



EMEA WEBINARS

DEBT TRANSPARENCY AND INFRASTRUCTURE DEVELOPMENT FOR RESILIENT RECOVERY IN AFRICA

Tuesday 22 June 2021 15:00 - 16:50 CET

Moderator: **Alonso Soto**, Bloomberg Correspondent, Nigeria

Panellist(s):

Prof. Rym Ayadi, President, Euro-Mediterranean Economists Association (EMEA) and Professor The Bayes Business School (Former CASS), London

Daniel Munevar, Senior Policy & Advocacy Officer on Debt, Eurodad

Nella Sri Hendriyetty, Senior CBT Economist, ADB

Discussant (s):

Deborah Zandstra, Partner, Clifford Chance

Fred Binka, Founding Partner, TIA Capital

Moritz Kraemer, Chief Economist, [CountryRisk.io](https://www.countryrisk.io)

Rapporteur: Sara Ronco, Researcher, EMEA

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Introduction

The focus of this webinar concerned debt transparency and infrastructure development and financing mechanisms for COVID-19 recovery in Africa. The discussion was Africa specific and tackled issues such as new financing mechanisms to fund resilient development, debt relief measures focussing on the Common Framework, the role of international organisations (e.g., the IMF and the EU), the private sector and the potential path towards debt sustainability via transparency and conditionality.

Panellist Presentations



Alonso Soto:

He started by recalling the difficult time the world is going through because of the COVID-19 pandemic. He stressed that, whilst it was already difficult before the pandemic for African countries to attract finance and investment, this has made that road for development much more difficult. Now governments are using the relative resources they have to battle the pandemic. Meanwhile, revenues continue to come under pressure as the African continent slowly emerges from this recession driven by the pandemic, even before COVID-19 financing for development had been a critical issue. He said that China had become one of the main creditor investors in infrastructure in the region over the last two decades. The amount of loans and the lack of transparency has raised questions amongst politicians and some social activists in Africa. Recently, we have seen the pace of Chinese lending easing in 2019 and there are clear signals that Chinese lenders are a lot more cautious. Eurobond issuance has also increased exponentially during these same years and the markets have opened

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up again. After last year's turmoil, all their private financing has come in, but it remains complex as perceived risks remain high. The prospect of higher interest rates in the United States could lead to outflows and dwindling revenues furthermore increased that risk perception. Central Banks in the region could again increase deficit financing, as seen in places like Nigeria. Currently, that type of money printing brings back memories of hyperinflation in the region. The financial durability of these economies increases the risk of default, which could again close down these markets. That leaves a big question as to who can bridge that financing gap and what new instruments can be used to set up the basis for their development. He finally welcomed the panellists, officially starting the webinar.

Prof. Rym Ayadi:

She started by welcoming everybody to this webinar on debt transparency, infrastructure development and financing in Africa. She mentioned the current research and policy analysis EMEA is developing on Africa's transparency and infrastructure development. COVID-19 had accelerated debt unsustainability concerns in LICs and LMICs. Looking at the data on government debt stock, it was already very high before the pandemic (2019) and increasing in 2020. Whilst western countries have the capacity to borrow and enjoy low-risk premiums over time, emerging markets and low- and middle-income countries face much tighter limits in terms of their ability to carry on additional debt, whilst they are at risk of spiralling into default spiral (i.e., Zambia, Argentina). The overall uncertainty is enhanced by the difficulty of predicting the pandemic's evolution. The DSSI's initiative list, in her opinion, might increase. She stressed that those countries are in dire need of infrastructure development, particularly low- and middle-income countries and many of those in Middle East Africa (i.e., the health infrastructure unprepared in Middle East Africa to face the COVID-19 pandemic). She mentioned that the IMF called for an urgent need to reform international debt and enhance transparency, in order to facilitate restructuring and resolution decisions. The IMF and WB shared data on debt, which was not available before, with data from countries and the private sector. The International Institute of Finance committed to the voluntary principles for transparency and they are really pushing for further debt transparency in this field. Also, the OECD is developing the debt transparency platform. The initiatives on debt transparency are multiplying, but yet they fall short of comprehensively addressing the sovereign debt picture in low and middle-income countries. More has to be done. She mentioned a study, published in March 2021 by the Centre for Global Development, showing that amongst the contracts between China and some other foreign governments, the main result is still the confidentiality clause and that China is not the only country responsible. She said that debt transparency is key for good governance. Debt transparency enhances debt sustainability, it helps creditors (all kinds) to monitor and guide borrowers on the path of sustainability and good macroeconomic management. In the long run, it will lower the risk premium (if countries like China, Russia and others will also follow the same rules when lending to those vulnerable countries). More certainty about debt stock and flow and more

