Unsustainable and illegitimate debts: Risking just recovery and transformative rebuilding

Two years since the COVID-19 outbreak shocked global economic systems, the Global South still struggles to regain the economic and social development setbacks brought by the pandemic. Global economic output remains below pre-pandemic trends and expected to remain so by 2023, although higher income economies are already projected to reach pre-pandemic trends by then. Unevenness in economic “recovery” globally shows South countries left farther behind and facing even greater challenges with 80 million “new poor” in the Asia Pacific region due to COVID-19.

APMDD continues to call attention to the tremendous risks posed to people and the planet by huge unsustainable and illegitimate public debt. As part of a global debt justice movement that came together at the onset of the pandemic, we called on governments, international institutions and lenders for a “decisive, full solution to the debt problem as part of the profound transformation of economic and financial systems.”

Today, much heavier debt burdens of South countries further dim prospects of timely, inclusive and transformative rebuilding. Sri Lanka may be the bellwether of sovereign defaults among Asian countries whose debt and economic crises are now near the breaking point. Our calls for comprehensive debt cancellation are more urgent than ever.

The so-called “debts of the South” have grown steadily over several decades and shot up massively particularly in the last two years of the COVID-19 pandemic. This piled up more debt on Asian countries that faced the pandemic with already elevated levels of public borrowings, with dire consequences for grassroots women, workers, farmers and other vulnerable groups.

Today, the debt problem is widely recognized as a major obstacle in overcoming the multiple crises of public health, economic recession and climate change. The worsening impacts on people and the planet of increasingly burdensome debt services and narrowing fiscal space are acknowledged as well. However, the mainstream solutions promoted by global rule-makers such as the G7/G20, international financial institutions and supported by influential private financial and investment firms have proven grossly inadequate and self-serving.

The call is more urgent than ever for bigger, bolder actions in our debt justice struggles, along with our fights for tax and fiscal justice, climate justice and energy transformation. Through the Asia Debt Monitor, it is hoped that sustained, timely information sharing and dissemination on the debt justice issues across and within countries, for and by APMDD members, contributes to realizing this challenge.
Debt-fueled pandemic response

Responses to the pandemic clearly marked the financial divide and the large fiscal gap between rich and poor countries. Lower income countries provided only around 5 percent of their GDP in support of needs intensified by the pandemic as compared to 15 percent among richer countries.

As lenders again pushed more debt as the answer to multiple crises, governments ramped up borrowings supposedly for pandemic response. External public debts soared as COVID-19 rapidly spread. Borrowings of low and middle-income countries in East Asia and the Pacific (EAP) region, and the South Asia (SA) region reached a record-breaking $1.23 trillion by end-2020 or almost their entire export earnings for the year.

Meanwhile, international financial institutions and private lenders drained public coffers of $115 billion in debt service payments, $98 billion more than 2019. Debt service in Bangladesh, for instance, reached 81.2 percent of government revenues. In Pakistan, interest payments ate up 40 percent of revenues while it struggled through the pandemic, economic and political turmoils, and austerity conditionalities under its 22nd IMF program.

Debt treatments not fit for purpose

As rising debt clearly became a major block in overcoming the crises, lenders led by the G7/G20 put forward proposals for relief that turned out to be unfit for purpose, and worse, a disabler for the recovery aspired in the first place.

Public debt profiles continue to evolve, especially for middle-income countries (MICs) in the region, towards more expensive sources of debt, and domestic debt markets. Unlike decades ago, when governments sought financing from traditional multilateral, plurilateral and bilateral lenders, they have increasingly turned to private/commercial financing. Debt accumulation through securities, commonly in the form of bonds, is on a steady rise. At the same time, domestic borrowings have become more prominent, with countries like the Philippines registering domestic debt levels at 69 percent of total public debt, and Indonesia at 86.16 percent. Publicly guaranteed private debt cost governments in EAP and SA $51.4 million and $14.6 million, respectively, in 2020.

The G20’s Debt Service Suspension Initiative offered solutions too little and short-sighted vis-a-vis the scale and systemic nature of the problem.

