

**UNITED NATIONS
HIGH LEVEL DIALOGUE on FINANCING for DEVELOPMENT**

Round Table 5 on EXTERNAL DEBT

Presented by: PHILO MORIS

**Chair Emerita – NGO Committee on FFD
Representing
Medical Mission Sisters &
Anglican Communion at the United Nations &
Partnering with Church World Service**

October 23-24, 2007

Thank you Chair,

Excellencies, Distinguished Delegates and participants,

For 30 years countries have suffered with the burden of debt and servicing of debt. The Heavily Indebted Poor Countries Debt Initiative involves 41 eligible countries, most of them in Africa. Private risks of rich corporations are transformed into public debt borne by developing country governments. Time is running out and people are dying in the meantime. This sense of urgency is not being reflected into the discourse here. What we need is a holistic approach to tackle the issue of debt. Hence, the mobilization effort by the Jubilee movement that called for total debt cancellation for all is as relevant today as the Jubilee year 2000. The Jubilee initiative has indisputably transformed the discourse on external debt.

The current conjuncture confirms the urgent need for a paradigm shift to debt restructuring approaches that achieve self-regenerating growth in debt distressed countries, including the use of grants and total debt cancellation, bilateral and multilateral.

Irresponsible Lending:

In general, we deplore the aggressive lending and flawed economic policy advice that has first created, and then conspicuously failed to eradicate the crippling debt burdens carried by the countries of the developing world over the past decades.

Only a binding, independent and predictable framework for arbitrating on sovereign debt claims would provide the incentive needed to stop irresponsible lending and ensure all lenders share in the burden of debt relief when this measure is required.

Debt Sustainability:

In terms of debt sustainability, we hold that access to food, clean water, shelter, education and health care is a basic human right, and that where debt service obligations reduce the capacity of governments to provide this right for their populations, their debt burden must be judged unsustainable. We call for immediate 100 % cancellation of the debt for the poorest countries. Assessments of debt sustainability should be based on the **human centered development** approach.

Fair and Transparent Arbitration Procedure (FTAP)

We call for a neutral debt workout process, which draws from the experience of insolvency procedures such as in Chapter 9 of the US Civil Code, which regulates insolvency cases of municipalities. The aim is setting up of a fair and transparent arbitration procedure to address unsustainable debt burdens, based on neutral decision making body, the right of all stakeholders to be heard, the protection of debtor's basic needs, and the institution of **automatic standstill protection**.

Policy Space:

Individual countries must be given genuine policy space within which to formulate their own debt management strategies; this is essentially a systemic problem. We would draw attention to the fact that the World Bank's (Independent Evaluation Group) IEG review showed that debt-ratios of all post-HIPC countries had worsened since relief had been granted.

Thank you, Chair