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transparency, in terms of each individual debt contract, will impact the probability of default and recovery rates, through monitoring the use of funds and better assessing the efficiency of their use. She illustrated a proposal EMEA made in 2020 to enhance debt transparency. The EMEA proposal was mainly to implement a public interest repository to record granular old and new sovereign debt issuance per borrower and creditor, in order to boost global debt transparency. This reporting repository should be structured as an independent Open Access real-time and tech-driven tool (i.e., a technology based on a distributed ledger, such as blockchain technology to ensure data integrity). In the short run, when debt transparency is low, there should be a firm requirement to register new granular issuances by public and private creditors. The registration is conditional on the non-subordination in each case, for example, of default and restructuring, which will help align the incentives. Country borrowers and other creditors refusing to contribute to the global transparency initiative will be identified and they will see their cost of funding generally increasing. EMEA developed a platform for research to collect and disseminate the granular data on African debt issuance per transaction, in collaboration with their partners (data already collected on Angola and Ghana). She said that the intention of this platform is to try to test certain Digital Ledger technology linked to a verification mechanism concerning the validity of the data. They would also like to test the system in some pilot countries, helping civil society and the research community do more on this. Effective monitoring and use of funds and standardisation are key (i.e., in financing opaque private-public partnership transactions with private contracts, e.g., between private entities and governments on an infrastructure development project. More transparency would enhance accountability and predictability. Looking at project finance bonds in Africa in the market today is generally very costly. This is why this market has not become very important, specifically in Africa. In this regard, she said that EMEA proposed to decouple the country risks from execution risks. The country risk, of course, is the debt that the country has. It must be registered and must be issued for an International Development project. The execution risk could be externalised and managed by a standardised audit framework. All the information on the project execution tasks and monitoring is included in the prospectus for these bonds, so everything is already known upfront to the investors (she stressed that this financing structure is only viable if five conditions are fulfilled).

Daniel Munevar:

He started by saying that the recent report they published entitled "Sleep now in the fire: Sovereign Bonds and the Covid-19 Debt Crisis" is an overview of sovereign bonds outstanding from development. Over the last, there has been a pervasive sense of frustration about sovereign debt architecture. In his opinion, one of the keys is that the degree of debt architecture dysfunctionality is high in bearing real impacts on the lives of millions of people across the world. He said that we're not moving fast enough in addressing these dysfunctions. Furthermore, those impacts that we cannot see on financial indicators are increasingly moving towards a substantial tail risk that can create a massive effect on the lives of people in those countries and, ultimately, for

