NGO Committee on Financing for Development submission to the 2019 IATF Report

At the invitation of the UN Financing for Sustainable Development Office (FSDO), civil society organizations represented at the United Nations in New York have prepared this stakeholder contribution to the preparation of the 2019 *Financing for Sustainable Development Report* of the Inter-Agency Task Force (IATF) on Financing for Development. Our contribution, prepared in response to the draft outline of the IATF Report dated October 23, 2018, is divided into the following three sections:

1. Social Protection Systems including Floors, as inputs to the thematic chapter and section 3.2 of Chapter III.A –Domestic Public Finance
2. Financial Inclusion, under section 4.2.1 of Chapter III.B- Private Business and Finance
3. Debt as a systemic issue hindering the achievement of SDGs and violating human rights, under Chapter III.E-Debt and Debt Sustainability

Section 1 of this submission is made by the NGO Committee on Financing for Development as member of and in collaboration with the Joint Advocacy Group on Social Protection (comprises the NGO Committee on Social Development, NGO Committee on Financing for Development, NGO Committee on the Status of Women and the NGO Committee on Migration, which are substantive committees of the Conference of NGOs in Consultative Relationship with the United Nations). Sections 2 and 3 of the paper are provided by the NGO Committee on FfD.

Section 1. Social Protection Systems including Floors for inclusion under the thematic chapter and section 3.2 of Chapter III.A –Domestic Public Finance

Social protection is a core human right under international law as specified by the Universal Declaration of the Human Rights - Article 22*:* Right to social security***:****« Everyone, as a member of society, has the right to social security and is entitled to realization, through national effort and international co-operation and in accordance with the organization and resources of each State, of the economic, social and cultural rights indispensable for his dignity and the free development of his personality. »***.** In an increasingly unequal world, where some are able to enjoy the fruits of economic growth and technological progress, 1.6 billion people still live in multidimensional poverty[1]. Today, a lack of basic social protection is one of the main reasons why people have

[1] https://ophi.org.uk/latest-figures-on-where-1-6-billion-poor-people-live/

been left behind and live in poverty. Globally, less than 30 percent of the world population has access to comprehensive coverage[2], unprotected from various setbacks and shocks throughout their lives. Recognizing a rights-based, universal social protection floor as elaborated in ILO Recommendation 202 is a key tool to eradicate poverty, reduce inequalities, promote income distribution, build resilient societies, and foster social cohesion.

Social protection systems, when they are integrated and well-designed to fit the needs of the population can mitigate various vulnerabilities throughout the life course. A rights-based approach to social protection floors implementation is fundamental in ensuring no one falls below a certain income level, that every person, and above all those living in extreme poverty, has access to essential services.

Many member organizations of the NGO Committee on Financing for Development directly provide social services, especially to people living in poverty in poorly integrated and often isolated communities. We see the inescapable importance of comprehensive public systems of social protection that we cannot provide on our own. We may be among the many thousand "points of light", as former US President George H.W. Bush called us, but we will never be able to mobilize the resources necessary to meet the needs of all the people living in poverty and dependent people in all countries. Even a star-filled night remains dark. Only governments can mobilize the necessary resources to deliver the services and cash transfers needed to eradicate poverty. To this end, we call on the IATF to give specific attention in its forthcoming 2019 report to ways and means to strengthen and assure social protection in all countries, especially "social protection floors," which are nationally defined packages of basic social cash transfers and public health services as specified in ILO Recommendation 202 (2012).

<u>Sustainably financing social protection over time</u>

As the IATF prepares the thematic chapter of its 2019 report, tentatively titled "National financing frameworks for the sustainable development goals" (SDGs), we fear that the need to assure long-run provision of adequate resources for social protection floors will not be addressed.[3] Our concern is that social protection outlays are part of the "current" expenditures of governments, outlays that must be made year in and year out, while the chapter seems set to focus on investments, which are mainly "lumpy" allocations of funds to create, expand or maintain discrete projects, both public and private initiatives. Admittedly, interest in focusing on investment was signaled by Member States when they committed in the 2018 Financing for Development (FfD) Follow-up Forum to "operationalize national financial frameworks into investable projects and pipelines" (E/FFDF/2018/3, para 5). However, in that same paragraph, Member States committed to "facilitate the use of all sources of financing…while being mindful of fiscal and debt sustainability…."

