a response to the calls of Jubilee 2000 campaigners worldwide for the cancellation of the 'unpayable'⁴ debts of the poorest countries by the year 2000 and a reaction by G7/G8 creditors to the growing fear that an unprecedented

rise in the incidence of sovereign debt defaults could destabilise the world economy. In 1998 the Australian Government announced \$30.5 million⁵ in additional aid funding as a contribution to the HIPC initiative. Then in April 2000, influenced by the announcements made by the G8 and the public pressure exerted by Australian Jubilee 2000 campaigners⁶, Australian Treasurer Peter Costello announced that the Government would provide 100 per cent bilateral debt forgiveness to those countries which met the HIPC requirements.⁷

As of March 1999, Australia was owed an estimated total of \$4 billion in sovereign debt by less-developed countries. Of the 41 countries deemed eligible for possible debt relief under HIPC, Australia was owed money by four – Vietnam, Ethiopia Nicaragua and Laos.⁸ Given the aforementioned grant-based nature of the Australian aid program, this \$90 million of debt was almost exclusively generated through export finance loans and insurance by the Export Finance and Insurance Corporation (EFIC). EFIC is the wholly Government-owned entity established to provide finance and insurance products to Australian exporters where they cannot be sourced through commercial channels.⁹ Vietnam's \$67.6 million debt consisted of eleven EFIC loans including those relating to a fruit and vegetable processing plant, an abattoir, a coal processing plant, metallic telephone cabling, a sugar refining plant, sugar cane milling equipment and a digital automatic data processing machine¹⁰. Ethiopia's \$15.3 million debt was incurred through a loan written in 1990-1991 for sugar cane milling equipment.¹¹ The \$5.7 million owed by Nicaragua arose from a 1986 EFIC loan for sugar cane harvesting equipment.¹² Vietnam was removed from the HIPC Initiative when the World Bank determined that its debt was sustainable and Laos declined to participate in HIPC; this left only Ethiopia and Nicaragua as eligible for full bilateral debt cancellation by Australia. Having met their HIPC requirements the debt of the two countries was finally retired by the Australian Government in 2004.¹³

The Government, however, remained reluctant to extend debt relief to countries outside the HIPC umbrella. Why was this? The HIPC initiative required that countries eligible for debt relief not only be fiscally poor (and indebted) but also have demonstrated a track record of implementing structural and policy reforms mandated by the IMF and the World Bank. This framework was firmly supported by the Australian Government: in 1999 Senator Robert Hill, in response to a parliamentary question on the issue, declared that 'debt relief without true adjustment would be wasted'. Unconditional cancellation, he said, would further encourage unsustainable debts by rewarding weak economic performance and shielding governments from their responsibilities.¹⁴

It is worth pointing out that in making these statements, the Government was simply echoing the position of the international community of creditors that structural adjustment under IMF and World Bank programs was a necessary condition of debt relief to ensure sound economic policies in indebted countries. While predictable, this position does not match up with the realities of international development. More than twenty years of structural adjustment programs yielded no proof of their success in reducing poverty, accumulating wealth and strengthening economies. Senator Hill's statement on behalf of the government that such reforms were necessary to avoid 'weak economic performance' was particularly unfortunate given that the less-developed countries which have best succeeded in recent years (the Asian Tigers, China, India, - not to mention Thailand's comparatively successful recovery from the Asian Financial Crisis) are those that have deliberately avoided the policy prescriptions of the IMF and the World Bank.¹⁵ Furthermore, the debt owed to Australia arose from loans given to promote trade¹⁶ rather than money extended for more altruistic purposes as is often assumed. The Australian economy had already benefited through enhanced export sales and it is therefore questionable whether it should have the right to expect, by virtue of the remaining debt, to be able to leverage additional control over the structural reform policies of recipient countries.

The other multilateral forum offering an avenue for less-developed countries facing debt distress is the Paris Club, an informal grouping of the largest nineteen lending countries, including Australia. Though non-binding and operating without a legal basis, this club of creditors find it in their interests to take coordinated action when renegotiating the repayment of debts.¹⁷ Through these meetings the Australian Government has agreed to reschedule or partially cancel sovereign debts owed by a number of less-developed countries. For example, on three occasions the Australian Government rescheduled EFIC loans to the Indonesian Government covering payments originally due between 1998 and 2003.¹⁸ Additionally, following the December 2004 tsunami, the Government agreed through the Paris Club to put a moratorium on Indonesia's debt repayments due in 2005. Through a Paris Club agreement Australia also retired \$195 million of Egypt's debt in 1991 as part of a coordinated action by creditors thought to be in response to the country's support to allies during the first Gulf War. Perhaps most well-publicised was the agreement negotiated between Iraq and the Paris Club group of creditors in 2004, with Australia announcing it would cancel US\$850.7 million as its part of the international effort to forgive 80 per cent of the US\$38.9 billion of Iraqi Government debt owed to these countries.¹⁹ In

order to reconcile EFIC accounts the money was counted as part of official development assistance (ODA).

Outside of the existing multilateral debt relief initiatives and Paris Club negotiations, debt relief by creditors can take three other forms: first, unilateral partial or complete cancellation, such as the action of Norwegian government in 2006²⁰; debt buybacks, that is the purchase of the debt by the country itself, usually at a discount, from its creditors; and third, debt-for-development exchanges. The magnitude of Indonesia's debt problem, the origins and nature of loans from Australia and the reason for it being a suitable counterpart in an Australian debt-for-development exchange are discussed in Part 2 below.

