

## **NGO Response to the Issues Paper for the Multi-Stakeholder Dialogue on Sovereign Debt**

### **Introduction**

This paper is intended as a response to the so-called issues paper entitled “*strategic issues in managing sovereign debt for sustained development: an issues paper for the multi-stakeholder dialogue on debt*”. It represents the combined efforts of civil society networks and organisations working in North America, Latin America, Africa and Europe.<sup>1</sup> It should therefore not be viewed as representing the views of “global” civil society as such. Networks and organisations in Asia and Australasia may have their own distinct perspectives and recommendations.

The paper is organised in the following way:

1. An overview of our key concerns and specific recommendations;
2. A compendium of the full responses of each of the contributing networks and organisations;
3. Information about the networks and organisations that contributed to this response.

### **Key issues to emerge:**

1. The paper is very technical and orients discussions in macroeconomic terms rather than recognise that the debt issue is a political and moral one also;
2. The discussion on debt sustainability within the paper does not question the most fundamental shortcoming of the new approach to the issue: creditor monopoly over definitions and assessments of debt sustainability. This represents a clear-cut case of conflict of interests and questions the commitment of the IFIs to principles of developing country ownership;
3. The issue of odious and illegitimate debt is confined to a brief footnote on Iraqi debt while there are many complaints of this throughout the world that need to be seriously addressed;
4. In this context, the paper does not discuss the proposals that have been put forward by civil society organisations, academia etc. to resolve the issue of illegitimate and unpayable debts, namely independent arbitration frameworks, debt audits etc.;
5. The paper frames a range of solutions to reduce risk and uncertainty in sovereign debt in terms of a range of random technocratic proposals instead of question the fundamental problem of grossly unequal creditor/debtor relations. The paper fails to underscore that creditor designed and imposed solutions have so far failed to resolve debt crises.
6. The paper does not mention the Millennium Development Goals and the inherent tension over the next ten years between raising the expenditure needed to achieve the goals while at the same time avoiding debt distress;

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<sup>1</sup> These networks and organisations are: Maryknoll Office for Global Concerns, The Religious Working Group on the World Bank & the IMF, USA; Estrategia Andina, Centro-América, Amazónica (ACAA), Latin America, AFRODAD, Africa, EURODAD, Europe and CIDSE, Europe and North America. The International Facilitating Group on FfD contributed to the consultative process. The final integrated paper and summary of key concerns and recommendations has been put together by EURODAD.

7. The paper does not discuss open debates on debt cancellation or the levels of additionality of debt relief provided so far by donors/creditors.

**Key recommendations:**

1. We urge governments and the international financial institutions to acknowledge that the **debt issue is at its core a political issue** and that the current creditor-led approach to the resolution of recurrent debt crises is failing;
2. It is urgent, in this context, that a **fair and transparent arbitration process** framework be made available. Longer-term, a permanent body should be institutionalised under the aegis of the United Nations to deal with successive debt crises;
3. We urge governments and the international financial institutions to recognise the **illegitimacy** of much of the debt of the developing world, and to take responsibility for odious loans, defensive and onerous lending practices and ill-conceived development projects;
4. We advocate the **human development approach** to assessments of debt sustainability. This approach prioritises basic human needs (and therefore human rights) over debt repayments. This approach should be adopted to determine how much debt needs to be cancelled immediately in developing countries in order to free up resources for investment in essential services such as health and education and in important infrastructure such as rural roads. We recommend that such assessments be carried out in advance of the High-level Dialogue on Financing for Development planned for autumn 2005;
5. We believe in **developing country ownership of debt sustainability analyses**: they should not remain the exclusive preserve of the international financial institutions who stand at the same time as creditor and judge;
6. All debt relief should constitute **additional** resources to developing countries. This is essential if they are to make any progress towards achieving the MDGs.

## **Compendium: Regional Responses**

### **LATIN AMERICA<sup>2</sup>**

#### **Estrategia ACAA (Andina, Centro-Americana, Amazónica) al diálogo entre las partes interesadas sobre la deuda soberana**

In the Issues Paper for the Multi-Stakeholder Consultation on Sovereign Debt by the Financing for Development Office it is positive to note the presence of the following aspects:

- The need for the government to monitor the total external debt of the country not only for its potential impact on the interest rate but also because in a financial crisis the government might be forced to assume the external liabilities of the banks.
- That domestic debt is an important part of the burden of many countries but it has not yet been the focus of international initiatives.
- That institutional and macro-economic factors are relevant to determining the capacity of each country over time.
- That legislators and those non-official stakeholders who are not part of the state bureaucracy in indebted countries can play a more important role in the policy dialogues in order to contribute to a greater coherence of the diverse national policies and goals – and in that way improving their internal consistency.
- That the proposal for a multilateral mechanism for debt surveillance be tied to a policy dialogue.
- That the returning debt crisis reflects the continuation of a crisis that had not been adequately solved.
- The mention of the proposal for the creation of an independent sovereign debt forum among the various ideas under debate.

