

## **United Nations Independent Expert on Debt, other International Financial Obligations and Human Rights's Thematic Report on Multiple Crises, Fiscal Systems and Human Rights.**

### **Written Submission by Asia Pacific Forum on Women, Law and Development**

Asia Pacific Forum on Women, Law and Development (APWLD) is making the written submission to the UN **Independent** Expert on Debt, other International Financial Obligations and Human Rights for the mandate's upcoming thematic report on Multiple Crises, Fiscal Systems and Human Rights. In line with our written submission to United Nations Special Rapporteur on the Right to Development's Thematic Report on COVID-19 Recovery Plans and Policies from a Right to Development Perspective, our submission draws analysis from our Development Justice framework and from APWLD and its members' documentation and Feminist SDG Monitoring work. The submission proceeds in three sections: first section provides a general regional overview of the multiple crises and its impact on women's human rights in Asia and the Pacific, and then zooming into the case study in Pakistan and Sri Lanka. The second section elaborates measures and interventions in tackling the multiple crises in the two countries, while the third section describes the gaps in the existing financial structure and multilateral framework to address the crises, as well APWLD's recommendations for the road to crisis recovery based on human rights and Development Justice.

#### **I. General Overview**

Asia and the Pacific region is confronted by massive, multidimensional crises. COVID-19 has brought upon an unprecedented **wealth inequality crisis between and within countries**. The poorest half of the global population barely owns any wealth at all, possessing just 2% of the total - while the richest 10% of the global population own 76% of all wealth.<sup>1</sup> More than half of the low-income countries (LICs) and also a significant number of the LMICs are at the verge of **debt distress**.<sup>2</sup>

Countries in the region also continue to face disasters, with the region being declared as the most vulnerable to **climate crisis**, accounting for almost half of the disaster related deaths and over one third of the associated economic losses. Many countries top the lists on Climate Risk Index and other assessment mechanisms posing serious existential threats to both people and their ecological systems.

In the aftermath of the COVID-19 pandemic, global food prices were on an upward trend, buoyed by the recovery in global demand, higher prices of fertilisers and fuel, higher transportation costs and supply chain disruptions.<sup>3</sup> The **food crisis** has hit vulnerable countries in Asia and the Pacific the hardest. 7 million more people in the Asia Pacific region have become acutely food-insecure in 2022. This means an increase of 41.5 million people since pre-pandemic levels and a total of 69.1 million acutely

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<sup>1</sup> World Inequality Report 2022, [https://wir2022.wid.world/www-site/uploads/2022/01/Summary\\_WorldInequalityReport2022\\_English.pdf](https://wir2022.wid.world/www-site/uploads/2022/01/Summary_WorldInequalityReport2022_English.pdf)

<sup>2</sup> <https://www.undp.org/sites/g/files/zskgke326/files/publications/54241%20-%20UNDP%20WP%20Debt%20Vulnerability-web.pdf>

<sup>3</sup> Financing for Sustainable Development Report 2023. <https://developmentfinance.un.org/fsdr2023>

food-insecure people in the region by the end of 2022.<sup>4</sup> As of October 2022, countries most at risk include Afghanistan, Lao PDR, Myanmar, Pakistan, and Sri Lanka, with Bangladesh and Kyrgyz Republic, requiring close monitoring.<sup>5</sup>

Asia and the Pacific have also seen a decline in human rights protection, and a consistent rise in authoritarian regimes. The right to freedom of expression, freedom of assembly, rights of women and girls, human rights and environmental defenders, rights of minorities, media personnel and civil society activists have been violated with impunity by both state as well as non-state actors. The securitization narrative has curbed the space for dialogue and accountability while persecution of democratic dissent is on the rise.