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everybody around the world. The second point he raised was that a public contract should be public - no matter what it is. All the arrangements should be available and everybody should have a place where they can easily and freely access all the information. He then presented some key findings in the report. He said sovereign bonds represent around 60% of the overall external public debt of developing countries, though sovereign bonds provide a good starting point for transparency. He said that one of the problems they found is that there is very little transparency in this area, which is quite interesting, because bonds are explicitly excluded from disclosure as per the principles on transparency of the International Institute of Finance. This is based on the assumption that there is already enough transparency in this area. Nevertheless, they found that this isn't quite the case. Bonds included in the report are bonds issued in US Dollars, Euros or Japanese Yen, with a maturity date after 1 January 2021 and issued in a G7 market under foreign law by the national government in middle or low-income countries. The analysis of sovereign bond data identified 549 sovereign bonds issued by 62 middle and low-income countries. The outstanding nominal value of these instruments is US\$ 691 billion, as of January 2021. Three regions, Latin America and the Caribbean, Europe, Central Asia and East Asia and the Pacific, account for 76% of the total nominal value with 390 sovereign bonds, whilst Sub Saharan Africa issues around US\$ 80 billion. Developing countries have increasingly relied on bonds to meet borrowing requirements in recent decades. In contrast to syndicated bank loans, bonds allow countries to access a wider network of investors worldwide. The group of 62 countries included in the study had an external public debt of US\$ 2.1 trillion in 2019, of which identified sovereign bonds represent around 33%. The coupon of a sovereign bond is the interest rate paid by an issuer on its nominal outstanding value. Developing countries have coupon rates as low as 1.2% and as high as 9.5%. The average coupon rate for the entire group is 5.7%. Countries in Sub-Saharan Africa and other DSSI eligible countries have an average coupon rate above the entire group, equivalent to 7%. These borrowing costs and how to address them in the region need to be a policy priority for addressing both debt distress and how to finance the recovery. He stressed that we are in a time of borrowing. Debt service requirements on sovereign bonds will amount to US\$ 330 billion between 2021 and 2025. Some country groups are expected to experience a spike in repayments between 2024 and 2025. This will be particularly noticeable for Europe and Central Asia, Sub Saharan Africa, Latin America, and the Caribbean. The lumping of payments in these years represents a looming threat. The majority of sovereign bonds are issued under the law of the States of New York in the United States (US) (around US\$ 443 billion falls under this jurisdiction). In contrast, most of the sovereign bonds issued by the G20 for the DSSI eligible countries fall under English law. It is considered that measures related to DSSI need to be discussed with England. Another important point he raised was Collective Action Clauses (CACs) These are a contractual provision that allows the majority of holders of a bond to make decisions that bind all instrument holders. There are 228 sovereign bonds with a nominal value of US\$ 362 billion, 52.3% of the total, which include fourth-generation CACs. In the meantime, 4% of bonds, in terms of value, have either older or no CAC clauses, respectively. For a group of 184 bonds with a nominal value of US\$ 146 billion, equating to 21.2% of the total, it was not possible to access the bond prospectus to inspect for the presence of CACs. In

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some countries (i.e., Kenya and Ghana), bonds that don't have CACs are better treated than those that do.

He then focussed on the composition of bonds. The issuance of a sovereign bond is a complex commercial process. Sovereign issuers traditionally hire investment banks to underwrite bonds. The top 10 bond underwriters are a group of investment banks based in the US, UK, Switzerland and European Union, led by Citigroup (US), Deutsche Bank (Germany), JP Morgan Chase (US). The top 10 firms have participated in the issuance of 440 bonds, equivalent to 80.1% of the total, and the top three underwriters have consistently participated in at least 50% of the bonds issued. Therefore, the report shows that underwriters are in a unique position to support transparency. The high degree of concentration in sovereign bond underwriting should facilitate adopting a regulatory approach for improved disclosures on publicly listed bonds under a publicly accessible registry.

Also, in the area of the identification of bonds holders, the study found a lack of transparency. The identification of sovereign bondholders can help to improve risk and debt management. However, this process is one of the most difficult areas of work for those compiling debt statistics. Their report identifies holders of bonds with a nominal value of US\$ 169 billion, equivalent to 24% of the total. The analysis identified 501 institutional investors from 31 countries. The location of identified bondholders shows a large degree of concentration. US-based asset managers represent 66% of the total. The share of identified holders varies greatly from case to case, with substantial variations across country groups. At the lower bound, it is possible to identify on average 24%-25% of bondholders in the MENA region, Europe and Central Asia Region. At the same time, at the higher bound, it is possible to identify 32% of the bondholders in Sub-Saharan Africa (SSA) countries. This is a positive finding of the research that we now have a better understanding of who the creditors are (issuers of bonds) in SSA compared to other regions. The study also reports that the top 25 sovereign bond investors hold US\$ 113 billion in a sovereign bond issued by 60 countries and that the top investors are located in the US, UK, Switzerland, Germany, France and Netherlands. Looking at the total number of bonds compared to the Assets Under Management, the exposure of developing countries is relatively small. However, from a global perspective, the systemic implication of debt relief for developing countries is fairly small. He concluded by saying policy measures, such as the G20 DSSI, enable private creditors to have their cake and eat it. The lack of measures to ensure their participation in debt relief allows them to profit from risk, whilst refusing to assume the losses once they materialise. There is no market incentive for investors to participate in voluntary debt relief.

