

INTERNATIONAL ANTI-CORRUPTION CONFERENCE 2024

Vilnius, Lithuania

18-21 June 2024

SESSION REPORT

*Please know you may design the structure of this report to better suit the session.
It's important to capture the key outcomes and solutions proposed for the future.*

Session Title: Corruption, Debt, and Underdevelopment: The Urgent Need for Democratic Oversight

Date: 20 June 2024

Time: 2:30 PM - 4:00 PM (GMT +3)

Report prepared by:

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Moderated by:

Corina Rebegea
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Panellists:

- Jonas Nyrop Henrique
SENIOR ADVISOR DEBT, ANTI-CORRUPTION, TAX & DRM
Danida
- Diego Rivetti
Senior Debt Specialist at Macroeconomics Trade and Investment
World Bank
- Rueben Lifuka
Former TI Vice Chair
TI
- [Daniela Patiño Piñeros](#)
Programme Lead, Protection of Public Resources
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Share the thematic focus of the session, its purpose and corruption risks?

Corruption is simultaneously a cause and a consequence of hidden and undemocratically contracted debt. Civil society and parliaments are often left out of the decision making about debt contraction, terms of the debt, policy choices the government is making to repay it, and how money is spent. Transparency is necessary to ensure debt doesn't fuel corruption and is meant to benefit the larger public. The session will discussed the impact of opaque debt on integrity norms and identify specific measures to improve debt transparency and mitigate the risk of corruption. It explored how civil society and parliaments can use a new TI-NDI tool: the Debt Transparency and Accountability Checklist.

Summary of panellists' contributions & discussion points (please be as detailed as possible)

- Governance safeguards to ensure public debt decisions are made democratically are absent or broken in many countries, leading to a vicious cycle of unsustainable debt. Transparency is the key principle in begin addressing unsustainable debt and to start a virtuous cycle of development.
- The debt situation is critical. The amount spent on debt service inhibits sustainable development and achievement of the SDGs. The changing landscape of creditors - from bilateral dominant lending in the past, to commercial creditors becoming a major presence - is slowing the restructuring processes. Hidden debt coming to light in these restructurings only prolongs the process.
- These delays, and high percentage of country budgets spent on debt service, will have impact not only the current generation, but future ones as well. Inadequate parliamentary oversight and lack of civil society participation in debt decisionmaking has contributed to these unsustainable debt burdens.
- Zambia's new administration came into office and learned the amount of debt was nearly double what was previously admitted by the exiting administration. Simultaneously, its debt restructuring process has been a years long endeavor as Zambia negotiates among myriad different creditors and competing interests. Zambia has recently been given a restructured bond - where if Zambia's economy does well (as a result of a lessened debt burden from the restructuring), Zambia's new debt will mature (come due for repayment) in the next decade. If Zambia's economy does poorly, it will mature in the 2050s.
 - This is to say that the creditors have found a way to minimize their losses at the risk of Zambia going into debt distress yet again, while ordinary Zambians remain mired in poverty.
- Despite all of the evidence of benefits from debt transparency, some countries still do not have sufficient debt transparency. Sometimes this is purposeful, sometimes not. As for purposeful reasons for debt opacity, it was summarized that there are three main reasons:
 - It allows for accumulation of more debt
 - It avoids public scrutiny (citizens can't criticize the government on a poor borrowing decision if they don't know it happened)
 - Lastly and most importantly, sheer corruption.

Main outcomes of the session (include quotes/highlights and interesting questions from the floor)

Solutions

- Involve civil society in discussions on debt and debt oversight
- Operationalize right to information laws
- Improve debt legislation to advance debt transparency
- Improve capacity of debt management offices, parliamentarians, and civil society organisations to work on public debt

Questions from the audience

- Will blended finance for the green transition complicate restructurings further?
 - Not likely, as the loans for this typically fall into established creditor categories of bilateral, commercial, and domestic
 - Not all debt is bad - the problem is when countries have unsustainable amounts of debt and are not transparent with their current debt burdens
 - That said, the countries most vulnerable to the effects of climate change are also the most vulnerable to debt distress. The challenge will be how to reduce debt burdens to sustainable levels while investing in sorely needed infrastructure.
- How to ensure that debt is used for useful projects?
 - This is a challenge, as often times, the projects funding requirements are not known. A project may cost only \$80m, but a loan might be secured for \$100m. If the loan and project costs are not transparent, the ability to conduct oversight and pursue accountability is limited.
- How can parliaments play a more a more constructive role in governance/accountability?
 - Revising legislation and strengthening the parliamentary oversight bodies that would monitor the debt.
- How does the panel feel about including debt transparency as an explicit conditionality in IFI lending?
 - Suggested that debt restructuring processes are the moments to push for this conditionality/safeguard
- Why does Zambia negotiate to restructure its loans in isolation? Why does the African Union not help countries negotiate with creditors as a bloc?
 - Political considerations. With the mega election year happening now, the political parties want to be able to show progress/success in debt restructurings while negotiating as a bloc would take longer. The countries are looking out for their own interests currently.

Key recommendations for the future and concrete follow-up actions

- Involve civil society in discussions on debt and debt oversight
- Operationalize right to information laws
- Improve debt legislation to advance debt transparency
- Improve capacity of debt management offices, parliamentarians, and civil society organisations to work on public debt

What can be done to create opportunities for scaling up the solutions discussed in the session? And by whom?

- Donors can support civil society in pursuing debt transparency advocacy
- Lenders can improve their own debt transparency
- Multilateral organizations/donors can provide resources for improved parliamentary capacity to conduct debt oversight

Is there a specific call to action to key stakeholders, such as governments, businesses, funders, civil society, young people, journalists or any other stakeholder that should be noted? Please specify if relevant.

- See above section
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Rapporteur's name

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Date submitted

8 July 2024

Action! This report needs to be emailed to iacc-av@transparency.org within 24 hours of the session. If you wish to update the report, please do so by 21 July. Thank you.