Forum:	Economic and Social Council (ECOSOC)
Issue:	Addressing debt problems of Less Economically Developed Countries
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Position:	Deputy President/ Deputy Secretary General

PERSONAL INTRODUCTION

Hello delegates,

My name is Zeta Zetou, I am a 10th grade student from Platon school located in Athens, Greece and this year I got the chance to be a Deputy President of the ECOSOC committee at the 11th PSMUN conference of 2021. Ever since I was young, I have been interested in politics and diplomacy. I used to watch TV with my family and see how even small actions may significantly alter the status quo and change the functions of some of the world's most significant institutions.

When I started growing and getting more involved with schoolwork surrounding research and understanding important matters having to do with international issues, I got more and more interested in the UN and I discovered Model United Nations conferences. MUN today is a major part of my life as through it, I got to learn and understand what is happening outside of my bedroom, in the rest of the world, and I get to take action, serve my part in finding solutions, educate myself and others on international issues and overall have fun. I really hope my delegates are as passionate for MUN as I am and will create fun and memorable moments in this year's PSMUN conference.

See you all there!

Best Regards,

Zeta

TOPIC INTRODUCTION

The accumulation of a large external debt is nothing uncommon for Less Economically Developed Countries (LEDCs) and it is a phenomenon evident even to the most uninformed observer. What many have not yet grasped though is that it is indicative of an, arguably, international issue which questions the validity and stability of the global financial system; it actively illustrates an "economic domino effect" due to the interdependence of financial and economic systems.

The relationship between economic growth and debt, and especially the use of the latter to promote the former acts against long-term efficiency and increases instability and income inequalities. To a large extent, this is the result of the unwillingness of More Economically Developed Countries (MEDCs) to facilitate discussions regarding the issue. In the post-COVID context, with austere and notably deflationary tendencies debt has resurfaced as a significant liability.

The international community has, over the years, made several commitments regarding the debt crisis in LEDCs and attempted to implement several schemes to address it. Unfortunately, the vast majority of such initiatives have not materialized fully, while the ones that have were not particularly successful in delivering a long-lasting solution to the issue. It must be noted that this is not merely an economic problem but has a multifaceted nature; the debt crisis is at the heart of obstacles preventing development in LEDCs and has reduced their capacity to create conditions for the improvement of standards of living.

Regarding the social aspect of the issue, empirical evidence has established that more often than not debt repayment occurs at the expense of basic human rights. This means that the issue cannot possibly be resolved by some technical and economic solution, any long-term solution will need to consider elements of sustainable development and the political, social and historical dimensions of the issue.

In sum, debt can be deemed a two-edged sword; if used in moderation it can act as a measure to improve welfare, but when used superfluously and unreasonably it may result in disasters. The increased indebtedness of LEDCs constitutes a major impediment in regard to balanced growth and economic development. The past 50 years the global economy has been through 4 major waves of debt accumulation with the first three peaking in the form of financial crises. It is thus imperative to discuss some more permanent solutions for the issue to prevent its escalation in the post-COVID era.

DEFINITION OF KEY TERMS

Debt

The state of a government/firm/individual owing money to another stakeholder

Debt traps

A scenario in which repaying a debt is difficult or impossible, usually due to large interest payments that prevent repayment of the principal.[1]

Debt service

Debt service is the amount of money needed to cover the repayment of interest and principal on a debt over a specific time period.[2]

Inflation

A general increase in prices and a fall in the purchasing value of money[3]

Petrodollar recycling

Petrodollar recycling refers to the reflows to the rest of the globe that come from the usage of oil earnings by oil-exporting states. A part may be spent on foreign products and services, while another could be saved in foreign assets stored overseas.[4]

Bankruptcy

Bankruptcy is a legal proceeding in which a person or company is unable to repay their existing debts.[5]

Gross Domestic Product (GDP)

GDP represents the monetary worth of final products and services—that is, those purchased by the end user—produced in a nation during a specific time period. It includes all of the products produced inside a country's borders.[6]

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[1] "Debt Trap: Meaning & Definition for UK English." *Lexico Dictionaries | English*, Lexico Dictionaries, https://www.lexico.com/definition/debt_trap.