Indonesia: Australia's Largest Debtor

Along with its neighbour, the Philippines, Indonesia's economy is dominated by the spiral of debt - continuous repayments constantly financed by new borrowings. The 1997 Asian financial crisis decimated the country's economy, as did the policy requirements of the IMF's 'bailout' package. Devaluation of the currency and the transfer of private debt to the public sector saw Indonesia's debt burden double in four years.²¹ Despite consistent economic growth through the early and mid-2000s, Indonesia remains a country with deep impoverishment, severe inequality and a stifling debt overhang. In the national budget of 2009 debt servicing represented expenditure eleven times greater than that on health, a bleeding of national income that is patently costly in a nation with a severe disease burden and unacceptably high poverty levels.²²

Despite the punitive annual repayments and almost half the population mired in poverty, Indonesia, as a 'middle income country', has not been eligible for the World Bank/IMF-mandated debt relief programs. This is ostensibly due to the country's comparatively strong export profile led by its performance in primary commodity exports: according to the World Bank Debt Sustainability Framework, the resulting debt-to-export ratio makes Indonesia's debt burden 'sustainable'. Such a judgement is in itself an indictment of the framework, though it is beyond the scope of this chapter to address the issue further.²³ The contradiction between punitive debt repayments and a massive shortfall in social spending has unfortunately not tended to trouble important sections of the Indonesian Government, who are averse to any characterisation of Indonesia as unable to pay its debts.²⁴ The fear is that calling attention to Indonesia's debt situation would have implications for Indonesia's ability to raise funds on the private capital markets, especially bond markets. (Government

bonds are, of course, another form of debt, which hardly makes bond markets a sustainable solution to the problem). It is through this particular constellation of forces and interests that Indonesia has been rendered ineligible for HIPC debt relief. The Government of Indonesia has instead relied on rescheduling from the Paris Club when facing difficulty meeting its debt servicing obligations.

Debts of the Indonesian government owed to Australia are small compared to both its total obligations and its obligations to other major lenders (such as Japan, the Asian Development Bank, the World Bank and the IMF).²⁵ As of June 2009, Indonesia owed Australia an estimated \$845 million, up slightly from \$830 million in June 2008. Indonesia's debt to EFIC has been around the one billion mark for the best part of one and a half decades, rising to occasionally as much as \$1.5 billion. This differs from the case of most other sovereign governments which may have owed EFIC amounts in the hundreds of millions at any one time, but which have tended to pay off the debts rather quickly.

Over 97 per cent of the money owed by Indonesia to Australia was loaned during the 1980s and early-1990s as part of the Development Import Finance Facility (DIFF) scheme.²⁶ A policy of the Australian Department of Foreign Affairs and Trade, DIFF was intended to open up new foreign markets for Australian exporters while at the same time assisting the 'development needs' of importing countries. Recipient governments were offered EFIC loans partially supported by aid grants to fund the import of goods and services from Australian companies. As we discuss in more detail in Part 4 below, Indonesia received the bulk of the DIFF loans during the sixteen-year period of the scheme.²⁷ DIFF was contentious and heavily criticised for misusing the overseas development assistance program to promote Australian exports. In 1996 the policy was discontinued following a change of government and a subsequent Senate Inquiry into the scheme's effectiveness. The new Treasurer, Peter Costello, reportedly described DIFF as a 'subsidy paid to domestic business'.²⁸

The importance of Indonesia as a recipient of Australian credit extends beyond its signal role in the DIFF scheme; it is the only country in recent decades to which Australia has loaned aid money. The one billion dollar assistance package to Indonesia in the immediate wake of the 2004 Boxing Day tsunami consisted of 50 per cent grant-based assistance and 50 per cent loans. Though highly concessional, with zero interest and a grace period on repayment of principle until 2015, the \$500 million worth of loans will nevertheless add to Indonesia's total national debt. The belief was expressed at the time, both inside and

outside of the Australian Parliament, that the program should have been delivered entirely through grants, consistent with Australia's other development assistance programs. Further, no requirement was made that a percentage of the funds be devoted to tsunami assistance activities; in fact much of the loaned money may end up going to contracts for projects outside of Aceh.²⁹ It is also worth noting that the initial package required that contracts be awarded exclusively to Australian and New Zealand firms, though this was later amended to allow Indonesian companies to bid for work.³⁰

Lobbying for Debt Exchanges in Australia

Early advocacy efforts by Jubilee Australia to lobby for a debt-for-development exchange as an innovative approach to Indonesia's outstanding debt made little progress. To the best of the authors' knowledge, the first time that a debt-for-development exchange was proposed in Australia was in October 2002, when in a submission to the Parliamentary Inquiry into Australia's Relations with Indonesia, Jubilee Australia proposed that the Government consider a 'debt-for-poverty-reduction' exchange, pointing to the recent conclusion by Germany of its first such debt exchange agreement.³¹ Around the same time the Indonesian Government had begun to formally request that Australia consider a debt-for-development exchange 'as a way of addressing the bilateral debt between the two countries'.³²

In 2004 Jubilee representatives stepped up their lobbying for the debt-for-development exchange idea. Recommendations for an exchange were made in a number of different meetings with parliamentarians and Treasury officials.³³ In the same year, likely as a result of this lobbying, the key Australian inter-parliamentary committee on foreign affairs, the Joint Standing Committee on Defence, Foreign Affairs and Trade, endorsed a debt-for-development exchange on the grounds that Indonesia was ineligible for further Paris Club rescheduling and that such an exchange would be consistent with the Australian aid program.³⁴ In 2005, as the tsunami aid package was announced, Jubilee Australia's public statements continued to emphasise debt conversion as preferable to aid loans as a way of assisting Indonesia in response to this crisis.

Nevertheless, resistance to the concept continued among Australian policymakers. When AusAID sought public submissions in response to the 2006 White Paper on the future of the Australian aid program, Jubilee Australia entered a proposal for debt-for-development exchanges and even took this position directly to officials during the public consultation

process of September 2005. In the final version of the 2006 White Paper³⁵ the recommendation was not taken up and informal discussions with Australian Treasury officials over this period revealed the sentiment that any mechanism for reducing Indonesia's debt to Australia was unnecessary given the debt was 'sustainable' and Indonesia was meeting its payment obligations.³⁶

Towards the end of 2006 further discouraging signals were received from another source. Heading into the November 2006 G20 Finance Minister's Meeting in Melbourne, the Make Poverty History Coalition, working closely with Jubilee Australia, adopted an Australian-Indonesian debt-for-development exchange as one of its key policy requests.³⁷ Although somewhat swamped by the attention given to the campaign's platform for more foreign aid, there was some focus on the issue at this time, including some mentions in the press.³⁸ Nevertheless, discussions with the Treasurer's senior Ministerial advisors suggested that the Government was not disposed to look favourably on debt-for-development exchanges.³⁹ (At this stage, very little engagement had been made with the then-Opposition Party, the ALP.) With the idea being rejected by the Treasurer's office, Treasury and AusAID, prospects for any adoption of the debt conversion idea appeared dim.

