

DECODING DEBT INJUSTICE



A guide to collecting, analyzing, and presenting data, to shed new light on how the global debt crisis impacts people's rights.

CENTER for
ECONOMIC and
SOCIAL RIGHTS



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ABOUT THIS GUIDE

This is a guide for anyone who wants to understand — and take action to tackle — how the global debt crisis is harming people’s rights. It’s based on the belief that if we want to change the status quo, we need to bring together a wider range of expertise—both technical and lived.

It introduces Decoding Injustice, which organizes innovative research methods around three steps: interrogate; illuminate; and inspire. These methods can be adapted for use by a wide range of groups. Combined, they help build evidence that strengthens demands for those in power to live up to their promises and right the wrongs of systemic oppression.

This guide walks through how to apply these methods to ‘decode’ debt injustice. It offers a resource for anyone looking to bring a human rights lens to their own research on debt. You might be researching a specific loan or restructuring agreement. You might be investigating how a country’s debt problem is affecting particular rights for distinct groups. You might be interested in mapping regional debt trends.

Debt has traditionally been seen as a public finance issue. In particular, debt sustainability is considered a factor in determining a country’s economic stability. Complex financial indicators are used to project a country’s current and future ability to service its debts. Missing from the equation is how these actions affect the country’s population.

Yet there is plenty of evidence that overindebtedness—and the trends fueling it—have devastating impacts on people’s rights. Around the world, low- and middle-income countries face a vicious cycle of overdependence on sovereign debt, taking loans under unfavorable terms skewed in favor of powerful lenders. The result? Governments’ budgets are squeezed, public services are privatized, social protection programs are cut. Groups who are already marginalized suffer the most. For example, unpaid care and domestic work is relied on to fill the gap, which worsens economic insecurity and social mobility for women and girls. **Recognizing sovereign debt as a human rights issue helps us to make visible—and properly address— the true social costs of these seemingly technical decisions.**

THE
GUIDE IS
ORGANIZED
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Section 1 looks at how to interrogate the problem. We introduce some key elements of the global debt system and take stock of the trends that have shaped the way they interact. We also discuss how the trends can be framed—and measured—through a human rights lens and introduce tools needed to do so. This includes incorporating indicators and benchmarks on debt into the ‘OPERA’ framework.



Section 2 introduces data that can help illuminate the problem. It gives an overview of the different sources of debt data and some of the specific terminology to help you find what you are looking for. We also offer some pointers for activists looking to analyze data themselves, or to collaborate with economists, statisticians, and others to do this analysis.



Section 3 considers how to use evidence to inspire action. It outlines various reforms that can address heavy debt burdens, as well as the different channels for pushing them.

Readers will likely have varying degrees of familiarity with the methods we cover in each section. So, some will no doubt be more relevant for particular readers than others. We encourage you to dip in and out of the guide and keep it on hand as a reference as you experiment with different methods in your work. Given the debt-specific focus of the guide, there are other dimensions of Decoding Injustice that we spend less time on. Where relevant, we also point you to further resources where you can dive deeper into these.

Learn More | Find additional resources about Decoding Injustice on our online Hub: <https://cesr.org/hub/>. These include: a series of short videos introducing the methods that make up the approach; 12 self-guided notes that share some of the basic concepts, practical considerations, and strategic questions to consider in applying them; and a number of case studies illustrating how these methods have been applied in different contexts.



STEP 1 INTERROGATE



Photo: [Kirill Pershin](#)

Injustices in the global economy show up in different ways. But, perhaps the most glaring is in relation to debt. **Overindebtedness, and the system fueling it, has devastating impacts on people’s rights.** We’ve seen this around the world, as crisis after crisis has laid bare the power dynamics that ensure that loans are repaid at all cost, prioritizing creditors’ profits over people’s rights.

But if we are to change this system, we need to understand the forces that shape it — and they are complex, multidimensional and dynamic. These forces are so deeply embedded in the way things work that they are often difficult to see and make sense of. In other words, they are “coded” into the system. Often this is deliberate, to exclude people from decision-making.

If we are going to decode the injustices of the global debt system, we first need to map out the various elements in it and connect the dots between them. This helps us to unpack how, together, they create the particular dynamics that sustain injustice. **Here, we introduce some key elements of the global debt system and take stock of the trends that have shaped the way they interact.** We also discuss how the trends can be analyzed through a human rights lens and introduce some of the tools needed to do so.

Key concepts in the global debt system

A system is an interconnected set of elements, organized in a way that achieves a particular function or purpose. But, being organized doesn’t mean being clear and coherent. The global debt system is a case in point! It’s been described as a fragmented, asymmetrical ‘non-system’ whose primary beneficiaries are the wealthy and powerful.¹ The interrelationships between elements in it are complicated and this makes their behaviors difficult to predict. As a first step, it’s helpful to know what those elements are — most notably debtors and creditors — and what rules and institutional arrangements govern their relationships.

Instead of being clear and coherent,

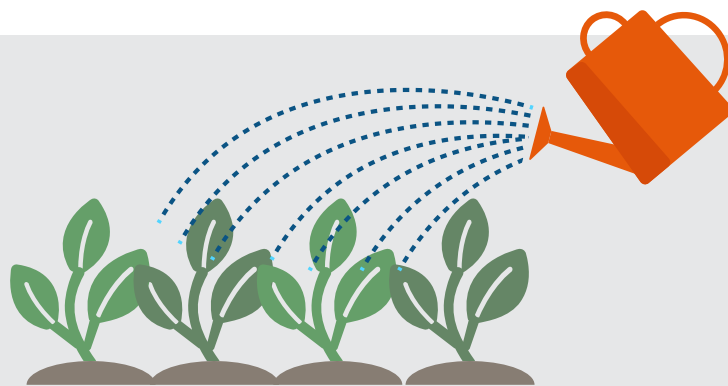


the global debt system is fragmented, asymmetrical and primary benefits the wealthy and powerful

1 Miranda, Patricia (2023). Reforming the global debt architecture. Global Policy Forum Europe. <https://bit.ly/ReformingGlobalDebtArchitecture>



Like the water that nurtures a garden, if well distributed, money borrowed by a government has the potential to ensure we all have what we need to live a good life



WHY DO GOVERNMENTS BORROW MONEY AND WHAT IS EXTERNAL DEBT?

Government debt (also called sovereign debt or public debt) refers to the money borrowed by a government to finance its activities. If deployed well, debt can be a useful tool to ensure we all have what we need to live a good life. When governments borrow, this increases their financial resources, which means they can invest in social goods such as healthcare, social security and housing. Their investments can have “multiplier effects” across the economy. But, as discussed further below, the sustainability of this debt depends on the terms and conditions that a government is able to borrow on and how borrowed money is used.

There are generally two scenarios in which governments need to borrow:

- to fill a short term financing gap — and avoid a financial crisis — by borrowing to cover external financing needs.
- to invest in the country’s longer term development.

External debt refers to the amount of money a government owes to someone (a person, company, institution, or government) outside of the country. This debt is either owed directly or guaranteed by a state institution (including national governments, sub-national governments, local authorities, or public bodies). In other words, it commits to paying a debt if the borrower — often a state-owned company — cannot. **Domestic (also called internal) debt is owed to someone within the country.**

WHO CAN GOVERNMENTS BORROW FROM AND HOW?

To access loans, states have several choices and can draw from different types of creditors:

- **Multilateral creditors:** are institutions owned by multiple governments. They include large international financial institutions, such as the International Monetary Fund (IMF) and World Bank;

regional development banks, such as the African Development Bank; and lenders established by particular groups of countries, such as the OPEC Fund for International Development (established by members of the Organization of the Petroleum Exporting Countries) or the New Development Bank (established by the ‘BRICS’ countries: Brazil, Russia, India, China, and South Africa).

- **Bilateral creditors:** are other governments. They include Public Development Banks (PDBs) and Development Financing Institutions (DFIs). By definition, a bilateral creditor is an individual country. But, some of the richest and most significant creditors in the world have created informal ways to strengthen their bargaining power. For example, the Paris Club includes 22 countries, mostly from the Global North, that negotiate debt relief deals with debtors collectively. That said, a number of significant bilateral creditors are not part of the Paris Club, such as China, the United Arab Emirates, and Saudi Arabia.
- **Private creditors:** refers to businesses that provide loans (or buy debts created by loans). This includes commercial banks. It also includes non-banking financial institutions, such as ‘institutional investors’ and ‘asset managers’. These institutions invest money on behalf of others (e.g., hedge funds, pension funds, insurance companies, university endowments). But, they are not subject to the same regulations as commercial banks. For this reason, they’re sometimes referred to as ‘shadow banks’.² BlackRock, Vanguard, and State Street are some of the largest.

Governments can borrow money by taking a loan (which is repaid gradually, with interest, over an agreed period) or by issuing a ‘bond’ (which is repaid in full after a set number of years — known as the bond’s ‘maturity’ — with interest paid every year until then). Bonds are

² Kodres, Laura. *Shadow Banks: Out of the Eyes of Regulators, Finance & Development*. <https://www.imf.org/en/Publications/fandd/issues/Series/Back-to-Basics/Shadow-Banks>

generally more tradable, meaning whoever initially lent the money usually sells the bond on to others (unless a government has regulations on who can buy the debt). Such bonds are bought and sold in their millions every day on financial markets. A bond's current owner is called a 'bondholder'.

HOW BORROWING AND LENDING IS GOVERNED

The negotiation of new loans — and renegotiating existing ones — determines the terms and conditions they are made on. These are important to understand, because they affect how manageable debt payments are.

Loan contraction

The transfer of resources between creditors and borrowers creates a relationship of power that is governed by a contract (also called an agreement) between them. The contract sets out the terms and conditions of the debt. This includes:



The duration: i.e. when the full amount borrowed is due to be repaid. This can be short-term (less than one year) or long-term (more than one year).



The repayment schedule: Loans can be repaid (also called amortized) in different ways. Because repaying the principal amount borrowed reduces the total interest payments, the type of amortization affects how much is spent repaying it. For bonds, there are usually no principal repayments until the bond matures, at which point the principal is paid in full. Another form of amortization is 'equal principal' repayments, where the same amount of principal is repaid every year. Alternatively, 'mortgage style' amortization is where the same amount in total (covering both principal and interest) is paid each year, meaning less principal is paid towards the start and more towards the end. Some loans include a 'grace period', which delays repayment for a fixed amount of time.



The currency: debt can be owed in foreign or local currency. External debt is not always in foreign currency and domestic debt is not always in local currency. As explained in more detail below, the fluctuation of exchange rates affects the debt owed by countries.



The interest rate: This is usually expressed as a percentage of the amount borrowed. Interest rates can be concessional or non-concessional. Although there is no universal definition for either, concessional generally means below market rates. For loans at market rates, the interest rate agreed upon generally depends on the perceived 'creditworthiness' of the country concerned (i.e., how likely they are to repay). There are several credit rating agencies in the world (e.g., S&P, Moody's, Fitch, and DBRS) that evaluate countries' creditworthiness.



Any additional fees and charges to be paid: For example, the IMF adds a [surcharge](#) for heavily indebted countries, calculated according to the size and repayment time of their loans; the World Bank's International Development Association (which lends to low-income and some lower middle-income countries) has a service charge.



Policy conditions: When governments borrow from multilateral creditors, loan agreements commonly require policy reforms. As discussed further below, these are typically designed to free up the maximum amount of money for continued debt servicing. The fact that these loans are disbursed in tranches (i.e., they're paid in installments) provides an effective way to enforce these conditions.