[2] Tuovila, Alicia. "Debt Service." *Investopedia*, Investopedia, 19 May 2021, https://www.investopedia.com/terms/d/debtservice.asp.

[3] Fernando, Jason. "What Is Inflation?" *Investopedia*, Investopedia, 14 Feb. 2022, https://www.investopedia.com/terms/i/inflation.asp.

[4] "Petrodollar Recycling and Global Imbalances -- Presentation by Saleh M. Nsouli, Director, Offices in Europe, International Monetary Fund." *IMF*, 23 Mar. 2006, https://www.imf.org/en/News/Articles/2015/09/28/04/53/sp032306a.

[5] Tuovila, Alicia. "What Is Bankruptcy?" *Investopedia*, Investopedia, 8 Feb. 2022, https://www.investopedia.com/terms/b/bankruptcy.asp.

[6] "Finance & Development." *Finance & Development | F&D*, https://www.imf.org/external/pubs/ft/fandd/basics/gdp.htm#:~:text=GDP%20measures%20the%20monetary%20value,the%20borders%20of%20a%20country.

Gross National Product (GNP)

The GNP represents the entire market value of a nation's economy's final products and services produced within a given period of time (typically a year), calculated before depreciation or consumption of capital utilized in the manufacturing process.

Production Possibilities Curve/Frontier (PPC/PPF)

PPF may be used to highlight the point where a country's economy is most efficient when it produces only what it is best suited to produce and trades with other countries for the remainder of what it requires.[7]

Protectionism

Protectionism is a term used to describe government policies that restrict foreign commerce in order to benefit home businesses. Protectionist policies are typically intended to boost domestic economic activity, but they can also be enacted to address safety or quality problems.[8]

BACKGROUND INFORMATION

Historical development of debt and the creation of foreign debt

Debt in developing countries is commonly viewed as a post-colonial economic phenomenon that began to emerge in the 1960s. The problem was initially seen as a slight issue on the international economy, but started accelerating in the aftermath of the Bretton Woods currency rate system's collapse, which precipitated the 1973 oil crisis. Banks were eager to lend significant quantities of money to the developing world in order to stabilize the financial system, regardless of a country's ability to repay the debt. Governments were pleased to accept this offer in the environment of minimal interest rates. After the 1970s rise in interest rates, however, foreign debt reached astronomical figures when compared to earlier years.

The global economy, after understanding the cruciality of the phenomenon, organized several programmes aimed towards reforming the debt cycle that had started forming. The HIPC initiative, the notion to write off all debt, and the MDRI were all introduced as agreements and ideas that could resolve the yet ongoing problem of foreign debt. As of now, the issue has not been settled and has further exacerbated in Less Economically Developed Countries.

Officially defined as the amount of money borrowed by a government, corporation or private stakeholder from another country's government, foreign debt has been a topic of many discussions and debate since the ancient times and is now viewed as one of

[7] Bloomenthal, Andrew. "What the Production Possibility Frontier (PPF) Curve Shows." *Investopedia*, Investopedia, 8 Feb. 2022, https://www.investopedia.com/terms/p/productionpossibilityfrontier.asp.
[8] Team, The Investopedia. "Protectionism." *Investopedia*, Investopedia, 7 Dec. 2021, https://www.investopedia.com/terms/p/protectionism.asp.

the most threatening obstacles for Less Economically Developed Countries to overcome.

A statistic to give context to the concerning rise of debt over the past centuries can be viewed in the estimates gathered by the World Bank regarding foreign debt in developing countries. According to the source, global debt accumulated by LEDCs accounted for just $9.7 billion in 1956, a figure that rose dramatically over the next 18 years, reaching the number of $151.4 billion in 1974.