In November 2020, the G20 agreed on a Common Framework for Debt Treatments Beyond DSSI (Common Framework) which they offered to the DSSI-eligible countries. It is supposed to address, among others, the failure of the DSSI to compel private lenders and non-Paris Club members to provide comparable relief, and therefore ensure that all lenders participate in debt restructuring and cancellation. However, the Common Framework does not have the mechanism to mandate private lenders. It remains the prerogative of private lenders whether or not to engage the creditor committees that will be formed upon the request of a country seeking debt relief under the Common Framework. Having the same weakness that plagued the DSSI, it is hardly surprising that only three countries — Chad, Ethiopia and Zambia — have so far applied.

Domestic borrowings have become more prominent, with countries like the Philippines registering domestic debt levels at 69 percent of total public debt, and Indonesia at 86.16 percent. Publicly guaranteed private debt cost governments in EAP and SA $51.4 million and $14.6 million, respectively, in 2020.
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Over half of the countries in the region are MICs yet they are not prioritized in these initiatives. They are not immune to the fiscal impacts and pressures of elevated public debts that constrain public spending on more urgent needs. Up to 75% of the world’s population and 62% of the world’s poor reside in MICs.

An UNCTAD study of 72 “vulnerable” countries with an estimated minimum of $598 billion in external debt service from 2021-2025 found low-income countries accounting for 6% ($36.2 billion), lower-middle income countries for 49% ($294.1 billion) and upper-middle income countries for 45% ($268.1 billion) of total. MICs face huge SDG financing gaps at $7.426 trillion and $9.674 trillion for lower- and upper-MICs, respectively.

These conditions find no resonance in the international and domestic debt architecture. No ambitious measure has been forthcoming to match the scale of the debt crisis and prevent further accumulation of unsustainable debts.

Beyond suspension of debt service payments, a comprehensive solution should include deep reductions of outstanding public debts, starting with illegitimate debts. Such debts include public and publicly assumed private loans that were used to finance projects that endanger human rights, compromise environmental integrity, and exacerbate the climate crisis.

“The World Bank Group continues to support fossil fuel projects even after the signing of the Paris Agreement, at least US$ 20.6 billion in oil and gas projects from 2016 to 2021. It is eyeing to support a planned US$ 379 billion expansion of gas infrastructure projects in Asia as an alternative to coal and oil.”

APMDD, April 2022

Sri Lanka’s questionable debts are instructive. The Colombo Port City was financed through a $1.4 billion loan issued by the state-owned China Communications Construction Company. Part of the issues fueling broad protests, the project has been widely criticized for alleged corrupt practices, and damage to the livelihoods of fishing and agricultural communities. Many other projects across Asia are tainted with lack of transparency, democratic consultations with affected communities, graft and corruption and violent reprisals.

Systemic ills, systemic solutions

The UN ESCAP identified six areas critical to driving recovery: vaccination, social protection, digitalization, economic structure, environmental risks and fiscal space. Decisively addressing these critical areas will be harder for Asia, a region steep in multiple inequalities – from income and wealth, access to basic opportunities, to disproportionate impact on the poor of environmental degradation and disasters—even before the pandemic. The debt burden has been making it more difficult for governments to lead efforts to regain eroded development outcomes, more so to build a fairer and more resilient economy from the pandemic.

The problem of unsustainable public debt is systemic with deeper roots beyond the recent pandemic. Insufficient, temporary and limited “business-as-usual” solutions will only exacerbate the uneven recovery of rich and poorer countries, with the latter at the losing end of the deal.

Debt treatments that are short of comprehensive and system-changing debt cancellation will only see South countries bound more tightly to unsustainable debts and lenders’ conditionality. We must claim the financial resources needed to truly lift people from poverty and deprivation, to fulfil rights and pursue a sustainable future. Heeding the global calls by civil society for canceling unsustainable debt, including illegitimate debt, and establishing an independent debt workout mechanism in the UN, are vital steps in this direction.
Beyond sustainability: 
The call to cancel illegitimate debts

Much of the debt claimed from the South are debts that the global South does not owe. We know them as illegitimate debts, or debts incurred by governments that funded specific programs, projects and activities of a dubious, fraudulent, iniquitous, unjust and destructive nature.