Loan defaults

States are not protected by national or international bankruptcy or insolvency laws. This means that if a country's external debt becomes unsustainable — and it can no longer repay it — it has very few options. Some options include:

- **Rescheduling:** a negotiated agreement to delay payments, but repay the principal in full at a later date, e.g., by lengthening the repayment schedule, extending maturities, offering a grace period, etc. Rescheduling usually involves paying additional interest on the delayed payments.
- **Restructuring:** a negotiated agreement to cancel (usually only part of) the outstanding debt, e.g., by lowering the interest rate, moving the payments further into the future without additional interest, waiving fees, or a reduction of the principal still owed.
- **Moratorium:** debtor unilaterally suspends payments (fully or partially) to bridge a period of fiscal distress, with a view to resuming them at a later date or with a willingness to negotiate repaying a lower amount following a restructuring.
- **Repudiation:** debtor unilaterally refuses to acknowledge or pay its debt. This usually happens if the debt is considered 'odious' or 'illegitimate'. 'Odious debt' means a debt which is unconscionable for a government to pay for a justifiable reason.

For the most part, how practical these options are depends on a country's ability to negotiate with its creditors. This, in turn, depends on the power relations between them. As discussed further in the next section, **creditors are generally in a much stronger position than debtors.**

Depending on the type of default, different stakeholders are involved in the process of negotiating a debt restructuring. For bilateral debt, the Paris Club acts on behalf of its members in negotiations. Commercial debts are usually negotiated with one or more committees made up of the creditors of the country concerned. Creditors are free, at any time, to pursue litigation to recover their debt.

There is no comprehensive debt mechanism for all types of debts. The result is spectacularly poor outcomes for countries dealing with debt problems. According to the IMF, between 1950 and 2010, up to 61% of countries defaulting on their debt service were repeat defaulters.³ Rather than produce long-term debt resolution, debt restructuring produced prolonged debt distress and

repeated default. Some attempts to strengthen debt restructuring processes include:

- **The Debt Service Suspension Initiative (DSSI), established by the G20 in 2020.**⁴ The DSSI ran until December 2021 and 73 of the world's poorest countries were eligible to have their debt suspended under it. But, the DSSI only involved bilateral creditors and didn't make it mandatory for private creditors to participate. Due to fears it would have a negative impact on credit ratings, many eligible countries didn't participate.
- **The Common Framework for Debt Treatment, established by the G20 following the DSSI.**⁵ This had many of the same shortcomings. For example, the G20 has not said how much debt relief any country will get before they apply, making it unclear what the benefit is, while negotiations with bilateral creditors have been extremely slow for those countries which have applied.
- **The Global Sovereign Debt Roundtable (GSDR),** established in February 2023 "to work on the current shortcomings in debt restructuring processes, both within and outside the Common Framework".⁶ The GSDR includes bilateral creditors, private creditors and borrowing countries. However, debt justice activists have criticized the power imbalance between creditors and debtors and the need for better information sharing to level the playing field in negotiations.

As discussed further in Section Three, one of the key demands from debt justice activists is an independent debt workout mechanism to cover all categories of debt and to which all creditors would be bound to cooperate with.

RISKS WITH EXTERNAL BORROWING

High levels of external debt can be risky. **Exchange rate risk is created when debt is owed in a foreign currency.** This means that if the local currency devalues (meaning it decreases compared to other currencies) the relative size of the debt increases rapidly. For example, between January 2015 and January 2016 the Ghanaian cedi fell by 20% in value against the dollar. This meant that in January 2015 a debt of USD 1 billion was worth GHC 3.2 billion, but a year later the same USD 1 billion debt was worth GHC 4 billion.

4 World Bank (2022). "Debt Service Suspension Initiative: Q&As". <https://bit.ly/DebtServiceSuspensionInitiative>

5 OECD (2022). *OECD Debt Transparency Initiative: Trends, challenges and progress*. https://www.oecd-ilibrary.org/finance-and-investment/oecd-debt-transparency-initiative_66b1469d-en

6 IMF (2023). "Questions and Answers. Global Sovereign Debt Roundtable". <https://www.imf.org/en/About/FAQ/gsd-roundtable>

3 Das, Udaibir S., Papaioannou, Michael G. and Trebesch, Christoph (2012). *Sovereign Debt Restructurings 1950–2010: Literature Survey, Data, and Stylized Facts*. IMF. <http://bit.ly/SovereignDebtRestructurings1950-2010>

A balance of payments risk is where external debt leads to resources being taken out of the country and going elsewhere in the world, leaving a country unable to pay its debts. This happens whether or not it is owed in foreign currency.

	External Risk	Domestic Risk
Foreign currency borrowing	Balance of payments risk AND Exchange rate risk	Exchange rate risk
Local currency borrowing	Balance of payments risk	Neither (But other risks include interest transferring resources from poorer to richer people, and high inflation.)

Key trends that code injustice into the system

Many low- and middle-income countries face a vicious cycle of overdependence on external debt. As outlined above, the terms and conditions of a loan — including the currency it’s in — affect how manageable debt payments are. **Inequities in the global financial system mean that terms and conditions differ among countries. In particular, low- and middle-income countries have less power in international financial markets that are skewed in favor of private creditors.** Their ‘creditworthiness’ is perceived to be riskier. So, they end up borrowing at high interest rates and in foreign currencies (often dollars).⁷ When they struggle to service such debts, they have to renegotiate the loan. Often, this involves taking on further loans from multilateral creditors, which impose stringent conditions to achieve certain economic targets and enact particular policies. Here, we highlight some of the key trends that are fueling this dynamic.

THE ONGOING LEGACIES OF COLONIALISM

One of the most important historical reasons for debt relates to colonialism. Between the 15th and 20th centuries, European colonial powers ruled large portions of the world through brutal conquest, land dispossession, slavery, and other crimes against humanity. Debt continues to be part and parcel of this legacy.

7 Although for middle-income countries, particularly upper middle-income countries, the share of dollar denominated borrowing has fallen in the last thirty years and local currency denominated borrowing increased.

In several cases, newly independent states were saddled with debts which were a product of colonialism. For example, when Haiti became a Republic after a successful slave revolt in 1804, the government was forced to compensate slave owners for the loss of their “property”. By 1947, Haiti was still repaying this debt. In today’s terms this figure is as much as USD 21 billion.⁸

More generally, **colonial powers distorted the economies of colonized countries** — transforming them into economies based on export commodities such as fossil fuels, metals, and cash crops, to feed the industrial growth taking place in Europe. This weakened their economies. So when newly independent countries entered the global economy, they were already at a disadvantage. This made it almost impossible to develop and left many with little choice but to get into debt in order to meet the needs of their populations. **This is one reason why many economies in the Global South are still shaped around the export of primary commodities today.**

Learn More | In *Colonialism and Debt: How debt is used to exploit and control*, Debt Justice traces the ties between colonialism and debt, a tool used by rich countries and corporations to maintain their power in our global system. <https://bit.ly/ColonialismandDebt>



Colonial powers’ distortion of colonized countries’ economies contributes to the current focus on primary commodity exports in many Global South countries. Photo: Kyle Glenn.

8 Debt Justice (2022). *Colonialism and Debt: How debt is used to exploit and control*. <https://debtjustice.org.uk/wp-content/uploads/2022/08/Colonialism-and-Debt-briefing.pdf>



Credit Suisse, one of the banks involved in the so-called 'tuna bond scandal', as the loans were supposedly going to be used to develop projects in the tuna fishing industry. Photo: [Ank Kumar](#).

EXAMPLE

In 2013 and 2014, Credit Suisse, VTB Capital, and BNP Paribas gave loans of up to USD 2 billion to three Mozambican state-owned enterprises. None were approved by the Mozambican Parliament. The then Finance Minister guaranteed the loans in secret. Much of the USD 2 billion was either stolen, paid as bribes, or otherwise unaccounted for. When the hidden loans surfaced in 2016, the IMF suspended its support — triggering a series of debt defaults. The Mozambican government has since sued Credit Suisse and VTB for their role in the debt scandal, which cost Mozambique an estimated USD 11 billion in lost funding.¹³ In 2022 the US and UK fined Credit Suisse USD 484 million for its role in the scandal. But this money has all gone to the US and UK governments, none to Mozambique. Credit Suisse also agreed to cancel USD 200 million of debt, though Mozambique is still trying to prove it does not own anything. VTB, the other main bank involved in the deals, has faced no consequences.

IRRESPONSIBLE AND POLITICIZED LENDING

There are countless examples — both historical and current — of loans provided to countries for useless, wasteful, and corrupt projects. Often, such loans are designed in a way that harms the population of the borrowing country, while benefiting local elites and foreign creditors — both public and private. A few illustrative examples are highlighted below. As they show, sometimes this benefit is political; sometimes it is financial.

During the Cold War, both Western powers and the Soviet Union secured support from Global South governments by providing loans (both bilaterally and through multilateral institutions). For example, Western powers lent to countries such as Sudan, Liberia, and Zaire (now the Democratic Republic of Congo) knowing full well that they were lending to corrupt autocrats who would use the money for their own personal gain, including to oppress citizens under their rule.⁹ In the IMF's own words, loans to Sudan continued out of "respect for Sudan's strategic role in the region".¹⁰

The rise in the price of oil in 1973 ensured oil-producing countries comfortable revenues, which circulated through private, mainly American banks, who offered 'petrodollar loans' at enticingly low interest rates to countries across the Global South. For example, in the 1970s, the US government and Western banks loaned the Marcos regime in the Philippines over USD 1 billion to build the Bataan Nuclear Power Plant, despite widespread popular protests against the project going ahead.¹¹ To give a

sense of how quickly private lending increased during this period, in the early 1960s, external debt to private creditors was close to zero; it reached USD 36 billion in 1970, and USD 380 billion in 1980.¹²



The Bataan Nuclear Power Plant in the Philippines, built with 'petrodollar loans' to the Marcos regime, was completed but never launched.

Photo: [Wikipedia](#).

From the end of the 1970s, debt started spiraling out of control as oil prices fell sharply, demand for commodities dropped, and interest rates rose. Borrowing countries had to pay more with less income. They ended up getting deeper and deeper into debt on less and less favorable terms. This resulted in the 1980s debt crisis. **Weaknesses in regulatory oversight, lack of transparency, and profit motives continue to facilitate questionable lending practices.**

9 Ibid.

10 Boughton, James M. (2001). *Silent Revolution: The International Monetary Fund 1979 - 1989*. IMF. <https://www.imf.org/external/pubs/Ft/history/2001/index.htm>

11 Debt Justice, above n.6.

12 Tousaint, Eric and Millet, Damien (2010). *Debt, the IMF, and the World Bank: Sixty Questions and Sixty Answers*.

13 Jones, Tim (2022). *The Mozambique Debt Scandal: the storm before the storm*. Debt Justice. <https://debtjustice.org.uk/blog/the-mozambique-debt-scandal-the-storm-before-the-storm>

AUSTERITY AND OTHER NEOLIBERAL LOAN CONDITIONALITIES

As explained above, conditionalities are various requirements that countries must meet, in order to access loans from international financial institutions, such as the IMF and World Bank. These conditionalities usually require legal and policy changes; they are often neoliberal in nature, meaning they include:

- **Trade liberalization policies** to make a country more attractive to foreign investors by removing restrictions on the exchange of goods.
- **Currency liberalization**, which involves adopting a more flexible exchange rate regime, allowing the market forces to determine the value of its currency.
- **Removing capital controls**, or allowing for greater movement of funds in and out of the country.

