

**Elements Paper on Financing for Development**  
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***Action Area: Debt and Debt Sustainability***

The international debt burden has reached unprecedented levels in recent years. As a result, countries are dedicating more and more of their budgets to servicing their debt, to the detriment of essential public services. Across the globe, [recent analysis](#) suggests debt service expenses are 3.7 times health spending and 2.5 times education spending. The resulting cuts in public spending exacts a particularly high toll on **women** and other vulnerable groups, implying additional unpaid care tasks, higher rates of layoffs and cuts to services. Overall, [3.3 billion people](#) now live in countries where their government spends more on debt service than health or education. This puts the achievement of SDGs and the attainment of the [Addis Ababa Agenda](#) at risk.

The debt crisis is in part a crisis of democratic governance. Democracy deficits play an important role in enabling unsustainable borrowing. **Debt transparency's benefits**- including [reduced interest rates for borrowers](#), decreased corruption risk, and increased efficiency for public finances— are well-documented. Yet, sovereign loans are often contracted without **parliamentary** and **public scrutiny**, and in the worst cases without the existence of the loan being disclosed at all. In addition, 40% of low-income developing countries **neglected to publish** any sovereign debt data in 2019-2021, while a fraction of world economies have legal provisions that mandate [disclosures](#). While international actors have invested significant resources in improving debt management systems and building the capacity of debt managers, efforts have focused on the executive arm of government and overlooked the broader accountability system, **particularly parliaments and civil society**.

The public has the right to know how much their government is borrowing and the effects that debt will have on their lives, as such government decisions can impact people's well-being for generations. People also need to understand how decisions about debt repayments are made and how the budgetary sources for repayments are defined. It is also important for people to have meaningful access to information and participation around renegotiations and restructuring processes.

Responses to the debt crisis need to be anchored in democratic principles and practices. Member States and other stakeholders have to consider the democratic governance challenges that many countries are facing which contribute to opaque and unsustainable borrowing. They should consider the following recommendations:

**1. Strengthen requirements for public debt transparency**

As stated in the Addis Agenda, debt management capacity and transparency are key to sustainability and prudent borrowing. More support needs to be made available for countries to reform and strengthen their legal and institutional provisions to ensure the timely, comprehensive and accessible publication of public debt data according to international standards and best practices. At a minimum, borrowers and lenders should make all loan agreements (including Public Private Partnerships and on-lending) public. Investment in higher transparency mechanisms would enable other stakeholders in society - such as parliaments, audit agencies and

citizens - to conduct meaningful oversight of debt management and expenditures and meaningfully participate in decision-making processes.

**2. Provide targeted support to representative and oversight bodies**

Independent oversight of public debt decisions is crucial for accountable and sustainable debt management. Parliaments play a crucial role in debt-related decision-making but also in scrutinizing and holding the government accountable for the implementation of debt-financed projects and sound management of their repayment. Parliaments are however sidelined from the discussion when new loans are acquired or when restructuring processes are undertaken and, while executive bodies dealing with public debt management receive donor or International Financial Institution (IFI) capacity support, parliaments lag behind. Similarly, audit institutions and their capacity to analyze and report on a country's debt management and performance are very seldom included in any considerations about a country's ability to make sound, prudent borrowing decisions. Any IFI and bilateral lending should consider ways to enhance the role of oversight actors to ensure higher scrutiny of the implications and impact of new loans and prevent future crises.

**3. Support civil society monitoring and engagement in public debt policy discussions**

Civil society participation in the debt management cycle is crucial to ensuring that decisions are legitimate and aware of the needs of various groups in society, in particular of vulnerable communities, and the impact they will experience as a result of borrowing decisions. As many examples around the world have shown recently, citizens are excluded from decision making and have to resort to protest to make their voice heard. Investment in civil society initiatives around public debt accountability are essential. IFIs should support civil society monitoring in lending processes, including by engaging them in the early negotiations of any new deal or restructuring.

**4. Make lenders responsible for public debt transparency**

Public and private lenders also play a role in supporting and enhancing public debt transparency. Bilateral creditors should practice disclosure by providing detailed information regarding the loans they issue to other countries and in international financial markets. These disclosures should also include information regarding any private creditor (banks or other financial entities) originating in the respective country. Where legislative measures are needed to enhance private creditor disclosure, such reforms should be discussed with civil society and implemented without delay. In addition, for any project-based lending, structured, independent civil society monitoring is vital and should be funded as part of the project itself.

**5. Incorporate governance safeguards in loan agreements and restructuring processes**

Opaque debt can be the result of corrupt deals and can also further fuel corruption in countries where governance mechanisms are weak. In such contexts, more borrowing can lead to more corruption rather than development. In consultation with civil society, bilateral creditors and IFIs should incorporate governance safeguards to ensure funds are directed to their intended purpose and future decisions are more legitimate.

While debt can potentially uplift citizens' lives and transform economies, it can also erode economic progress, mire countries in default and stymie development. As the world has come into an unprecedented debt crisis, governments can ill afford to be opaque about their debt – the risk this poses for current and future generations is too high. For any international response to be effective, more attention must be placed on the national public debt accountability ecosystem.