

CS FfD Mechanism Thematic Briefing

DEBT

DEBT



DEBT



WHY THIS BRIEFING AND WHAT IS IT ABOUT?

As economic, ecological, health and social crises show no signs of abating, it is more urgent than ever for civil society organizations (CSOs) and social movements worldwide to unite under a strong call for a systemic transformation of the global financial architecture and global division of labor, towards a just, green, and feminist recovery post-COVID-19. The UN, as the only global institution where all countries have a voice and equal say on economic and social challenges is the space to do so. In particular, the UN Financing for Development (FfD) process is uniquely the space that recognizes the monumental challenges we face and the need for international cooperation to be able to advance on the systemic changes we urgently need to see.

This briefing on Debt is part of a broader toolkit [introducing the FfD process and the Civil Society FfD Mechanism's role in it](#), being built as our contribution in making the FfD process and its interrelated domains easier to navigate and more accessible for a non-technical audience.

Understanding the underlying causes of the debt problem is key to developing and advancing just solutions. In this briefing we look at how the massive debt burdens of global South countries stemmed from a flawed and inequitable international financial system that continues to hold sway today. We make the case that global economic governance in a democratic multilateral setting where borrowers and lenders have an equal voice, has the potential to reduce inequalities within and between countries and transform our global economic systems.

The Civil Society Financing for Development Mechanism

The CS FfD Mechanism is civil society's coordination body for collective engagement in the FfD process. The Mechanism has been active in its present format (Global Social Economy Group - GSEG listserv) since the Doha FfD Review Conference in 2008, though many of its members are engaged since the Monterrey FfD Conference in 2002. It is an open virtual list containing several hundreds of organizations and networks from diverse regions and constituencies around the world. CS FfD Mechanism's core purpose is ensuring that civil society can speak with one collective voice.

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<https://csoforffd.org/join-the-cso-ffd-group>

THE CHALLENGE: UNSUSTAINABLE, ILLEGITIMATE DEBT AND UNDEMOCRATIC INTERNATIONAL DEBT ARCHITECTURE

The COVID-19 pandemic, the intensified economic recession, and the climate emergency have acutely increased the urgency for addressing unsustainable and illegitimate debt and responding to the growing call for debt cancellation. But inequalities within and between countries, deepened and laid starkly bare by the pandemic and the climate emergency are not new.

Many developing countries were already trapped in a cycle of indebtedness to multilateral (international financial institutions like the World Bank, IMF), bilateral (other governments) and private creditors (private banks, private bondholders, and other private financial institutions) long before the pandemic (see Box 1). Loan conditionalities set up by lenders and international financial institutions eroded local economies, and resulted in dislocation of communities, environmental depletion and human rights violations, all of which reinforced and deepened inequalities and impoverished millions of people.¹ Over the long term, conditionalities that included financial sector deregulation, corporate tax cuts to attract foreign direct investments, privatization of and underinvestment in essential public services and in social protection, shaped global South societies and economies in ways that have captured states and weakened capacities to adequately deal with current crises. These processes also led to greater dependence on borrowings (both by states and their citizens), reinforced the belief in private sector-led growth and rationalized the leveraging of private finance to cater to the most basic human needs. On many occasions, the push for private finance and public private partnerships in turn also contributes to increasing sovereign debts.

The massive debts in the global South are the product of an international financial system designed to facilitate neo-colonial extraction and serve the pursuit of private profit and political gain (see Box 2).² The continued absence of a multilateral debt resolution framework to ensure a systematic, timely, fair and transparent approach to deal with debt crises is a persisting gap in the international financial architecture.³ Perhaps the single most challenging aspect of global economic justice is the establishment of multilateral solutions and long-term redress to inequitable, oppressive relations of global finance. Here, the current and historical debt crisis is a key issue. And the FfD process has historically recognized the need for a set of clear principles for the resolution of financial crises that provide for fair burden-sharing between public and private sectors and between lenders, borrowers and investors.

¹ <https://www.undocs.org/Home/Mobile?FinalSymbol=A%2FHRC%2F34%2F57&Language=E&DeviceType=Desktop&LangRequested=False>

² <https://www.cadtm.org/In-the-face-of-the-past-crimes-of-the-European-colonial-powers-and-European-neo>

³ <https://www.eurodad.org/debtworkout>

BOX 1: What is (public) debt?

