

# 13<sup>TH</sup> UNCTAD Debt Management Conference

**Relief, Restructuring and Recovery: Dealing with  
Debt in Times of Global Crisis**

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## **Speaking notes for Panel 5: Debt Transparency as a Public Good, Revisiting Lender and Borrower**

by

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## **13th UNCTAD Debt Management Conference**

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### **For Panel 5: Debt Transparency as a Public Good, Revisiting Lender and Borrower Responsibilities**

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Excellencies, delegates and participants, good morning.

There is no debate that transparency, and by extension, accountability are public goods. They are key principles of good governance, and vital for the full enjoyment of basic rights and freedoms. Debt transparency in particular is of vital importance to civil society. And we have consistently advocated for deep improvements in this area over several years, engaging our governments to conduct official debt audits and promoting Citizens Debt Audits which constitute an exercise of active citizenship and the right to know about the public debts that we in developing countries are being asked to pay.

We thus appreciate efforts at improving transparency, recognizing how problematic debt burdens have become and how transparency can help advance debt reduction efforts, including the cancellation of illegitimate, odious and unsustainable debts.

But transparency, and accountability, like other constructs, are value-laden and context-specific, even as they retain core concepts of access to information. There is a WHO, a WHAT, a WHY and a HOW in advocating for transparency and accountability, the answers to which, we in civil society have found concerning, looking at mainstream initiatives on the table.

Launched in 2021 was the OECD Debt Transparency Initiative which operationalizes the 2019 International Institute of Finance's Voluntary Principles for Debt Transparency. Clearly absent throughout these developments from 2019 and even earlier efforts, are the voices of other stakeholders such as governments themselves and civil society, when supposedly the aim is to improve accountability and debt transparency for debt-burdened developing countries.

Meaningful and informed participation of sovereign borrowers and their constituents should require no explanation. Governments incurred these debts in our name, and they have a primary responsibility to be transparent about their borrowings and to be held to account for the same. National parliaments need to be engaged for borrowing plans to go through an open process before contracts are signed so that they can be subject to public scrutiny. As expressed in an Open Letter of civil society to the OECD last year, "It is concerning that borrowers were excluded from the design and consultation process. The process of identification of common problems, priorities, data retrieval and development of debt management capacities must actively engage with authorities in these countries."

This is a glaring democratic gap that is made more stark when contrasted to the process conducted by the UNCTAD initiative in 2012 in the development of the Principles of Sovereign Responsible Borrowing and Lending. It benefited from broad-based consultations with various diverse governments, multilateral institutions, and legal and economic experts, and civil society, my own coalition included, and therefore provides a stronger basis for buy-in across sectors and for people to claim rights.

On the scope of the Voluntary Principles for Debt Transparency developed by the IIF and rolled out by the OECD-DTI, these were drafted and promulgated by the IIF whose members include some of the world's largest financial institutions and banks. This reliance on the IIF Voluntary principles effectively limits the scope of the OECD-DTI.

We believe that debt transparency should apply to all debt instruments and countries, regardless of income levels. Furthermore, data disclosures must access to and cross-referencing with other debt databases at the national and international level. The IIF Principles fall short of these criteria. Relevant debt instruments – such as publicly listed bonds and middle-income countries – are both excluded.

This is a question repeatedly raised -- *Why only low-income countries?* The IIF's Voluntary Principles focuses on Low Income countries or those deemed "more likely to encounter problems with repayment of market-rate financing and ultimately debt sustainability." Does this mean acceptance that developing countries are to continue relying on borrowings, by maintaining their capacity to pay, as debt sustainability is implicitly and narrowly defined here?

Stress on LICs is important, but we cannot leave more than half of the world's countries behind. Middle-income countries that 62 % of the world's poor call home, are ignored, despite the aggregate higher scale of demand for financial support, the exposure to private lenders, and conditions on the ground that are increasingly becoming similar to LICs'.