These conditionalities generally worsen exchange rate risks and balance of payments risks. They've had a devastating impact on the economies of countries in the Global South.

One of the most problematic conditionalities is austerity. **Austerity refers to measures to reduce a government's budget deficit, most often by cutting spending.** Doing so can free up resources to service its debt. Austerity measures also often require the imposition of regressive taxes, such as increases to VAT whilst reducing taxes for corporations and high-net worth individuals, with the stated aim of attracting foreign direct investment.¹⁴

The IMF's structural adjustment programmes (SAPs) in the 1980s and 1990s are an example of austerity measures being imposed as part of a loan condition. SAPS imposed cuts to public services and, at the same time, market-friendly measures that allowed multinational corporations to avoid paying their fair share of taxes or being subjected to proper regulation.¹⁵

Although the IMF's approach to austerity has evolved — at least rhetorically — it continues to feature in their loan conditionalities. For example, 85% of the 107 COVID-19 loans the IMF had granted by March 2021 recommended or required countries to undertake austerity during recovery, according to Oxfam's analysis.¹⁶

“From a human rights perspective, austerity measures are problematic because they worsen inequality.”

For example, they usually target important public services for marginalized groups, such as healthcare, education, and social security. Women and girls often suffer the most from cuts to social spending. Their unpaid care and domestic work is relied on to fill the gap, which worsens their economic insecurity and social mobility.¹⁷

14 CESR (2018). *Assessing Austerity: Monitoring the Human Rights Impacts of Fiscal Consolidation*. https://www.cesr.org/sites/default/files/Austerity-Report-Online2018.FINAL_.pdf

15 Isaacs, Gilad and Phalatse, Sonia (2021). *Delete the debt: Africa's Liberation from Debt Supremacy*. Progressive International. <https://bit.ly/DeleteTheDebt>

16 OXFAM (2023). *IMF Social Spending Floors - A fig leaf for austerity?*. <https://bit.ly/IMFSocialSpendingFloors>

17 CESR above, no. 14.



Cuts to social spending disproportionately affect women and girls as they bear the brunt, relying on their unpaid care and domestic work to compensate for the gap. Photo: [Praveen kumar Mathivanan](#).

GROWING POWER OF PRIVATE FINANCE

Private creditors hold a significant amount of Global South debt. Of external debt payments by low- and lower-middle income governments:¹⁸

- 46% are to private lenders (not including Chinese private lenders)
- 30% are to multilateral institutions
- 12% are to Chinese public and private lenders
- 12% are to other

This presents two challenges. First, borrowing from private sources is more expensive than concessional financing from multilateral and bilateral sources. Second, the growing complexity of the creditor base makes it more difficult to successfully complete a debt restructuring when needed. Delays and uncertainties increase the costs of resolving debt crises.

For example, several countries in the Global South were reluctant to participate in the DSSI because private lenders told them that if they did so, they would not be able to borrow again in future. There have been similar concerns expressed about participating in the G20's Common Framework for debt restructuring. These concerns are actually unfounded. Lenders are more likely to lend to a country after it has reduced its debt through a debt relief process, than if the country is stuck with a high debt burden. That said, the G20 has not given debtors any new tools or powers to compel private creditors to take part in debt relief. If only some creditors are involved, the money saved by suspending payments to some creditors ends up being used to pay others.¹⁹

18 Calculated from World Bank International Debt Statistics database. Figures are for external debt payments 2023-2029, the furthest into the future the World Bank figures go.

19 Debt Justice (2021). *How the G20 Debt Suspension Initiative Benefits Private Lenders*. <https://bit.ly/DebtSuspensionBenefitsPrivateLenders>

“On average countries in Africa borrow at rates that are four times higher than those of the United States and even eight times higher than those of Germany.”

Another significant danger associated with private creditors is vulture funds. As Eurodad explains, **vulture funds are specialized hedge funds that use predatory methods in debt crises, compared to other creditor groups.** Their business model is to buy holdout debt — junk bonds — of crisis countries on secondary markets, when their market value is far below the nominal value.²⁰ Vulture funds tend to delay or derail the debt restructuring process. In addition, by imposing high litigation costs because litigation takes place in jurisdictions which are very expensive for countries in the Global South they trap countries in a cycle of debt.

INEQUITABLE FINANCIAL MARKETS

Financial markets facilitate the flow of money at a global scale. They're where institutions from different countries buy and sell different financial products, including government bonds. But, they operate on the basis of market dynamics, risk perception, and investor confidence, which can vary significantly between countries.

First, **countries in the Global South generally have to pay higher interest rates than countries in the Global North** when they borrow from private creditors through financial markets. This is, essentially, because they are perceived to be riskier to lend to. Recent data from the United Nations Conference on Trade and Development (UNCTAD) shows that on average countries in Africa borrow at rates that are four times higher than those of the United States and even eight times higher than those of Germany, for example.²¹

Second, countries have vastly unequal access to liquidity in times of crisis. Governments facing foreign exchange crises need to be able to access funds in foreign currencies. Options for doing so (which together make up the global financial safety net) include:

- **Bilateral swap agreements** (where two country's central banks agree to acquire each other's currency).

20 Ellmers, Bodo and Gambini, Antonio (2018). *Debt Justice prevails at the Belgium Constitutional Court: Vulture funds law survives challenge by NML Capital*. Eurodad. <https://www.eurodad.org/vulture-funds-blog>

21 UN (2023). *A World of Debt - A Growing Burden to Global Prosperity*. <https://unctad.org/publication/world-of-debt>

- **Regional financial arrangements** (through which groups of countries mutually pledge financial support).
- **Borrowing from the IMF, with Special Drawing Rights (SDRs) providing supplementary support.** These are a reserve asset, valued according to a basket of major currencies, which countries can use for specific international transactions (including settling international debts, paying for imports, receiving payments for exports, or exchanging SDRs for other currencies with other IMF members).

But, the first two are only offered by a few major central banks to selected jurisdictions. Often, they're used selectively (e.g., to aid bilateral partners or members of a regional group). This excludes the vast majority of Global South countries.

Third, having high levels of external public debt — particularly in foreign currency — makes countries more vulnerable to volatility in financial markets. When global financial conditions change or international investors become more risk-averse, investors often retreat to 'safe' Global North (US dollar) assets and reduce lending to Global South countries — resulting in borrowing costs shooting up. Similarly, when a country's currency devalues, debt payments in foreign currency can skyrocket.

UNSUSTAINABLE DEBT IS COMPOUNDING THE CLIMATE EMERGENCY

There is a vicious cycle between the debt and climate crises — each reinforcing the other. Many countries facing debt problems are also on the front line in the battle against climate breakdown.

These countries are facing increased extreme weather events, desertification, rising sea levels, declining agricultural productivity, and many other risks. They will need to access significant amounts of money just to mitigate the impact of climate breakdown on their economies, let alone invest in decarbonization. But existing debts may prevent them from accessing the resources needed for this investment.

At the moment, most climate finance is extended to countries in the form of loans, not grants; this increases their level of indebtedness. The majority of loans extended are non-concessional and only compound the weaker financial position of recipient countries. Eligibility for the limited financing that is available on more favorable terms does not reflect a country's level of vulnerability to climate change. For example, many Small Island Developing States (SIDS) are excluded because they are not classified as low-income countries.



Recent research by ActionAid shows that 93% of climate vulnerable countries (where data is available) are in or at significant risk of debt distress.²² Photo: [Max LaRochelle](#).

EXAMPLE

In the summer of 2022, devastating floods left a third of Pakistan under water impacting a staggering 33 million people.²³ The human and economic costs of the disaster were severe. At the time, Pakistan's planning minister, Ahsan Iqbal, estimated that it would take at least USD 10 billion to repair the damage.²⁴ A significant impediment to Pakistan's recovery is debt. The threat of default has forced the country to continue making onerous debt payments to foreign creditors, diverting essential resources from addressing the flood's impacts. In 2023, Pakistan spent 46% of government revenue on servicing foreign debt.²⁵ Responsible for less than 1% of global carbon emissions, Pakistan has been left to pay the costs of a climate crisis it did not cause.²⁶

22 ActionAid (2023). *The Vicious Cycle: Connections Between the Debt Crisis and the Climate Crisis*. <https://actionaid.org/publications/2023/vicious-cycle>

23 Chow, Heidi (2022). *Pakistan's floods: Vicious cycle of debt and climate crises*. *Debt Justice*. <https://debtjustice.org.uk/blog/pakistans-floods-vicious-cycle-of-debt-and-climate-crises>

24 Ibid.

25 Debt Justice (2023). *Lower income country debt payments to hit highest level in 25 years*. <https://bit.ly/DebtPaymentsToHitHighestLevelIn25Years>

26 Debt Justice, above n.23.

Learn More | ActionAid recently produced a report, *The Vicious Cycle: Connections Between the Debt Crisis and the Climate Crisis*, which analyzed multiple sources of data on climate and debt, and found that debt is a major accelerator of the climate crisis. <https://actionaid.org/publications/2023/vicious-cycle>

POWER IMBALANCES IN GLOBAL ECONOMIC GOVERNANCE

As the United Nations Secretary General has argued, 'more inclusive, representative, and, ultimately, more effective global economic governance', is a key step in transforming the global debt system.²⁷ **The current governance arrangements were created almost 80 years ago** and the representation of Global South countries has remained largely unchanged. The dominance of US and European interests in the two institutions can be seen in a number of areas, including:

- **Voting power:** Vote shares are skewed heavily towards the US, G7, and the European Union, which together control over half of the votes. The United States alone accounts for 16.5% of the total vote share at the IMF and has a vote share ranging from 10% to 20% at the four major organizations that make up the World Bank.
- **Representation:** 24 and 25 board members represent the 190 member countries of the IMF and the World Bank, respectively.
- **Leadership:** the so-called 'Gentlemen's Agreement' provides that the Head of the World Bank will always be American, and IMF, European. Between them, the US and European governments have enough votes to make sure this always happens.

Another sphere of global economic governance which highlights these global power imbalances is international taxation. A country's ability to generate revenue through taxation directly impacts the sustainability of its debt. But vast amounts of money are lost through global tax abuse. To date, efforts to strengthen international tax cooperation have been led by the Organization for Economic Cooperation and Development (OECD), described by some as a 'club of the rich'. Many experts have raised red flags about both the process and substance of the OECD's so-called Two Pillar Solution.²⁸ They argued that the agreement would significantly undermine the revenue collection and taxing rights of low- and middle-income countries.

IN PRACTICE

Take some time to map out what you already know about how these trends are playing out in your own context. A useful frame for doing this is:

The problem is....(what).....

It affects....(who, where and when).

**This... needs to change (what needs to change)
because ... (why).**

To dig into the problem more deeply, it can be helpful to create a problem map — a visual representation of a problem that helps us to 'see' it differently and build a shared understanding of its nature and effects. With this understanding, we can better define solutions. There are lots of different problem mapping templates and no one right or wrong way to create a problem map. But, in general, the more specific you are, the more valuable the map is in uncovering the hidden causes underneath the problem. Getting different perspectives on the problem is also essential. Take some time to get input from your community on the problem. If feasible, invite others to draw the map with you. Alternatively, share the draft map with a few people and ask for feedback.