Debt can be defined as the outstanding financial liabilities resulting from past borrowing. It can be domestic (owed to lenders in the country), as well as external (owed to foreign lenders or in foreign currency). Lenders can be public (multilateral and bilateral) or private (investment and financial corporations, commercial banks, bondholders etc).⁴ Debt can be created through direct loans, but also through the issuance of bonds, which has become one of the main mechanisms of new debt in the global South.

Public debt, sovereign debt, national debt, or government debt are all terms to describe the amounts borrowed from various public entities on behalf of their people. Different definitions coexist, which in turn lead to different accounting practices and data gathering. For the sake of this brief, the concepts of public and sovereign debt will be used interchangeably. This includes not only the debts accrued by the central government but also by local and regional governments and by other public institutions, including public sector corporations.

⁴ <https://www.imf.org/external/np/exr/glossary/showTerm.asp#D>

Many cash-strapped governments typically allocate financial resources, increase taxes and borrow again to pay back that debt so that lenders' doors remain open. But not all debt is bad. Government borrowing, when sustainably planned and spent having the public interest at the forefront, can play a key role in ensuring a dignified life for its people. Public investments, financed through public borrowing, can have positive impacts across the economy that can benefit us all. For instance, if a government takes a loan to invest in creating new jobs and increasing wages for public sector workers, or to build local infrastructure that supports local economies to thrive, not only can this improve access to dignified jobs, but also generate economic activity that will mean more fiscal revenue for that government in the future. This is why it is a myth to say that governments need to live "within their means" in the same way as a household should.⁵ More importantly and strategically, debt can be a means for peoples to chart their own development path, based on needs and rights, and build financially and economically self-reliant, sustainable economies.

In the era of hyper-globalization, however, while debt has become a key driver of global growth, it has failed to deliver a strong surge in productive investment and prosperity in the global South, fueling financial speculation instead. Moreover, many low- and middle-income countries face a vicious cycle of overdependence on external debt. As an aftermath of colonialism, many countries remain trapped on commodity export dependencies and struggle to diversify their economies to generate economic self-sufficiency (see Box 2). In other terms, post-colonial ties continue through different means, often linked to unfair trade deals and their burdensome clauses.⁶

⁵ https://cesr.org/sites/default/files/2022/Sovereign_Debt_and_Human_Rights.pdf

⁶ See CS FFD Mechanism thematic briefing on Trade for more information on International State-Investor Dispute Settlements and their impacts on public debt.

Debt sustainability is also affected by the terms and conditions of a loan— including the currency it is in and particularly its interest rates. These conditions are in turn influenced by inequities in the global financial system, which treat borrowing countries differently depending on their so-called “credit worthiness”. Their “credit worthiness” is perceived to be riskier for several reasons that range from political instability to their risks of being hit by a climate related disaster (see Box 3). So, they end up borrowing at high interest rates and in US dollars. When they struggle to service such debts, countries often keep borrowing, in worse conditions, to repay existing debts. When the debt snowball becomes unmanageable, and the country does not have further options to refinance their debts, they have to renegotiate with their lenders (known as debt restructuring). Often, this involves taking on further loans from public lenders, particularly the IMF and other multilateral development banks, which impose stringent conditions and particular policy reforms to achieve economic targets and ensure that debt can be repaid.⁷