Not long after, however, Jubilee Australia hosted a delegation from the Innovative Financing team of The Global Fund to Fight HIV/AIDS, Tuberculosis and Malaria, on its visit to Australia.⁴⁰ Since its creation in 2002, the Global Fund has become the dominant financier of programs to fight the three diseases, with approved funding of US\$ 19.3 billion for more than 600 programs in 145 countries. To date, programs supported by the Global Fund have saved 4.9 million lives through providing AIDS treatment for 2.7 million people, anti-tuberculosis treatment for 7 million people and the distribution of 122 million insecticide-treated bed nets for the prevention of malaria.⁴¹ Following positive negotiations with the German Government, The Global Fund was looking for a second creditor country to participate in its new innovative financing mechanism called *Debt2Health*. Through this mechanism, the Global Fund facilitates debt conversion agreements between creditor and debtor countries and in so doing raises extra financial resources for its programs in affected countries. The Global Fund considered Indonesia to be a country particularly suitable to the program due to its large debt burden and its need for more resources to fight disease, particularly tuberculosis. Australia, given its proximity to Indonesia and its outstanding debt claims on Indonesia, was considered by The Global Fund as a good potential participant from the creditor side.

At first, it appeared as if the Global Fund's visit might have been in vain, when the delegation received a lukewarm response in meetings organised by Jubilee Australia late November 2006. Government officials from Treasury, DFAT and AusAID expressed little interest in debt-for-development exchanges, nor in participation in the *Debt2Health* initiative. However the visit would prove to be instrumental since, energised by its engagement with this new and influential ally, Jubilee Australia, in partnership with the Make Poverty History policy team, stepped up its advocacy efforts in Parliament House. Assisting Jubilee Australia and Make Poverty History in this effort were RESULTS Australia and the Lowy Institute for International Policy, both supporters of the Global Fund. Although the Government parliamentarians remained non-committal, the proposal piqued the interest of key Opposition MPs, among them the newly-appointed Shadow Parliamentary Secretary for Overseas Development Assistance, Bob McMullan.

At the beginning of 2007, the tide seemed to be turning in favour of the debt-for-development exchange idea. In an attempt to capitalise on this momentum shift Jubilee Australia undertook to produce a longer policy document explaining the need for a debt exchange with Indonesia and championing the Global Fund *Debt2Health* scheme as the perfect vehicle to pilot it. The paper⁴², published in April 2007, drew heavily on the success of the debt-for-education exchanges between the German and Indonesian Governments which had funded a number of new school facilities. Although the Government continued to reject the idea, officially ruling out support for the proposed *Debt2Health* exchange in Parliament in May⁴³, the likelihood of a change of government in the elections scheduled for the end of 2007 was becoming increasingly clear. In June the aforementioned Bob McMullan, who had made warm remarks toward a debt-for-development exchange with Indonesia at a Jubilee Australia event in April⁴⁴, officially announced that if elected his party would implement such an agreement along the lines proposed by Jubilee Australia and the Global Fund. When, as expected, the ALP won the subsequent election on November 24, 2007, implementing *Debt2Health* became official government policy.

The Implementation of the *Debt2Health* Project

It is probably fair to say that the involvement of the Global Fund was crucial in selling *Debt2Health* to the ALP. The Global Fund has a rigorous process for partnering with local civil society to not only determine the areas of need, but also to ensure that the resources are delivered to the right places and to maintain a standard of absolute intolerance for misuse of its funds. On a number of occasions financing for programs has been

suspended in response to the Global Fund's concerns about the accountability and transparency of local groups managing the funds.⁴⁵ Furthermore, the Australian Government is a donor to the Global Fund and respects it as an effective institution of service-delivery. In this context, the *Debt2Health* agreement could be seen as not only addressing Indonesia's debt problems, but also providing a new revenue stream for existing development programs with an established *modus operandi* and built-in checks and balances.

The Global Fund's involvement also spared the Australian Government from having to make decisions about the type of project to target through a debt-for-development exchange along with the potentially complicated discussions with Indonesian ministries about design and implementation. Additionally, Australia was to some extent treading some well worn ground in that *Debt2Health* negotiations had been underway for some time between the German and Indonesian Governments (the agreement finalised between Germany and Indonesia in 2008 was the Global Fund's first *Debt2Health* contract). Finally, that the project would provide a much needed injection of resources into Global Fund programs fighting the tuberculosis epidemic – Indonesia has the third highest rate of tuberculosis in the world, with more than 90,000 Indonesians dying from the disease every year – was another powerful rationale for enlisting the support of AusAID.

This is not to say that the lead up to the 2010 signing of the *Debt2Health* agreement has been straightforward. A small hiccup occurred early in the process when doubt arose about the functioning of the Global Fund's programs in Indonesia. The Indonesian civil society groups that were overseeing the Global Fund's operations in Indonesia (collectively known as the Country Coordinating Mechanism – or CCM) chose not to submit a proposal for a subsequent funding round, which led some officials to worry whether the Global Fund programs in Indonesia had become compromised. As it turned out, however, the CCM was in fact investing time to tighten its processes and these concerns were very quickly put to rest. The project also required extra administrative burdens and although Australian bureaucrats were spared the tasks of having to design a new aid project they were nonetheless required to expand their comprehension of an institution about which they had little prior involvement. While this might not seem a major obstacle, it is the understanding of the authors that, for AusAID officials in Canberra and Jakarta, *Debt2Health* did present an extra challenge.

The signing of the final agreement between the Australian Minister for Foreign Affairs and Trade and his counterpart in the Government of Indonesia was announced on 15 July 2010⁴⁶ - more than two and a half years after the ALP came to power (and coincidentally just when this chapter was being completed). There was never any suggestion that an agreement would not be reached: repeated assurances were given by the Australian side that the deal would eventually be struck once the necessary details had been ironed out. The time lag between the ALP assuming power and the conclusion of the debt-for-development exchange agreement likely had more to do with the intricate financial details of the deal as well as the unfamiliarity amongst the various officials with the process. It appears, for example, that it took some time for the negotiation process to take off, and that there was a long period of discussion necessary to determine which contracts were to be exchanged and on what terms. Given the authors were not privy to these internal government processes, these comments are only speculation.