Overview of foreign debt

The term "foreign debt" refers to the amount of money borrowed by a country's government from another country's government or private lenders that has not been repaid. Either short term or long term, foreign debt has gradually risen in recent decades, causing undesirable consequences in some borrowing countries. Slower economic development, particularly in low-income nations, as well as debilitating debt problems, financial market turbulence, and even indirect repercussions such as an increase in human-rights violations, are among them.[9]

Countries obtain financial loans to cover costly needs and repay them in the near future. Loans include interest rates once received, meaning that nations pay an additional fee when repaying their loans. The final debt service works as an investment for the source-country, as the final money received is higher than the initial fee loaned.

To track down yearly foreign debt, the International Monetary Fund (IMF) along with the Bank for International Settlements (BIS) and the World Bank, have established a Quarterly External Debt Statistics (QEDS) database.

Reason behind the practice of money lending in LEDCs

Loans and allowances from foreign stakeholders are all recorded in the balance of payments in the financial sector of a country. Thus such allowances might contribute to the coverage of the remaining imports that usually exceed the exports. Without the agreed loans, countries would operate at a rate that they could not maintain economically, meaning that under economic theory they would reach a point that exceeds the Production Possibilities Curve (PPC).

Before completing a financial aid agreement, Less Economically Developed Countries see the loan as an opportunity to invest a percentage of the available fund to the nation's development in terms of infrastructure and thus production capabilities, trade balance, or financial stability for its people. In reality however, the expectations set by LEDCs are very hard to meet, as the already existing underdeveloped economy of the state is not able to efficiently exploit the fund. Low growth in export earnings, high import costs, rising interest rates and in general slow economic growth rates have

[9] Kenton, Will. "Foreign Debt." *Investopedia*, Investopedia, 8 Feb. 2022, https://www.investopedia.com/terms/f/foreign-debt.asp.

caused major concerns over the effectiveness of such loans, increasing the state's dependency on further financial assistance.

Causes of foreign debt accumulation in LEDCs

According to the World Bank, a country may be characterized as a developing nation when its Gross National Product (GNP) is in the mid to low range. Such nations are home to approximately 80% of Earth's human population, and are often prone to controversial debate due to their ever increasing amount of unpayable foreign debt. The question that begs to ask however, is what are the reasons for the immense pressure placed on the debt accumulated by LEDCs?

Inefficient tax policies

In times of financial crisis, a country heavily relies on its internal economy to provide her with the necessary funds. A large percentage of that economy is based on tax policies, aimed to foster a government's revenue through its population. In developing countries, however, tax revenue is often unstable. Poverty is a key factor to this, as according to a World Bank report on the sub-Saharan LEDCs, "the poverty rate in Sub-Saharan Africa has not fallen fast enough to keep up with population growth in the region and 433 million Africans are estimated to live in extreme poverty in 2018, rising from 284 in 1990"[10]. Thus low or no income families are unable to cover their taxes, leaving the government with an unstable return on their tax revenue.

Disorganized use of loans

When a country's government receives a loan, it is expected to invest in productive mechanisms in order to later be able to cover the initial fee loaned. In spite of that, in many cases countries use loans either to import further goods for consumption or absorb them in the faces of corrupted officials. This destabilizes economic activity in the region, as the loan received is unpayable and causes a substantial increase in debt.

Inefficacious investment for structural adjustment

During the postwar period, a plethora of developing nations pursued an import substitution and industrialization program. Through this program, they attempted to diversify their economy away from agriculture and toward investments in manufacturing businesses. Such a dramatic change was seen as a tough challenge for the countries, taking into account the advanced dependency of the countries in agricultural production as well as the lack of expertise in industrialization mechanisms from the local population. Although the loans were viewed as aiding in the development of the nations' economies,

[10] "The Number of Poor People Continues to Rise in Sub-Saharan Africa, despite a Slow Decline in the Poverty Rate." *World Bank Blogs*, https://blogs.worldbank.org/opendata/number-poor-people-continues-rise-sub-saharan-africa-despite-slow-decline-poverty-rate.

not all loans were utilized for infrastructure investment, instead transferred again to corrupted officials.