**a. Debt Distress in Asia and the Pacific**

Even before COVID-19 hit, the Asia Pacific region was facing a rising level of public debt. The average government debt-to-GDP ratio in developing countries in Asia and the Pacific was at an 11-year high of 40.6 per cent in 2019. The pandemic worsened the debt-to-GDP ratio and pushed the region's average level of government debt up to 49.5 percent of GDP in 2021, with two thirds of the countries in the region reaching the highest level of such debt since 2008. Several economies are still struggling with double or triple the size of their recent average external debt servicing, as high as 10 percent of GDP in 2022.<sup>6</sup>

19 countries are rated at high risk of debt distress based on the joint World Bank-IMF Debt Sustainability Framework for Low-income Countries, thus limiting their development investment capacities.<sup>7</sup> Debt distress also severely restricted poor countries' capacities to provide adequate social protection to most vulnerable groups during COVID-19 pandemic.<sup>8</sup>

**b. Faults in the Debt Service Suspension Initiative**

The G20 produced the Debt Service Suspension Initiative (DSSI) to defer official debt service due by mostly low-income countries in 2020, which was later extended through 2021. The programme did not receive full participation from the main official creditors and private creditors, rendering it ineffective from the beginning. Further, the DSSI only temporarily suspended partial debt servicing for low-income countries and failed to provide a sustained

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<sup>4</sup> The Global Food Crisis: Impact to Asia Pacific Region. January 2023.  
[https://docs.wfp.org/api/documents/WFP-0000146218/download/?\\_ga=2.27495676.1727859443.1683730651-914823959.1683730651](https://docs.wfp.org/api/documents/WFP-0000146218/download/?_ga=2.27495676.1727859443.1683730651-914823959.1683730651)

<sup>5</sup> Ibid

<sup>6</sup> Economic and Social Survey of Asia and the Pacific 2023: Rethinking Public Debt for the Sustainable Development Goals.

<sup>7</sup> Ibid

<sup>8</sup> Report by the UN Special Rapporteur on the Right to Development on COVID-19 Recovery, 2022, Frameworks:  
<https://www.ohchr.org/en/documents/thematic-reports/a77174-response-and-recovery-plans-and-policies-coronavirus-disease>

solution for the growing debt-to-GDP ratio of most poor countries, forcing them to prioritise debt servicing over investment in social protection and public healthcare.<sup>9</sup> The debt distress is exacerbated by the high interest rates set by high income countries that are focusing on improving their own economic crisis.<sup>10</sup>

### c. Climate Change & Debt Distress

Losses and damages caused by climate related catastrophes have put further burden on low-income countries that are already buried under heavy debt servicing. Most investment in climate-related loss and damages financing is being done in the form of lending from high-income countries, which is further adding to the debt distress of poor countries that are facing the risks of climate-related disasters. Additionally, poor countries with debt burdens have limited fiscal space to provide adequate relief and support to its population during climate change-induced disasters.<sup>11</sup>

## II. Impact of Debt Distress on Poor Countries: Case Studies of Pakistan and Sri Lanka

Our two case stories below highlight the situation in multiple crises in Pakistan and Sri Lanka and the impact on women's human rights.

### Pakistan

Pakistan is currently mired in multiple economic, political and environmental crises. The country is bearing the brunt of the world's climate crisis, oscillating between extremes of weather last year: severe drought and heat waves caused temperatures to soar above 45°C followed by a disastrous flood triggered by unprecedented monsoon rainfall and glacial melting. Floods killed over 1500 people, mostly children, along with the loss of a million livestock; an estimated 33 million were displaced, with 4 million hectares of agricultural land (45% of the land in Sindh, South Punjab and Balochistan) washed away, one-third of the country inundated with an overall estimated loss worth US\$30 billion.

A food insecurity crisis is impending that will aggravate the levels of hunger and malnutrition due to the loss of previously fertile land and crops, as well as the upcoming produce to be impacted by excessive siltation of the flooded lands (the number of hungry people in Pakistan are estimated to rise from 5.9 million to 7.2 million without urgent support). The floods have also caused massive damage to infrastructure, washing away thousands of homes, bridges, roads, hospitals and schools, upending life by causing mass displacement and obstructing relief efforts. This warrants extensive reconstruction and recovery efforts to mitigate the impact of a likely similar crisis in the future; initial estimates of the funds required for rehabilitation and recovery amount to US\$16 billion.