They were contracted under questionable and opaque procedures and typically ushered in by influential and powerful senior public officials. They involved gross violations of human rights, legal precepts, and ethical, social and environmental values, standards and principles. They inflicted often irreversible harm to people and communities, in whose name these debts were incurred and whose money is channeled away from funding their basic needs to pay debt service.

The consequences of debts, including illegitimate debts, incurred many decades ago by long defunct governments and parliaments hound us still in various damaging ways. Lenders continue to claim debt service, further narrowing fiscal space and reducing public funds for essential services. Under-resourced and collapsing public health systems remind us of loan conditionalties such as privatization that have increased risks to COVID-19 especially for the poor and low income.

Questionable debt projects are littered across several Asian countries. They must be subjected to closer inspection through citizens and official debt audits, and should immediately be cancelled without conditions when found to be illegitimate.

**Karnaphuli Fertiliser Company (KAFCO)  
Bangladesh**

Contracted in the early 90s under a military dictatorship, this US$ 500-milion project involved extensive bribery of government officials and is considered among the most corrupt in Bangladesh’s history. At least US$ 350 million of public funds had been wasted as part of Bangladesh’s project commitments, which included public loan guarantees of US$ 250 million.


“Karnaphuli Fertilizer Company Limited”, MIGA. [https://www.miga.org/project/karnaphuli-fertilizer-company-limited](https://www.miga.org/project/karnaphuli-fertilizer-company-limited)

**Tata Mundra Power Project  
Mundra Ultra Mega Power Project (Mundra UMPP)  
India**

Human rights and environmental standards have been flagrantly violated by this 4,000 MW coal-fired power plant. Coastal communities reported falling fish catch due to contaminated water dumped into the sea. The initial project was financed through loans by the Government of India from various multilateral and national banks, including a US$450 million loan from the World Bank’s International Finance Corporation.


“Tata Mundra Ultra Mega Power Plant (UMPP) India”, [https://www.banktrack.org/project/tata_mundra_ultra_mega_power_plant_umpp_/pdf](https://www.banktrack.org/project/tata_mundra_ultra_mega_power_plant_umpp_/pdf)

**Expansion of Geothermal Plants  
Indonesia**

ADB granted Indonesian power developer PT Geo Dipa Energi a $300-million loan to expand two geothermal plants in Java, although this is not needed due to over-capacity. The expansion brings in higher risk of environmental damage due to greater groundwater extraction and deforestation.

Beyond sustainability: The call to cancel illegitimate debts

**Tanahu Seti Hydroelectric Project**

This 140 MW power project cost US$ 505 million financed through loans from the Asia Development Bank, Abu Dhabi Fund for Development, European Investment Bank, and Japan International Cooperation Agency. The project has affected the economic and traditional-cultural lives of the indigenous Magar community living along the Seti River. A complaint cited failure to uphold free, prior and informed consent and inadequate compensation for loss of lands and livelihoods.


**Gojra-Shorkot-Khanewal Highway Project**

Funding for this 240-km highway came as loans from the Asian Development Bank, the Asian Infrastructure Investment Bank. This US$ 601 million project has displaced 3,429 households and felled 91,661 trees. There were inadequate discussions with the affected ethnic and nomadic communities.


**Norochcholai Coal Power Plant**

This US$ 1.3 billion coal power plant had broken down several times due to the substandard and outdated materials it was built with. The Mahinda Rajapaksa government had agreed to the outdated technology in the Chinese loan contract. This 900 MW power project has seriously threatened the area’s agriculture and marine life.


**Mae Moh Power Plant**

This ADB-funded, coal-fueled project robbed thousands of homes, lives and livelihoods. ADB extended loans amounting to more than $352 million for the construction of this 2,400-megawatt plant in Northern Thailand.

The plant emits an estimated four million tons of CO2 annually and 1.6 million tons of Sulphur gas daily. It has caused at least 200 deaths due to respiratory diseases and lung cancer. Over 30,000 people have been displaced.


Down the road to perdition: IMF-WB’s “Way Forward of Responding to Global Shocks and Managing Uncertainty”

Yet again, the IMF and the World Bank used typical double speak at their 2022 Spring Meetings — on one hand warning of more difficult times ahead for debt-burdened countries while pushing inadequate, limited and temporary solutions. It is business-as-usual for these leading international financial institutions, which increasingly shows their irrelevance to a world in deep crisis. APMDD released the statement below, slamming the “Way Forward” prescribed by the IMF and the World Bank and reiterating our demands for a just resolution to the burden of debt.