The Issue of Illegitimacy

The most serious point of contention regarding implementation of *Debt2Health* has been the nature of the loan contracts chosen for use in the exchange. At the same time as the debt exchange policy was coming into being, Jubilee Australia was undertaking its own investigations into the nature of Indonesian debt to Australia and was becoming increasingly aware that issues of illegitimacy might arise over some of the original loans. Its public positions on this issue in 2007 reflected this growing concern.⁴⁷ In-depth treatments of how the problem of illegitimate debt intersects with the use of debt-for-development exchanges are to be found in Julia Roy's and Jürgen Kaiser's chapters in this volume. However, a fundamental agreement of the international debt movement⁴⁸ is that debts found to be illegitimate should be cancelled immediately and without conditions.⁴⁹ Such a position arises from the movement's contention that those governments and institutions lending to less-developed countries, often in the name of 'development', should share responsibility for self-interested or poorly conceived loans and should pay the outstanding costs of the illegitimate debts created. Norway is still the only country that has acknowledged this principle in practice by cancelling debts shown to have arisen from loans that were made more for the purpose of boosting domestic exports than to serve the development needs of the recipient country.⁵⁰

It is arguably the case, however, that many of Indonesia's debts to Australia may be said to fall into the same category as the Norwegian loans. As described above, over 95 per cent

of the loans to Indonesia originated from the DIFF program. Although DIFF loans were made to a variety of countries, Indonesian-based exporters received the bulk of the big-ticket loans. Over the nine-year period between 1984 and 1993, Australian construction company Transfield received the benefit of approximately one-third of the taxpayer-raised DIFF funds to pursue a joint venture with Indonesian trading partner, PT Bakrie & Brothers, building around 2,500 prefabricated steel bridges in the country.⁵¹ The latter company was owned by Aburizal Bakrie, a controversial Indonesian government figure and one of Indonesia's richest men who secured his fortune through his close links to the Suharto regime, but who has since been implicated in serious charges of corruption, tax evasion and maladministration.⁵² In 2010 more than 50 per cent of these loans remain unpaid. These preliminary findings warrant further investigation, including a proper audit of the existence, locations and development purpose of these bridges. It seems that there did exist within AusAID documentation which included more information about the bridges, but these records may have since been destroyed as part of the routine sorting process of government agencies, which makes an audit from the Australian side challenging.⁵³ However, unless such an audit is undertaken, questions will remain about whether these bridges served genuine development needs in the country and, therefore, whether it is appropriate that the debt be kept on the books.

Because of the ongoing questions about the nature of export credit loans to Indonesia, Jubilee Australia and its Indonesian civil society counterpart proposed that the comparatively untainted tsunami aid-loan be used for the exchange instead.⁵⁴ However, this suggestion was not taken up by either side.⁵⁵ (It is always possible, given the unprecedented nature of the tsunami loan package, that the Australian Government will not seek repayment when it begins to fall due in 2015). Furthermore, the Australian Government insisted on adhering to non-binding Paris Club rules to use the rescheduled portion of Indonesia's debt in the exchange. Rescheduling agreements make it difficult to identify which original loan contracts are being repaid in any particular year.

Why is all this important? In the past, exchanges have tended to use the debts arising from overseas development assistance (ODA), rather than those generated by export credit agencies (ECAs). For example, all German debt exchanges to date have used ODA loans. ECA-backed projects have often been financed in an atmosphere of corruption⁵⁶ and, as we have seen, export credit finance is primarily about supporting domestic business. Thus by exchanging export credit-generated debt before completing a proper audit of it, Australia is potentially setting a worrying precedent. Such a practice discourages full

scrutiny of the original loans and doesn't allow decisions to be made about what to do with the debt (whether it should be partially or completely forgiven, subject to an exchange, or collected in full). The best solution to this dilemma would be if the Australian Government actively assists civil society in carrying out a proper audit of any questionable loans – especially those that have been extended to a corrupt regime - before making a decision about doing any sort of debt exchange. This is the only way to ensure that matters of transparency in sovereign lending and borrowing are respected, and the move to a fairer and more just financial system is promoted.

New Opportunities

Along with Indonesia, there are a number of low and middle income countries represented on Australia's debt list: Egypt, Zambia, Philippines, Sri Lanka and Vietnam are among them. Assuming that the *Debt2Health* swap progresses successfully, there is no reason that Australia could not again participate in a similar exchange with other owing countries. Ideally, however, debt exchanges require three ingredients: a significant enough debt exposure; a supportive government and civil society in the host country; and a plausible mechanism or program to absorb the funds. On these grounds, the best candidates for a debt-for-development exchange – after Indonesia – are Egypt and Zambia.

Egypt

Egypt may not seem like the most obvious candidate for the next debt-for-development exchange with Australia, but there are a number of reasons it should be considered. First, like Indonesia, Egypt's debts owing to Australia have been on the books for a long time and are of interesting origins. During the 1980s the Egyptian government had been borrowing money from the Australian Wheat Board (AWB) in order to purchase Australian wheat. To cover itself from the risk of non-payment, the AWB secured EFIC insurance for the loans. Sure enough, things turned sour for Egypt in the late 1980s with the government facing negative economic growth, skyrocketing unemployment and one of the highest debt to GNP ratios in the world. Things took another turn for the worse when the Gulf War effectively shut down trade for the country in the early 1990s. When the Egyptian government could not pay its creditors, the AWB made a claim to EFIC on its credit insurance, resulting in EFIC assuming Egypt's wheat debts. Australia agreed to reschedule the payments of these wheat debts at Paris Club meetings in 1987 and 1991, and as mentioned earlier, Paris Club creditors even agreed to partial cancellation of Egypt's debt,

arguably a reward for the country's alliance during the Gulf War. Yet today, the balance of these rescheduled credit insurance debt is still significant at \$111 million⁵⁷. The debts are repayable by 2016.