Nella Sri Hendriyetty

She illustrated the main findings from the recent policy brief published by ADBI Institute on Sustainable and Quality Infrastructure "Beyond the COVID-19 Pandemic: proposal for New Financing Models". The COVID-19 pandemic poses cumulative challenges for sustaining livelihoods, healthcare systems, economic and social stability and governance across the globe. Public funds are limited and public and corporate

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debt levels are also rising significantly. The demand for financial support is increasing in multiple sectors, requiring policymakers to make difficult choices to cope with the health crisis and minimise its detrimental economic, social and developmental impacts. However, there is a shift in the categories of infrastructure needs within countries. Conventionally, essential infrastructure for water and sanitation, transportation, electricity and gas has been crucial. However, during the pandemic and post-COVID-19 era, healthcare and telecommunications infrastructure has also become essential. Activities such as agriculture and e-commerce are now equally important for livelihoods. Due to public funds being mobilised to face the COVID-19 pandemic, public funds for financing infrastructure have become more limited. The mobilisation of financing from the private sector and foreign sources, as well as innovative schemes and mechanisms for financing has, accordingly, assumed greater importance. Nevertheless, she recalled that infrastructure development is susceptible to corruption, especially if a project is not carefully designed and planned. She said that the study provides some recommendations on how to re-prioritise investment in infrastructure. The economic stimulus should be concentrated on assets dedicated to social, sustainable and digital infrastructure. The study proposes (its second recommendation) a new financing model, composed of a new generation of PPP project-bond financing and bonds for infrastructure investment (green bonds, revenue-based loans). The third recommendation of the study is to enhance governance and transparency via PPP bonds and a land trust for infrastructure governance. Land procurement and land acquisition are delicate and complicated processes, especially for highway infrastructure. These issues sometimes cause stops or delays in the construction stage of infrastructure development, leading to substantial losses for investors and unpredictable changes to government plans. She explained one of the main concepts of the study, which is to quantify the externalities of infrastructure projects through calculating the spillover effects in the form of tax revenue. The positive spillover effects can be quantified in the form of the region's increase in GDP or tax revenues.

Discussants

Deborah Zandstra

She started by recognising the works presented by the panellists. She then said that she completely agreed with the reasons provided for widening transparency. She said the fact that there are many initiatives based on the official sector side through G20 operational guidelines for sustainable financing is promising. Nevertheless, while there is a general move in the right direction, there are many parallel initiatives. So there is the need for platforms and places where the information is aggregated and collected and made easily accessible. She stressed that the OECD could produce some excellent work in terms of receiving reported information from the private sector, accessing the World Bank and IMF joined data. Maybe the platforms described during the panel session could also feed into that, she suggested.

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Regarding PPP initiatives, she wondered whether those kinds of initiatives could be better monitored. About confidentiality constraints, she said that there is a need to look at this more broadly. In the private sector, commercial arrangements for banks are used to being bound by confidentiality, arising from the concept of bankers' duties of confidentiality to their customers. These tend to now be contractually entrenched in loan agreements, but in some Chinese lending, the application of confidentiality was extended to the sovereign borrower. She stressed that, at the end of a transaction, the commercial lender would approach States and would have to submit a matrix setting out the main commercial legal parameters of the loan, which would be approved. She said that, even if it is a voluntary initiative, clearly if you know your bank and the bank has come back to the credit, or risk, or compliance function and said "actually the debtor did not give us consent to submit", that will raise alarm bells because you are familiar with those particular internal functions within a bank. For that reason, she is hopeful that some goodwill will come from it.