27 UN Secretary General (2023). *Our Common Agenda Policy Brief 6: Reforms to the International Financial Architecture*. <https://www.un.org/sites/un2.un.org/files/our-common-agenda-policy-brief-international-finance-architecture-en.pdf>

28 Global Alliance for Tax Justice (2021). *The OECD-led Tax Deal Will Only Deepen Inequalities Within and Between Countries*. <https://bit.ly/OECDTaxDealDeepenInequalities>

Human rights standards governing borrowing and lending

Debt has traditionally been seen as a public finance issue. In particular, debt sustainability is primarily analyzed by the likes of the IMF and credit rating agencies as whether or not a government will be able to keep paying. This is looking at debt sustainability purely from the point of view of creditors, rather than what the impacts of paying a debt are on people in that country. Complex financial indicators are used to project a country's current and future ability to service its debts. Missing from the equation is how these actions affect the country's population.

Recognizing that sovereign debt is a human rights issue helps us to visibilize—and properly address — the true social costs of these seemingly technical financial decisions. As legal obligations—flowing from international treaties, national constitutions, and other legislation—human rights call for compliance with 'binding' rules and for accountability when those rules are broken. This gives us a tool — a sort of code cracker, we might say — to interrogate both the legitimacy of a loan (i.e., whether it was contracted in the public interest) and the sustainability of debt created (i.e., whether payments infringe a government's ability to invest in the realization of people's rights).

OBLIGATION TO DEDICATE MAXIMUM AVAILABLE RESOURCES TO RIGHTS

The International Covenant on Economic, Social and Cultural Rights entitles everyone to the material conditions essential for dignity, freedom, and wellbeing. Making these entitlements a reality demands an active role for the government in redistributing resources to support households, including through public goods and essential services that deliver for everyone and through comprehensive social protection schemes. Critically, the Covenant provides that states must invest the 'maximum of their available resources' to this end.

There is wide agreement that the obligation has three dimensions to it:

- **Resource generation:** i.e., how governments raise money.
- **Resource allocation:** i.e., what governments earmark money for in their budgets.
- **Resource expenditure:** i.e., how allocated money is actually spent and who is benefiting.

Importantly, resources go beyond those currently at the government's disposal. This means **governments must seek international assistance when they do not have sufficient resources domestically. This assistance can include government borrowing.** As discussed below, other governments have a duty to provide assistance.

The United Nations Guiding Principles on foreign debt and human rights outline how these obligations apply when governments take on foreign debt. They stress that **borrowers and lenders share responsibility for onerous debt (where the costs of meeting the obligations exceed the benefits expected).** The Principles call for a framework to ensure transparency and accountability in loan negotiations. Human rights impact assessments in debt sustainability analyses is a key part of that process.

In line with these obligations, **borrowing governments should ensure debt payments do not divert resources from social services essential for realizing rights.** Reflecting their co-responsibility for debt, lenders (who in reality are in a stronger bargaining position) should help facilitate this. Providing debt relief may well be necessary to meet these obligations.



Dedicating maximum available resources means, among other things, that states must guarantee that debt payments do not redirect resources away from crucial social services like healthcare. Photo: [Christian Bowen](#)

When allocating resources, government budgets must prioritize the infrastructure, goods and services needed to guarantee rights, including in the care economy. **Resources should be allocated in an equitable and effective way. This means prioritizing disadvantaged groups.**

Allocated funds must be spent efficiently and not be wasted. Money must reach the frontline providers to whom it has been allocated (such as schools, health clinics, job centers, etc.). This means governments must tackle corruption and strengthen financial management systems.

A cross-cutting dimension of this obligation relates to the policymaking processes through which resourcing decisions are made. These processes must be transparent (relevant information is shared), participatory (people can play a meaningful role in shaping policy), and accountable (policymakers justify their decisions and there is redress when they don't meet obligations).

Learn More | The United Nations developed a guide, *How to Make Economic Reforms Consistent with Human Rights Obligations: Guiding Principles on Human Rights Impact Assessments of Economic Reforms*, on how to use human rights impact assessments to evaluate economic reform policies for how well they comply with a governments' human rights obligations. A government confronting a debt crisis, for example, may cut its budget or implement tax reforms. Each of these reforms has human rights implications that conducting a human rights impact assessment can help reveal: https://bit.ly/UN_guiding

OBLIGATION TO AVOID 'RETROGRESSION' OF RIGHTS

The Covenant has been interpreted as prohibiting 'retrogressive measures'. **This means states must not take actions that diminish people's enjoyment of their rights, except in very limited circumstances.** What these circumstances are, has been codified and interpreted in different ways by different national, regional, and international bodies. But, some are starting to emerge more consistently, including that a measure must be:²⁹

- **temporary** in their duration;
- **legitimate**, with the ultimate aim of protecting human rights;
- **necessary**, with all alternatives examined and exhausted;
- **reasonable**, in that they're capable of achieving the legitimate aim;
- **proportionate**, in that their human rights benefits outweigh their costs;
- **not directly nor indirectly discriminatory**, ensuring disadvantaged groups are not disproportionately affected; and
- **transparent**, based on genuine participation of affected groups, and subject to meaningful review and accountability procedures.

Austerity measures which require cuts to social expenditure are generally inconsistent with this obligation. This is because reducing expenditure on healthcare or education to service loans decreases access to and quality of the public services people rely on to exercise their rights. Often, this disproportionately impacts disadvantaged groups such as women, indigenous people, racially marginalized groups, and migrants — increasing inequality. At present, many countries spend more money on debt servicing than they do on resourcing fundamental rights such as healthcare, education, and social security. Sometimes, the conditions which come with loans explicitly obligate the government to do so.

29 Corkery, Allison & Saiz, Ignacio (2020) 'Progressive Realization and Maximum Available Resources' in *Research Handbook on Economic, Social and Cultural Rights as Human Rights*, Dugard, Porter, Ikawa & Chenwi (eds.) (Edgar Elgar)

EXTRATERRITORIAL OBLIGATIONS

Governments' human rights commitments extend beyond their borders. Human rights instruments set out three types of 'extraterritorial' obligations:

- **To respect rights:** i.e., not to interfere with people's rights or with another government's ability to meet its obligations;
- **To protect rights:** i.e., to prevent corporations and other non-state actors from interfering with people's rights abroad, by regulating their behavior or influencing it in other ways; and
- **To fulfill rights:** i.e., to cooperate internationally, including through economic and technical assistance, in order to support all governments in meeting their human rights obligations.

These obligations are triggered in a variety of situations. One is when governments have *decisive influence* over other governments' ability to realize human rights. The IMF's unique power to require specific economic policies—as a condition of loans needed to avert economic crises—places it squarely in this category. So, when they're acting as IMF board members, governments must take positions that push the organization to act consistently with these human rights obligations.

OBLIGATIONS OF THE IMF AND WORLD BANK

Whether or not international human rights law applies directly to the IMF and the World Bank has been the subject of debate among scholars and experts. Arguments that it does include that:

- They must comply with the human rights provisions in the United Nations Charter because they are specialized agencies within the meaning of the Charter (although this is disputed).
- Elements of human rights law—in particular the Universal Declaration on Human Rights (UDHR) — have become part of customary international law. This means they are "generally accepted" as having universal application to all subjects of international law.
- Their Articles of Agreement (i.e., their constitutions) can be interpreted as directing them to take into account human rights concerns in carrying out their work, as has been argued by the United Nations Special Rapporteur on Extreme Poverty, for example.³⁰

The scope of the human rights obligations that apply to the IMF and World Bank may be more limited than for governments (given their more limited mandate and powers). But, **at a minimum, respecting human rights by**

30 UN (2018). *Report of the Special Rapporteur on extreme poverty and human rights*. <https://documents-dds-ny.un.org/doc/UNDOC/GEN/G18/127/23/PDF/G1812723.pdf?OpenElement>

taking measures to ensure they “do no harm” is essential. This can be interpreted to include not interfering with governments’ ability to invest in rights, given the severe harms such measures can cause. Loan conditions that constrain fiscal space, regressive policy advice that fails to assess social impacts, and onerous debt burdens that squeeze public budgets are examples of such interference.

Both the World Bank and the IMF have generally resisted the idea that they have human rights obligations. Leadership have interpreted their constitutions as preventing them from considering “political” factors in their operations. The purpose of these provisions was to ensure the agencies act impartially towards different governments. But, over time, it has become an excuse to ignore the human rights impacts of their activities.

IN PRACTICE

Go back to your problem map. Does a human rights ‘lens’ offer a new perspective on it? For example, does it highlight who’s impacted by and who’s responsible for it in a different way? Add to your map as needed.

Using ‘OPERA’ to frame a debt problem as a human rights problem

To frame a debt-related problem as a human rights problem more clearly, it’s helpful to group the government’s human rights obligations around the four dimensions of OPERA:

Outcomes: Who is affected by the problem and how?

Policy Efforts: How have the government’s actions affected the problem?

Resources: How has the use of resources affected the problem?

Assessment: In light of the broader context, is the government responsible?

This allows us to organize these multidimensional obligations into more manageable parts. When combined, these four dimensions can help us better show the links between a government’s conduct – i.e., what it is or isn’t doing – and the result of that conduct – i.e., what this means for people’s lives.

Each dimension provides a checklist of the questions to be answered. Importantly, each question reflects a relevant human rights obligation. Applying OPERA to the issue of debt, the questions we might want to ask include:

QUESTIONS TO ASK

What challenges are communities facing? For example, what basic needs aren’t being met?

How widespread are these challenges?

How have things changed over time? Have they gotten better or worse? Has change been rapid or slow, consistent or sporadic?

RELEVANT HUMAN RIGHTS OBLIGATIONS

To achieve the ‘minimum core’ of each right.

To end ‘de facto discrimination’ and achieve

To ‘progressively realize’ rights and avoid ‘deliberate retrogression’.

POLICY EFFORTS

QUESTIONS TO ASK

What specific loan or restructuring agreements has the government made? For how much?
What is their purpose?
What terms and conditions do they include?
What reforms has the government enacted in connection with these agreements?

How have, or will, these reforms impact the infrastructure, goods, and services that communities rely on to secure their wellbeing?

What was the process for making the agreement? Who was involved? How? What information is available about it?

RELEVANT HUMAN RIGHTS OBLIGATIONS

Take 'concrete' and 'targeted' steps to guarantee people's rights, using all appropriate 'policy levers'.

Ensure steps taken improve the infrastructure, goods, and services that people rely on: using the criteria like 'availability', 'accessibility', and 'quality'.

Make sure policymaking is transparent, participatory, and accountable.

RESOURCES

QUESTIONS TO ASK

What is borrowed money being allocated to?
How much of the government's revenue goes to debt servicing? How does this compare to allocations to social sectors? How has this changed over time?

What is the country's debt profile overall? How has it changed over time?
What alternative sources of revenue does it have?

What is the economic policymaking process? Who is involved? How? What information is available about it?

RELEVANT HUMAN RIGHTS OBLIGATIONS

Invest 'maximum available resources' in rights, which includes spending public revenue in an 'equitable' and 'effective' way.

Invest 'maximum available resources' in rights, which includes raising public revenue in an 'equitable' and 'effective' way.

Make sure policymaking is transparent, participatory, and accountable

ASSESSMENT

QUESTIONS TO ASK

What contextual factors are constraining the government's fiscal space? Examples include monetary policy, capital market regulation, the country's position in the global economy.

Who are the country's creditors? What is their influence on economic policymaking?
What other actors are influencing the government's fiscal space?

RELEVANT HUMAN RIGHTS OBLIGATIONS

Take 'concrete' and 'targeted' steps to guarantee people's rights, using all appropriate 'policy levers'.

The 'extraterritorial obligations' other governments have to avoid harming people's rights overseas, including by protecting people from harms caused by business.