The second point of note in support of an Australian exchange with Egypt is the country's successful history of debt-for-development exchanges, having concluded many of them with the governments of France (1994), Switzerland (1995), Germany and Italy (2001). Egypt has a system whereby it deposits revenues from debt swap agreements into a counterpart fund which is then used for development projects in the country. Organisations including the Egyptian Government agencies, Egyptian civil society groups and UN bodies are then entitled to apply to use the counterpart funds, which are used to finance projects in human development, poverty alleviation and environmental protection. The Italian-Egypt debt swap program helped finance 53 projects between 2001 and 2008, details of which have been written up in a report of the two bodies.⁵⁸

Zambia

Landlocked Zambia in Southern Africa has had significant external debt obligations written off since 2005 through the HIPC initiative. Although Zambia is no longer in the debt trap it once was, domestic and external forces are still hampering the government's ability to meet its human development challenges. The fiscal reprieve offered as a result of debt relief has undoubtedly had a positive impact on the lives of the poor, with the injection of new funds seeing stronger poverty reduction in government social policy: for example the country scrapped the prohibitive fee HIV positive citizens had to pay in order to receive anti-retroviral treatment.⁵⁹ Yet HIPC debt relief is no perfect remedy: not only are the resources freed up simply not enough for Zambia, the 30th poorest country in the world, to achieve the Millennium Development Goals (MDGs)⁶⁰, but Zambia's major dependence on copper exports for the majority of its income leaves the economy just as vulnerable post-HIPC.

As a fragile post-HIPC economy, Zambia is not immune from the risk of new debt distress. The country was not spared the fiscal impacts of the recent crisis, including a forty per cent drop in the value of the Kwacha by March 2009 as a consequence of the drop in copper prices.⁶¹ Zambia was also the victim of an unscrupulous 'vulture fund' in 2006, which sued the country in court for debt it acquired on the secondary market, increasing Zambia's debt burden. By 2009 its debt stock had risen again to US\$2 billion after falling from US\$4

billion to US\$500 million following the debt relief granted in 2005. The United Nations Development Programme has recommended that the Zambian government take care that new loan contracts entered into be relevant and beneficial to the poorest segments of the country.⁶²

Though contributing to economic growth, Zambia's mining-led growth path has failed to utilise the main economic asset of the poor – their labour – and as such has not fostered enough poverty alleviation, particularly for the 70 per cent of the poor who reside in rural areas.⁶³ In 2006 EFIC facilitated a very large private-sector mining investment in Zambia, the Lumwana mine.⁶⁴ In support of Australian resource company Equinox Minerals, EFIC contributed debt finance of \$54.5 million (US \$43 million) to the US\$584 million financing for the project in 2006/7, which it repeated in 2008/9 with another project loan of \$11.4 million. All of this has left Zambia with a debt to EFIC of \$71.7 million as of 2009.⁶⁵

Should EFIC collect repayment from the Zambian Government on its \$71.7 million loan? While the mining venture is claiming to offer substantial social investment in the country, the truth is that the public good derived from a private investment of this nature is relatively small, limited to the creation of a maximum of 2,500 jobs, a new school and project-related infrastructure in the mine area. Being the largest open-pit copper mine in Africa, the project will no doubt generate lucrative profits for Equinox Minerals and other foreign contractors and, of course, government revenue and foreign exchange. But generous tax incentives and tax breaks to foreign mining outfits will mean that Zambia's earnings will be less than they could be. Moreover, the Zambian Government will need all the revenues it can find to fight its crippling HIV/AIDS epidemic. According to UNAIDS 15 per cent of the adult population (1.1 million out of a total population of 12.6 million) is living with HIV/AIDS.⁶⁶ The Global Fund estimates that a staggering 330,000 Zambians are in need of anti-retroviral therapy.⁶⁷ A case could be made for the Australian Government to cancel Zambia's debt outright. At the very least, debt-for-poverty or a debt-for-health exchange should be considered for Zambia to help raise funds for its HIV epidemic. The Global Fund has a presence in Zambia, having approved over US\$600 million worth of loans, around half of which have been disbursed, the result of which is almost a quarter of a million Zambians on ART and six million malaria nets distributed. Although Global fund has tended not to use *Debt2Health* funding in HIPC countries, it is open to doing so. Australia might, then, consider approaching Zambia and the Global Fund about Zambia's participation in the *Debt2Health* program.

Conclusion

What conclusions might reflecting on the history of debt-for-development exchanges in Australia bring us? One would be the importance of perseverance when attempting to effect policy change. Advocates, whether within civil society, academia or in government, will have noted from reading Part 3 of this chapter that, as much as anything else, it was sustained argument and engagement that won the day in having debt exchanges accepted as official policy. This might seem an obvious comment to make about advocacy and policy change, but it is a poignant one, nonetheless. As for the support for the policy in the wider community, it was interesting that, in talking to the apocryphal 'ordinary Australians' about debt exchanges, people liked the idea of having some control over what they saw as the spending of 'their money'. Thus, although the case for unconditional cancellation of at least some of this debt remains strong, for now it seems that many people do not share this view. The narrative of illegitimacy is still very challenging to many people both inside and outside of government and much of the work surrounding the debt crisis remains very sensitive. People's default assumption seems to still mirror the story projected by many in government: that the debt crisis is the fault of corrupt and venal third world officials and that, in contrast, industrialised nations have been generally well-intentioned in their dealings with developing countries.

However, as this chapter has shown, there is much more to the story of the 'debt crisis' than the simplistic interpretation of rich-country charity being subsequently wasted. Corruption and waste in the two-thirds world has regularly left a well-worn trail back to institutions and actors in industrialised countries like Australia. It is hoped that, in telling the tale of Australia's debt claims, the case has been made that trade policy and national interest considerations play an important role in producing and perpetuating the debt trap in less-developed countries. It would seem, then, that debt-for-development exchanges can be of benefit above and beyond the inherent good they do in helping reduce foreign debt and bringing positive development outcomes. They in fact can have the added benefit of exposing to the light the links that undoubtedly exist between trade, foreign policy and debt, a story that bears continual retelling.

¹ Although the term debt swap is sometimes used to describe this mechanism, throughout this paper the term debt-for-development exchange or simply debt exchange is preferred.

² A note on terminology: the term ‘two-thirds world’ is preferred here to the more prevalent terms ‘third World’ or ‘developing world’, because of the many assumptions and judgements built into the latter terms; also because the term ‘two-thirds world’ better represents the inequalities in global wealth, with the majority of the world’s population living in circumstances starkly different from that of the top one-third. The term ‘impoverished countries’ is also preferred to the more commonly used ‘poor countries’.