Irresponsible lending mechanisms by banks

In the 1970s, banks were keen to lend to developing countries. Banks have been chastised for reckless lending and failing to ensure that loans were feasible. This is one of the reasons why foreign debts grew so huge — private banks had not planned ahead that a default would occur.

Protectionist policy on the market of developed countries

Protectionist policies imposed by developed country governments have caused great concern in the global economy and therefore in developing states. Tariffs usually include stricter limits on textiles and clothes, as well as agricultural export subsidies, a decision that heavily hampered the capacity of exporting goods completed by developing countries. This in turn caused an inability to import certain goods given their lack of availability.

Protectionism's threat to developing nations extends from the basic consequences of other states. It has a genuine impact on resource distribution, while at the same time restricting international investment and reducing potential growth opportunities.

Effects of foreign debt accumulation in LEDCs

As analyzed above, debt in LEDCs is a real problem and it thus includes its own consequences. In general, foreign debt affects the spending budget of a state along with its income, increases interest rates, and therefore an overall decline in life quality and political stability. More analytically, the main effects of foreign debt are:

Decline in the quality of life within debtor countries

Global poverty has now reached alarming levels prior to the debt crisis. One can demonstrate the global scale of poverty by using figures such as GNP or per capita income, which have extensively decreased in their value over the longstanding crisis. Every year, millions of people do not even have access to clean water, cannot read or write, and do not have proper shelter.

And although the situation in these countries is critical, debt service continues and will continue to hinder their development in life quality. Money that may have gone towards building schools or clinics in developing countries is now being transferred to economically developed ones. To generate foreign exchange, developing nations must sell more of their resources at lower prices, depleting nonrenewable resources for future generations to use. Lastly, capital is now being sent abroad, exacerbating the problems of unemployment and underemployment.

Increase in political violence

The increased potential for political violence is a second effect of the decline in living conditions in severely indebted countries. Given the aforementioned decline in the quality of life, civil unrest has now become a typical occurrence in LEDCs, as citizens strive to overthrow their leader's ruling. This conduct occurs regularly, with followers of political parties looking for politicians to help the country get out of debt. This approach, however, is inefficient since the time available until the next civil conflict is usually limited.

Cutoff from the international financial markets

When faced with heavy amounts of debt, a country is viewed by the international financial community as a risk when it comes to investment. This is as the indebted countries are unable to service their debt, an event that blocks them off from several international financial markets for goods and services. The UNDP states that, as a result, during the 1980s, interest rates in such nations were quadruple in value than the ones in MEDCs, as investors avoided conducting business in the state due to the possibility of currency devaluation.[11]

The 1973-74 oil crisis and its impact on foreign debt

The 1973-1974 oil crisis was the first major event that caused rapid increase in loan demand and consequently foreign debt, as the dramatic rise in petroleum prices by the Organization of Petroleum Exporting Countries (OPEC) caused great obstacles for the development of LEDCs. The urgent need for petroleum in the country had caused inelastic demand for the good, causing countries to spend big for oil imports which, combined with the lower value of exports due to recession in MEDCs, proved to be an obstructive deterrent for the development of LEDCs for years to come.

To deal with the emerging crisis, countries opted to loans as a method to avoid bankruptcy. The substantial oil revenue obtained by the OPEC due to the oil prices inflation, nations obtained the ability to lend money from their respective commercial banks. As a result, the urgent need of funds in LEDCs, when met with the possible increase in supply of foreign loans by certain developed nations, stabilized the international market for economic and financial aid.