Using indicators and benchmarks to ‘measure’ the problem

Indicators effectively frame questions in more specific and measurable ways. Often, they answer a question using quantitative data. As outlined above, each dimension of OPERA includes a list of questions that help us interrogate what’s causing a particular problem. Indicators are simply a way to help answer the questions asked. To judge whether that answer is high or low, good or bad, getting better or getting worse, we need to know how it compares to a reference point. A benchmark provides that.

Some indicators commonly used in assessing a country’s debt, which we might want to look at under the ‘R’ of OPERA to give us a better sense of the country’s overall debt profile, include:

Indicator	Definition	Issues to consider
Debt-to-GDP ratio	This measures the total outstanding debt a country owes as a proportion of its GDP.	Commonly used. But takes no account of: who the debt is owed to; interest payments owed; when payments are due; the size of government revenue with which to pay the debt.
External debt service as a proportion of revenue	This measures all government debt payments (principal and interest) which leave the country annually, as a proportion of government revenue	This is a much better guide to debt burdens, as it takes into account interest rates on the debt; government revenue available to pay the debt; and whether the payments leave the country. But, for this indicator to be used in a proper analysis, debt service needs to be looked at <i>now and in the future</i> . That said, future debt service can only ever be an estimate (influenced by factors like economic growth, tax collection rates, future borrowing and currency changes).
Total interest payments as a proportion of revenue	This measures how much of a government’s budget is being spent on interest payments, both externally and domestically.	A good indicator of the interest payment burden a country is under. It doesn’t include principal payments. Often domestic principal payments can be refinanced, i.e., paid by taking out a loan on similar terms. But this is not always the case (and is rarely the case for external principal payments).
Interest rate a government can borrow at on private financial markets	This measures how much it would cost the government to borrow more from private lenders.	Even borrowing at low rates can prove expensive if the exchange rate changes, or the borrowing is wasted rather than being spent on useful investments.
Debt Denomination	This tells you what currency a country’s debt is in.	As explained above, exchange rate risk is created when debt is owed in a foreign currency.
External debt service-to-exports ratio	This compares external debt payments to a country’s exports	Comparing to exports revenue is important, because to pay external debts countries need to be generating income from elsewhere in the world, and that usually means exports.
Current account balance	How much the whole country (government and private sector) is getting from, and giving to, the rest of the world. A country spending more than it is earning has a negative figure, and a country earning more than it’s spending has a positive figure.	If a country has a negative current account balance, this must be paid for, for instance by borrowing from or selling off assets to people elsewhere in the world.
Net debtor / creditor	The debt of the whole country (government and private sector) compared to the debt owed to that country (government and private sector). A negative figure shows that the country owes more than it is owed (it is a net debtor), and a positive figure shows that the country is owed more than it owes (a net creditor).	A large negative figure shows a large financial imbalance with the rest of the world, which carries with it a greater risk of financial crisis. But large net creditors are just as responsible for financial crises as debtors. If a country is owed a lot more than it owes, that means countries elsewhere in the world will have to be in debt. Debt Justice tries to estimate this for all countries in its Debt Data Portal.

Importantly, we need to combine these with relevant socioeconomic indicators, administrative indicators, and governance indicators that help us to answer the other questions we’ve identified using OPERA.

BENCHMARKING DEBT SUSTAINABILITY

As noted above, data on these indicators needs to be compared to something to help interpret it. This is because numbers are always relative. Analyzing whether debt levels are high or low, for example, involves asking high or *low relative to what?*

Taking a hypothetical example, let's say a country's external debt servicing goes from USD 100 billion in 2015 to USD 200 billion in 2020. Doubling its debt payments may seem quite significant. However, what if the government's overall budget tripled in that same period? As a percentage share, debt servicing actually shrinks. What if, due to inflation, the government's purchasing power decreases, so the budget does not stretch as far.

There is no set benchmark or threshold that can tell you definitively whether or not a government's debt is sustainable. Some guidance that is commonly used includes:

The IMF's debt sustainability analysis

In its debt sustainability analyses for low- and lower middle- income countries, the IMF uses four indicators to assess debt risk. These are set at different levels (called thresholds) depending on whether the IMF and World Bank classify a country as having weak, moderate or strong capacity for managing debt.³¹ These thresholds are then used by the IMF and World Bank to assess whether a country is at low, moderate, or high risk of not paying their external debt.

The columns in the table below show the four indicators and the different thresholds for each, depending on whether a country is classified as having weak, medium, or strong debt management capacity:

Debt management capacity	Present value of external government debt as a percentage of		External government debt service as a percentage of	
	GDP	Exports	Exports	Government revenue
Weak	30%	140%	10%	14%
Medium	40%	180%	15%	18%
Strong	50%	240%	21%	23%

A country is assessed as being at:

- **Low risk** of debt distress if all the indicators are below the thresholds under both the baseline and one economic shock scenario (see explanation below).
- **Moderate risk** if the indicators are below the thresholds under the baseline scenario, but exceed them under the one economic shock scenario.
- **High risk** if one or more indicators are above the threshold in the baseline scenario.
- **In debt distress** if a government is already in default or struggling to pay any external debt.

³¹ The way these classifications are made is complicated. But, broadly speaking, it is based on: the World Bank's Country Policy and Institutional Assessment, which rates a country based on the World Bank's view of the country's economic management, implementation of free market policies, social inclusion policies, and quality of public sector administration; the real growth rate of a country; reserves in percentage of imports; remittances in percentage of GDP; world economic growth.

The IMF models what would happen if various kinds of economic shock took place. The shocks considered include GDP growth being lower than predicted in the baseline, a fall in export earnings, depreciation of the currency, or a combination of several of these things at once.

Ultimately, the IMF's analysis focuses on whether or not a country can pay its debt, rather than the impacts on human rights of a debt being paid.

Debt Justice's debt sustainability measure

This analytical framework, developed by Debt Justice, differs from the IMF's because it defines a debt crisis as being when debt payments undermine a country's economy and/or the ability of its government to protect the basic economic and social rights of its citizens. Also, unlike the IMF, it takes account of the extent of a country's financial imbalance with the rest of the world.

A country is assessed as being at risk of a public debt crisis if it has:

A large financial imbalance with the rest of the world: either a net international investment position of -30% of GDP or worse, OR a current account deficit averaging over 3% per year for three years.

+

- Government external debt payments projected by the IMF to exceed 15% of government revenue (over several years) with one economic shock, OR
- Government external debt over 40% of GDP or 150% of exports, OR
- Government external debt payments over 10% of revenue.

A country is assessed as being in debt crisis if it has:

A large financial imbalance with the rest of the world: either a net international investment position of -30% of GDP or worse OR a current account deficit averaging over 3% per year for three years.

+

- Government external debt payments are greater than 15% of government revenue.³²

32 Debt Justice research has found that when external debt payments exceed 15% of government revenue, this tends to lead to a decline in government spending.

Learn More | Debt Justice's "Debt Data Portal" contains even more information on its debt sustainability measure as well as other key statistics and analyses on the debt of countries and governments. <https://data.debtjustice.org.uk/>



Other potentially useful benchmarks

However, international human rights law provides little in the way of concrete guidance for selecting benchmarks. This is especially true with respect to quantitative benchmarks, of which there are very few. A simple way to identify benchmarks is to compare a country to other countries that have similarities, for example in terms of level of development or geographic proximity.

IN PRACTICE

Go back to your problem map and try rearranging the issues you've mapped out according to the four dimensions of OPERA. A simple table can help you do this. Thinking about the questions on page 15 can help you do this. What new questions does it raise for you? Would identifying indicators and benchmarks help you answer them? If so, which ones?



STEP 2 ILLUMINATE



Photo: [Davide Cantelli](#)

The second step to decoding debt injustice is to **illuminate the underlying issues behind a country’s debt problem**. Data is a type of knowledge that can be highly effective doing this. In essence, *data answers the questions posed by indicators*.

This makes it a really useful way to help illuminate the problems that you’ve interrogated. That said, a lot can get hidden behind data. So it’s important to read it with a critical eye.

There’s likely to be data that is relevant for many — if not most — of the indicators you’ve identified across all four dimensions of OPERA. This includes:

- **Secondary data**— in other words, data that already exists because it was collected by someone else, or for some other purpose, or a combination of the two.
- **Primary data**—in other words, data collected by you, or with your input, specifically for your research.

These are summarized in the table:

Outcomes	Policy Efforts	Resources	Assessment
<ul style="list-style-type: none"> • Socioeconomic statistics • Perception and opinion surveys • Direct observations • Events-based data • Interviews and focus groups 	<ul style="list-style-type: none"> • Categorical data about legislation and policies • Expert judgments • Administrative statistics • Perception and opinion surveys 	<ul style="list-style-type: none"> • Budgetary data • Audit data • Economic statistics, including debt data • Perception and opinion surveys 	<ul style="list-style-type: none"> • Perception and opinion surveys • Expert judgments • Interviews and focus groups

In this section, we introduce different sources of debt-specific data.³³ We walk through the different websites where you can find this data and introduce some of the specific terminology to help you find what you're looking for. We also offer some pointers if you're looking to analyze data yourself or to collaborate with economists, statisticians, and others to do this analysis. In particular, we note the importance of combining debt-specific data with other types of data (including primary data) to give a fuller picture of the dynamics that are creating—or sustaining—the problem you're researching at a more localized or community-specific level.

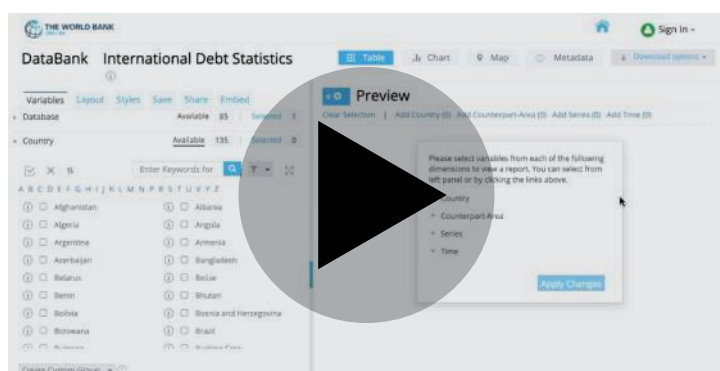
Sourcing Relevant Debt Data

There is quite a lot of secondary data available about the debt that countries hold, as well as about the specific loan and restructuring agreements that have been signed. But there isn't one place that publishes all available information. To build up a picture of government debt, you need to combine data published by different sources, including international financial institutions and individual governments. Key sources are introduced below.

INFORMATION IN THE WORLD BANK INTERNATIONAL DEBT STATISTICS DATABASE

The World Bank's International Debt Statistics database is an important source of government-reported information on external debt, including total debt owed, debt payments being made, and breakdowns by different creditors. It also contains some information on future debt payments.

To access it, go to: <https://bit.ly/intldebtstats>



To get the data you want, you need to select four variables on the menu left-hand side: country, counterpart-area, series, and time.

The country variable: lets you select the country or countries you want data about. You might also want to select the income or regional group the country is part

of (based on World Bank classifications) to see how it compares to the group's average.

The counterpart-area variable: lets you select who the debt is owed to. It includes every country in the world and different organizations that debt can be owed to. Selecting "World" covers all debt owed. Selecting "all countries" tells you who the government owes bilaterally and, for some kinds of private creditors, their residency.

The series variable: lets you select the debt data you want. There is a huge amount of possible information you could select here. To understand the information available, you need to get familiar with some categories and acronyms.