She then moved to comment on the repository of debt data, illustrated by Rym Ayadi, consolidating both old and new debt. She commented that, unless the old debt is a bond, if you try to capture PPP project transactions or loans of other types, this is going to be very difficult. It would be one thing to agree on these market standard confidentiality constraints for future debt. But for the debt already in place, going forward it would require starting a process of engagement with creditors to understand concerns and so forth, which she thought from a practical perspective may be a little bit more difficult. She said she liked the idea of linkages between reporting and attributing a higher risk weighting. However, that may not work for bonds and other instruments that don't have the same sort of regulator capital treatment, as a kind of on-balance sheet loan and so forth, so maybe another incentive will be needed in relation to that.

She asked Rym Ayadi how she saw major differences between the platform developed by EMEA on debt transparency and the one proposed by the OECD and whether there is a possibility to aggregate data from both, in order to have more evidence. She then commented on Daniel's panel presentation, saying whether she also thinks the contracts should be public. There are still some regulatory issues around completely disclosure loan contracts (i.e. antitrust and competition issues). Regarding the fragmented creditors base, she said that even if it sounded negative, it is also a signal of diversification and, therefore, should also be seen as positive. Some of the drivers towards this fragmentation also come from regulations, and countries benefit from that. She said that the current thinking is that the IIF will try, during the next round of these principles, to say that bonds should be reported. She said that many sovereign bonds now include the fourth-generation CACs; there's a legacy stock of debt that is not subject to CACs.

On the sovereign investors base, she said that, even though the restructuring architecture is very ad hoc, investors do come together in her opinion. Creditors form a committee (despite certain constraints in terms of costs and obtaining instructions from the end investors). She said, to be quite sure, African countries had reached out to the international private community and thought restructuring groups would form

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to engage and negotiate. On the DSI initiative, there was no comparability of treatment and there were some loans on the private sector side that were profiled under DSSI terms. Nevertheless, we haven't seen that yet in the context of bonds to DSSI eligible countries. Furthermore, looking at the eligible countries in the DSSI initiative, only 25 or so had issued sovereign bonds. Many of the countries in the group have relied entirely on concessional lending from multilaterals. She said that she is not so negative about the debt relief that might be forthcoming in the mid-term. She said she agreed with the fact that the pandemic is a game-changer, as mentioned by Nella in her presentation. One of the things that needs to be thoroughly considered is how African countries will pay for vaccines. In her opinion, the G7 efforts to make vaccine donations fall short of what's needed - not just over a question of donating the vaccines, but logistics transportation, how to administer the vaccines and put them into people's arms. She said that this is so important to her and almost predates anything on infrastructure or SDG focus or ESG linked. She thought that ESG investors are a large source of untapped funding, as well as anything around thematic bonds, debt for nature swaps and nature-based solutions. A lot of the African countries are sitting on a vast wealth of nature-based valuable assets that could be monetised. Finally, on debt transparency, she commented that it is essential, but that Nella touched on the idea of debt being used to address budget deficits and generate wealth for the countries concerned and she felt something is missing (i.e. no clear lines, in terms of who would bring together the government, independent judiciary, independent attorney generals, good public tendering rules, declaration of tax reforms, ABC training, applying environmental and social performance standards throughout projects, all with parliamentary oversight – the kind of things where you create a sort of space for a beneficial investment environment, as well as providing some of the granular things that Nella mentioned during her presentation).