Another meeting of the International Monetary Fund and the World Bank has come and gone, and with predictable responses to the multiple crises of economic recession, public health and climate change – limited in scope and scale, short-term and even more debt-creating.

Conditions have grown more severe as the Ukraine-Russia conflict rages, on top of unpredictable COVID-19 surges and intensifying climate change. More than half of the world’s countries are struggling in the deepening abyss of debt. But all these find no resonance in the outcomes of the IMF and World Bank Spring Meetings whose “Way Forward” leads us farther down a path of greater debt accumulation, heavier debt service burdens for the global South, and a certain future of stark impoverishment and inequality.

The IMF unveiled its Managing Director’s “Global Policy Agenda 2022” while the World Bank presented a roadmap for the next 15 months. As expected, there are no bold and ambitious debt solutions from these leading international financial institutions that claim commitments to alleviate poverty and support developing countries on the way to recovery. The World Bank announced $170 billion in crisis response financing to be rolled out in 15 months, targeting to commit $50 million within the next three months. Much of this is expected to be loans though, just like the $200-billion COVID-19 crisis response from 2020-2022, of which only $23 billion of the $73 billion that went to IDA were in the form of grants. Many South countries that are already deep in record-breaking levels of public debt will continue to be locked in debt service at a time when public funds are urgently needed for peoples’ needs.

Also evading responsibility for the massive accumulation of debt are private creditors – commercial banks and holders of government-issued bonds – to whom over 80% of public external debt is owed by governments. Sri Lanka is a case in point, with an $11.8 billion debt bill accumulated from sovereign bonds, or 36.4% of its external debt. Asset managers BlackRock Inc. (US) and Ashmore Group Plc. (UK) count among Sri Lanka’s biggest sources of foreign funding.

The IMF - World Bank persists in their support of false solutions, notably the Debt Service Suspension Initiative (DSSI) through the Common Framework, which have proven too inadequate, temporary, and shortsighted to address the systemic nature of the debt crisis. Total deferrals granted to 43 participating countries reached only $12.7 billion, a paltry sum compared to at least $3 trillion estimated by the UN to help developing countries. With no extension for the DSSI beyond 2021, low-income countries now bear the full brunt of debt servicing in 2022, while middle-income countries that were ignored despite facing equally difficult circumstances, face even heavier burdens due to massive borrowings incurred in the last two years.

Meanwhile, the IMF-WB have conveniently excused themselves from joining these schemes, choosing instead to peddle more loans to crisis-ridden countries with limited options and ensure continued debt payments. The IMF has even profited amid the pandemic by continuing to levy surcharges on heavy borrowers, who are also those countries in desperate straits. This has become the Fund’s biggest revenue source, amounting to an estimated $4 billion by end-2022.

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APMDD released the statement below, slamming the “Way Forward” prescribed by the IMF and the World Bank and reiterating our demands for a just resolution to the burden of debt.

Click here to read this article on the APMDD website.
The IMF targeted to raise SDR12.6 billion from SDR “rechanneling” for Poverty Reduction and Growth Trust in 2021, but it has only received SDR7.3 billion pledges to date. This was also the case with the Fund’s Catastrophe Containment and Relief Trust that targeted SDR1 billion from donations of wealthier countries but only mobilized SDR0.6 billion to date.

Further, the Fund will require concurrent enrollment in a financing or non-financing IMF-supported program, which leaves out climate-threatened countries in Asia such as Bangladesh, India, Cambodia, Vietnam, and the Philippines. For RST-eligible countries, they remain subject to fiscal consolidation or austerity measures that are typically embedded as loan conditionalities in IMF lending programs. In the first year of the pandemic, the IMF promoted austerity in 85% of its financing response. Eventually, fiscal consolidation became requisite in 87% of IMF programs.