The first category describes the type of debt:

Acronym	In full	Explanation
PPG	Public and publicly guaranteed external debt	This is the World Bank's broadest classification of external debt owed or guaranteed by a government.
PNG	Private non-guaranteed external debt	This is external debt owed solely by the private sector.

The second category includes different components of debt owed:

Acronym	In full	Explanation
AMT	Amortization	Amortization is repayments made on the debt principal (i.e., repayments of the original loan).
DIS	Disbursements	This is loans being paid out, based on when the loans are actually given rather than when contracts are signed.
DOD	Debt on Demand	This is the total amount of debt (the principal) which is owed, not including interest.
INT	Interest	This is interest payments.
NTR	Net Transfer of Resources	This is Disbursements - (Amortization + Interest), i.e., how much new money has been lent compared to how much has been repaid in principal and interest. A positive figure means more money has been lent than has been paid back; a negative figure means the opposite.
TDS	Total Debt Service	This is Amortization + Interest, i.e., the total amount of principal and interest payments made.

33 For other types of data, refer to the introductory notes on primary and secondary data.

The third category describes the type of creditor, which include further subcategories:

Bilateral = debt to other governments

This has a subcategory of Bilateral concessional = lower interest loans from other governments

Multilateral = debt to multilateral institutions.

This has subcategories of:

IBRD = debt to the World Bank's International Bank for Reconstruction and Development

IDA = debt to the World Bank's International Development Association

Multilateral concessional = lower interest loans from multilateral institutions

IMF = debt owed to the IMF.

Confusingly, this is not included in the debt to multilateral institutions category, or in any of the other categories. You need to get data about the IMF separately (e.g. "use of IMF credit (DOD, current US\$)" is debt owed to the IMF).

Private = debt to private companies.

This has subcategories of:

Bonds = debt owed as publicly traded bonds

Commercial banks = debt owed directly to commercial banks

Other private creditors = debt to other private companies

TIP: Use the search box to narrow down the variables to make it easier to find the ones you want. For example, enter "dis" if you are interested in information about loan disbursements.

The time variable: The database goes back to the 1970s, so you can look at historical data. For some series variables, it also goes six years into the future. Normally data is complete up to the year before last. The World Bank updates the database towards the end of each year, for the previous year. So at the time of writing (July 2023) the World Bank had last updated the database in December 2022. But, the figures in the database are for end-2021. You can select years individually, select the most recent 5, 10, 15, 20, etc. years, or if you click on the tick box this will automatically select all the years.

The figures for years beyond the most recent update are disbursements, interest and amortization which have *already been contractually committed to*. They do not include disbursements and debt payments on loans not yet agreed. This data is therefore a guide to what is already committed, not a prediction. More loans and payments will almost always be added, so the data gets more inaccurate the further into the future it goes.

Sometimes future data for the IMF is missing. However, data on future payments to the IMF is available on the IMF website at https://bit.ly/imf_findata

IN PRACTICE

In practice, you can combine the categories above to get the information you want. For example, if you want to know the total amount of loans to Zambia, and total debt payments by Zambia, you need to select:

Disbursements on external debt, public, and publicly guaranteed (PPG) (DIS, current US\$)

Debt service on external debt, public, and publicly guaranteed (PPG) (TDS, current US\$)

But IMF data is not included in these, so you also need to select:

IMF purchases (DIS, current US\$)

IMF repurchases and charges (TDS, current US\$)

The easiest way to see the data—and then to analyze it—is to export it to Excel or another spreadsheet programme. To do this, click "Download options" in the top right corner, then select the format you can use (usually Excel or CSV).

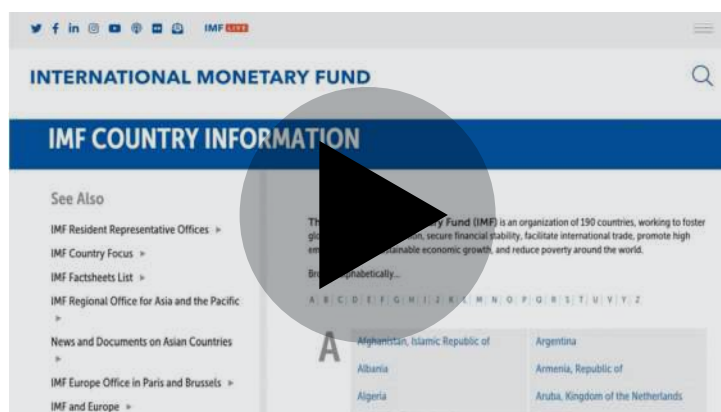
Learn More | The "A World of Debt" Dashboard is a dynamic tool that offers a country-level overview of key public debt and development spending indicators. With interactive features and visualizations, you can explore trends and patterns, gain country-level insights about the public debt landscape and understand the complex interplay between debt and development spending dynamics in a user-friendly manner. <https://unctad.org/publication/world-of-debt/dashboard>

IMF AND WORLD BANK DEBT SUSTAINABILITY ANALYSES

The IMF and World Bank produce two kinds of Debt Sustainability Analysis. For the 70 countries that are eligible to receive loans from the IMF's Poverty Reduction and Growth Trust (PRGT),³⁴ the IMF conducts regular Debt Sustainability Analyses, which can be a useful source of information on countries' debt. These analyses are meant to be completed every time a country has an Article IV consultation with the IMF. In addition, any country borrowing money from the IMF through the PRGT is meant to have a Debt Sustainability Analysis at the start of the loan programme, and regularly throughout the duration of the loan.

For other countries, the IMF does conduct Debt Sustainability Analyses for what it terms "Market Access Countries". However, these often do not contain much useful information.

Finding a Debt Sustainability Analysis



To find the most up-to-date Debt Sustainability Analysis,³⁵ go to the country section of the IMF website (<https://www.imf.org/en/countries>) and choose the country you are interested in.

Once you have selected the country, scroll down to the "See All Documents" section. Debt Sustainability Analyses are included in documents that are categorized as "Publications" and that are part of an Article IV Consultation, or the start of an IMF lending programme, or a review of an IMF lending programme.

Once you have opened the IMF publication, the Debt Sustainability Analysis is usually in the second half of the document.

Relevant data in a Debt Sustainability Analysis

There are two tables in a Debt Sustainability Analysis with detailed data on the debt situation:

- External Debt Sustainability Framework, Baseline Scenario
- Public Debt Sustainability Framework, Baseline Scenario (this includes domestic as well as external debt)

These are useful sources of information on overall debt level and debt payments, both now and projected into the future. The projections do take account of new borrowing, and as the name "Baseline Scenario" suggests, this is the scenario the IMF thinks is most likely to happen. That said, the projections are based on IMF assumptions about things such as future borrowing levels, economic growth, government revenue collection, interest rates and exchange rates. These assumptions might be wrong, so it is important to understand them in order to analyze what the IMF is saying.

34 All low-income countries, many lower-middle income countries, and some upper-middle income countries which are vulnerable small states.

35 The IMF does have a page which links to the Debt Sustainability Analysis for each country. However, it takes it several months to update this after an Analysis has been published, so it is better to go to the individual country page to make sure you find the most up-to-date document.

Some of the key parts of the **External Debt Sustainability** table include:

Indicator	Explanation
External debt (nominal)	This is total external debt (for both public and private sectors) as a percentage of GDP. However, in many countries there is little analysis of external debt owed by the private sector, so this figure is usually an underestimate.
External debt (nominal) of which public and publicly guaranteed	This is external debt which is owed by the public sector or has been guaranteed by the government, as a percentage of GDP.
PV of PPG external debt-to-GDP ratio	“PV” means Present Value. This is a calculation of the total debt owed, which takes into account interest rates on the debt, and when principal payments are due to be made. It effectively represents how much money would need to be set aside now to meet all debt interest and principal payments as they come due, assuming the money set aside would earn 5% interest. ³⁶ The amount is expressed in the table as a percentage of GDP.
PV of PPG external debt-to-exports ratio	This is the same present value of the debt as above, but this time expressed as a percentage of exports of goods and services.
PPG debt service-to-exports ratio	This is total external debt payments (principal and interest) as a percentage of exports of goods and services.
PPG debt service-to-revenue ratio	This is total external debt payments (principal and interest) as a percentage of government revenue.
Gross external financing need (millions of US dollars)	This is the total amount that the government needs to borrow each year to be able to pay for any government deficit and make debt payments coming due.

The key macroeconomic assumptions are important to understand the basis of the IMF's projections, including economic growth and government revenue. The assumptions can also help work out other figures from the table.

Some of the key parts of the **Public-Sector Debt** table include:

Indicator	Explanation
Public-sector debt	This is total public-sector debt as a percentage of GDP.
PV of public debt-to-GDP ratio	Like the similar ratio for external public debt, this is the amount of money that would need to be set aside now to cover all debt and interest payments as they come due, assuming that the set-aside money itself earns interest of 5% a year.
PV of public debt-to-revenue and grants ratio	The same as above, but as a percentage of government revenue and grants from donors.
Debt service-to-revenue and grants ratio	This is total government principal and interest payments on all debt, external and domestic, as a percentage of revenue. Be wary of this indicator as it can be very high if a government has a lot of short-term domestic debt, which is paid each year by borrowing the same amount again. In this case, repaying the principal is not a burden on the government's budget (although the interest payments on the principal are).

³⁶ This is a very dubious assumption. There are no safe assets governments can buy in foreign currency which would guarantee a 5% annual return. The IMF and World Bank set this interest rate many years ago, and have not changed it to reflect lower global interest rates.

There are also some useful indicators included in the assumptions, such as:

- **Average nominal interest rate on external debt:** This is a useful guide to how much is being spent on external interest payments. It is an average across all external public debt, so is not a guide to the interest rate the government could borrow at from particular lenders (which is typically much higher on private debt than on debt owed to multilateral institutions).
- **Average real interest rate on domestic debt:** This is a measure of the interest the government is paying on domestic debt. "Real interest rate" is the rate of interest after inflation. If inflation is 5% a year, and the average real interest rate is 5%, then the actual interest rate being paid is 10%. The real interest rate is relevant for debt owed in local currency,³⁷ because inflation reduces the relative size of debt.

The assumptions can also help work out other figures from the table. For example, if we want to know how much in dollars the Ethiopian government is projected to spend on external debt service in 2020, we can calculate this as follows:

Government revenue is 11.7% of GDP, and GDP is \$108,934 million, so $0.117 \times 108,934 =$ government revenue is \$12,745 million.

External government debt service in 2020 is projected to be 13.3% of government revenue. $0.133 \times 12,745 =$ \$1,695 million. Ethiopia's projected government external debt service in 2020 is \$1,695 million.

INFORMATION AVAILABLE FROM PUBLICLY TRADED BONDS, AND BOND PROSPECTUSES

Data on the prices at which bonds are being bought and sold

In theory, bonds are traded publicly so key information on them can be found on various websites. In reality, the comprehensive trading platforms such as Bloomberg are very expensive and so inaccessible to most people. There are however free websites which have up-to-date information on bonds such as Business Insider, Bond Supermart and stock exchange websites such as Börse Berlin.

If you want to find information on a government's bonds, one of the best places to start is a simple Google search. When you find information on a bond, it is worth noting down:

- **The ISIN code:** this usually starts with XS or US, followed by a long line of numbers. This is a code unique to that bond issuance, so it helps you identify

the same bond on different websites, and distinguish it from other bonds issued by that country.

