

Call for Input - Mandate on Foreign Debt and Human Rights - Multiple Crises, Fiscal Systems and Human Rights

Asia Pacific Regional CSO Engagement Mechanism is a movement of the People. We, the representatives of more than 600 civil society and peoples' organizations from Asia and the Pacific, united in our commitment to work in solidarity, in pursuit of peoples' rights, sustainability, and development justice, demand the political leadership and will that multilateral processes relish, for our collective future.

General

1. What crises are affecting your country and region? What is their nature, scope and impact?

Asia and the Pacific is confronted by massive, multidimensional crises manifested in rising poverty and hunger, surging inequalities, shrinking democratic spaces, and increasing debt distress, compounded by the lack of political will in addressing deep-seated systemic issues, pushing countries off track on human rights protection.

The Global debt crisis was exacerbated by the COVID-19 enforced economic downturns, subsequent deficit financing, and unprecedented cost-of-living crisis - reckoned to be the largest of the 21st century. More than half of the low-income countries (LICs) (and also a significant number of the LMICs) are at the verge of debt distress.¹ Almost 108 countries continue to face protracted debt crises while almost 32 countries had to allocate over 20% of their GDPs in debt servicing alone in 2020.² UNCTAD projections revealed that in 2020 and 2021 developing countries' repayments of public external debts alone will rise between 2.6 to USD 3.4 trillion.³ In GDP terms, average debt ratios were projected to rise by 10% of GDP in emerging economies and about 7% of GDP in low income countries.⁴

¹ <https://www.undp.org/sites/g/files/zskgke326/files/publications/54241%20-%20UNDP%20WP%20Debt%20Vulnerability-web.pdf>

² Munevar, D. (2021, 15 September). *A Debt Pandemic: Impact of the COVID-19 Crisis in Developing Countries*. Eurodad. Retrievable from, https://www.eurodad.org/a_debt_pandemic_impact_of_the_crisis_in_developing_countries

³ 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

⁴ UNICEF Office of Research – Innocenti. (2021). *COVID-19 and the Looming Debt Crisis. Innocenti Policy Brief series, Brief 2021-01, Protecting and Transforming Social Spending for Inclusive Recoveries*. Retrievable

Asian and the Pacific countries suffered massive debt to GDP ratio rise to almost 49% in 2021 as a consequence of COVID-19. Almost 40 out of 43 countries in the region experienced unprecedented debt distress, pushed into an uphill battle against COVID recovery challenges. Fiji and Maldives were among the most severely affected where debt ratios climbed by 30 percentage points of GDP.⁵ Sri Lanka was labelled as ‘the first domino to fall’, with Philippines and Pakistan experiencing a near default situation. However, almost 75% of the IMF loans negotiated during the pandemic pushed for conditionalities enforcing further belt-tightening measures resulting in deeper cuts across health, education, social protection, food security and gender equality outcomes. The recent increase in debt to GDP ratios could further impose austerity measures reducing the prospects for rebuilding the down-trodden public sectors⁶, notwithstanding COVID 19 as a wake up call.

2. What are the challenges being faced by your country in managing these crises, including on their differential and multi-dimensional impacts on disadvantaged groups and communities?

COVID 19 pandemic has laid bare the structural fault lines of our economy, governance, and society. UNESCAP’s 2023 report on Asia and the Pacific shows that SDGs will not be achieved in the region before 2065 at the current pace. No sub region or country is in a position to achieve the SDGs by 2030. The multidimensional crises have induced increased corporate capture, hegemonization of natural resources, dilution of environmental and social safeguards, further cemented patriarchy; and weakened social protection and safety nets exacerbating the vulnerabilities of the most marginalized in manifolds. The region’s social protection expenditure at 28.1% is already low compared to the global average of 34.9%. Surging prices of basic commodities, food, energy and healthcare shortage, rising unemployment, poverty, and the climate crisis, amidst the biggest cost-of-living crisis of the 21st century, further exacerbate the situation. For many millions, development remains a false dawn requiring a paradigm shift towards Development Justice.

In 2017, Sri Lanka faced a debt crisis due to borrowing from China to fund infrastructure projects. The country was forced to take out a \$1.5 billion loan from the IMF, which came with conditions that included austerity measures such as cuts to social services and increased taxes.

from, https://www.unicef-irc.org/publications/pdf/Social-spending-series_COVID-19-and-the-looming-debt-crisis.pdf

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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

⁶ 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

This had a significant impact on the right to health and education, as well as the right to work and social security. Cambodia also incurred high levels of foreign debt. According to the Ministry of Economy and Finance last year's Public Debt Statistical Bulletin, Cambodia's current foreign debt load of \$9.47 billion (around 35% of a GDP of \$27 billion) can safely increase to around \$12.62 billion in 2023, which has been used to fund infrastructure projects and stimulate economic growth.