Several so-called MICs in Asia are among the most climate-threatened in the world such as Sri Lanka, India and Pakistan, and my own country, the Philippines. We have one of the highest income inequality rates in East Asia, at 42.3 percent as of 2018, and likely to have risen during these years of COVID-19. We thus welcome the recommendation yesterday to review the debt sustainability framework and assessment that defines countries as better off or worse off and narrowly grounds sustainability in their capacity to repay the debt. The UNCTAD principles for responsible sovereign lending and borrowing is a good start, wherein debt sustainability is defined in terms of when it can be serviced without weakening the social and economic development of the borrower.

Another question we often raise is -- *why only a lens on private sector creditors?* Indeed, exposure of borrowing countries to private creditors have increased and private lenders' non-participation in debt reduction efforts remain persistent obstacles to significant debt reduction. However, MDBs have top-line credit ratings because they are backed by guarantees of member-governments. A higher degree of transparency and accountability must be applied to them.

The lack of transparency on debt details are in fact widespread, as MDBs, other official bilateral lenders and private lenders share only limited details of the debt they hold from different borrowing countries. We also point out the considerable increase in MDB lending to financial intermediaries which has been shown to limit the ability of accountability mechanisms to trace environmental and social policy compliance. The environmental assessment process for project loans channeled through financial intermediaries is often ad hoc and opaque.

Comprehensive debt reductions and restructuring are needed, and that means, all creditors – bilateral, multilateral and private creditors – must be at the table. Transparency principles need to be expanded to all governments.

Finally, why does the disproportionate stress on borrowers persist? This runs counter to co-responsibility of lenders and borrowers, but unfortunately this is what comes across as the general tone of the IIF Voluntary Principles. as well as other dominant transparency measures and initiatives.

For certain, borrowing governments should be held responsible for contracting and accumulating burdensome and illegitimate debts. But transparency is just as wanting among lenders. In many instances, the weight of culpability and accountability rests primarily and heavily on lenders, such as

the issue mentioned yesterday of aggressive loan peddling, and that transparency is just as poor on the part of lenders.

Across the board, not only countries such as China, there has been no routine disclosure of loan details by lending governments.

Limited as they already are, the OECD DTI and the Voluntary Guidelines are not obligatory. The risk is that more responsible lenders disclose but less responsible lenders don't. But having acknowledged the strategic importance of transparency – including laying the grounds for the cancellation of illegitimate and odious debts and unlocking funds for peoples' survival – then surely debt transparency measures have to be given more teeth to realize the outcomes of this public good. Multinational banks have had almost three years to implement the principles they agreed in 2019, but only two have done so. Several IIF members have not disclosed any loan information at all.

In closing, we wish to stress that the interest in debt transparency should not lead to avoiding other measures that can be adopted in the immediate as part of steps towards realizing responsible lending and borrowing and resolving debt crises fairly. I cite among others, the long-standing calls of civil society for a multilateral sovereign debt workout mechanism and process under the auspices of the United Nations, and for supporting national debt audits that allow us to exercise the right to information and to seek accountability for debts contracted on our behalf and which we are servicing, often at the cost of cutting back on social services and multiplying women's unpaid care labours. Moreover, we stress that the attention on transparency and accountability should not shift attention away from the need for systemic changes. As was stressed yesterday in the opening panel, debt is a systemic problem that requires systemic solutions. On its own, transparency will not solve the problems of continuing debt dependence and debt accumulation but it can contribute to addressing this problems by taking into account the context of a steeply unequal international financial architecture, that manifests in the unequal relations between lenders and borrowers, and appreciating the fact that the debt problem goes beyond concerns over liquidity and solvency.

In these respects, we reiterate civil society asks –

One – that G20 governments ensure that a publicly accessible registry of loan and debt data is created in a participatory manner with all relevant stakeholders and housed in a permanent institution, with the required ongoing funding;

Two – That all governments and multilateral institutions commit to disclosing the loans they give in this registry; and,

Three – that all relevant legislatures, especially the UK and New York whose laws govern international debt contracts, introduce a requirement for public disclosure in said registry, of any loan to a government, or with any form of government guarantee, for contracts to take effect.

I end here and thank you all.

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