- **The title of the bond:** usually the name of the country followed by the year the bond was issued, and the year it is due to be repaid. E.g., Benin 19/26 means a bond issued by the government of Benin in 2019, to be repaid by 2026.
- **The coupon:** the interest rate on the debt.
- **The price:** what the bond is being bought and sold for now.
- **The yield:** the annual return a buyer of the bond at the current price will make, assuming the bond and interest payments are made in full and on time.

Information in bond prospectuses

When governments issue bonds they usually market them to financial speculators in advance. This usually means sending out a prospectus for the bond. In a bond prospectus a government declares lots of information on its finances and the country's economic situation. These are very long documents running into hundreds of pages. However, they can contain useful information on a government's debt, including who it is owed to.

The easiest way to find the prospectus for a bond is to enter the ISIN code and "prospectus" into Google. While there is no one place prospectuses are listed, a google search will usually find one somewhere for any bond of interest.

INFORMATION ON BILATERAL LENDERS

Loans from China



Photo: Yan Ke

The World Bank database reveals information on loans from all government lenders, including China. As explained above, when choosing the "CounterPart Area" select the creditor countries you are interested in seeing loan and debt information from. This includes data on Chinese

³⁷ Though this may be different from domestic debt.

private lenders if you select a private creditors data series. IMF Debt Sustainability Analyses and bond prospectuses are two other possible sources of information on debt to China, as are documents released by national governments. Other sources include:

- **The Chinese Loans to Africa (CLA) Database**, which was started by the China Africa Research Initiative at Johns Hopkins University's School of Advanced International Studies (SAIS-CARI) and has been managed by the Boston University Global Development Policy (GDP) Center since March 2021. The database tracks loans agreed between China and African governments between 2000 and 2020. It is available here: <https://www.bu.edu/gdp/chinese-loans-to-africa-database/>. It provides useful information on loans, broken down by borrower, sector and which part of the Chinese government is doing the lending. However, the data is based on loan agreements. It therefore overstates the amount of lending, as the fact that an agreement has been put in place does not mean the loan has been disbursed. Also, the database takes no account of debt repayments, so cannot be used as an indication of debt outstanding.
- **AidData's detailed database of loans from Chinese public and private entities:** <https://www.aiddata.org/data/aiddatas-global-chinese-development-finance-dataset-version-2-0>

Loans from the Paris Club

The Paris Club publishes a limited amount of debt information on its website: <https://clubdeparis.org/en>. The data section shows how much is owed by each debtor government. However, this is not broken down by each Paris Club creditor. While this is very limited information, it does provide a starting point that can be cross referenced with other sources. However, the World Bank database provides more detailed breakdowns of debts owed to specific countries.

Analyzing Relevant Data

There's a difference between data and evidence. **To become evidence, data needs to be analyzed and interpreted.** For our purposes, this means asking: What does the data tell us about the indicators we've identified? This section gives a brief overview of the steps for translating data into evidence, including: some of the basic "number crunching" involved; contextual factors to look at; and the importance of "triangulating" findings in order to make a conclusion about whether a government is meeting its human rights obligations in its debt management.

BASIC NUMBER 'CRUNCHING'

As noted in the previous section, data needs to be compared to something to help interpret it. Useful comparisons can be made between, over time, etc. Some basic calculations that can be helpful in making such comparisons include:

- **Converting amounts into percentages or ratios (or vice versa):** Using percentages is one way of making data comparable. For example, you might want to compare two countries' debt servicing levels. One way to do this is to take the debt servicing amount and calculate it as a percentage of government revenue, which may show that the first country is spending a lot more or a lot less than the second.
- **Calculating per capita amounts:** to compare debt servicing to social spending, it might be helpful to calculate each amount per capita. You can do this simply by dividing the total amount by the total population (or by the total population group that you are interested in, such as school-aged children or women of reproductive age).

- **Adjusting for inflation:** If amounts are reported in “nominal” terms, they do not take inflation into account. So, it’s necessary to convert them into “real” amounts. This makes amounts from different years “equivalent” to the current values of one of the years, and makes it possible to make valid comparisons over time. In other words, real value = nominal value adjusted for inflation.

Sometimes data can be read and interpreted quite easily. Other times, the dataset is too large to be read in one or two pages. When this is the case, a spreadsheet can be a useful tool. This is likely to be the case when working with debt data.

Learn More | Working with spreadsheets can be a new skill for many activists. If that’s the case, you might find it helpful to refer to our [introductory note on analyzing data](#).

IN PRACTICE

Gather debt-specific data that shows your country’s overall debt profile from the sources outlined above. What does this data tell you in terms of:

- **The total external debt your country owes?**
 - What is this as a percentage of GDP? As a percentage of exports?
- **How much your county is spending on external debt payments?**
 - What is this as a percentage of revenue?
 - How does it compare to spending on social sectors like health, education, social protection, etc?
- **Who are your country’s creditors?**
 - What percentage of external debt is owed to bilateral, multilateral, and private creditors?
 - What percentage of external debt is owed in foreign currency?
- **What is your country’s international investment position?**
 - Does it have a current account deficit? To what percent?
 - Is your country a net debtor or creditor, as a percentage of GDP?

To help interpret this data, look at how it compares to other similar countries and how it has changed over time.

What new insights are revealed when you cross reference this with other types of data, such as those outlined on page 19?

CONTEXTUAL ANALYSIS

Quantitative data helps in answering questions such as “how much”, “how many”, “to what extent”, “where” or “when”. But there’s often still more to dig into in order to better illuminate why an injustice is the way it is. Doing so is crucial in deciding what conclusions to draw from your research. Contextual analysis is particularly important for the fourth dimension of OPERA: Assessment. It enables us to get a more complete, “bigger picture” of the broader factors affecting people’s ability to enjoy their rights and the State’s ability to fulfill its obligations.

This kind of analysis attempts to uncover the broader context in which the government operates and figure out why government efforts have not been more successful. In this way, OPERA seeks to distinguish between harms that might genuinely be beyond the control of the State, and those for which the State should be held accountable. This involves identifying how domestic or international factors might influence or constrain the State’s capacity to meet its obligations to the groups we’re focusing on. Constraints will vary significantly between countries, but they broadly relate to the conduct of third parties and structural dysfunctions.

	Domestic	International
Conduct of third parties	Corruption by officials, corporate misconduct, elite capture, etc.	Corporate misconduct, influence by donors or international financial institutions, conditions in trade agreements, etc.
Structural dysfunctions	Decentralization, electoral processes, parliamentary procedures, environmental volatility, etc.	International tax system, general investment climate, macroeconomic situation, etc.

You may have already mapped out these issues when you interrogated the problem under Step 1. In some cases, there may already be secondary literature (e.g., media investigations, academic research, civil society reports) that can assist in further illuminating them. Community consultations and key informant interviews may be useful methods, as well.



The real value of OPERA is the way that these different pieces of the puzzle all fit together. Photo: [Vardan Papikyan](#)

TRIANGULATING FINDINGS

The dimensions of OPERA each focus on particular human rights standards that need to be taken into consideration when judging whether a State is meeting its obligations to fulfill economic, social, and cultural rights. Each provides a piece of the puzzle.

By combining information on outcomes, policy efforts, and resources with broader contextual factors, we can illustrate the often complex relationships among them. For example, let's say we have data that shows that:

- Severe, acute malnutrition is prevalent among children in a country's pastoralist and semi-nomadic indigenous groups, much more so than for any other group.
- As a condition of an IMF loan, the government has replaced subsidies on key foodstuffs with a targeted cash transfer program.
- Administrative barriers have made this program inaccessible to pastoralist and semi-nomadic indigenous groups.

If we were looking into each of these things individually or in isolation, the interconnectedness of these issues — as well as the way they lead to patterns of discrimination, exclusion and powerlessness — would be hard to explain. However, by connecting — or “triangulating” — findings on outcomes, policy efforts, and resources, a much fuller picture should emerge about the reasonableness of the

government's efforts and about the barriers that prevent the commitments made on paper translating into action that has a meaningful impact on the ground.

“There is no magic mathematical formula that will tell us whether or not a government's debt management complies with its human rights obligations. Quantitative data makes an important contribution. But, the final judgment must be a considered evaluation of all the evidence.”

Learn More | For more information on how to evaluate contextual factors to decide what conclusions to draw from your research visit our Decoding Injustice Online Hub where you will find our self-guided note on this process. <https://bit.ly/Illuminate5ContextualFactors>



STEP 3 INSPIRE



Photo: [Nazly Ahmed](#)

The third step to decoding debt injustice is to leverage evidence creatively — in both formal and informal ways — to inspire action towards real changes in the global debt system. You've interrogated how power imbalances between countries and the growth of predatory private financing create particular dynamics that sustain injustice. You've combined debt data with other information to illuminate how these issues bring about debt distress. You've identified where governments have fallen short in meeting its human rights obligations and where other barriers have constrained their capacity. But this is definitely not the end of the process!

To inspire concrete change, we need to develop an advocacy strategy that builds pressure on decision-makers to act. This strategy should guide how you finalize your research findings, develop additional advocacy materials, and carry out follow-up activities with national and international accountability mechanisms. It should clearly identify what needs to be done, by whom and by when.

Here, we outline some of the actions that debt justice activists, as well as other civil society and institutional actors, have demanded to resolve unsustainable debt; strengthen how borrowing and lending is governed; and

transform the debt system which currently stands at odds with the realization of human rights. We also look at the different advocacy channels through which you might pursue these demands.

Key actions for transforming the global debt system

REDUCING UNSUSTAINABLE DEBT

As we talked about in Section One, governments have very few options when their external debt becomes unsustainable and it can no longer repay it. So actions that can give them more options are critical in the short-term.

Canceling illegitimate debts

A common call is for debts contracted for dubious purposes, by oppressive or obviously corrupt regimes, or under exploitative terms and conditions to be treated as odious or illegitimate. These kinds of debts produce little to no public benefit, but servicing them drains critical public funds. A debtor may unilaterally refuse to pay this kind of debt or it may try to get the agreement of the creditor to cancel it.

EXAMPLE

Ecuador's "Lender's Good Faith" Case

In 2013, Ecuador passed a law declaring certain provisions of its external debt as illegitimate and the result of lender misconduct. The country argued that lenders had violated their obligation of good faith by providing loans with unfavorable conditions and excessive interest rates. Ecuador's Constitutional Court upheld the law, recognizing the country's sovereign right to protect its population from unfair debt practices and prioritizing the human rights of its citizens over the repayment of questionable debts.



Identifying illegitimate debt through debt audits

Debt audits are a powerful tool for examining the legitimacy of a country's debt. **They can look at how debt was contracted, for what purpose, under what conditions, how it was used, and the impacts it has had.** This helps highlight the role of both lenders and borrowers, which can support calls for debt restructuring or even repudiation. For example, Ecuador pursued an official debt audit when it faced heightened risks of debt distress. It used the results of its audit to successfully negotiate a debt buy-back saving USD 7 billion.³⁸ Argentina used the results of its audit in debt restructuring negotiations with the International Monetary Fund.³⁹ Audits can be initiated either by governments or by activist groups.