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<https://www.brettonwoodsproject.org/2022/04/ineffective-debt-service-suspension-initiative-ends-as-world-faces-worst-debt-crisis-in-decades/>

<sup>10</sup> Ibid

<sup>11</sup> <https://unctad.org/news/global-debt-and-climate-crises-are-intertwined-heres-how-tackle-both>

Pakistan was already in severe financial distress when the disaster struck, having secured loan pledges from China and Gulf countries and a US\$2.2bn bailout from the IMF. Inflation in Pakistan grew up to 26% in 2022, the second-highest rate in Asia, aggravated in part by the sharp rise in interest rates by the US Federal Reserve which caused a rapid devaluation of the Pakistani rupee. In response, the government largely evidenced its handle on an otherwise impending economic collapse through its austerity measures implemented after it was compelled to revive its bailout loan from the IMF worth \$4.2 billion, with sharp hikes in price of oil, gas, electricity and essential commodities along with cuts in social expenditures; the country is still negotiating with IMF for further emergency loans. Compounding debt burdens mean that Pakistan will continue to make its debt repayments to foreign lenders which entails the diversion of essential resources from public services, including climate resilience, thus being increasingly vulnerable to crises in the future and therefore in need of further emergency borrowing from the same set of lending institutions.

Recovery from an economic crisis faces additional challenges posed by the political instability in domestic politics, with the ouster of the last government followed by waves of polarising protests, violence and public confrontational debates involving the military and the judiciary in the lead up to General Elections that are expected to take place in 2023.

The brunt of all crises is ultimately borne particularly by the already marginalised including the millions of working class and rural poor, particularly women and girls; Pakistan is the second-worst country in the world in terms of gender parity; systemic gender inequalities in access to adequate healthcare, education and economic opportunities reinforces the disproportionate impact of economic and climate crises on women. This was evident amongst the populations displaced by the 2022 floods when women lost all access to sanitation and reproductive health services, compounding reproductive health issues and spiralling mental trauma. The agricultural sector contributes 23% to Pakistan's GDP, and is the largest employer of women with nearly 7.2 million women involved. The work, however, is largely informal, unpaid or underpaid and coupled with regressive social norms, aggravates women's vulnerability to climate-induced damages: Pakistan ranks number one in Asia on a climate-agriculture-gender inequality hotspot index that gauges the intersection of women's exposure to climate hazards because of their involvement in agriculture, and women's vulnerability due to prevailing gender inequalities. Further, the neoliberal economic policy conditions attached with all IMF loans exacerbate the impact on women and the most marginalised. Record levels of inflation, unmanageable high costs of living, limited access to healthcare given shortages of fuel and electricity are all widely evidenced to disproportionately impact women, starting from the household level. Predominantly employed in the informal sector, women are especially vulnerable as lack of any social protection coverage reinforces economic hardships while simultaneously compounding burdens of unpaid care work.

### **Sri Lanka**

The ongoing economic crisis in Sri Lanka is resulting in tripling the burden of women in their households

and communities to provide food for their families. According to the latest World Food Programme Report, there are now 6.26 million Sri Lankans or 3 out of 10 families unable to provide their next meal. Inflation has also been impacting the purchasing power of the lower middle class, widening further the inequality gap and worsening poverty situations. This also affects nutrition of pregnant and lactating mothers, as they lack access to healthy and nutritious food due to the crisis. The crisis has indeed worsened the lack of social protection.

Like in many other Asian countries, rural and indigenous women in Sri Lanka play crucial roles in food production, particularly in small-scale agriculture and fisheries. The massive economic crises in Sri Lanka has further affected and worsened the food sovereignty of about 2.1 million households who depend on farming, fisheries and livestock production. Landlessness and poverty were exacerbated, with the access to land becoming more limited. Only 16 per cent of private lands are owned by women, restricting their capacity to produce food even for subsistence.

The fisheries sector has also been severely affected by the steep cost of production inputs. Fuel is short in supply, and whatever is available cannot be afforded by the small-scale fisherfolks. This dire situation has reportedly stopped the small boats going to sea, thereby further resulting in fewer available food for the household and the community.

Decreasing public financing and support to social services has been deteriorating quality of life and the well-being particularly of marginalised groups including women and girls. Delivery of sexual and reproductive health services, including maternal health care and access to contraception is severely impacted<sup>12</sup> and many young women have been experiencing a medical crisis as the current economic crisis affects supplies of medicines and equipment, leading to increasing maternal mortality. Amid fuel and medicine shortages, the crisis has also increased women and girls' vulnerability to violence.