Excessive foreign debt has led to austerity measures across many developing countries that disproportionately impact vulnerable populations and limit the government's ability to protect human rights. This highlights the need for responsible lending and borrowing practices, debt relief, and strong debt sustainability frameworks to ensure that foreign debt does not undermine human rights in the Asia Pacific region.

Interventions for a rights-based economy

- 1. Please share initiatives or emergency interventions that your country has considered on a national, regional or global level to tackle and manage the impacts of different crises?**

Civil Society has been at the forefront of COVID recovery and response measures in the absence of adequate state initiatives. Women's unpaid and underpaid labor have filled in the gaps in social infrastructure and critical service delivery requirements around the world and merits due recognition.

Social and community enterprises offer innovative solutions to social problems and have evolved as responsive mechanisms where both the state and market institutions have failed to effectively cater to the socio-economic needs of the most marginalized segments.

In the Philippines, Alter Trade Foundation Inc. transformed more than 800 assetless agricultural workers, organized into cooperative associations, into entrepreneurial farmers serving as supplier communities directly addressing food security and poverty alleviation.

In Thailand, Fisherfolk Enterprise co-developed a Blue Brand of fresh, responsibly fished and formalin-free seafood, enabling fishers engaged in community-based coastal resource management and sustainable fisheries, to benefit through higher incomes for their harvest.

In Sri Lanka, Selyn - a women-led fair trade social enterprise - provided sustainable livelihood to more than 200 homeworkers, directly employing another 200 in rural communities, ensuring fair wages, flexible conditions, and entrepreneurship and financial management training.

In India, Dhan Foundation set up Sustainable Healthcare Advancement to cater healthcare needs of the poorest focusing Wellness Centers (virtual and physical services); Mobile Clinics; Primary Care Clinics as hubs with referrals to Secondary and Tertiary hospitals.

In Indonesia, the Indigenous Community in West Java province, provided community-based local internet services. The initiative extended internet connectivity to 29 villages by mid-2021 creating local jobs and serving as a critical response measure for education during lockdowns.

2. From a rights-based economy perspective, have recovery plans and policies contributed towards 'building back better'? Have human rights, gender, climate change, environment, food security, health and other related concerns been taken into consideration in these plans?

Asia and the Pacific region was off-track in achieving the 2030 Agenda prior to the pandemic, with disparate progress on development outcomes, while systemic barriers continued to hamper the full realization of peoples' rights. Regressive tax systems, illicit financial flows, liberalization of trade and agriculture, and monopoly rules on intellectual property led to the concentration of wealth, power, and resources in the hands of the corporate elites. Besides lack of progress on the SDGs, the region has 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 and non-state actors.

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. In 2022, Pakistan was hit by floods of biblical proportions having displaced 33 million people.⁷ The people and communities in the region dependent on natural resources have suffered chronic impacts, much earlier and deeper than predicted, requiring urgent mitigation and adaptation support.

On the flipside, however, COVID-19 recovery plans were hijacked by corporations to continue with the business-as-usual approach enabled by corporate capture of our governance, restricting state policy space to safeguard human rights. Amid the pandemic, the ten richest men doubled their wealth, the richest 1% amassed \$26 trillion (63% of all new wealth) since 2020, while the incomes of 99% of the world's population dwindled.

In 2023, the prospect of recovery looks extremely bleak. The plateaued investment (FDI), outflow of capital from developing countries through illicit financial flows, tax evasions, asset stealth, profit shifting by MNCs, ISDS penalties, and continuing debt crisis have shrunken national fiscal capacities critical for COVID-19 recovery efforts requiring urgent reforms.

⁷ <https://edition.cnn.com/2022/08/25/asia/pakistan-flooding-climate-minister-intl-hnk/index.html>

3. What measures have been put in place by your country to ensure that it is mobilising its maximum available resources for the realisation of its human rights obligations in this era of multiple crises? What measures and mechanisms have been adopted to protect the fiscal space required to respond to the exceptional needs of the population during these crises in areas such as health, education, gender, food, and social security?