The IMF’s recognition of climate change as a significant factor in unsustainable debt and the WB’s declared alignment of its funding with the Paris Agreement ring hollow in the face of continued infusions of multilateral public money into fossil fuels. The IFIs have remained silent on the demand for investigating and canceling the public debt that financed fossil fuel projects, even as they also acknowledge these as harmful to people and planet. These public debts were incurred in the name of the people, but caused the violation of many human rights and the very right to life, the massive destruction of land, food and water resources, erosion of local livelihoods, and the further exacerbation of climate change and its impacts.

From 1947 to 2020, the bank’s main institutions for loans and development financing disbursed and committed $1.2 trillion worth of principal value of loans, equity, guarantees and grants. One-third or $367 billion of funds disbursed or committed by the International Bank for Reconstruction and Development (IBRD) and the International Development Association (IDA) went to energy projects of which $237 billion went to fossil fuel projects while $31 billion went to other harmful projects, such as large hydro dams and geothermal. Even after the Paris Agreement was signed, at least US$ 20.6 billion in oil and gas projects from 2016 to 2021.

**To the IMF and the World Bank, as well as world leaders, national governments, financial institutions, public and private, we reiterate calls of global civil society for urgent, just, ambitious action, in compliance of their obligations and responsibilities, and commit to the following:**

1. Unconditional cancellation of unsustainable and illegitimate debt by multilateral, bilateral and private lenders.

2. Recognition of the sovereign right of peoples to use resources freed from debt to address immediate needs, for vital and universal healthcare, social protection, and other essential services and rights.

3. Support for efforts to undertake national debt audits (government audits and independent citizens’ audits) to critically and comprehensively examine public debt, and thoroughly review changes in lending, borrowing and payment policies, and respect the decisions reached by these processes.

4. Support for the call to establish a fair, transparent, binding and multilateral framework for debt crisis resolution, under the auspices of the UN to and not in lender-dominated arenas, that addresses unsustainable and illegitimate debt.

5. Support, rather than obstruct, a thorough-going national and global review and changes in lending, borrowing and payment policies and practices aimed at preventing the re-accumulation of unsustainable and illegitimate debt, strengthening democratic institutions and processes, and upholding human rights and peoples’ self-determination.

6. Recognize and support the primacy of human rights and the corresponding obligations of the States, the international community and private actors, including the extraterritorial responsibility of each State for the actions and impacts of corporations, speculators and investors under its jurisdiction.

7. Pay reparations for the damages caused to countries, peoples and nature, due to the contracting, use and payment of unsustainable and illegitimate debts and the conditions imposed to guarantee their collection.
On IMF surcharges and impacts on Pakistan
PKRC and APMDD Press Statement

The International Monetary Fund levels surcharges or penalty fees on its biggest borrowers—or the very countries in great need of financial resources amid the multiple crises intensified by COVID-19. These amount to millions of dollars that countries like Pakistan have to pay on top of their debt service payments.

As part of a global sign-on action to end these unfair charges, the Pakistan Kissan Rabita Committee and APMDD co-sponsored a press conference in Lahore last March 6 where the joint press statement below was shared with the media.

The global petition to put a stop to IMF surcharges was launched last April 7 and has so far gathered the support of 160 organizations in 65 countries. APMDD joined Eurodad, Latindadd, Afrodad, Jubilee USA, the Arab Watch Regional Coalition and many other network partners in promoting and disseminating the Sign-On Open Letter. With the IMF persisting on levying these fees, we can ramp up the pressure by signing here.

Apart from harsh conditionalities, IMF also imposes surcharges on the loans received by Pakistan. These surcharges and unnecessary and harmful and should immediately be withdrawn. Pakistan already paid an estimated US$65 million in surcharges from 2018 to 2020. That means over 11 billion Rupees. Pakistan is projected to pay $392 million more from 2021-2030.

Surcharges are fees that the IMF charges member-countries for late payments and loans that exceed their quotas. There are two types of surcharges: quota-based are applied when the size of the country’s loan exceeds 187.5 percent of its IMF quota; and, time-based which are applied to loans outstanding after 35 to 51 months, depending on the credit facility.

Member-states (especially middle income) borrow from IMF when experiencing crises to assist in their balance of payments problems, financial crises, or unmanageable fiscal deficits and excessive debts. Ironically, however, IMF “assistance” means that countries facing greater crises, are also the ones facing the greatest risk of eventually defaulting and/or borrowing more.