An immediate effect of the aforementioned situation was the “petrodollar recycling” problem - an issue that arose when countries obtained immense revenue from oil exports. The 1974 surge for financial assistance to LEDCs caused fierce competition among interested commercial banks, resulting in an inconsistent and unsustainable lending policy being adopted; there was too much supply of financial assistance, reaching a point where companies lacked financial flexibility. In order to reobtain their assets, firms established a controversial policy, seeing them exert pressure on the

[11] *Global Debt and Third World Development*, https://www.mtholyoke.edu/acad/intrel/globdebt.htm.

public sector of the developing country in the event of their unavailability to repay the initial loan.

Faced with the possibility to exercise influence over a struggling nation, developed countries further enhanced their flexibility to deliver new loans, especially after taking into consideration the aforementioned causes of debt increase in such regions. Corruption played a key role in further weakening the effective use of loans by LEDCs, with governments either investing in underperforming companies or disappearing them into accounts of their own officials.

A second oil price shock occurred in 1979. This second crisis proved to be a defining moment for several nations, as it forced developing countries to choose between implementing restrictive monetary and fiscal policies that would cause a recession, or acquiring more loans and thus accumulating unpayable debt. Aiming to shy away from the option involving a recession proclamation, the majority of governments decided to follow the latter strategy in hope that growth and development will finally be achieved. However, this attempt was highly unrealistic, as LEDCs experienced rises in debt - an event that was initially expected.

At last, this global crisis was utilized as a turning point for the global economy's views on foreign debt. By the early 1980s, Latin America and Sub-Saharan Africa were on the verge of bankruptcy due to unusually high levels of debt; this awoke commercial banks and the world community, since the prospect of banks collapsing would result in a global financial calamity.

MAJOR COUNTRIES AND ORGANIZATIONS INVOLVED

Venezuela

Since 2010, Venezuela's government and people have been enduring one of the most severe economic crises since World War II, as a result of uncontrolled state expenditure. The economic situation, exacerbated by political insecurity and repression, has led in widespread starvation, unemployment, and crime, as well as a migratory problem that has expanded to neighboring countries.

Following the crisis, the Venezuelan government has become increasingly authoritarian, and several of its main economic partners, especially the United States, have imposed sanctions due to purported human rights violations and corruption. As a result of the government's ongoing spending in denial of the crisis, Venezuela's inflation rate rose to the highest in the world in 2014, eventually peaking in 2018.

The government now claims that hyperinflation stopped in early 2022 and that the economy is already showing signs of recovery, although it is unclear how this will affect national debt.

Zambia

Zambia, a country with a population of more than 18 million people, is struggling to repay $13 billion in external debts. Up to a quarter of Zambia's debt issue is linked to China or Chinese firms, hindering the country's capacity to obtain IMF aid. The confidential nature of dealings with the People's Republic of China can prevent international organizations from assisting distressed states.

Zambia's debt problem was often characterized as too challenging to overcome, as the state was the first African country to announce its inability to cover its loans during the COVID-19 pandemic. Having one of the highest poverty rates internationally at 58%, along with a 2.8% annual population increase, the country is unable to rely on its limited resources and infrastructure and it is thus in search of more loans.

Democratic Republic of Congo

During the past decades, DR Congo has consistently followed an innovative policy centered around oil-backed loans and, despite the associated risks that come with the strategy, Africa's third largest oil producer has managed to evolve its finances through it. Under the leadership of Denis Sassou Nguesso, the country has developed a globalized and diverse network of debt worth around $15 billion, from which Congolese officials benefit today.

Congo's public debt of $6.5 billion is overshadowed by a greater, though impossible to exactly estimate, secret debt of roughly $8.5 billion due to a slew of oil dealers and Asian financiers. This debt is now mostly an African issue, although it is being managed by experts from several continents. It is currently being replicated across Africa as a model for other resource-rich countries.