Estimates tell us that around 574 million people globally will be in extreme poverty, and a similar number of people will face hunger by 2030.⁸ Almost 1.6 billion people will lack safe drinking water and 2.8 billion people will be without sanitation and hygiene in 2030 (SDG 6).⁹ Despite a slight increase in access to electricity, 100 million people might revert to solid fuels and 679 million will still be without access to electricity in 2030 (SDG 7).¹⁰ Not even half of the countries were able to enact credible policies despite committing to end international financing of fossil fuels by 2022. While mobile connectivity has increased, half of the population has no equipment to access it with the digital divide impacting women more than men (SDG 9).¹¹ Cities and urban poor vandalised by the climate crisis, 99% of the urban population will continue to breathe polluted air, impacting human and environmental health (SDG 11).¹²

The macroeconomic crises, however, continue to strangle country capacities to address some of the most pressing challenges confronting their populations. Nepal's public debt, for instance, is projected to rise from 30.1 to 43.8 percent of GDP by 2023 forcing the government to devote almost 28.5% of the government finances to debt servicing alone in 2022. Similarly, in Myanmar and Bangladesh^{13, 14} additional debt service payments are expected to be higher than their average COVID 19 response package every year between 2023 to 2030.¹⁵ On the other hand, developing countries like Lao PDR, Cambodia, Myanmar, Vietnam, Pakistan, Nepal and Sri Lanka could only afford to dedicate fiscal packages of less than 2% of GDP for COVID 19

⁸ <https://www.worldbank.org/en/topic/poverty/overview>

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<https://www.who.int/news/item/01-07-2021-billions-of-people-will-lack-access-to-safe-water-sanitation-and-hygiene-in-2030-unless-progress-quadruples-warn-who-unicef>

¹⁰ <https://news.un.org/en/story/2022/06/1119452>

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<https://www.weforum.org/agenda/2020/04/coronavirus-covid-19-pandemic-digital-divide-internet-data-broadband-mobility/>

¹² <https://www.who.int/news/item/04-04-2022-billions-of-people-still-breathe-unhealthy-air-new-who-data>

¹³ Munevar, d. (2020). *Arrested Development: International Monetary Fund lending and Austerity Post COVID-19*. Retrieved from,

<https://d3n8a8pro7vhmx.cloudfront.net/eurodad/pages/1063/attachments/original/1608122652/arrested-development-FINAL.pdf?1608122652>

¹⁴ Eurodad. (2021, 16 March). *Bangladesh, COVID-19 and Debt*. Retrieved from, https://www.eurodad.org/bangladesh_covid_19_and_debt

¹⁵ Ibid.

recovery while pressed by escalating social protection needs in the absence of livelihoods.¹⁶ And yet, the IMF advised austerity measures require further reductions in the government's primary budget by 5% until 2025, wage cuts and freezes (in 31 countries), introduction/increase of Value Added Taxes (in 14 countries), and general public expenditure cuts (in 55 countries)¹⁷, notwithstanding clear evidence from the Economic Crisis of 2008 that austerity cannot be an option. Such inherent contradictions in the governance of development architecture has seriously affected country capacities to adopt pro-people, rights-based, transformative strategies for health, education, gender, food and social security outcomes.

On ensuring human rights

- 1. Are there practices, legislation or policies at national or regional level that could serve as positive case studies? Are there initiatives on international or regional cooperation that could be considered for this report, with specific reference where possible on climate emergency, health, debt, economy or other crises and human rights approaches to managing them? What is your Government's/ Institution's role on these initiatives and are these decisions consistent with human rights obligations?**

The multidimensionality of the current crises is further compounded by the crisis of thought-leadership across multilateral processes. Despite multiple campaigns to waive Trade Related Intellectual Property Stipulations (TRIPS) on the vaccines, the patents were not removed causing vaccine inequity that resulted in several mutations of the virus affecting millions around the world. The WTO Ministerial Conference failed the multilateral process by not heeding to the UNGA's Ministerial Declaration's recommendation for a waiver and offered 'flexibilities' instead. Meanwhile, the rich countries hoarded the vaccines and Big Pharma accumulated profits as Pfizer, BioNTech and Moderna together made over \$1000 in profits every second while more than half of the world was experiencing vaccine apartheid. This is worsened by the continued push for spending cuts across social development sectors in the absence of strong political will and leadership across multilateral processes that prioritize consensus ahead of critical considerations.

Multilateral processes continue to be fraught with contradictions breeding policy incoherence, reflective of the IMF's Catastrophe Containment and Relief Trust (CCRT) and Debt Service Suspension Initiative (DSSI), manifesting too little, too late and halfway there, nowhere near. The permanent cancellation of sovereign debt, enhanced ODA, and a full waiver on TRIPS could have been transformative in addressing financial crises and vaccine apartheid in the Global South.

¹⁶ Ibid.

¹⁷ Ibid.

2. What are the gaps in the existing financial architecture and multilateral frameworks dealing with the scope and impact of the multiple crises?