Learn More | The European Network on Debt and Development (Eurodad) put together an introduction to debt audits in *How to get to the bottom of a country's debt? A short briefing on debt audits*. The briefing supports civil society groups thinking about initiating the process in their own countries. <https://bit.ly/HowToGetToTheBottomOfACountry'sDebts>

Automatically suspending debt payments when countries are in crisis

Another option is to have a way to automatically suspend debt payments in certain situations — e.g., as when borrowing countries are close to a crisis or when a sovereign debt restructuring process starts. This could be done by adding a "catastrophe clause" that allows for automatic stay on payments in all loan contracts. This is

also known as state contingent debt instruments (or an extendible state contingent debt instrument).⁴⁰

Low- and middle-income countries are exposed to several vulnerabilities (e.g., the current food and climate crisis). So, criteria for deciding when a suspension should be triggered need to be expansive. They should consider economic, social, and climate vulnerabilities, not just debt sustainability ratios and the income level of the country.

Supporting domestic resource mobilization and provide more liquidity to low- and middle-income countries to enable expansionary economic policies

Boosting governments' ability to mobilize domestic resources through progressive taxation systems and eliminating tax abuse is another action. Debt and tax justice policies need to take place at the same time, otherwise the increase on tax collection will be used to repay debts; an integrated debt treatment process will bring a degree of liquidity but will not be a long-term resolution if countries need to increase debt again.

Similarly, affordable, long-term financing is also key. Multilateral Development Banks play an important role in this. There are calls for them to increase their lending capacity. In the short term, this could include the implementation of mechanisms to issue and re-channel Special Drawing Rights (SDRs). Currently SDRs are allocated in proportion to countries' quota shares in the IMF. So when the IMF issued SDRs equivalent to USD 650 billion in 2021, the majority went to rich countries in the Global North. African countries, home to 1.4 billion people and more than 60% of the world's extreme poor, received only 5.2%, for example.⁴¹

38 EURODAD (2021). *How to get to the bottom of a country's debts? A short briefing on debt audits*. https://www.eurodad.org/how_to_get_to_the_bottom_of_a_country's_debts

39 IMF (2021). *Argentina: Ex-post Evaluation of Exceptional Access Under the 2018 Stand-By Arrangement-Press Release and Staff Report*. <https://bit.ly/ArgentinaExPostEvaluation>

40 IMF (2017). *State-Contingent Debt Instruments for Sovereigns*. <https://www.imf.org/en/About/Key-Issues/state-contingent-debt-instruments>

41 UN Secretary General (2023). *Our Common Agenda Policy Brief 6: Reforms to the International Financial Architecture*. <https://www.un.org/sites/un2.un.org/files/our-common-agenda-policy-brief-international-finance-architecture-en.pdf>

While both G7 and G20 have called for a voluntary rechannelling of \$100 billion worth of unused SDRs, a fraction of that number has actually been rechannelled.

STRENGTHENING THE GOVERNANCE OF BORROWING AND LENDING

Transparency and public disclosure of external debt information

Greater transparency of debt information — through publicly accessible databases from reliable data providers — promotes good governance. It benefits all stakeholders:

- Citizens can scrutinize the borrowing and lending decisions of their governments;
- Creditors have a clearer picture of a borrowers' debt burden, which decreases their risk and should result in more favorable conditions for the borrower;
- International financial institutions can better assess trends in international financial markets.

The processes for contracting and restructuring debt also need to be transparent, participatory and accountable. So **reforms to the national regulatory frameworks that govern how debt is contracted and restructured are important**. Some key features include: a legal commitment to only incur debt for the benefit of the country's population; legislative approval or oversight of debt-related decisions; public disclosure of debt information.

Generally, borrowing governments bear the primary responsibility for transparency of debt information. But, **public and private creditors should also be transparent about their due diligence and risk assessment processes**. The International Institute of International Finance (IIF) has developed a set of Voluntary Principles for Debt Transparency.⁴² In January 2021, the OECD, with support from the G20, launched the OECD Debt Transparency Initiative to operationalize the recommendations from the IIF.⁴³ As part of this initiative, the OECD established a data repository for debt information. Since launching in 2021, just two banks have disclosed details of just six loans, with up-to \$30 billion of loans from banks remaining hidden.⁴⁴ Making transparency a legal requirement is therefore critical. Because the majority of loans are contracted under English or New York law,⁴⁵ legislative change in these jurisdictions would have a huge impact.

Better debt sustainability analysis

As discussed in Section Two, the methodology that the IMF uses to calculate the sustainability of a country's debt is narrow. It fails to take adequately into account a country's development and climate finance needs. As a result, risks of debt distress are underestimated. Several institutions, including UNCTAD, have long advocated for and developed alternative methodologies for analyzing debt sustainability. To identify a country's debt cancellation and debt restructuring needs in a more timely manner, it's important that such methodologies adopt comprehensive criteria and realistic projections for debt distress.

42 OECD (2022). *OECD Debt Transparency Initiative: Trends, challenges and progress*. https://www.oecd-ilibrary.org/finance-and-investment/oecd-debt-transparency-initiative_66b1469d-en

43 Ibid.

44 Debt Justice (2023). *Banks break own rules to hide over \$30 billion of loans to lower income countries*. <https://bit.ly/BanksBreakOwnRules>

45 IMF (2019). *Fourth progress report on inclusion of enhanced contractual provisions in international sovereign bond contracts*. <https://bit.ly/FourthProgressReport> (Only 1.5% of loan contracts with private creditors are issued under any other jurisdiction.)

SYSTEMIC REFORMS TO THE RULES AND INSTITUTIONS GOVERNING DEBT

Reform debt resolution architecture

A key demand from debt justice activists is to establish an independent debt restructuring mechanism, under the auspices of the United Nations. This would provide equal access to comprehensive information and independent technical support to the country team in charge of the renegotiation process. This has been a long standing proposal. But, it's gaining renewed momentum. For example, it's a key proposal in a policy brief published by the United Nations Secretary General in June 2023.⁴⁶



Photo: *Nathaniel Shuman*

The case of Argentina's 2020 debt restructuring shows why such an independent mechanism is needed. In 2020, Argentina approached the IMF to initiate a Debt Sustainability Assessment, which often forms the basis for debt restructuring negotiations, anchoring creditor expectations. The IMF initially denied Argentina's request for the assessment during which time Argentina was hounded by creditors from the United States.

46 UN Secretary General (2023). *Our Common Agenda Policy Brief 6: Reforms to the International Financial Architecture*. <https://www.un.org/sites/un2.un.org/files/our-common-agenda-policy-brief-international-finance-architecture-en.pdf>

Ensure mandatory participation of all creditors in debt restructuring

To be effective, any debt restructuring process demands the participation of all creditors: multilateral, bilateral and private. They must all accept the proposed restructuring terms. This ensures that the burden of debt restructuring is shared among all creditors. Otherwise, you get situations where some creditors "hold out" and refuse to participate with the hope that they'll benefit from the restructuring without accepting their fair share of the burden.

This can be required through contractual provisions or legislation. As noted above, **given that virtually all contracts with private creditors are governed by New York or English law, legislative changes in either jurisdiction would have sweeping implications.** At the time of writing, there is currently a legislative proposal being considered by the New York State Legislature.

Reforms to IMF governance

The governance structure of the IMF is one factor limiting progress on reforms to the global debt system. A relatively small number of countries from the Global North hold a majority of the voting power. Their outsized influence is evident in the IMF's interventions between creditor and debtor nations. Debt justice activists Reforms to the Fund's governance (including its quota formulas, voting rights, board representation).

IN PRACTICE

Take stock of your analysis so far. What does this point to in terms of what needs to be done, by whom, and by when to tackle your country's debt problem? Based on this, define a set of advocacy goals and objectives (which should be SMART: Specific, Measurable, Achievable, Realistic, and Timebound).

Engaging key advocacy targets

Once you decide your advocacy demands, you'll have a better idea of who you need to engage to achieve change. Specific targets — and ways of engaging them — vary depending on the context. A comprehensive overview of debt justice advocacy is beyond the scope of this guide. But, some common targets for debt justice activism — and a few key pointers about how to use your research in different ways to engage them — are outlined here.

KEY ADVOCACY TARGETS

It's important to remember that power is not distributed equitably in the global debt system. Some actors have greater influence over certain actions than others. For example, creditors typically have a lot more power over the development of debt restructuring mechanisms than debtors. So understanding the power dynamics at play and tailoring your advocacy strategy accordingly is important. Common targets for debt justice activism are outlined in the table below.

	National	International
Political	<p>Making policy recommendations and legislative proposals.</p> <p>Participating in inquiries led by parliamentary committees.</p> <p>Pressuring political parties or individual politicians to take positions on fiscal and tax policy, debt sustainability, and budgeting priorities.</p>	<p>Advocacy with international financial institutions for reforms in lending practices, debt restructuring procedures, and conditionality policies.</p> <p>Campaigning for legislation in other jurisdictions such as New York, the UK, Belgium, and France (e.g., to quell the actions of vulture funds).</p>
Judicial and quasi-judicial	<p>Litigating debt-related issues, e.g., taking the government to court to contest austerity measures such as budget cuts.</p> <p>Submitting amicus curiae briefs in cases involving creditor-debtor disputes.</p> <p>Submitting petitions to national human rights commissions.</p>	<p>Monitoring and reporting on legal proceedings in cases involving creditor-debtor disputes.</p> <p>Submitting individual complaints or other information to human rights bodies mandated to oversee governments' compliance with their human rights obligations.</p>

IN PRACTICE

Once you've identified your goals and objectives, you'll have a better sense of the institutions, individuals, and interests you need to engage to achieve them. A power map can help you refine your target audiences further by showing allies, opponents, and targets. A common way of doing this is to identify relevant stakeholders and plot them along two axes: how much power they have to make change and how strongly do they agree or disagree with your call to action?

Read more about this tool in this short guide by Beautiful Trouble: <https://commonslibrary.org/power-mapping-to-design-a-winning-campaign-strategy/>

COMMUNICATING TO DIFFERENT AUDIENCES

As you can see, there are many different channels for raising awareness; advocating for debt sustainability; pushing for transparency and accountability; and demanding the consideration of social and environmental factors in debt restructuring processes. Which channels you prioritize will impact the key audiences you're communicating with — and whether you're trying to inform, educate, or persuade. This, in turn, affects how you translate your research findings into messages that are tailored and disseminated specifically for your audience. A social media campaign looks very different to a parliamentary submission, for example.

To communicate effectively to different audiences, it's important to know your audience. These are the stakeholders you've identified who are impacted by the issue; are motivated to act; and can influence change. It's also important to analyze: what action you want them to take; what they already and don't know and information they need to take that action; how that information can be presented most persuasively.

It's likely that you will have a lot of information to share with your audiences, including quantitative data about your country's debt. Presenting this kind of information visually allows your audiences to quickly identify patterns, trends and outliers in the data. It helps to highlight information that could otherwise remain hidden. For this reason, it is a valuable tool for prompting your audiences to think about an issue in a new way. Nevertheless, using data to create a narrative for advocacy requires a careful balancing act. It is important to:

- **Work outwards from the data:** Be clear about what the data does and does not say. Consider whether the data needs to be simplified, contextualized, or complemented with other data to make your key point.
- **Design your data:** How will you bring your story together with the details in your data? How can you frame it in a succinct and compelling way without misleading or overgeneralizing?
- **Find visual stories:** What visual devices will you use to present the information in an engaging way? How will the visual design help organize and give meaning to the information?

These questions can help you decide on the type of data visualization that will be most appropriate and effective for your advocacy materials.

Learn More | We have additional resources on how to design data visualizations which are clear, compelling and easy-to-understand in our Decoding Injustice Online Hub where you will find our self-guided note on data and design. <https://bit.ly/Illuminate4DataAndDesign>

CENTER for
ECONOMIC and
SOCIAL RIGHTS

www.cesr.org | info@cesr.org



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@social_rights



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