When debt payments squeeze government budgets, or debt relief comes with attached conditions, this often leads to austerity measures: the privatization of public assets; cuts in social protection programs; and disinvestment in essential public services.⁸ Before the COVID-19 pandemic, at least 62 countries were obliged to spend more on debt payments than healthcare, for example.⁹ Furthermore, a UNICEF report found that, in 2019, 25 countries spent a higher proportion of government expenditures on debt services than they did on education, health and social protection combined.¹⁰ And despite the severity of the health and social crisis, countries have continued to prioritize debt repayments over safeguarding resources to protect the human rights of their population. This is one of many examples of how the current global financial architecture is designed to cater to the interests of creditors before developmental needs. Public external debt service of developing countries reached over US\$ 372 billion in 2020. This led to a net negative transfer on their external public debt of US\$ 194 billion, with 58 countries experiencing more revenue leaving their borders than coming in.¹¹ The Jubilee Debt Campaign (now Debt Justice) calculates that “developing country debt payments have increased 120% between 2010 and 2021 and are higher than at any point since 2001”.¹² On average, government external debt payments were 14.3 per cent of government revenue in 2021, up from 6.8 per cent in 2010.¹³ This amounts to more than the total IMF emergency financial assistance and debt relief since the beginning of the pandemic.¹⁴ As debt payments mean less resources for public services, economic recovery or climate resilience, women and girls often suffer the most, with their unpaid care and domestic work being relied upon to fill the gap. This increases their time-poverty, endangers their health and well-being, and worsens their economic insecurity and social mobility.¹⁵

⁷ <https://www.imf.org/en/About/Factsheets/Sheets/2016/08/02/21/28/IMF-Conditionality>

⁸ <https://actionaid.org/publications/2021/public-versus-austerity-why-public-sector-wage-bill-constraints-must-end>

⁹ https://www.eurodad.org/2020_debt_crisis

¹⁰ <https://news.un.org/en/story/2021/04/1088852>

¹¹ <https://www.ohchr.org/sites/default/files/Documents/Issues/IEDebt/Int-debt-architecture-reform/Eurodad-input-IDAreform-EN.pdf>

¹² <https://debtjustice.org.uk/press-release/growing-debt-crisis-to-worsen-with-interest-rate-rises>

¹³ https://www.eurodad.org/calls_for_action_on_sovereign_debt

¹⁴ <https://www.imf.org/en/Topics/imf-and-covid19/COVID-Lending-Tracker#ftn>

¹⁵ <https://www.unwomen.org/en/digital-library/publications/2020/06/policy-brief-covid-19-and-the-care-economy>

What this picture makes exceedingly clear is that it is not only the inequity of vaccine access that is constraining economic and health recovery for developing countries, it is also an unsustainable debt burden draining vital financial resources to invest in climate change mitigation and adaptation, and public services that sustain lives and livelihoods.

BOX 2: Colonial legacies of multidimensional debt

The history of colonization, neo-colonization and capitalist globalization has played a pivotal role in shaping the current situation of indebtedness in the global South. From this perspective, countries of the South are in a state of perpetual debt crisis or debt distress, and held in bondage under the illegitimacy of debt. Through past, present and continuing exploitation of peoples, communities, natural resources, and economies of the South and the consequent impoverishment of Southern countries, global North lenders themselves created the “need” for borrowing.¹⁶ Chronic debt crises in developing countries therefore stem from a historical legacy of power inequalities among nations, resulting in constrained productive capacities and domestic revenue potential in developing countries which continues to fuel dependencies on external borrowing. In most countries, the resulting maldevelopment, poverty and lack of financial resources created a dependence on imports of manufactured goods and on exploiting their natural resources for commodity exports under extremely unequal terms of trade.

Such is the nature of the neoliberal system, that the very institutions and international lenders that profit from these imbalances, present themselves as the global rule-makers and the bearers of the solutions to problems they created in the first place. Instead of systemic changes, global North creditors maintain the status quo by suggesting capacity building and policy changes to “improve the investment climate”, offering loans and aid.

This is why recognizing the issue of the illegitimacy of debt and the call for cancelling specific illegitimate debt projects is important. The global call for debt cancellation is a call for justice and not a plea for charity towards impoverished countries of the global South which cannot afford to pay back debts, much of which were incurred fraudulently and undemocratically, wreaked havoc on the environment, and caused human rights violations, and are therefore, illegitimate. Acknowledging debt illegitimacy makes debt cancellation not only an imperative for survival and development, but also as a right to reparation to the peoples and nations of the South.¹⁷

¹⁶ <https://progressive.international/blueprint/15a60ad2-1d8b-4afd-968d-6b2dc6f7514b-no-illegitimate-debt/en>

¹⁷ Ibid.