Sri Lanka's major concerns have been shortages of basic needs services, lengthy blackouts and spikes in inflation where food prices have risen to nearly 60% and the Sri Lankan rupee has crashed to 80% reducing people's purchasing power. The grave mismanagement of financial resources has led to bankruptcy and poor implementation of programmes. The country has relied on external debt and the usable foreign reserves has become too low to cover their needs from the international market. Sri Lanka imports US\$3bn more than it exports every year, resulting in the exhaustion of foreign currency reserves. At the end of 2019, it had US\$7.6bn in foreign currency reserves, which have dropped to around US\$250m.<sup>13</sup>

### III. Measures and Interventions in Addressing the Crises

The exacerbating impacts of the debt and climate crisis in Sri Lanka and Pakistan has been disproportionately affecting the most vulnerable groups, particularly grassroots women and girls.

<sup>12</sup><https://reliefweb.int/report/sri-lanka/upholding-dignity-and-building-resilience-women-and-girls-unf-pas-response-economic-crisis>

<sup>13</sup> <https://www.bbc.com/news/world-61028138>

Current government initiatives to address the crisis are counter-productive and are actually false solutions and do not recognise systemic challenges. For instance, the Sri Lankan government has lobbied for a bailout from the IMF-WB, which is basically another loan to “fix” the fiscal crisis. The reality is that Sri Lanka’s economy was in dire straits as the external reserves had gone down, public debt had increased, along with large tax cuts experienced in 2019. Eventually, GDP contracted by 3.6% in 2020 with the sharp drop in tourist arrivals, loss of access to the international sovereign bond market at the start of the pandemic. In order to cope with the impacts of the pandemic, the government introduced relief measures, including micro economic policy stimulus, and increasing social safety net spending and loan repayment moratoria for affected businesses. With this, GDP growth is projected to have recovered to 3.6% in 2021. However, the annual fiscal deficit still exceeded 10% of GDP and public debt rose to as much as 119% of GDP in 2021. This is coupled with massive austerity measures in different social services including health and education.

Similarly, we saw unprecedented flooding in Pakistan just last year affecting millions of populations, particularly in the rural areas. Pakistan’s devastating floods come amid a deepening economic crisis.<sup>14</sup> Forty per cent (40%) of its 230 million people faced food insecurity in 2020, yet only 8.9 million families received assistance to mitigate the impacts of rampant inflation.<sup>15</sup> Poverty is concentrated in rural areas, particularly hard-hit by the floods.<sup>16</sup> The country’s debt and inflation situation even before the flooding is already impacting severely the poorest of the poor. Its heavy reliance on imported food and energy has been detrimental to the local economy, and the government’s poor response to the COVID-19 pandemic has further battered the economy.

The situations in both countries shed light on the broken system of neoliberal global economic governance and expose the role of international financial institutions, corporations and corrupt governments in exacerbating and profiting from the crises.

The Building Back Better framework as a recovery framework to the COVID-19 crisis fails to address these systemic issues that these countries are particularly experiencing. It is working around the narrative of development that promotes a multistakeholder and partnership framework that depends on the private sector and international financial institutions to finance “development” programs. In Sri Lanka, the current government is aiming to boost its export-oriented industries, and create enabling environments for investors, as well as joining trade agreements with multilateral and bilateral institutions. Another solution being discussed is debt restructuring with its creditors, and since the

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<sup>14</sup> <https://www.voanews.com/a/imf-to-meet-monday-to-decide-on-pakistan-bailout-/6718494.html>

<sup>15</sup>

<https://blogs.worldbank.org/endpovertyinsouthasia/putting-pakistans-food-system-path-greater-sustainability-and-resilience>

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[https://databankfiles.worldbank.org/data/download/poverty/33EF03BB-9722-4AE2-ABC7-AA2972D68AFE/Archives-2019/Global\\_POVEQ\\_PAK.pdf](https://databankfiles.worldbank.org/data/download/poverty/33EF03BB-9722-4AE2-ABC7-AA2972D68AFE/Archives-2019/Global_POVEQ_PAK.pdf)

country went bankrupt and unable to finance basic social services and functions. Another proposal is in taxation with the aim to increase value added tax.<sup>17</sup>

In Pakistan, the government is aiming for “green investments” or private sector investments in climate resilient programmes in response to the great flooding that most of their rural population experienced in August 2022.<sup>18</sup> The Relief Web report states that the government is eyeing private sector investments in “water management, agriculture, urban infrastructure, municipal services, and housing,” which are also expected to boost jobs and provide social protection.<sup>19</sup> Pakistan is not a significant contributor to climate change, but it is at the receiving end of the crisis.