Indeed, governments need to insure that the fiscal obligations embodied in their social protection entitlements are sustainable. This does not mean narrowing social protection commitments to fit within the given trajectory of fiscal revenues when those revenues could be increased in a

[2] https://www.ilo.org/global/about-the-ilo/newsroom/news/WCMS_601903/lang--en/index.htm

[3] Reference is made here and subsequently to an undated draft paper titled, "Suggested issues for the thematic chapters of the 2019 and 2020 Financing for Sustainable Development Report (FSDR) of the Inter-agency Task Force."

progressive way without harming economic growth, innovation or the distribution of income and wealth. Assuring adequate financing of appropriate levels of social protection is thus part and parcel of proper planning and financing of sustainable development.

In short, <u>we emphasize that one of the "building blocks" envisaged for the IATF analysis in its thematic chapter should be maintaining an SDG-appropriate sustainable fiscal situation, which is one that over the planning period mobilizes sufficient tax and related current revenues to cover all appropriate current expenditures, notably those needed for social protection floors. This proposal speaks to adding the above to the proposed building blocks listed in section (i) of the draft thematic chapter.</u>

In other words, when governments devise their national financing frameworks, they should plan for fiscal sustainability. Governments will thus need to project the rate of economic growth over the medium term as part of their assessment of their prospective financing strategies, as economic growth determines the likely growth of public revenues, as well as of private savings that should be intermediated into the financing of domestic private and public investment, as well as provide resources for contributory private pensions and other services beyond what the public sector would deem necessary to provide. Planners should prepare scenarios that embody pessimistic as well as optimistic outcomes over the planning period, each conditioned on social protection floor commitments being met or increased in a planned way over time. While the draft concept note makes reference to medium-term public expenditure and revenue frameworks, <u>IATF should advocate in section (ii) of its thematic chapter for an SDG appropriate composition of current expenditures and revenues and not only pay attention to the net level of the fiscal balance and growth of the public debt. In addition, Sections 2 and 3 of Chapter III.A (Domestic public finance) provide a place to report in more detail than possible in the thematic chapter on interesting individual country efforts in this regard</u>.

Governments, especially of low-income countries, should also develop with their international partners appropriate responses when they receive threats from major foreign-owned enterprises or mining establishments to quit the country if their taxes are raised to what may be internationally deemed a fair level. In some cases, operating firms from different countries may offer better prospects for the host country and it becomes a matter of replacing one set of contract obligations with a successor package. Legal support to developing country negotiators can be an important form of assistance in such instances. In some cases, a solution may involve international cooperation to root out illicit financial flows that avoid national taxation. In effect, <u>international cooperation on tax matters seems an inescapable part of devising an effective and appropriate national financing framework for the SDGs and the IATF should say as much in part (iii) of the envisaged thematic chapter. In addition, sections 5 and 6 of Chapter III.A provide a place to report in more detail on international cooperation progress in this regard.</u>

<u>Meeting social protection obligations in times of difficulty</u>

In addition to the long-run considerations discussed thus far, governments need to meet the social protection needs of their people during times of national economic stress and natural catastrophe. In these situations, it is essential that the social protection system continue to function smoothly and, indeed, increase transfers and services to meet temporarily expanded needs. This will be a challenge to policy makers as their normal sources of fiscal revenue will likely diminish at the same time as the needs increase. It would significantly increase confidence in the social protection system if its resource needs were "ring fenced" during times of pressure for austerity that typically accompany or follow crises.