Lenders dominate in setting the rules and definitions surrounding debt issues, resulting in a system that drives many impoverished countries into long-term indebtedness, and which is ill-equipped to tackle debt crises in a timely, just and durable manner. Without a multilateral mechanism to address sovereign debt restructuring, countries have to negotiate with creditors unilaterally, and often be cornered into accepting intervention by the IMF. Of course, this intervention comes with strings attached: austerity measures and other neoliberal reforms. As the nature of the global South's debt problem becomes more complex, and traditional creditors are joined by new, and increasingly commercial lenders, risks to debt sustainability are growing. Market-based approaches to development further exacerbate these risks.¹⁸

*Debt and climate*¹⁹

The overlap of the climate emergency and the COVID-19 health, social and economic crisis, poses enormous challenges for countries in the global south, aggravated by the harsh debt crisis that many developing countries are facing. With increased debt vulnerabilities, fiscal pressures and the economic downturn, the capacity for many countries to invest in climate change mitigation and adaptation, as well as to face unexpected shocks such as those triggered by the climate emergency, is weakened even further.

As the experience in many countries in the global South show, debt and climate crises form a ruthless, mutually reinforcing feedback loop. The deterioration of the physical and economic situation in an overindebted country after a climate-related extreme events not only makes it more difficult to face existing debt repayments in the immediate aftermath of the crisis, it also worsens the economic prospects for increasing revenues in the future, in order to be able to achieve debt sustainability. Furthermore, the current reconstruction and recovery efforts are heavily loan-financed, which effectively throws more fuel onto the fire. This also violates international commitments of the advanced economies to provide new and additional climate finance, in recognition of their historical responsibility towards the majority of the world's countries that least caused the climate crisis. According to research, sovereign debt interest rates for the climate most vulnerable countries are higher than they should be if only macroeconomic and fiscal indicators are considered. This is due to climate vulnerability. This situation leads to a vicious circle, since – as borrowing costs increase due to climate vulnerabilities and in the face of rich countries' empty climate finance pledges – countries find themselves having to devote more resources to repay their debts and therefore these extra costs undermine their capacity to invest in climate mitigation and adaptation and to address loss and damage. As they can't invest enough in climate adaptation or mitigation, their climate vulnerabilities increase, and so do the borrowing costs.

“No climate justice without debt justice” captures this unjust situation and highlights why calls for debt cancellation also relate to the longstanding call for climate reparations from developed countries to compensate for emitting the vast majority of historical carbon emissions as well as for the loss and damage incurred by ecological harm over centuries.

¹⁸ https://www.eurodad.org/debt_justice

¹⁹ https://www.eurodad.org/a_tale_of_two_emergencies_the_interplay_of_sovereign_debt_and_climate_crises_in_the_global_south

Climate debt considers not only the present era of ecological harm but that of ecological imperialism past to present. Such a frame encompasses colonial era extraction and accumulation, fossil capitalism in the industrialization era as well as green financialization today. The link between climate change and debt also concerns how credit rating agencies are incorporating climate vulnerabilities into risk ratings, worsening access to capital and creating greater debt distress for climate vulnerable nations in the Global South, and in particular small island nations.²⁰

Limitations and critiques to recent developments in the global governance of debt²¹

In April 2020, the G20 heads of state issued a communiqué recognizing the significant debt vulnerabilities and deteriorating outlook in many low- and middle-income developing countries. Their response to those increasing vulnerabilities was a temporary suspension of debt payments from a limited number of countries to their bilateral creditors. There are multiple and critical shortcomings with the initial G20's approach to debt relief (Debt Service Suspension Initiative – DSSI). Genuine debt cancellation was not provided. Private sector debt was left hanging without a meaningful way forward. Most middle-income countries which also need urgent debt relief were not included, and neither were multilateral institutions such as the World Bank and the IMF. As the DSSI ended in 31st December 2021, bilateral creditors granted a total of US\$ 13 billion of debt service suspension to only 43 countries (of 73 eligible countries)²². This accounts for just a quarter of the amount announced by the G20 in April 2020. Private creditors argued that countries asking for debt service suspension to them would lock their access to capital markets or worsen the terms of borrowing. As a result, debt-distressed countries have repurposed their suspended debt payments to other governments to repay private lenders rather than to finance urgent national health and economic needs. The G20's DSSI scheme has been in the end a bail out for private creditors and speculators, which are among the wealthiest entities in the world.