³ These are first, the now defunct Development Import and Finance Facility (or DIFF scheme) and second, the one billion dollar 2005 post-tsunami reconstruction package (Australian-Indonesian Partnership for Reconstruction and Development), half of which was in the form of tied-loans. Both will be discussed at length below.

⁴ Jubilee Campaigns around the world interpreted the word ‘unpayable’ in different ways. For many campaigns in the Global North it meant reducing debt to a ‘sustainable’ level whilst for most Global South campaigns it meant going beyond the search for a ‘sustainable’ level, to seeking cancellation as a matter of justice. At the first international meeting of the Jubilee movement in Rome 1998, participants struggled to find an definition of ‘unpayable’ which represented their diversity of interpretations ‘The Jubilee Call for Debt Cancellation’ that was issued linked four kinds of debts to the word ‘unpayable’: 1) debt which could not be serviced without placing a burden on impoverished people; 2) debt that in real terms has already been paid; 3) debt for improperly designed projects and programmes; 4) odious debt and debt incurred by repressive regimes.

⁵ All dollar currencies refer to Australian dollars unless otherwise stated.

⁶ The Australian Government was handed the Jubilee 2000 petition with the signatures of 385,000 Australians. In December 1999, the report of the Joint Standing Committee on Foreign Affairs, Defence and Trade entitled *World debt: A report on the proceedings of a seminar* was presented to the Senate; a motion passed by Senator Ferguson stated that the Jubilee 2000 petition demonstrated ‘the depth of feeling in the community about the debt issue’: See <http://parlinfo.aph.gov.au/parlInfo/search/display/display.w3p;adv=:db=:group=:holdingType=:id=:orderBy=:page=0;query=hon%20kathy%20sullivan%20hipc;querytype=:rec=2;resCount=Default>

⁷ Answers to Questions on Notice (Question 1425, 29 May 2000), Australian House of Representatives Hansard http://parlinfo.aph.gov.au/parlInfo/genpdf/chamber/hansardr/2000-05-29/0180/hansard_frag.pdf;fileType%3Dapplication%2Fpdf In the previous year the government had stated in Parliament that retiring the debt of the four HIPC countries would not have a significant impact on the Australian economy in overall macroeconomic terms. Answers to Questions on Notice (Question 604, 11 February 1999), Australian Senate Hansard http://parlinfo.aph.gov.au/parlInfo/genpdf/chamber/hansards/1999-05-11/0175/hansard_frag.pdf;fileType%3Dapplication%2Fpdf

⁸ AusAID Memorandum on DAC, 1999: http://www.aid.gov.au/publications/pdf/dac_memorandum1999.pdf

⁹ For more information about EFIC as an institution see Jubilee Australia, *Risky Business: Shining a spotlight on Australia’s export credit agency*, December 2009, pp.12-14 <http://www.jubileeaustralia.org/resources/reports>

¹⁰ Answers to Questions on Notice (Question 604, 11 February 1999), Australian Senate Hansard http://parlinfo.aph.gov.au/parlInfo/genpdf/chamber/hansards/1999-05-11/0175/hansard_frag.pdf;fileType%3Dapplication%2Fpdf

¹¹ This loan was provided under the DIFF scheme, a program managed by both AusAID and EFIC to provide goods and services to aid-recipient countries through a mix of tied aid and export credit; see below for more on the nature of this scheme.

¹² This debt was rescheduled in 1991. In negotiations at the Paris Club (see below) at that time, Australia extended the term to 25 years and agreed to a grace period of 14 years. As a result, the first instalment of principal on this debt is not due until 2007. Further, at a meeting of the Paris Club on 9 December 1998, all creditors agreed to defer all repayments of debt—including interest—owed by Nicaragua (and Honduras) until 2001, when there will be further discussion of the issue. Answers to Questions on Notice (Question 604, 11 February 1999), Australian Senate Hansard http://parlinfo.aph.gov.au/parlInfo/genpdf/chamber/hansards/1999-05-11/0175/hansard_frag.pdf;fileType%3Dapplication%2Fpdf

¹³ Nicaragua's debt was officially cancelled on 15 April 2004, see 'Australia Does the Right Thing on Debt', *ACFID Media Release*, 22 April 2004 http://www.acfid.asn.au/news-media/docs_media-releases/docs_2004-releases/0304_debt.pdf; Ethiopia's \$7.9 million bilateral debt was cancelled in November the same year, see 'Australia Forgives Ethiopia's Debt', Joint Press Release Treasurer, Minister for Foreign Affairs and Trade, and Minister for Trade, 15 November 2004 <http://www.treasurer.gov.au/DisplayDocs.aspx?pageID=&doc=pressreleases/2004/098.htm&min=phc>

¹⁴ Answers to Questions on Notice (Question 604, 11 February 1999), Australian Senate Hansard, http://parlinfo.aph.gov.au/parlInfo/genpdf/chamber/hansards/1999-05-11/0175/hansard_frag.pdf;fileType%3Dapplication%2Fpdf

¹⁵ See Ross Buckley, 'Beyond the Multilateralised Chang Mai Initiative: The Asian Monetary Fund' in *East Asian Integration: Finance, Law and Trade*, R Buckley, R Hu and D Arner (eds) Edward Elgar, 2011

¹⁶ EFIC is refreshingly explicit about its primary purpose being to support domestic business; many other export credit agencies still persist with the pretence that the development needs of the recipient countries are equally important. See Jubilee Australia, *Risky Business*, pp.12-14 <http://www.jubileeaustralia.org/resources/reports>

¹⁷ The Paris Club has been criticised for being a partial body where creditors act as both judge and jury, protecting their own interests first and foremost.

¹⁸ Rescheduling agreements with Indonesia: 1998, 2000, 2002.

¹⁹ Media release from the Department of Foreign Affairs and Trade, 'Australia in International Agreement to Forgive Iraq's Debt', 22 November 2004, http://www.dfat.gov.au/media/releases/department/d017_04.html The US used its influence to see that other members of the Paris Club including Australia took similar actions to them in writing off large proportions of Iraq's sovereign debt after the country's invasion. Also see Ross Buckley, 'Iraqi Sovereign Debt and Its Curious Global Implications', in Heazle & Islam (eds), *Beyond the Iraq War: The Promises, Perils and Pitfalls of External Interventionism*, (London: Edward Elgar, 2006), 141-155.