Provision thus needs to be made in advance to handle these situations as part of the design of national financing frameworks. One may say that <u>governments need to include financial "stress testing" and the policy responses they would deploy to handle such crises as part of their sustainable financing frameworks.</u>

National policy responses can take different forms. Some countries will be able to devise financial mechanisms to at least partially compensate for the lost current revenue from a crisis, such as through fiscal funds and foreign exchange reserves that accumulate financial resources in good times to draw upon during bad times. Some countries will be able to borrow from domestic financial sources and/or foreign markets or official institutions. Some official institutions, such as the International Monetary Fund, offer pre-arranged credit lines to member countries that they may draw upon as needed. The credit lines are made available under strict pre-specified conditions, which might be reviewed for their adequacy. In a number of cases, countries will find themselves unable to borrow to meet their expanded temporary needs and will require temporary or permanent relief from their external debt-servicing obligations, depending on the situation. In this context, economists and lawyers have conceived of "state-contingent" loans and bonds as a way to automatically reduce government payment obligations during difficult periods, an interesting innovation that awaits a "first mover" country to issue such a financial instrument. All of these options should be considered in the design of a nation's "financing framework for the SDGs."

<u>Public participation in the planning process</u>

Finally, sustainable development planning and the associated national financing framework are typically viewed as a technocratic function of government, often centered on the finance ministry or office of the president or prime minister. However, planning is actually a fundamentally political exercise and should be acknowledged as such in the IATF report. It embodies both economic projections under different assumptions and mediating the demands and aspirations of different ministries of the government and their advocates in the legislature and at times in the business community. <u>We believe the views of all interested residents, poor as well as rich, rural as well as urban, should be gathered and made available as inputs into the national planning process.</u>

To this end, we intend to continue to campaign in the countries in which we are active for meaningful public discussion in the press, in academia, in faith communities and in civil society generally on sustainable development plans and their financing frameworks. We ask the member organizations of the IATF to assist us in this task by calling for such consultation in the context of their country missions, and that any resulting dialogue be substantive and comprehensive, thereby amounting to more than an empty, formal meeting that allows international organization staff to "check the box" that they consulted on the substance of their missions.

<u>The content of social protection programs</u>

We urge Member States to formulate and implement national strategies to establish as quickly as possible and progressively realize the basic security guarantees for a social protection floor, in accordance with ILO Recommendation No. 202:

a. access to a nationally defined set of goods and services, constituting essential health care, including maternity care, that meets the criteria of availability, accessibility, acceptability and quality;
b. basic income security for children, at least at a nationally defined minimum level, providing access to nutrition, education, care and any other necessary goods and services;
c. basic income security, at least at a nationally defined minimum level, for persons in active age who are unable to earn sufficient income, in particular in cases of sickness, unemployment, maternity and disability; and basic income security, at least at a nationally defined minimum level, for older persons.

In addition to these basic security guarantees, we believe a few additions should be considered to provide comprehensive social protection for all vulnerable populations. Social protection floors must also include people suffering from homelessness, migrants and refugees, and women to prevent deeper poverty among these populations. With rising numbers of persons working in jobs with limited access to benefits, and all associated risks, we urge the recognition of informal employment sectors in the social protection floors, to reduce inequality, discrimination and exclusion.

The financing of social protection systems raises international questions on the fiscal sustainability of such protections. There is no shortage of economic resources available to eradicate poverty, but increased efforts must be established ensuring proper allocation of funds. Harnessing these already existing resources can be done through redoubling efforts to substantially increase domestic tax revenues, while reducing tax *evasion, tax avoidance* and tax *fraud through the implementation of progressive tax systems*. This ensures developing countries have the technical capabilities to effectively administer their tax systems, while developed countries should fulfill their Official Development Assistance commitments, and all countries should reallocate military spending and reform international financial institutions to include fuller participation of women and marginalized population. These are all essential to ensure social protection programs stay financed and are sustainable.