In November 2020, the same G20, a non-inclusive informal forum with no participation of most global south countries, approved a new proposal, the Common Framework for Debt Treatment, that was supposed to provide timely and efficient debt restructuring for the same limited number of countries as the previous scheme (DSSI). Again, many countries are left out of the new framework, multilateral creditors are excluded, and private sector participation remains voluntary. So far, only four countries, Chad, Ethiopia, Zambia and Ghana have applied to debt restructuring through the Common Framework. The new G20 scheme for debt restructuring has granted little results in two years. Only Chad concluded the process, with no reduction to the country's overall debt burden.²³

²⁰ https://wedo.org/wp-content/uploads/2021/06/FemEconClimate-ActionNexus_Brief_FemGND-1.pdf

²¹ <https://twn.my/title2/books/pdf/Rethinking%20Global%20Economic%20Policy.pdf>

²² <https://www.brettonwoodsproject.org/2022/04/ineffective-debt-service-suspension-initiative-ends-as-world-faces-worst-debt-crisis-in-decades/>

²³ <https://www.afronomicslaw.org/category/african-sovereign-debt-justice-network-afsdjn/sixty-second-sovereign-debt-news-update-chad>

Due to the absence of a sovereign debt workout mechanism in the international debt architecture, highly indebted developing countries are in a very vulnerable position in relation to their creditors, particularly from the private sector. Private creditors' share of the foreign debts of low- and lower-middle-income governments increased from 25% in 2010 to 47% in 2018.²⁴

As developing countries continue repaying private creditors in full, they drain their already stretched public purse and deny their citizens vital assistance in the midst of a health and economic crisis, unlike developed countries which have been well positioned to offer such assistance through significant amounts of fiscal stimulus.

Meanwhile, if indebted countries request debt relief from private creditors to attain some financial policy space, they risk being punished by credit rating agencies (CRAs) with credit downgrades that adversely impact their access to capital markets and their borrowing terms, such as increases to the interest rates attached to their borrowing. This is particularly worrying in a context of increasing interest rates due to monetary policies in global north countries, particularly the US and European Union. Without access to fresh financing in concessional terms, indebted countries could be forced into default at an even greater pace. Due to the deep power imbalances of the international debt architecture, many of the most vulnerable indebted countries refuse to request private sector debt relief and even take out new borrowing in order to maintain repayments.

²⁴ <https://jubileedebt.org.uk/briefing/under-the-radar-private-sector-debt-and-coronavirus-in-developing-countries>

BOX 3: The role of Credit Rating Agencies (CRAs) in deepening the debt crisis²⁵

The operations of CRAs have long been rife with inherent biases and failures, including monopoly power, conflicts of interest and moral hazard, procyclicality and the creation of systemic financial risks, failed performance and a deeply flawed business model. In the aftermath of the Global Financial Crisis 2008, there were multiple criticisms weighed against private CRAs (particularly “the big 3”: Fitch, Moody’s, Standard & Poor). These criticisms included financial market volatility exacerbated through issuance of faulty public statements, ratings warnings, and downgrades; and constraints to policy space, access, inclusion and terms of engagement in the global economy (access to external finance and issue of structural dependency on external finance, terms of borrowing cost, terms of domestic bond market issuance, etc.). Systemic financial regulation was called for in the aftermath of the 2007-8 Global Financial Crisis.

Now in the context of the COVID-19 pandemic and ensuing debt crises, the role of CRAs in the context of the current sovereign debt crisis across developing countries both low- and middle- income is under scrutiny and has raised again both criticism and calls for their further regulation. Up to 11 countries saw their sovereign credit rating downgraded in the first half of 2020, according to the “Sovereign Credit Rating Review” report produced by the African Peer Review Mechanism - an entity of the African Union - in collaboration with the African Development Bank and the United Nations Economic Commission for Africa.²⁶ Additionally, 12 countries had their outlooks changed to negative by different CRAs, meaning their assessments were at risk of being cut. As the review states, “with the tremendous power of rating agencies to influence market sentiments and investors’ portfolio allocation decisions, COVID-19-induced downgrades could have contributed to deterioration of macroeconomic fundamentals as investors immediately responded by raising the cost of borrowing and withdrawing their capital, aggravating the downside economic situation. CRA-downgrades often have a ‘self-fulfilling prophecy’ effect: even countries with strong macroeconomic fundamentals, once downgraded, experience a deterioration of their macroeconomic fundamentals, converging to the levels predicted by the rating model.