Pakistan is one of the biggest borrower-countries of IMF. In 2020, Pakistan’s total public debt already stood at 87% of GDP. In dollar terms, Pakistan paid external debt service amounting to US$14.6 Billion in 2020.

Surcharges are paid in addition to interest payments and principal amortizations, thus adding to the country’s debt burden.

This, despite the fact that Pakistan’s present PTI government has fulfilled almost all harsh conditionalities of IMF, resulting in historic price hikes and deepening poverty.

To receive the last trench of the IMF $6 billion loan approved in 2019, Pakistan met several conditions in the mini budget passed on 23 January 2022 as well as in a bill to hand over the administrative and political powers of the State Bank of Pakistan to IMF, ostensibly to “grant [it] more autonomy”.

The agriculture sector is about to be the first victim of this economic decision. Farmers have been holding protests against the government for the shortage of essential crop inputs, expensive agriculture equipment and tools, and higher taxes.

Withdrawning subsidies including for food, electricity, fertilisers and fuel has resulted in greater costs for farmers. Electricity subsidies for tube-wells have been totally withdrawn and thus watering crops has become even more expensive. The average expenditure contraction in 2021 was projected at 3.3% of GDP.

Social Protection has been shifted for the rich. The wealthy, including the agriculture business companies, have been bailed out by state subsidies.

Meanwhile, due to so-called rationalisation and narrow targeting, the poorest section of the population receives much smaller social protection benefits, while most people are excluded. Out of 80 million, only 1.5 million people have been able to benefit.

Imposition of IMF austerity conditionalities and levying surcharges have also contributed to the dire state of public services such as the health sector which has been downsized or privatised. The introduction of health cards is the latest and the biggest scam that only favours private hospital mafia. Public money is handed over to private
health companies in the name of providing health facilities for the poor. As many as 10 million Pakistanis have already been pulled into absolute poverty. Up to 46% of the population (over 80 million) was already below the poverty line before the pandemic. This is estimated to increase by 5-6% due to the multiple crises intensified by Covid-19.

Pakistan’s massive and increasing debt burden means that it is compelled to meet debt service requirements at great human and social cost. For now, gone are the concerns about how to “pay for” it all. Instead, we are seeing wartime levels of spending that do not redound to people’s benefit, which have increased deficits and the public debt to new highs. Working classes have been forced to bear the effect of this mounting debt burden through more indirect taxation, as a result.

It is unconscionable that the IMF has collected over $4 billion in surcharges since the start of the COVID-19 pandemic and made surcharges the IMF’s largest source of revenue for that period.

We call on the IMF’s Executive Board to carry out an immediate review of the surcharge policy, ensure transparency around past and future surcharge payments, and challenge it to align the institution with its mandate by eliminating surcharges.

We call on the Pakistan government for a Debt and surcharges retirement of at least four years and spend the saved amount on public services, including massive grants for farmers and peasants in the prices of oil, electricity and gas.

Farooq Tariq, Saima Zia
Pakistan Kissan Rabita Committee
Asian Peoples’ Movement on Debt and Development (APMDD)

Khalid Shah
Committee for the Abolition of Illegitimate Debt (CADTM)

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International solidarity for Sri Lankan people urged, Gov’t pressed to stop crackdown, put people’s needs over public debt
Press Statement

April 16, Manila – “Sri Lanka is currently in its worst economic and financial crisis yet, which has triggered lack of fuel, cooking gas and power cuts, runaway inflation and deepened hunger and deprivation. But peoples’ voices are being silenced with teargas, water cannons, arrests, increased military surveillance and questioning of civil society leaders,” said Lidy Nacpil, coordinator of the regional alliance Asian Peoples’ Movement on Debt and Development who called for international solidarity and support for the Sri Lankan people and denounced the reprisals against protesters demanding accountability from the Gotabaya Rajapaksa government.

She added that the Sri Lankan government’s recent decision to suspend all foreign debt payments, pending negotiations for a bailout with the International Monetary Fund, “should immediately lead to allocating funds freed from debt service to address the worsening humanitarian crisis”.