International Monetary Fund (IMF)

The International Monetary Fund, or IMF, works to promote global financial stability and monetary cooperation. It also enables international commerce, supports job creation and long-term economic progress, and aids in the reduction of global poverty. The International Monetary Fund is regulated and responsible to its 190 member countries.

Apart from the financial assistance and debt reliefs provided by the organization, IMF additionally releases an annual document regarding debt updates, with the 2021 version of the IMF's Global Debt Database documenting the largest one-year debt surge after the Second World War, rising to $226 trillion and recording an increase of 20 percent in comparison to last year's report.

The World Bank

The World Bank is an international institution that provides finance, assistance, and research to underdeveloped countries in order to help them improve economically. The bank's primary function is to combat poverty by providing development assistance to middle- and low-income nations.

As per the organization's website:

"The World Bank Group is working to help countries manage their debt better. We offer technical assistance and guidance to advance a reform agenda that strengthens on a multi-pronged approach to reduce debt vulnerabilities in developing countries. This work focuses on three core areas:

- *Debt Sustainability*
- *Debt Relief*
- *Debt Management"*[12]

TIMELINE OF EVENTS

Date of Event	Description of event
1956	The Paris Club, an informal group of international creditors, is formed with hopes of finding feasible solutions to repayment problems of indebted nations.
1996	The Heavily Indebted Poor Countries (HIPC) initiative, is agreed by the IMF, World Bank and donor governments.
1997	The enhanced Heavily Indebted Poor Countries (HIPC) scheme is adopted.
July 2005	G8 members and the President of the EU Commission agree to cancel 100% of the debt of the HIPC's poorest countries.
2005	The Multilateral Debt Relief Initiative (MDRI) is adopted by the IMF.
January 6th, 2006	The IMF delivers MDRI debt relief amounting to US$3.4 billion to an initial group of 19 countries.
July 2015	The Addis Ababa Action Agenda recognises the importance of debt restructuring and relief for sustainable development.
2020	External debt stocks of LEDCs reaches US$10.6 trillion, their highest level on record.

PREVIOUS ATTEMPTS TO SOLVE THE ISSUE

HIPC Initiative and MDRI

The World Bank and the IMF initially established the HIPC Initiative in 1996 with the aim of assisting all developing nations in their task to offload heavy debt burden. In general, the project appears to ensure that heavily indebted countries had the ability to survive their prolonged tax services through tax relief.

[12] "Overview." *World Bank*, https://www.worldbank.org/en/topic/debt/overview#2.

A thorough evaluation of the Initiative completed in 1999 enabled it to deliver quicker, deeper, and broader debt relief programmes, while also strengthening its effects on poverty and social policy.

The HIPC Initiative was strengthened in 2005 by the Multilateral Debt Relief Initiative (MDRI), an extensive project that permits nations that have completed the HIPC Initiative procedure to get guaranteed debt reduction on all qualified debts.

Overall, the MDRI and HIPC programmes have combined to deliver roughly USD 99 billion in debt relief.

Debt conversion and debt swaps through DMFAS Programme

The Debt Management and Financial Analysis System (DMFAS) Programme is one of UNCTAD's primary technical cooperation programs. It has been providing technical help in debt management for over 25 years and is one of the world's leading providers of technical and consultancy services in this field. Operating closely along with the IMF and the World Bank, the DMFAS Programme has thus far managed to establish projects among 100 states, including 66 developing countries.

The primary aim of the Program, as claimed by their website, is capacity building, with an integrated set of activities that includes the deployment of an advanced computerized debt management system. DMFAS provides a worldwide public benefit by helping to raise awareness of debt management as an important component of government policy.