²⁰ In 2006, following a successful public campaign, the Norwegian government made the unilateral decision to stop collecting payment of bilateral debts of five less-developed countries, cancelling total of US\$80 million without condition. The Norwegian government acknowledged that it "shared responsibility" for the debts since the exports were made primarily to promote its own ship-building industry, which was in crisis at the time.

²¹ See, for example, 'Re-embedding the Market: Reforming International Financial Governance and the International Monetary Fund', Ross Buckley, S Marshall and K Macdonald (eds), (awaiting title and publishing details) Joseph Stiglitz, *Globalisation and its Discontents*, Chapter 4, 'The East Asia Crisis: How IMF Policies Brought the World to the Verge of a Global Meltdown,' pp 89-132. Ann Pettifor, 'Dirty Debt: Rich Countries Share Responsibility for Indonesia's Impossible Debt Burden', *Inside Indonesia*, Vol 69, Jan-March 2002, p 5.

²² Almost fifty per cent of Indonesian's live on less than US\$2 per day, see AusAID country overview <http://www.ausaid.gov.au/country/indonesia.cfm>

²³ For a comprehensive critique of the problems of the Debt Sustainability Framework, see the EUROAD Report *Still Missing the Point: Unpacking the New World Bank/IMF Debt Sustainability Framework*, September 2005 <http://www.eurodad.org/debt/report.aspx?id=118&item=0708> .

²⁴ For more on this see Ross Buckley, 'Why Are Developing Nations So Slow to Play the Default Card in Renegotiation Their Sovereign Indebtedness?', *Chicago Journal of International Law*, 6(1), 2005, 345-360.

²⁵ See, International NGO Forum on Indonesian Development, *Debt Swaps for Indonesia: A Proposal for Improving Their Effectiveness*, 2007, p. 5.

²⁶ According to 2009 Annual Report of EFIC, as of that time Indonesia's exposure on the National Interest Account was \$826 million (all accrued through DIFF) as compared with \$21 million on the Commercial Account.

²⁷ DIFF operated between 1980 and 1996 before being discontinued.

²⁸ Peter Costello's characterisation was described by NSW parliamentarian Sandra Nori, see NSW Legislative Assembly Hansard, *Development Import Finance Facility Abolition*, 30 October 1996 <http://www.parliament.nsw.gov.au/prod/PARLMENT/hansart.nsf/V3Key/LA19961030034>

²⁹ In 2009, Indonesia expert Peter McCawley said: 'Even the most superficial examination of the Australian Government's decision indicated that important foreign policy considerations lay behind the announcement', pointing to the Government's own Research Note which went so far as to note that 'It is quite possible that most of the grant aid and loan component will be spent on projects outside Aceh'. 'Foreign Aid: What's it For?' The Interpreter, Lowy Institute for International Policy, 10 July 2009, <http://www.lowyinterpreter.org/post/2009/07/10/Foreign-aid-Whats-it-for.aspx>

³⁰ Ibid.

³¹ Jubilee Australia, Inquiry into Australia's Relations with Indonesia, Submission No 37, 31 October 2002 <http://web.archive.org/web/20060920113352/www.aph.gov.au/house/committee/jfadt/indonesia/subs/subindo37.pdf>

³² Indonesia reiterated the request to the Australian Government to 'consider a debt swap program' during the Sixth Indonesia-Australia Ministerial Forum in Jakarta, March 2003. See <http://202.148.132.171/wnew/jminist030311e.htm>

³³ Meeting between Jubilee Australia representatives (accompanied by colleagues from ACFID – the Australian Council for International Development – and TEAR Australia) and MPs, March 2004; meeting between Jubilee Australia Sydney Working Group and Opposition MP Laurie Ferguson, July 2004.

³⁴ Joint Standing Committee on Foreign Affairs, Defence and Trade, *2004 Report on Australia's relationship with Indonesia*, 4.39 and 4.40.

³⁵ AusAID, *Australian Aid: Promoting Growth and Stability - White Paper on the Australian Government's overseas aid program*, April 2006, http://www.aid.gov.au/publications/pubout.cfm?Id=6184_6346_7334_4045_8043

³⁶ Information here and for the following four paragraphs has been drawn from the personal experience of the authors.

³⁷ The Australian Make Poverty History Coalition at the time had a tripartite focus on Aid, Trade and Debt, and the adoption of a debt-for-development exchange with Indonesia was the campaign's principle policy target for the latter area.

³⁸ See for example Ross Buckley, 'Transparency helps narrow the gap', *The Australian Financial Review*, November 16, 2006, p. 63. Ross Buckley also made a presentation on debt-for-development exchanges at the Make Poverty History G20 Forum in Melbourne Town Hall, early November 2006.

³⁹ Meeting in October 2006 between an advisor to the Treasurer, Peter Costello and Make Poverty History/Jubilee Australia representatives.

⁴⁰ The team included the Global Fund's Director of Innovative Financing, Robert Phillip, and, on secondment, the Coordinator of Erlassjahr.de, the equivalent campaign to Jubilee Australia in Germany.

⁴¹ Figures from the Global Fund's website: <http://theglobalfund.org> accessed on 10 August 2010.

⁴² Jubilee Australia, *A Debt-for-Development Swap with Indonesia*, April 2007, <http://www.jubileeaustralia.org/resources/reports>

⁴³ Answer to a Question on Notice (Question No. 3067) by Senator Allison to the Minister representing the Minister for Foreign Affairs, Australian Parliamentary Hansard, 8 May 2007, <http://www.aph.gov.au/hansard/senate/dailys/ds080507.pdf>

⁴⁴ Jubilee Australia's event at the Fringe Program of the ALP National Conference, which was entitled 'Is Australia a Responsible Lender?', April 2007.

⁴⁵ The Global Fund has suspended payments to non-performing countries, including to Zambia (2009), Mauritania (2009), Philippines (2009) and Myanmar (2005).

⁴⁶ 'Australia, Indonesia and the Global Fund Debt Swap Agreement to Increase Tuberculosis Services in Indonesia', Joint Media Release of the Global Fund and Governments of Indonesia and Australia, 15 July 2010.