The acute shortages of food, fuel and other essentials have fueled the mass outpouring of protest and rising people power. But even as the economic crisis intensified and the risk of starvation grew more severe, the Sri Lankan government prioritized bondholders by paying $500 million for a maturing international sovereign bond in January 2022.

Sri Lanka’s debt-to-GDP ratio has been skyrocketing even before the pandemic, rising from 42% in 2019 to 104% in 2021. Borrowings went heavily into large scale infrastructure projects which have gone bust under the pandemic. Up to $8.6 billion in debt payments fall due this year, but the country has less than $1.94 billion in its reserves. Interest payments of $78.2 million are also supposed to be collected on April 18, followed by payment for a $1 billion maturing sovereign bond on July 25. The bond have since fallen below the face value at $0.54 to the dollar.

“This is an opportune time to start examining debt service payments being claimed from the Sri Lankan people through a participatory and transparent debt audit that will shine a light on debts whose legitimacy should be questioned.”

She cited loan-funded projects which contributed to worsening climate threats. The Norochcholai Lakvijaya Coal Power Plant 300 MW expansion project funded by US$300 - $400 million from China, was found using outdated technology and threatened the agricultural livelihoods and marine life in the area. The project was scrapped in line with government’s pronouncements supporting renewable energy, but there is still no clarity on the public debt incurred which will eventually add to the Sri Lankan people’s fiscal burdens, unless canceled as well.

Hambantota Port Project is another example of contentious debts, said Nacpil. US$ $809.35 million was sunk in Phase 2 of this project mostly from China EXIM Bank loans. Then failing to meet high debt servicing costs, the previous

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Sri Lankan administration practically ceded the port to China for 99 years. Although this reduced loans to China by roughly $1 billion, loans have piled up since and borrowing costs are now higher.

The Sri Lankan government has been incurring more debt, and shown no transparency on debt repayments. It has also lacked transparency in entering into bilateral agreements, including the Colombo Port City which is financed through a $1.4 billion loan issued by the state-owned China Communications Construction Company. Reports of corrupt practices and public suspicion over financial transactions, as well as threats to the livelihoods of fishing communities, are also fueling the growing civil unrest.

“No one should be forced to trade off the right to food and health for debt service payments,” stated Nacpil, stressing solidarity with the Sri Lankan people, and cautioning how IMF bailouts are “laden with austerity conditions, and are short-term and rigid. They’re often a cure worse than the disease.”

International solidarity for Sri Lankan people urged, Gov’t pressed to stop crackdown, put people’s needs over public debt

Press Statement

Don’t owe, won’t pay! Cancel all illegitimate debts!
APMDD Coordinator Lidy Nacpil delivered perspectives of civil society on the “Great Financial Divide,” the thematic chapter of the 2022 Financing for Sustainable Development Report last March 17 at the 6th annual meeting of the Friends of Monterrey (FoM). Representing the Civil Society on Financing for Development Group, she stressed the importance of development finance in the current context of multiple crises and highlighted the impediments to and recommendations for overcoming acute challenges to people and the planet amid the pandemic.

The FoM is an informal assembly of like-minded states come together yearly to discuss substantive topics in a non-negotiating environment related to the Financing for Development process. Since 2015, it has functioned as space to dialogue on the implementation of the Addis Ababa Action Agenda (AAAA) or the 2030 Sustainable Development Agenda, and feed inputs into the Financing for Development Forum, the intergovernmental mechanism in between summits tasked with reviewing the SDGs and the AAAA.

**Marking the 20th anniversary of the Monterrey Summit:**
Finance at the heart of major challenges to just, equitable, and inclusive development

This March, 20 years ago, the first International Conference on Financing for Development was convened under the auspices of the UN in Monterrey, Mexico. It was significant for several reasons.

The Conference was an initiative of the Group of 77 (G77), the coalition of more than a hundred developing countries, which shared growing discontent over the systemic failures of the international financial architecture. It was the first gathering of its kind spotlighting the deep cracks of this global economic and financial system through which countries of the South often fell through, and the need to mobilize financial resources to resolve persistent conditions of inequality, deprivation and impoverishment. It also sought to bring debates on the global economic and financial system back to the UN where countries are more assured of equal footing, rather than in narrow decision-making processes of international financial institutions and North governments where the richest countries hold sway.