These offered solutions are still working around the neoliberal framework of development that allows foreign corporate investors and international financial institutions to take hold of the local economy, which meant inability of the government to build national and local economies, and also subject to liberalisation and other conditionalities that often impact labour rights and control and access to resources of the local populace.<sup>20</sup>

Current policy proposals in both Sri Lanka and Pakistan do not address the root causes of the systemic barriers, but instead smokescreen the real struggles. As an alternative, civil society groups across Asia Pacific are calling for Development Justice, an alternative model of development that ensures a rights-based approach in building local economies and resiliency of communities, and ensuring the right to development of women is respected.<sup>21</sup>

### **III. Gaps in the Existing Financial Architecture and Multilateral Framework and Recommendations**

Asia-Pacific least developed countries need to pay USD 4.1 billion in debt servicing to the same MDBs and IFIs in 2021-2022, leaving little to no net inflows for development and social protection programmes.<sup>22</sup> Furthermore, tougher conditions are being imposed to promote austerity measures by IFIs like the International Monetary Fund (IMF) for bailout for cash-strapped countries like Pakistan and Sri Lanka. In Pakistan, in the ongoing negotiation process IMF has persistently used the same neoliberal policies as in the past and has called for strict austerity measures as one of its conditions to issue a bailout package. Austerity measures proposed by the IMF include introduction of VAT as well as removal

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<https://dailynews.lk/2023/04/24/business/301916/private-sector-urged-become-growth-engine-lanka%E2%80%99s-economy>

<sup>18</sup> <https://reliefweb.int/report/pakistan/pakistan-country-climate-and-development-report-november-2022>

<sup>19</sup> Ibid

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<https://www.brettonwoodsproject.org/2019/06/what-are-the-main-criticisms-of-the-world-bank-and-the-imf/>

<sup>21</sup> [http://apwld.org/wp-content/uploads/2018/02/2016\\_Development\\_Justice\\_Briefer.pdf](http://apwld.org/wp-content/uploads/2018/02/2016_Development_Justice_Briefer.pdf)

<sup>22</sup> UNESCAP. (2020, Nov). An Assessment of Fiscal Space for COVID-19 Response and Recovery in Asia and the Pacific Developing Countries. Retrieved from, [https://www.unescap.org/sites/default/d8files/knowledge-products/xPB116\\_Assessment%20of%20fiscal%20space%20for%20COVID-19%20response%20and%20recovery%20in%20AP%20developing%20countries.pdf](https://www.unescap.org/sites/default/d8files/knowledge-products/xPB116_Assessment%20of%20fiscal%20space%20for%20COVID-19%20response%20and%20recovery%20in%20AP%20developing%20countries.pdf)

of subsidies on fuel and electricity prices will affect the most financially vulnerable population groups the hardest.

**Enact progressive tax policies to increase fiscal space for low and middle-income countries:**

1. Enact and implement progressive and transparent tax policies including country-by-country reporting for multinational companies and elimination of tax havens.
2. End over-reliance on “indirect” taxes like sales tax and VAT, which tend to take a bigger bite out of the income of poorer people.
3. Challenge regressive tax policies and increase rates of “direct” taxes on the incomes of high earners and the most profitable businesses. Introduce or increase taxes on property, wealth, and other assets.
4. Create a global tax body capable of ensuring corporations are taxed as single entities with those taxes distributed fairly across countries.
5. Lift the constraints on the ability of governments to manage their own common wealth and end the Washington Consensus.
6. Develop and implement a more democratic and participatory approach to state budgeting processes, such as participatory gender budgeting.

**Undertake women’s human rights assessment of economic stimulus packages issued by IMFs and MDBs**

1. Establish independent mechanisms to systematically undertake gendered and human rights assessments of loan conditions or macroeconomic policy advice of global policy institutions like IMF and the World Bank.
2. Increase the influence of women over international financial institutions through negotiation and raise awareness on women’s human rights so they could use them in negotiating trade agreements with a conscious concern.

**Cancel sovereign debt payments and provide financing that does not create debt to developing countries**

1. Permanently cancel all principal, interest and charges on sovereign external debt due in 2020 and it should not accrue into the future. Cancelling debt payments is the fastest way to keep money in debtor countries and free up resources to tackle the urgent health, social and economic crises resulting from the post-COVID-19 financial and economic crisis.