Fred Binka

He started by saying that transparency is crucial because it is a catalyst for good governance, enabling civil society groups and individual citizens to hold governments accountable. He said that, whilst Daniel's presentation seemed to suggest that transparency is not something that private-sector creditors are in favour of, on the contrary he thought that there is a desire for increased transparency from the private sector side. Transparency is the bedrock for any sustainable underwriting and investment environment. Without it, it becomes difficult for debt markets to grow or improve quality maturity and so on. For those who are very much involved in investing in Africa, where low- and middle-income countries are prevalent, transparency is the best friend. It is so, not only in terms of assessing the actual debt capacity of these countries, but also from a reputational risk perspective when dealing with fragile states. It is essential for distinguishing between banks, helping to underwrite and to issue some of these loans and bonds, as well as those involved in ultimately bearing the risk and writing the cheques that go to these countries. He stressed that, even if the European market is not perfect and there could be more accessibility, it is probably the most transparent source of sovereign capital. The issuing countries disclose data

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on their debt position pre-issuance and then real-time mark to market value for these bonds, once they have been issued. These markets are forwarded a degree of regulation and standardisation that attract an increasing number of participants, both issuers and lenders. Over the last decade, more than 100 billion European bonds have been issued by African countries, many of which are for the first time. The process of giving such instruments has increased transparency in these countries. He said that the previously mentioned IIF voluntary principles and the repository the OECD is undertaking in response to these principles, represent a great approach for increasing transparency. TIA is partnering with Rym to develop a version of a more granular repository for debt data. Returning to Deborah's question, he said that there is the potential to go back to the old loans and bonds data for putting them in the granular repository. In many instances, it's harder to get access to debt data than it is to get access to public-private sector financing, whether it be loans or bonds. It should be a much easier process, he said. It needs to be acknowledged that the biggest beneficiaries of increased transparency are the borrowers and, ultimately, they need to play a central role in enhancing transparency to enable more significant and frequent disclosure. A step in preventing the most flagrant abuse is contracted debt for purposes for which they have not intended mechanisms.

He moved to Daniel's presentation regarding the enormous debt overseen for the coming years. The US, the UK, or other more developed economies have significant amounts of debt and no one is pointing to a point in time where they're saying, "all this debt must be paid". At that point, the reality is that they have treasury functions, debt management offices and they are engaged in liability management to smooth that exposure. He said that, when there's been a lot of this yield hunting at one time, there had been great demand for exposure to emerging markets where, if you look at the bond yields in a lot of these African countries, they have market access. He said that he does not understand why these countries are not coming to the market, not to raise additional money but to form liability management exercises, where they can extend the yield curve and reduce the imminent debt service. These are things that these countries should be engaged in. Countries like Ghana came to the market, extended the yield curve; they also managed to get away with a 0 coupon bond that matures in 2025. There's no debt service for that and that's one way that they've been able to manage their debt liabilities and debt service. He said that this is a more positive and more effective way forward than, for example, the case of Ethiopia where, again, for the sake of what they think they've turned into a small maturity extension, has gone through this type of common framework test. It has taken a long time, during which the yields on Ethiopian bonds have risen, leading to a lot of volatility. In this particular situation, he said he saw the need not to infantilize these countries, but instead to ask and expect them to utilize the markets in the correct way. He then wanted to comment on private sector involvement in voluntary debt relief. He said they were not set up for voluntary debt relief and that the reality is that these are large institutions with enormous assets under management. He said that it is important to remember that this is not their money. This is the money of teachers, firemen and nurses; this is not the sort of black rock money there managing on behalf of others. He said they have a fiduciary duty to those investors who have their money

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with them. Again, he said that criticising them for not engaging in voluntary debt relief would be unfair. This is because their commercial institutions are not set up in that manner but, as Deborah had alluded to, there are instances where countries who do require restructuring and have contacted their borrowers, in order to facilitate this process, responsible lenders will find a way and will continue to do.

Moving to comment on Nella's presentations, he said that he agreed about COVID-19 being a game-changer. In that respect, he thought that the official bilateral sector will not have the wherewithal to address all the issues that will come up, so the private sector will play an increasingly important role. A new sovereign debt architecture is essential and the driver is in the hands of the official and bilateral sector, which so far has effectively failed to accomplish when presenting to private lenders, even in cases where liabilities far outstrip those of institutions like the Paris Club. He concluded by saying that there is the need, as much as possible, to bring the private sector more into the fold, especially when it comes to developing and emerging markets.