ODA, though increasing, still accounts for less than 1% of the total fiscal stimulus during the pandemic (\$16 trillion). ODA backlogs over the past fifty years have reached up to 5.6 trillion, enough to have reduced extreme poverty many times over.¹⁸ LDCs are overwhelmingly represented in the increasing number of casualties due to extreme climate events and account for 69% of deaths.¹⁹ Climate financing commitments are also hardly met, while the Asian Pacific region continues to suffer the harshest consequences of climate change. Global North, largely responsible for the climate crisis, continues to enjoy immunity while the South bears the brunt in the absence of financing for mitigation, adaptation and loss & damages. The COP27 negotiations agreed the establishment of a Loss and Damage Fund to help developing countries but there is a [threat that donor countries will simply rebadge existing finances for this fund](#), diminishing aid to address other development challenges.

COVID-19 vaccines, total aid only increased by 0.6%, a figure also heavily inflated with disbursements for debt relief, private sector instruments and in-donor refugee costs. A large sum of the financing, or [around USD 46 billion](#), was directed to provide assistance to Ukraine ignoring other countries facing conflict, COVID 19 and development challenges combined. While the Asia-Pacific region [needs USD 1.5 trillion annually to meet the Agenda 2030](#), the region only received a [total of USD 41.5 billion of ODA in 2021](#).

On the flipside, the global military expenditure surpassed \$2 trillion for the first time in 2021 and has been on the rise since.²⁰ This is happening in the middle of the pandemic, where only the five top spenders put over 1.3 trillion (62%) in weapons, while ODA couldn't even reach a couple of hundred billions. Parallely, illicit financial flows, tax evasions, capital flows, asset stealth, trade mispricing, and profit shifting by multinational corporations continue to be on the rise. The data shows that developing and emerging economies have lost over \$7.8 trillion in Illicit Financial Flows (IFFs) alone between 2004-2013, with the outflows increasing at 6.5% every year - twice as fast as global GDP.

The SDG financing gap has also increased from \$2.5 trillion per year to \$4.2 trillion per year post pandemic.²¹ The tax revenue of the LICs and the LMICs put together is \$4.86 trillion, and they cannot fulfill SDG financing gaps without significant international financial collaboration.

3. How should States address the arising needs and financial gaps exacerbated by the current crises while continuing to support the implementation of the

¹⁸<https://oxfamlibrary.openrepository.com/bitstream/handle/10546/621080/bn-50-years-broken-promises-aid-231020-en.pdf>

¹⁹ <https://unctad.org/publication/least-developed-countries-report-2022>

²⁰ <https://www.sipri.org/media/press-release/2022/world-military-expenditure-passes-2-trillion-first-time>

²¹ <https://www.oecd.org/newsroom/covid-19-crisis-threatens-sustainable-development-goals-financing.htm>

development goals and ensure long-term growth? Could you highlight some good practices?

We are halfway towards the deadline of achieving the 2030 Agenda, but it is more and more apparent that we are not only years but decades behind in achieving these goals.²² The Asian Pacific region is projected to achieve the SDGs only by 2065, notwithstanding the regressions, at the current rate of progress. Besides, the projection is based on 53% of the available data, and the scale of unpredictability is humongous with the unknown 47%, that could push it well into the 22nd century if concrete corrective measures are not applied in time. We were also off track prior to COVID-19, but the last three years have been particularly disastrous in their impacts due to exacerbating effects of the pandemic, the worsening triple planetary and energy crisis, the increasing militarism and conflict, imperialist wars, as well as the rise of patriarchal authoritarian governance throughout the region.

Despite several campaigns for permanent cancellation of debt from the Global South, the multilateral processes failed to deliver despite its critical role in enhancing country capacities for COVID 19 recovery or SDGs advancement. The redress of hegemonic trade regimes, curbing of illicit financial flows, enhanced ODA mobilization, and democratization of discourse on development are only corrective measures long overdue that can serve as a good starting point to reconcile the rhetorical ambition with realities on the ground.

4. What other issues ought to be addressed by the Independent Expert in this domain, both for her report to the General Assembly, 78th Session, and for other activities and initiatives that she may undertake in line with her mandate in the context of the multiple crises facing communities, nations, regions, and the world?

Fractured multilateralism, profit-driven neoliberal framework, asymmetry in global power relations, hegemony of imperialist countries, their devices and patterns, domination of behemoth corporations, aid and trade rules benefitting the global north, and diversions between sustainable development and respect for human rights have been the fundamental structural flaws in our weak global development programming and governance. There is no sustainability without equity, justice and peace. Unless the conceptualization of societal transformation addresses these systemic failures, upholds Development Justice and ensures Right to Development for all, achieving the SDGs or protection of human rights will remain a pipe dream.

²² https://www.unescap.org/sites/default/d8files/knowledge-products/ESCAP-2022-FG_SDG-Progress-Report.pdf