Although the ILO Recommendation n°202 presents a broad definition for coverage of many societal groups, it does not specifically address the gendered differences in the life course, nor gendered-differences in employment. The growth of the informal labor market is dominated by women and migrant populations. So in response there must be concerted action to include adequate, comprehensive social protections for individuals occupying these informal employment spaces, to reduce the risk of additional inequality, exploitation and poverty.

Social protections systems should be designed with the intersection of gender with social, economic, and cultural inequalities at the forefront, and how gender-based inequality can be mitigated with proper social protections. Hence, the lack of feminized social protection remains a critical challenge. A nationally designed gender equality social protection floor would address multiple issues across the life course for women and girls. Doing so would address gender inequality from the discriminatory foundation of legal frameworks to social norms. Several of the basic guarantees that national social protection floors should establish include maternal health, child care and maternity benefits, ensuring gender equality and women's enjoyment of rights.

Channeling social protection through women within households significantly improved education, health and the nutritional levels of children. That said, it does not always eradicate the causes of gender inequality. Societal gendered differences must be considered –women are often forced into informal jobs with precarious employment status, no access to social insurance benefits or pensions, and often unsafe or unhealthy working conditions. Equal access to family benefits must be guaranteed, including paid maternity leave and benefits for an adequate period. Social protection floors provide a useful and effective tool to help reverse gender-based power imbalances, particularly in employment sectors.

While migrant workers, including irregular migrants, contribute to social protection schemes in countries of destination, they are often excluded from receiving the basic services provided within host countries. A rights-based approach to migration and development must ensure that social protection entitlements, including social protection floors, are available to migrant workers in all stages of migration including when stranded and in transit.

Additionally, the feminization of migration is not reflected in social security debates and policies, indicating a gap in protection. Migrant women are heavily represented in low-skilled and precarious jobs. As such, they experience greater exclusion from social security coverage than migrant men while also receiving less wages. Migrant domestic workers are composed of predominantly women. So, given their discriminatory exclusion, these women are often not eligible for social security coverage from protective labor laws, they are often isolated, and they may lack access to information or knowledge about their rights, rendering them especially vulnerable. Gender-based violence against women, migrant workers abroad remains an urgent social protection issue that must be addressed.

Many of the women, men, and children who are not enjoying basic social protections are those living in rural areas, where access to employment, and income related benefits is limited. This results in many of these populations working in the informal employment sector. This especially includes indigenous people, migrant workers and those working in small agriculture and subsistence-based lifestyles. These rural populations are particularly vulnerable to economic and employment-based exploitation or further poverty, given the informal nature of their work, and so are at an increased need for comprehensive social protections.

Finally, the lack of adequate, safe and affordable housing is contributing to a rise in homeless populations, demonstrating a need for housing to be included in social protection floors. Inadequate housing and the cycle of poverty are deeply interwoven, so much so that one cannot be resolved without remedying the other. Housing is frequently a prerequisite to gain access to various social services. Meaning, social protections that mitigate the impacts of homelessness or inadequate housing, will improve long term health/mental health and educational outcomes in adults and children exposed to these environments. So, adequate housing protections will increase access to health care, proper nutrition, income security, educational institutions, child care, benefits, long-term employment opportunities and social/welfare services for people in poverty.

The Addis Ababa Action Agenda for Financing for Development identifies a strong commitment to make a new social compact that will "deliver social protection and essential public services for all" and "eradicate poverty in all its forms everywhere". (AAAA, para. 12). Ultimately, to achieve this goal, there must be cohesive cooperation among all stakeholders, including having people living in poverty as part of the decision-making process. Political will is needed to ensure proper structures and mechanisms are established that appropriately utilize these resources and in a transparent manner. An interdisciplinary and multidimensional approach to social protection floors must be applied, as a means of ensuring no population is at risk of further poverty.

