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Deception, risk, and evasion: the politics of sovereign debt in emerging markets

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Abstract

This dissertation examines how governments and citizens in the Global South strategically engage with the politics of sovereign debt. Amid rising debt levels fueled by the COVID-19 pandemic, global interest rate hikes, and geopolitical shocks, it addresses three key questions: why governments hide debt, how international financial institutions (IFIs) like the IMF respond to financial risk, and how austerity policies influence citizen behavior. Rather than viewing debt politics as purely technocratic or externally imposed, the research highlights the strategic and often deceptive behavior of governments, institutions, and citizens.

At its core, the dissertation argues that low- and middle-income countries are not passive actors in global finance. Instead, they actively manipulate debt transparency, exploit oversight gaps, and tailor strategies to maximize fiscal space and political survival. Through three empirical chapters, the study focuses on the behavior of governments, the strategic interests of IFIs, and the responses of citizens to fiscal austerity.

Chapter 2 investigates why African governments often fail to report Chinese loans to the IMF and World Bank. Using newly available data, it shows that more than half of Chinese official loans to Sub-Saharan Africa between 2000 and 2017 were hidden from official debt records. Governments are more likely to conceal these debts when their external debt levels approach IMF/World Bank thresholds, which govern access to concessional financing. However, during IMF loan programs—when scrutiny increases—governments report debt more accurately, suggesting concealment is a calculated political decision rather than administrative failure.

Chapter 3 examines whether the IMF’s lending decisions are driven by borrowers’ needs or the institution’s own financial self-interest. A new index of IMF “risk exposure” reveals that when the Fund holds a greater share of loans to high-risk borrowers, it imposes stricter conditions on new loans. This behavior intensifies when IMF reserves are low, indicating

that the Fund acts more like a cautious creditor than a neutral lender of last resort. These findings challenge the narrative that IMF policy is based solely on borrower fundamentals.

Chapter 4 explores how austerity policies affect citizen behavior. Using macro data, surveys, and a Brazil-based experiment, the study finds that fiscal consolidation often increases tax evasion and capital flight, especially where trust in government is low. In some cases, austerity undermines the state's ability to collect revenue, worsening fiscal instability.

Theoretically, the work contributes to the international political economy literature by extending the concept of financial statecraft to the Global South. Traditionally seen as a tool wielded by powerful creditors, financial statecraft here is shown to be used by debtors as well. Through strategies such as selective disclosure, legal manipulation, and engagement with opaque creditors like China, governments in developing countries seek to regain some agency in global markets. The research also adds to debates about the role and effectiveness of the IMF, challenging the view that the Fund is a neutral technocratic actor and suggesting instead that its behavior reflects institutional survival logic. Ultimately, this dissertation underscores the need to rethink how sovereign debt is managed, monitored, and made accountable, especially for the world's most vulnerable economies.