Moritz Kraemer

He said that we'd been all bobbing along quite nicely whilst the markets are rallying for sub-Saharan African debt. Nevertheless, it has been reported that there is no belief that restructuring is on its way. He stressed the need to look for positives in the meantime and that people like Daniel, Rym and others are trying to create more transparency for when the day arrives and restructuring happens. At the same time, he said to see some concern that there's a proliferation of databases now springing up with somewhat limited comparability. He recalled that, during the last hour Rym's database had been mentioned, Daniel had presented his one, and other organisations developing some similar database were also mentioned (i.e., the OECD, Global Development Policy Centre, the IMF, the World Bank). He suggested that, at some point, there will be the need to aggregate all of this. He said that comparing the data for Angola from Rym's database differs from Daniel's database (EuroDad), but he also saw this as a way towards transparency. He said we should be concerned about the use of funds. He disagreed with both Fred and Deborah, suggesting that this diversification of sources must be good for countries if they have new creditors that they can access, like bondholders. He said that he doesn't think that's necessarily true, because this competition is like a race to the bottom. It's no surprise that countries prefer to borrow from capital markets or China, compared to borrowing from the World Bank or the African Development Bank. He said, if you borrow with one of the latter organisations you have all sorts of different institutions doing their checks and environmental assessment studies and this and that. In contrast, you know if you go to the bond market, you collect 500 million spend it on whatever you want and, very often, that's pretty much what happens. He said that he had experiences of how money received by countries in Africa by many different institutions (some of them big banks mentioned by Daniel) offering money without real control over the quality of spending has been misspent. Therefore, he questioned whether more sets of creditors are necessarily better if you have weak institutions and weak governance in

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many of these countries (not to mention Chinese lending which is another can of worms). He warned against being a supporter of instruments like green bonds because he thought the money is fungible.

Looking at green bonds being issued by European countries, he thought that most instances are almost exclusively greenwashing, because nothing changes on the ground in those contexts where there is debt restructurings. He said he was pretty sure that we will have debt restructurings in the future. Fred did mention some success going on in the Ghanaian market, but he said 0 bonds should not be considered a success, for example, because it shows that they have to push the limit furthers to get funds. It was expensive for them and they had spent over a third of their budget on interest payments, so it's pretty difficult to see how, in the long term, this can end well (unless you have a complete growth spurt and you have a breakthrough in tax revenue collection which we haven't seen in the past). He would have preferred to see some SDG bonds or social bonds. As these will be issued by Ghana soon, he considered that it would be very interesting to observe these initiatives. Indeed, with that kind of bond comes a certain obligation to monitor and report on the funds' use. Money is still fungible, but he thought this new kind of bond put civil society into a situation where it could check what their governments are doing with the money that they, as taxpayers, will have to pay back long into the future. He said that, if we just go for another plain vanilla wave, debt restructuring will be here again in 10 years and we will be talking about the next wave of debt restructurings. This cannot be the solution. This is just a break until the next wave of debt restructurings and this cannot be the solution; this is break that should be used for the development of some of the countries that need help the most, especially in an environment of a health emergency, a climate emergency and a further social emergency. Things really need to change and he thought issuing these bonds that create greater transparency over the use of funds is also sensible finance, because we have this feeding frenzy on green ESG types of bonds from which you will probably even receive some sort of a financial reward by having to pay lower coupons. If that is the case, it is going to be hard for countries to resist this. He underlined that, having Ghana going to the market, it will be interesting to see whether they get a better deal. Finally, he said that, if we have some green bond policy or otherwise, he wondered why we should be focussing on infrastructure. He stressed that from looking at data from the World Economic Forum, other bottlenecks to development are more severe and more urgent. In particular, he highlighted the lack of education which not only remains a sort of impediment to growth but is also an impediment to social justice. So he suggested having these policy bonds targeted at those sectors, like health and particularly education, rather than building more roads and more ports.