These are our recommendation to the Member States and the member agencies of the IATF:

1. A coherent, rights-based approach to social policy will ensure people's access to basic services and social guarantees. – *rights-based approach to implementation*
2. Social Protection is a state-led strategy yet civil society should participate in the design, implementation and monitoring of social protection programmes - *participation of all stakeholders including people living in poverty*
3. Social protection implementation should be better monitored
4. Maximizing the fiscal space for social protection is an absolute necessity – governments must exploit all available financial resources to further increase social protection spending
5. Social protection should be prioritized in UN programs and budgets
6. There needs to be a greater effort to elaborate a multi-dimensional definition of poverty that recognizes the need for a collaborative approach by multiple stakeholders to "end poverty in all forms everywhere." Regulations and policies need to counter inefficiencies and opportunities for abuse in any economic system whether neoliberal, socialist, or other.
7. SDG Indicator 1.3.1 needs to expand past conditional cash transfer programs and consider integrated anti-poverty programs such as Chile's Solidario which focus on expanding the capabilities of those in poverty.
8. All social protection measures should be disaggregated by age, gender and socioeconomic and demographic characteristics where relevant in order to allow assessment of the equitable distribution of service and financial protection coverage.
9. Universal coverage needs to be set as a goal rather than an effort to measure and catalogue.
10. Delegation of responsibilities to local municipalities is a conversation sorely needed as it provides a way to focus on local level issues.

Section 2. Financial Inclusion issues for inclusion under section 4.2.1 of Chapter III.B-Private Business and Finance

While Financial Inclusion has risen globally, the large disparities between men and women, and rich and poor continues to persist. According to the 2017 World Bank's Global Findex Report, globally 72% of men and 65% of women hold a bank account. While this is an increase from the 2014 data which showed 64% of men and 57% of women held a bank account, the 7 percentage point gap that existed in 2011 and 2014 continues to persist. The gender gap is similar in developing economies, with 67% of men and 59% of women having an account. The Findex data also shows that the global gap between the rich and the poor have not narrowed and continues to persist at 13 percentage points since 2014. While countries such as India and Croatia[4] are reported to have made tremendous progress in enabling the unbanked to have access to financial services, the growing focus on financial expansion, the disproportionate role of private sector in financial inclusion strategies, and the rolling out of access to credit and loans to the newly banked without the necessary financial literacy and numeracy trainings in place, raises the question, is the primary objective of including persons in poverty or with low incomes into the cycle of financial expropriation through financial inclusion strategies, profit seeking or poverty alleviating?

Defining Financial Inclusion from the perspective of those it aims to help

If the overarching objectives of the SDGs is to "leave no one behind", then financial inclusion strategies must also fully encompass its purpose to promote economic development and growth, but at the same time arrest poverty and inequality leading to sustainable economic empowerment of women and the people in poverty. While the World Bank, CGAP and several other groups have coined definitions for financial inclusion from an institutional perspective, most of these definitions appear to be supply side focused. An agreed upon definition of financial inclusion from the perspectives of those it aims to help is essential for measuring impact and making timely interventions. In our opinion, the definition by the Center for Financial Inclusion at Accion (Kelly and Rhyne, 2015:6-7), where they define "full financial inclusion" as "a state in which everyone who can use them has access to a range of quality financial services at affordable prices, with convenience, dignity, and consumer protections, delivered by a range of providers in a stable, competitive market to financially capable clients", captures the essence of the "leaving no one behind" principle.

Barriers for women to financial inclusion and steps to take

Studies[5] show that women who are experiencing poverty are 28% less likely than men experiencing poverty to have a bank account. In order for financial inclusion to be meaningful in that it fosters the ability of women to lead meaningful and productive lives, the financial products and related services targeted at them also need to be designed with their needs in mind.

[4] https://www.worldbank.org/en/news/press-release/2018/04/19/financial-inclusion-on-the-rise-including-in-croatia-but-gaps-remain-global-findex-database-shows

[5] https://www.icrw.org/wp-content/uploads/2017/11/Gender-and-digital-financial-inclusion.pdf

Addressing gender-based constraints is essential to achieving full financial inclusion for women as highlighted in the following recommendations.