Today, several promises of the 2002 outcome document, the Monterrey Consensus, remain not only unfulfilled but rolled back, starting with the main
Marking the 20th anniversary of the Monterrey Summit:  
Finance at the heart of major challenges to just, equitable, and inclusive development

goal “to eradicate poverty, achieve sustained economic growth and promote sustainable development as we advance to a fully inclusive and equitable global economic system”.

Many of the financing for development issues remain unresolved and cracks have all the more deepened. There is no clearer indictment of systemic failure than the multiple crises intensified and exposed by COVID-19 that continues unabated especially in South countries.

Speaking last March 17 at the annual conference of the group of open-minded states called the “Friends of Monterrey”, APMDD Coordinator Lidy Nacpil, underscored the key role of development finance in addressing the multiple crises of economic recessions, public health and climate.

“Finance is at the heart of every major challenge to just, equitable and inclusive development that is compatible with the health of the planet, most especially now at this time of multiple crises… The multiple crises should be taken as an opportunity to take decisive steps in transforming the global economic and financial system.”

She reiterated key and urgent issues that civil society organizations* have consistently been raising, in light of serious gaps in the draft FSDR which will be adopted during the 2022 session of the UN Economic and Social Council (ECOSOC) Forum on Financing for Development Follow-up (FfD Forum) in April 2022.

a. The establishment of a Sovereign Debt Workout Mechanism under the auspices of the UN that would comprehensively address unsustainable and illegitimate debt, including through extensive debt cancellation for all countries in need.

b. The establishment of a universal, UN intergovernmental tax body and a UN Tax Convention to comprehensively address tax havens, tax abuse by multinational corporations.

c. The delivery by Global North countries of their full climate finance obligations.

d. Agreement on a moratorium on Investor-State-Dispute-Settlement (ISDS) cases, removal of all ISDS provisions in all bilateral investment treaties and trade and investment agreements and the urgency for members of the World Trade Organization to adopt without delay a waiver from the obligations under the TRIPS agreement for health technologies and products related to COVID-19 countermeasures.

e. The regulation of Credit Rating Agencies (CRAs).

f. Review development outcomes of public-private-partnerships, blended finance and other financing mechanisms that promote a ‘private finance first’ approach to infrastructure and public services.

g. The acceleration of the implementation of the official development assistance (ODA) commitments to fulfill and exceed the 0.7% target for ODA in the form of unconditional grants.

h. The Assessment of systemic risks posed by unregulated or inadequately regulated financial sector instruments and actors.

i. A Global technology assessment mechanism at the United Nations.

j. Ensuring fiscal space and scaling up international cooperation for decent jobs creation and universal social protection in line with SDGs and ILO standards.

Lidy Nacpil spoke on behalf of the CSO Financing for Development Group, an open civil society platform involving more than 800 organizations (with more than 950 individual members), and the Women’s Working Group on FfD.

For the full text of her input, click here.
While women and gender runs across its different programs on tax, climate, energy and debt, APMDD marks International Women’s Day and Month in March every year with statements and actions to foreground the gendered dimensions of its areas of work and as part of its institutional commitment to the emancipation of women from patriarchal subjugation and capitalist exploitation and oppression. Read the full APMDD statement on the occasion of the 2022 commemoration of International Women’s Day and Month here.

As austerity conditions are imposed on governments in exchange for loans, and fiscal space narrows further, we are forced to trade off people’s well-being for creditworthiness, by continuing debt service payments. These come with harsh gendered spillovers, borne even more heavily by women who already face discrimination, oppression and violence in their daily lives.

Women carry a much heavier share of unvalued, unrecognized and unpaid, but socially and economically vital care work. They are also usually tracked into the lower rungs of the services sector which are deemed unskilled labor and thus, poorly paid.

Debt conditionalities such as privatization of health and water stand in the way of budgeting for adequate, affordable and quality public services which can make a big difference in helping women.

Debt cancellation, starting with illegitimate debts, is a decisive step towards a just recovery, and a gender-just and sustainable economic rebuilding.

#DebtJustice for #GenderJustice and #ClimateJustice now. #CancelTheDebt #IWM2022

Watch the IWM 2022 video here.