²⁵ <https://csoforffd.files.wordpress.com/2020/12/cs-ffd-group-submission-cras.pdf>

²⁶ https://au.int/sites/default/files/documents/38809-doc-final_africa_scr_review-_mid_year_outlook_-_eng.pdf

BOX 4: Towards the establishment of a multilateral legal framework for sovereign debt restructuring processes

In September 2014, the UN General Assembly adopted a landmark resolution tabled by the G77 and China entitled “Towards the establishment of a multilateral legal framework for sovereign debt restructuring processes.”²⁷ The resolution (A/68/304) was passed with 124 votes in favor, 41 abstentions and 11 votes against. Most of the developed countries, including the most important financial centers and creditor nations such as the US, Japan, Germany and the United Kingdom, either voted against or abstained.²⁸

The resolution requests the establishment of an Ad hoc Committee to “elaborate and adopt through intergovernmental negotiations a multilateral legal framework for sovereign debt restructuring processes with a view, inter alia, to increasing the efficiency, stability and predictability of the international financial system and achieving sustained, inclusive and equitable economic growth and sustainable development, in accordance with national circumstances and priorities.” However, the Committee’s sessions were boycotted by essentially all nations of the Global North, which rather negotiate debt-related issues in spaces such as the IMF and the Paris Club, where discussions are held under closed doors and creditor countries hold stronger decision-making power.²⁹ This comes despite the call for better debt workout adopted as part of the politically negotiated outcomes of the UN’s financing for development (FfD) summits – through an inclusive and transparent process - which have in theory been endorsed by all Northern nations.

²⁷ <https://www.un.org/development/desa/financing/document/ga-resolution-68304-towards-establishment-multilateral-legal-framework-sovereign-debt>

²⁸ <https://www.southcentre.int/question/political-impasse-limited-ungas-debt-work/>

²⁹ <https://www.eurodad.org/UNandDebtCrises>

After the boycott, the G77 lowered their ambitions in an attempt to get a General Assembly resolution adopted by unanimous consensus. One year later, the General Assembly adopted resolution 69/319, on the “Basic Principles on Sovereign Debt Restructuring Processes” instead of the ‘Multilateral Legal Framework’ that was originally supposed to be developed. The nine Basic Principles included the right to sovereign debt restructuring, good faith, transparency, equitable treatment, sovereign immunity, legitimacy, sustainability and the principle of majority restructuring.³⁰ Since then, there have been many calls for advancing towards a reform of the international debt architecture and the establishment of an efficient debt resolution framework, particularly after COVID-19 and the economic crisis have laid bare once more the structural inequities of international financial architecture. The CS FfD Mechanism has been tracking recent statements by governments calling for ambitious solutions supporting debt cancellation and/or debt architecture reforms at the UN through a database.³¹ Demands include that of the UN Secretary General, calling for a joint “global effort to rethink the principles underpinning today’s debt architecture”,³² UN agencies,³³ UN independent experts,³⁴ and country groups like the G24³⁵ or AOSIS³⁶.

To date, however, there are still no international institutions that are designed for and able to resolve debt crises in a fair, orderly and sustainable manner.