1. If digital financial services via mobile phones is a key strategy to reach women and those in poverty, then it is crucial to address the shortfall where women are 14% less likely than men to own a mobile phone (GSMA 2015).

2. Even if women have access to mobile banking, language barriers (especially where the mobile banking information is not in their native language), and lack of financial literacy and numeracy skills, force them to depend on the male members of their household or middle men to help with managing their mobile banking information, which in turn opens up to opportunities for fraud and mismanagement. Therefore, it is essential that all financial inclusion strategies when rolled out, especially through mobile banking initiative, take the necessary precautionary measures to protect the rights of the women to manage their finances independently.

3. Sex-disaggregated data, both on the demand side and supply side, is essential to identify which programs to make investments in and which policies to put in place to address financial exclusion.

4. One of the challenges highlighted by CGAP.org is that " excluded women are harder to find" As many international civil society organizations have large reach and ongoing microfinance programs with a focus for the economic empowerment for women and girls, mechanism to collect and utilize data generated through such programs should be developed and implemented.

5. Timely and effective financial literacy and numeracy programs is key to support the newly banked to manage their finances in a prudent and informed manner. As many civil society organizations are already providing financial literacy and numeracy trainings as part of their microfinance programs, opportunities to collaborate on developing training material would help avoid wastage of resources and duplication of efforts.

6. Wider resources than banks for lending must be made available to entrepreneurs. Financial agreements need to be flexible in line with some of the cultural conditions that work in local communities such as extended family loans.

7. Exploring new models of partnership that go beyond the private sector which has primarily a profit-making focus, to make financial inclusion programs meaningfully inclusive, effective, and sustainable. To cite an example, Good Shepherd Microfinance, Australia makes available 'No Interest Loan Scheme' which offers people on low incomes safe, fair and affordable loans for household items, as well as education and medical expenses. Loans up to $1,500 are available from 178 community organizations at 628 locations across Australia. A Financial Inclusion Action Program was recently launched by Good Shepherd Microfinance[6], where they partner with 30 other organizations, from varied sectors such as financial services, utilities, education, retail,

[6] https://goodshepherdmicrofinance.org.au/services/financial-inclusion-action-plans-fiap/

and fintech, to ensure financial inclusion and resilience for their staff and clients. Training for success must be a part of any microfinance engagement.

8. Political leadership at the national level is key to reaching the most marginalized and women who are “excluded”. *Leadership must include those in the community especially women and must be able to work alongside lenders.* Successful initiatives where political will has generated considerable advances in financial inclusion for women and persons in poverty should be shared as case studies to be replicated. One such example would be the Kudumbasree programs[7], in existence since 1998, set up by the state government of Kerala in India.

9. It is recommended that to continue to measure quantitatively income disparities and to remedy them, all parties will look to the SDG indicators especially those of Goal 10 to establish universally approved norms for measurement. For example, a country will identify that proportion of people living below 50% of median income on a disaggregated basis, by age, sex and persons with disabilities. Heightened efforts to take all steps toward inclusion will be prioritized and all financial flows, ODA, foreign direct assistance, private sector to that population will be directed first. Reports of progress will be made annually.

10. Beyond just opening a bank account, national policies must be put in place to ensure people can access the necessary schemes and services to manage their finances. For example in India, most accounts opened under the Jan Dhan Yojana are cited to be dormant.[8]

Resources:

1. https://www.icrw.org/wp-content/uploads/2017/11/Gender-and-digital-financial-inclusion.pdf
2. https://globalfindex.worldbank.org/

[7] http://www.kudumbashree.org/pages/68

[8] https://www.business-standard.com/article/news-ians/20-jan-dhan-accounts-lying-dormant-minister-118032200961_1.html

Section 3 - Debt as a systemic issue hindering the achievement of SDGs and violating human rights for inclusion under Chapter III.E-Debt and Debt Sustainability

A decade after the global financial crisis, global debt levels continue to reach new record high. The United Nations Conference on Trade and Development (UNCTAD) estimates that the ratio of global debt-to-world gross domestic product (GDP) is nearly one third higher than in 2008, with global debt stocks amounting to more than three times global GDP. The Institute of International Finance estimated that by the end of March 2018, global debt stocks had reached $247.2 trillion, up by nearly $25 trillion from a year earlier and $168 trillion at the onset of the financial crisis of 2007-2008. This shows debt is a systemic Issue of a faulty financial system.