⁴⁷ In its 2007 Policy Paper advocating for the debt exchange, Jubilee Australia included a section on the origins of Indonesia's debt to Australia: it concluded that it was highly possible that some of Australia's debt claims on Indonesia were illegitimate and that 'all debts found to be illegitimate should be cancelled immediately and without conditions'. When the ALP announced in June that, if elected, it would seek a debt exchange with Indonesia, Jubilee Australia welcomed the announcement, but warned that the Australian Government should ensure that none of the loan contracts to be used in the exchange should be associated with illegitimate lending practices.' Jubilee Australia, *A Debt-for-Development Swap with Indonesia*, April 2007, http://www.jubileeaustralia.org/_blog/Latest_news

⁴⁸ The international debt movement is a collection of regional and country networks and campaigns that work on the issue of debt and its impact on development. Groups tend to be linked most formally in regional blocks, such as the Jubilee South Asia-Pacific Movement on Debt and Development (Jubilee Australia, as a Northern country, is an associate member of JSAPMDD). Global meetings where Southern and Northern networks and campaigns meet together for consultation and the setting of strategy occur approximately every three years, however there is constant interaction and dialogue among the groups.

⁴⁹ See Jubilee South Declaration on Illegitimate Debt, 2007 World Social Forum, http://www.jubileesouth.org/index.php?option=com_content&task=view&id=79&Itemid=2

⁵⁰ In 2006 Norway set the precedent on dealing with 'illegitimate' debt when it acknowledged that it "shared responsibility" and cancelled the debts of five developing countries (Ecuador, Egypt, Jamaica, Peru and Sierra Leone) totalling US\$80 million, because the exports were made primarily to promote its own ship-building industry, which was in crisis at the time.

⁵¹ Calculations based on analyses of EFIC Annual Reports.

⁵² See, for example, 'Bakrie Denies Latest Tax-Dodging, Corruption Allegations', *The Jakarta Globe*, 4 June 2010 <http://www.thejakartaglobe.com/home/bakrie-denies-latest-tax-dodging-corruption-allegations/378735> and 'Mud flung at minister in wake of Java disaster', *The Sydney Morning Herald*, 23 June 2006 <http://www.smh.com.au/news/world/mud-flung-at-minister-in-wake-of-java-disaster/2006/06/22/1150845316233.html>

⁵³ Conversations between Jubilee Australia and officials from the Trade Finance Section of the Department of Foreign Affairs and Trade 5 February and 2 August 2010.

⁵⁴ Jubilee Australia and INFID – the International NGO Forum on Indonesian Development – proposed this in a joint letter to the Australian Prime Minister on the 6 February 2009. This was after INFID wrote to the Prime Minister Kevin Rudd asking him to pay attention to the relationship between these export credit loans and the support of the Suharto Dictatorship.

⁵⁵ Australian officials demurred at this suggestion because payments on the tsunami loans will not fall due until 2015 and because they believed that the Indonesian Government would prefer non-concessional ECA debt cancelled rather than debt on highly concessional terms, like the tsunami loan.

⁵⁶ See Berne Declaration et al, *A Race to the Bottom: Creating Risk, Generating Debt and Guaranteeing Environmental Destruction: A Compilation of Export Credit & Investment Insurance Agency Case Studies*, March 1999, Available Online: www.ecawatch.org/eca/race_bottom.pdf

⁵⁷ \$24 million on the Commercial Account, with the balance on the National Interest Account, according to EFIC Annual Report 2009.

⁵⁸ *Italian-Egypt Debt for Development Swap Program: Annual Report 2008*, Italian Embassy in Cairo & Arab Republic of Egypt http://www.utlcairo.org/stampa/DS1_final_report2008.pdf

⁵⁹ UNDP Africa Viewpoint, ‘Deriving maximum social benefits from debt relief: A case of Zambia’, Number 9, June 2009.

⁶⁰ The average Zambian lives on US\$3.72 dollars/day (This is calculated from US\$1548 per year and is adjusted for purchasing power parity: from UNDP 2009 Human Development Indicators database, using 2007 data. http://hdrstats.undp.org/en/countries/country_fact_sheets/cty_fs_ZMB.html), life expectancy is 44.5 years and almost twenty per cent of children do not reach the age of five (Global Fund grant portfolio for Zambia, <http://portfolio.theglobalfund.org/Country/Index/ZAM?lang=en> accessed on 10 August 2010).

⁶¹ ‘Towards a Renewed Debt Crisis? Risk Profiles of the poorest countries in the light of the global economic slowdown’, *Dialogue on Globalization*, Jürgen Kaiser, Irene Knoke, Hartmut Kowsky, June 2009, page 64

⁶² UNDP Africa Viewpoint, ‘Deriving maximum social benefits from debt relief: A case of Zambia’, Number 9, June 2009

⁶³ It was estimated that if the country continues with this mining-led growth path, overall (head count) poverty will only marginally decline to 62.3 percent by 2010 (from 68 percent) in 2004. This will clearly be insufficient for making progress towards halving the 1990 poverty of 70 percent¹⁰ level by 2015. *Zambia: MDG Progress Report 2008*, UNDP, page 5 http://www.undp.org.zm/joomla/attachments/005_Zambia%20MDGs%20Progress%20Report%20Zambia%202008.pdf

⁶⁴ The mine is located 220km west of the Zambian Copperbelt and 65 kilometres from the regional centre of Solwezi

⁶⁵ 2009 EFIC Annual Report <http://www.efic.gov.au/about/governance/Documents/AR09%20final%20full.pdf>
The project was further buttressed by a political risk insurance package provided by EFIC to a syndicate of international commercial lenders, worth \$283 million.

⁶⁶ ‘Annex: HIV and AIDS estimates and data 2001 and 2007’, *2008 Report on the Global AIDS Epidemic*, UNAIDS, http://www.unaids.org/en/KnowledgeCentre/HIVData/GlobalReport/2008/2008_Global_report.asp

⁶⁷ Currently the Global Fund finances ARV treatment for 250,000 of these, but a shortfall still exists. Global Fund grant portfolio for Zambia, <http://portfolio.theglobalfund.org/Country/Index/ZAM?lang=en> accessed on 10 August 2010.