Forgiveness of ODA debt

On July 7th 2020, the OECD Development Assistance Committee (DAC), which includes 29 donor nations and the EU, agreed on a framework for reporting debt reduction as Official Development Assistance (ODA), arriving in response to appeals from LEDCs for more international debt reduction initiatives. Creditors in the Paris Club, a forum of official creditors for debt restructuring negotiations, had also urged for the system to incentivize debt forgiveness and rescheduling. Based on the current socioeconomic burden from the COVID-19 pandemic, the new agreement lays the path for more determined measures to alleviate such burdens from heavily indebted states.

Donors can now record rescheduled or forgiven sums as ODA, with the amount reported capped at the nominal value of the initial loan: this implies that the value of a loan and its subsequent debt treatment in OECD ODA statistics will never be equal to or higher than the value of a dollar donated. This tries to persuade donors to postpone or eliminate debts owed by developing nations when they are unable to repay them, while complying to strict fairness and transparency reporting criteria.

POSSIBLE SOLUTIONS

Boost alternatives to borrowing

To cover even basic public expenditure demands, low-income nations confront significant public financial gaps. A recent ODI research, for example, highlighted how considerable increases in tax and aid would be required to ensure that all nations can afford the essential expenditures in healthcare, education, and social safety to eradicate extreme poverty by 2030. Many low-income nations can do more to enhance tax collection in order to lessen the need for borrowing, but this is frequently a challenging issue because they typically have a much smaller revenue potential than other countries. This is due in part to the nature of low-income economies, which frequently feature tiny industrial and formal sectors as well as a less educated workforce.However, it is also owing to flaws in the international system. Offshore financial centers, intra-company operations within multinational corporations, and financial secrecy (which allows for tax avoidance and evasion) are all on the international agenda, but far stronger action is required if this discussion is to result in tangible improvements for low-income countries.

Furthermore, the international debate must go beyond tax avoidance and evasion to acknowledge that worldwide rivalry for tax incentives and other "spillover" consequences means that tax policies in affluent nations may harm the revenue base in many developing countries.

Manage borrowing and lending better

Low-income nations must carefully manage the opportunities, costs, and dangers associated with various sources of borrowing. Capacity for debt management is poor in many low-income countries, and additional help is needed to address this. However, the fundamental causes of the limited progress in debt management may be traced back to a lack of demand, responsibility, and political commitment. I'll get to this issue in proposal number three. Lenders should play a critical role in expanding low-income nations' credit alternatives. Creditors may provide State Contingent Debt Instruments (SCDIs), in which repayments are suspended if the borrower is having difficulty repaying. They can also advocate for revisions to debt arrangements to facilitate debt restructuring and improved contractual terms and conditions. Supporting provisions that allow for restructuring by a majority of creditors,'standstills' where repayments are delayed during tough periods, or supporting mediation and arbitration systems might all be included.

Foster accountability to improve the behavior of borrowers and lenders

According to the Monterrey Consensus, "debtors and creditors must share responsibility for avoiding and resolving unsustainable debt problems." Member states stressed debtors' responsibility to maintain sustainable debt levels, as well as creditors' responsibilities to lend in a way that does not jeopardize a country's debt sustainability. The Addis Agenda in particular:Reiterate the importance of borrowers and creditors working together to avoid unsustainable debt situations.

Commit to working toward a global agreement on debtor and creditor duties in sovereign borrowing and lending, expanding on current initiatives.Several related sustainable financing projects are now in the works to encourage responsible borrowing and lending. Both the IMF's updated Debt Limits Policy and the World Bank's new Sustainable Development Financing Policy are scheduled to go into effect in the second half of 2020. Both policies seek for more alignment with the new borrowing landscape, including the ability to borrow (subject to safeguards), the creation of improved targeting conditions at vulnerabilities, and the promotion of increased debt transparency and debt management. The International Institute of Finance has developed Voluntary Principles for private creditors' debt data disclosures.Given the possibility of agency issues in borrowers—where borrowing may not always be properly authorized—disclosure by lenders is a key means of attaining accountability. The program is planned to be completed in 2020, following the designation of a host for the data, which must be available to the public.

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