

PROGRESS, CHALLENGES, AND STRATEGIES FOR IMPROVED DEBT MANAGEMENT

Progress registered so far

- A number of instruments have already been jointly developed on prudent debt management
- The AfRODAD African Borrowing Charter, the UNCTAD principles on sovereign lending and Borrowing
- Some level of transparency and information sharing has been achieved through the World Bank's International Debt Statistics
- The IMF is providing technical assistance to build borrower capacity to record, monitor and report debt
- The IMF is also supporting the G20 in enhancing debt transparency under the DSSI initiative
- UNCTAD has also supported countries on debt reporting and transparency efforts but also on achieving restructuring
- Some of the debt relief initiatives offered so far
 - The HIPC, the MDRI, the G20 DSSI, the G20 Common Framework for Debt Treatment beyond the DSSI, Paris Club, the London Club

Challenges

- Resource leakages still a major challenge (IFFS, tax exemptions, etc.)
- Rising debt crisis amidst Covid 19 as fiscal deficits widen
- Debt sustainability worsening as fiscal adjustment remains impossible
- Declining ODA
- The rise of Blended Finance (Privatization of International Aid)
- Increased reliance on non-concessional debt
 - The Boom in bond issuances (Tanzania, Rwanda, Zambia, Nigeria)
 - The trend towards off-balance sheet debt: Public Private Partnerships
 - The trend towards domestic debt

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- Development needs and human rights have been neglected
- Responsible lending and borrowing is not secured
- Forum Fragmentation: Institutions for independent decisions and comprehensive treatment missing
- Fair burden sharing is not guaranteed
- Illegitimate lending goes unpunished

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- Transparency still a key challenge (on conditionalities and collateral)
- Current debt relief initiatives remain inadequate
- Failure of Private and multilateral creditor to take part
- More conditionalities
- Fear of down-grades by Credit rating agencies
- Unfair/weak debt architecture (The Debt sustainability framework, regulation of credit rating agencies)

Strategies for improved debt management

- Curb the leakages (IFFs)
- Enhance domestic resource mobilization
- Call for the issuance of new SDRs
- Seek debt relief
 - Extension of the DSSI
 - Allow for participation of all vulnerable countries
 - Call on private and multilateral lenders to take part
 - Regulate the role of credit rating agencies

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- Reform the debt architecture (to allow for speedy and efficient restructuring in times of crisis – a sovereign debt workout mechanism)
- That calls for participation of all the various creditor groups
- Setup a sovereign debt authority under the UN
- Sustainable financing options (ODA, and concessional loans)
- Ensure transparency on debt information (for all loans including both the terms and conditionalities)
- Putting people first: ensuring the primacy of human rights over debt service (this requires monitoring the human rights impact of debt servicing)

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- Promoting universal consensus and acceptance for principles on prudent debt management (UNCTAD principles on responsible lending and borrowing; the AfRODAD African borrowing Charter)
- Sanctioning non-compliance: illegitimate debt must be cancelled
- Resolving debt crises: An international debt workout mechanism
- Tackling vulture funds