

## Civil Society Meeting on the International Debt Architecture and Liquidity

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### Statement by Iolanda Fresnillo

*Senior Policy & Advocacy Officer, European Network on Debt and Development (EURODAD), articulating the urgent need for a debt workout mechanism under the aegis of the UN.*

Your Excellencies, Deputy Secretary General, UN delegates, fellow Comrades from Civil Society across the world, good morning, good afternoon, and good evening to you all

As my colleagues I'll be speaking on behalf of the CSO group on FfD, in my case on the need to be much more ambitious and bold when addressing the need to reform the existing debt architecture, and advance towards a multilateral sovereign debt resolution framework.

- The G20 and IFIs' so far short term and limited responses to the situation are for us no more than false solutions to make sure nothing changes in substance. The evident shortcomings of the existing international financial architecture to deal in a timely, orderly, comprehensive and fair manner with debt crises tell us of how vital and urgent it is to put in place systemic solutions and debt architecture reforms - unfortunately we're far from the reform needed in international financial architecture needed.
  - *Non binding participation of private (and multilateral) creditors*
  - *No existing framework for countries outside the DSSI set of countries - MIC as signaled by Patricia*
  - *No human rights, SDG or climate vulnerabilities approach to debt sustainability*
  - *Dysfunctional role of CRAs deepening debt vulnerabilities and creating a pro-cyclical worsening of the economic crisis*
  - *Exclusion of countries in the global south from the discussion and decision making on solutions to their own debt crisis - a system decided by and for the creditors*
- Without an ambitious, multilaterally discussed, democratically decided and fair process leading to the debt cancellation that the countries in the global south need, the resulting crisis will keep exacerbating the already staggering levels of social and economic inequality, within countries and between countries. Without prompt and sufficient debt cancellation - not only reprofiling - available for all the countries in need and from all creditors, there will be no chance of achieving the Sustainable Development Goals nor to fight economic, social, racial or gender inequality, nor to face the climate emergency challenges. Such a fair, timely and lasting debt resolution will never result in discussions among creditors, without the voices of people and governments of the global south. Therefore, the people and the planet need not only more ambition, but much more democracy for those solutions to be fitted to their needs.
- 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 (just the complexity of the debt scenarios today, with China and private creditors becoming main actors , should be reason enough to address a reform of the debt architecture system - the old Paris Club system does not fit to the reality of debt today).

**10 principles** <https://www.eurodad.org/debtworkout>

1. Creation of a body independent from creditors and debtors
  2. Reliable process, accessible for any country in need, that may be initiated by borrower
  3. Initiation of the process should trigger a stay on creditor litigation and enforcement
  4. Comprehensive treatment of a country's debt stock in a single process
  5. Inclusive participation of all stakeholders
  6. Independent assessment of debt sustainability and the validity of individual claims
  7. Focused on debt sustainability that puts needs of population before debt service - debt audit
  8. Respect for international human rights law and the realisation of international development commitments
  9. Transparency: negotiations and their outcomes must be made public
  10. Enforceability: All parties must respect the decisions of the independent body
- For us it is evident that addressing debt architecture reform only focusing on new versions of collective action clauses, introduction of state contingent clauses and other market based contractual arrangements won't be enough and will fail at putting human rights and SDGs at the center
  - Beyond the establishment of a multilateral debt resolution framework, we need to urgently implement substantial reforms in the financial system, including further regulation of the financial sector and Credit Rating Agencies and global agreement on the importance of capital account management.
  - We believe that the organisation of the [next UN Summit on Financing for Development](#) would be key to advance the systemic and urgent reforms of the global financial architecture.
  - We understand that the High Level Event on 29th March is a key opportunity for member states to speak up to support advancing towards a debt architecture reform agenda. As Civil Society Organisations we expect that governments live up to the challenges that the health, social and economic crisis is posing, and show their commitment by participating at the highest level possible in the event next monday, supporting the call for real solutions, including a multilateral debt resolution framework.