³⁰ [https://www.undocs.org/Home/Mobile?](https://www.undocs.org/Home/Mobile?FinalSymbol=A%2FRES%2F69%2F319&Language=E&DeviceType=Desktop&LangRequested=False)

[FinalSymbol=A%2FRES%2F69%2F319&Language=E&DeviceType=Desktop&LangRequested=False](https://www.undocs.org/Home/Mobile?FinalSymbol=A%2FRES%2F69%2F319&Language=E&DeviceType=Desktop&LangRequested=False)

³¹ <https://csoforffd.org/2021/06/23/governments-supporting-debt-cancellation-and-or-debt-architecture-reforms-at-the-un/>

³² <https://www.un.org/press/en/2021/sgsm20679.doc.htm>

³³ <https://unctad.org/topic/least-developed-countries/chart-march-2022>

³⁴ <https://www.ohchr.org/en/documents/thematic-reports/a76167-international-debt-architecture-reform-and-human-rights-report>

³⁵ [https://www.devcommittee.org/sites/dc/files/download/Communiqués/2021-10/DC-](https://www.devcommittee.org/sites/dc/files/download/Communiqués/2021-10/DC-S2021%20G24%20AM%20Fall%20final%20statement..pdf)

[S2021%20G24%20AM%20Fall%20final%20statement..pdf](https://www.devcommittee.org/sites/dc/files/download/Communiqués/2021-10/DC-S2021%20G24%20AM%20Fall%20final%20statement..pdf)

³⁶ <https://www.aosis.org/sustainable-dev-pm-barroaosis-statement-on-debt/>

OUR RECOMMENDATION: AN OVERHAUL OF THE INTERNATIONAL DEBT ARCHITECTURE

Fair and timely debt resolution will not come from lender dominated decision-making institutions that exclude the voices of people and governments of the Global South. Despite the undeniable urgency of the current global emergencies, responses to the debt crisis provided so far by developed countries-led economic governance institutions as the G20 and the IFIs have fallen painfully short of what is needed. In turn, the CS FfD Mechanism's proposals are:

- A [debt architecture](#) reform agenda for real change and real solutions³⁷
 - *As civil society, we call on governments to establish a debt workout mechanism i.e a transparent, binding and multilateral framework for debt crisis resolution, under UN auspices, that addresses unsustainable and illegitimate debt and provides systematic, timely and fair restructuring of sovereign debt, including debt cancellation, in a process convening all creditors.

Such a binding, multilateral framework should urgently address:

- *Supporting and providing immediate debt cancellation to all countries in need: Debt sustainability consistent with the SDGs and human rights can be achieved through an ambitious process of debt restructuring, including extensive debt cancellation. Debt cancellation must be granted to all countries in need, including to both low- and middle-income countries, assessed with respect to their development financing requirements, and provided by all creditors (bilateral, multilateral and private).
- *Building global consensus on Principles on Responsible Borrowing and Lending: Long-pending issue of agreeing on common and binding principles on responsible borrowing and lending, and ensuring compliance with it. This should address the gaps in transparency and advance towards the creation of a publicly accessible registry of loan and debt data as well as facilitate the organization of debt audits.

³⁷ <https://csoforffd.files.wordpress.com/2021/03/hle-on-debt-cso-background-document.pdf>

- *Using human rights and development impact assessments in debt sustainability analyses to widen their focus solely from economic considerations to consider also the impact of a country's debt burden on its ability to meet development goals (including SDGs, climate goals, human rights and gender equality commitments) and create the conditions for the realization of all universal human rights.
- *Assessing systemic risks posed by unregulated or inadequately regulated financial sector instruments and actors: including regulation and supervision of the asset management industry (shadow banking), regulation and supervision of Credit Rating Agencies and a new global consensus on the critical importance of capital account management beyond pre/post crises conditions, both with respect to inflows and outflows. The CS FfD Mechanism's detailed submission to the UN Independent Expert on poverty and human rights on the 'role of credit rating agencies' can be accessed [here](#).

Global days of action for justice and debt cancellation

Debt cancellation and recognition of illegitimate debt is a matter of justice. Over 600 civil society organizations and movements have collectively signed an Open Letter to All Governments, International Institutions and Lenders in October 2020 to kickstart this ongoing mobilization calling for debt cancellation in the context of the urgent and intertwined crises we are facing. The coalition also recognizes peoples of countries in the Global South have paid for the debts incurred in their name so many times over - with their money, their livelihoods, their safety, well-being, their lives, and the health of the planet. And that current debt obligations stand in contrast to the much greater social, historical and ecological debt owed to the people of the South through centuries of colonial and post-colonial plunder and extraction of their natural resources and exploitation of their labor, including women's unpaid domestic and care work.³⁸

³⁸ <https://debtgwa.net>

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