Civil Society Letter concerning the draft UN Resolution on “External Debt Sustainability and Development”

Dear Ambassador,

We welcome the innovations in this year’s draft UN General Assembly Resolution on “External Debt Sustainability and Development” (A/C.2/74/L.9). The new wave of debt crises threatens to derail the 2030 Development Agenda and undermines or even reverses progress towards the SDGs in many countries. This is why we were delighted to see that the UN General Assembly, as the premier forum for multilateral cooperation, considered new steps to strengthen debt crisis prevention and resolution.

Countries affected by climate disasters such as hurricanes are particularly hard hit by debt crises, a concern also stressed by CARICOM at the 10 October session on debt issues held by the UN General Assembly’s Economic and Financial Committee. According to the recent report of the UN Secretary General on External Debt Sustainability and Development, the external debt of Small Island Developing States has increased 20-fold since the year 2000, with climate disasters playing a major role.

The climate actions listed in paragraph 19 of the draft resolution - comprising the establishment of an interest-free financing facility, temporary debt moratoria to safeguard social spending, and a mechanism to restructure a country’s public external debt – are essential steps for the international community to support countries simultaneously affected by the interlinked challenges of climate disasters and heavy debt burdens. Independent from the negotiations ongoing at the General Assembly, more than 50 CSOs and CSO networks have already signed a petition that calls for similar actions as outlines in the draft Resolution. We call on all UN Member States to adopt the paragraph and work immediately on the implementation of the instruments mentioned.

We also welcome the overdue proposal to set up a legal advisory service for sovereign debt workouts as mentioned in paragraph 24 of the draft resolution. Insufficient legal capacities by insolvent debtor countries that need to address their debt overhangs have contributed to a situation where debt restructurings are conducted in a suboptimal manner, causing avoidable development damage and unnecessary costs for all parties concerned.

Moreover, predatory vulture funds are exploiting this situation through aggressive litigation against debtors. There is abundant evidence of cases where insolvent sovereigns had to buy out predatory vulture funds using tax revenue that was meant to fund public services, or divert ODA inflows that were meant to finance development projects (see for example the 2019 report of the UNHRC Advisory Committee A/HRC/41/51). This situation is unacceptable for citizens and taxpayers. The proposed legal advisory service is a good first step to improve the debt restructuring regime, to support partner countries that fall victim to predatory litigation, and to protect tax revenues and scarce ODA budgets for SDG implementation. We urge you to adopt the language in the paragraph and work on immediate implementation.

We also welcome the calls from the LDC Group and CARICOM in the Second Committee to urgently work towards a multilateral legal framework for comprehensive sovereign debt restructuring. There is also unfinished work on building a global consensus on guidelines for debtor and creditor responsibilities in borrowing and lending to sovereigns as agreed in the 2019 FfD Forum outcome document and Addis Ababa Action Agenda. We thus urge the Economic and Social Council, as encouraged by the General Assembly, in its resolution 70/190, to consider at its forum on financing for development follow up on how to improve sovereign debt restructuring, as by establishing an
open-ended intergovernmental and multistakeholder working group to work towards these multilateral solutions to strengthen the legal framework for debt crisis prevention and resolution.

Yours sincerely

Afrodad
Africa Development Interchange Network (ADIN)
Both Ends - Netherlands
CCFD - Terre Solidaire
Christian Aid
Citizen Debt Audit Platform (PACD) - Spain
Debt Free Project - Greece
Debt Justice Norway
Ecumenical Akademy - Czech Republic
Enabanda - Slovenia
Erlassjahr.de – Jubilee Germany
Eurodad
Freedom from Debt Campaign of Pakistan
Friends of the Earth Hungary
Gestos - Brasil
Global Policy Forum
Instytut Globalnej Odpowiedzialności (IGO) - Poland
Institute for Social & Economic Justice) Pakistan
Jesuit Centre for Theological Reflection - Zambia
Jubilee Debt Campaign UK
Jubilee Scotland
Jubilee USA
Latindadd
Maryknoll Fathers and Brothers, USA
Observatorio de la Deuda en la Globalización - Spain
Observatorio Mexicano de la Crisis
Oikos - Portugal
Planned Governance Network - Zambia
Plateforme dette et développement - France
Réseau Foi et Justice Afrique-Europe
Save the Children
Servicios Ecumenicos para Reconciliacion y Reconstruccion (SERR) - USA
Stamp Out Poverty - UK
Sisters of Charity - USA
Social Justice in Global Development
Society for International Development
Uganda Debt Network - Uganda
Undebted World - Greece
Zimbabwe Coalition on Debt and Development (ZIMCODD)
Zimbabwe United Nations Association