What gives rise to increasing debt?

- When governments do not have adequate tax revenue they tend to borrow from International financial institutions and the interest over years double or triple the initial debt. In poorer economies, interest payments as a percentage of government revenue more than doubled from 5.7 per cent in 2008 to 14 per cent in 2017, and to 18.5 per cent in sub-Saharan Africa, reaching as much as 30 percent of tax revenue in some sub-Saharan economies.
- Most of the huge global stock of debt is owed by private entities and inadequate regulatory measures can cause financial panics that can “bleed” a country’s vital financing.

For developing countries taken together, total external debt is estimated to have reached $7.64 trillion in 2017, having grown at an average yearly rate of 8.5 per cent between 2008 and 2017, or more than 80 per cent over the period. Over the same period, total external debt increased from $155 billion to $293.4 billion in the least developed countries, representing an average annual growth rate of 7.4 per cent. For all developing countries, the debt-to-GDP ratio rose from 21.8 per cent in 2008 to 25.7 percent in 2017.

One aspect of global financialization is how it facilitates hiding funds in offshore financial institutions, including Illicit Financial Flows, that is, “Money illegally earned, transferred, or used that crosses borders” (FFs). In part, it thus reduces domestic resources and tax revenue needed to fund poverty-reducing programs and infrastructure in developing countries, which can be fought with better cooperation among national tax authorities; therefore, we need a UN based International tax body.

The most important common denominator of rising debt vulnerabilities across developing countries is that the more conventional triggers of debt distress have been amplified by the rapid integration of developing countries; shallow financial and banking systems, both public and private, into volatile and largely unregulated international financial markets.

“We reiterate that debtors and creditors must work together to prevent and resolve unsustainable debt situations. Maintaining sustainable debt levels is the responsibility of the borrowing countries; however, we acknowledge that lenders also have a responsibility to lend in a way that does not undermine a country’s debt sustainability. In this regard we take note of the UNCTAD principles on responsible sovereign lending and borrowing. We recognize the applicable requirements of the IMF debt limits policy and/or the World Bank's non-concessional borrowing policy." AAAA para 97

Priorities need to be reflected in budgeting to manage the available revenue, for example there is growing military expenditure while shrinking social spending in many countries. Reallocation of military expenses to social spending is necessary for human development as well as national security.

We recommend the Member States and the member agencies of the IATF to:

1. As agreed in AAAA, urgently make necessary improvements to existing debt restructuring mechanisms for sovereign debt. A temporary standstill for public and/or private debt, to be declared unilaterally by the debtor country and sanctioned by an independent panel to avoid conflicts of interest
2. Countries should use exchange controls, including the suspension of convertibility for foreign currency deposits and other assets held by residents as well as non-residents in extreme cases.
3. Establish a Global Tax Body under the auspices of the UN to stop the tax evasion, tax avoidance and illicit financial flows from developing countries to the developed.
4. Encourage responsible lending and borrowing systems among countries and participation of citizens in whose name countries borrow the debts.
5. International Policy to better regulate the non-bank intermediaries (shadow banks) who are playing a major role.-

Proper debt management is not only necessary but also inevitable in achieving the sustainable development Goals and Human Rights for all.

Resources:

1. https://www.twn.my/title2/unsd/2018/unsd181101.htm

2. https://www.un.org/esa/ffd/wp-content/uploads/2015/08/AAAA_Outcome.pdf

3. https://unctad.org/meetings/en/SessionalDocuments/tdb_efd2d2_en.pdf