On the other hand we would like to mention the following absences:

- The document does not address the treatment of corrupt debts in middle income countries – only in low income countries.
- The unpayable debts of middle income countries.
- The relation between repayment capacity and the development and social obligations of the country.
- The relation between the actual free trade policies and the incentives for foreign investors as aspects that affect the development and fiscal pressures of countries and that contribute to maintaining “debt addiction” in many countries.

Within the document there is a noticeable general concern with crisis prevention, with the need to strengthen the confidence of the creditor and the administrative aspects of debt management. What is not taken up is the concern as to the final resolution of the debt incorporating development sustainability of the low and middle income countries.

#### **About Debt Sustainability:**

Based on monitoring the debt of Bolivia, Honduras, and Nicaragua we can conclude the following with respect to debt sustainability:

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<sup>2</sup> Translation by Sharon Altendorf, PBVM and Aldo Caliari, Center of Concern [additional editing by FfD Office].

- The analysis of debt sustainability as performed by the international financial institutions (IFIs) often begins with macroeconomic assumptions, which are not very realistic, leading to over optimistic projections about the future indicators of debt and, consequently, insufficient relief.
- In some cases the relief determined at Decision Point is not sufficient to achieve the level defined by the IFIs as sustainable unless additional forgiveness by bilateral creditors is taken into account. (“Beyond HIPC”)
- While external debt might, in theory, be sustainable at its Completion Point, in many cases it becomes unsustainable shortly thereafter, largely because of over optimistic macroeconomic projections as well as new non-concessional debts being incurred.
- The growing internal debt which is not sufficiently taken into account by the IFIs when analyzing debt sustainability can put at risk the fiscal sustainability of the State, besides consuming the resources freed up through the reduction of the external debt.
- The sustainability concept used by the IFIs is oriented towards the interests of the creditors and does not take into account the human development needs in the debtor countries.
- The governments of the HIPC countries in the region, due to fiscal restrictions or other reasons, do not use all the resources freed up by the HIPC initiative for the fight against poverty as they should.

Based on monitoring the debts of Peru and Ecuador we are able to say the following:

- The sustainability indicators of the Ecuadorian debt are above the levels that make debt unsustainable. In the case of Peru both debt to exports and debt service to export ratios are above a sustainable level. The Debt/GDP and Debt Service/ Budget Revenue are very close to the limit and only below in the case of the debt to budget revenue indicator. Both are countries that have more than 55% of the people living in poverty and high inequality. The principal export products of both countries are primary products.
- In the case of Peru: New debt is higher than the debt service, the external public debt service has quadrupled the ODA in 2003, debt service equals 66% of social expenditures in 2004. There is an inverse relationship between poverty and social expenditures spent. External debt equals 69% of social expenditures.
- The debt/ GDP ratio can deteriorate a little in a year of recession but the impacts of a year’s recession can be devastating in terms of poverty. In the Peruvian case one year of recession can erase the benefits achieved in 11 years.
- The savings from refinancing operations still are not as high as new indebtedness and internal debt continues to grow.

## **Suggestions in order to reach minimum goals**

### **1. A different concept to determine external debt “sustainability”**

Given that the concept of sustainability defined and imposed by the IFIs does not take into account the human development needs of the indebted countries and, hence, is inadequate, it is extremely important to take a different approach to this concept. The logic applied ought to be inverted. In other words, a “bottom up” approach that departs from the necessity of ensuring an adequate level of human development or, concretely, enough resources to arrive at that level, taking as a goal the Millennium Development Goals. The creditors should understand that, in order to achieve “sustainability” the debt should not be an end in itself but rather a condition to reach the consensus objectives of human development. Three possible approaches can be combined:

- **Vary the threshold value of the solvency coefficient in conformity with Human Development Indicators:** A possible way would be to use UNDP Human Development Indicators together with the main HIPC debt sustainability indicator (NPV debt to exports). Following this approach, the threshold value of the debt/ exports coefficient, which is 150%, would be altered according to whether the Human Development Indicator is above or below an intermediate range. Assuming the Human Development Indicator to have an intermediate range of 0.45-0.55, the threshold level of the debt/ exports coefficient would increase or decrease 10 percentage points above or below the 150% standard according to the Human Development Indicator being 0.05 above or below the medium range, respectively.
- **Calculate the debt service compatible with meeting the MDGS.** A second option would be that proposed by EURODAD. It consists of estimating the necessary resources to reach the MDGs or the poverty reduction goals defined in the PRSP. In order to estimate the “payable” debt service—the debt service compatible with meeting these goals-- the total income of the central government (fiscal revenue + donations) should be calculated. From this amount one should subtract the resources required to meet the MDGs as well as servicing the internal debt. A third part of the resulting figure would represent the “payable” debt service.
- **Link the debt service to certain macroeconomic variables:** this proposal consists of determining the sustainability of the debt or its service based on the country’s capacity to pay, as expressed in a percentage (a moderated one ) of exports and/or the GPD. In the case of Honduras, for instance, the proposal would limit the external debt service to 1.7% of GDP which is considered as a level compatible with an adequate human development.

## **2. Other measures:**

- Major debt forgiveness by the Paris Club and other bilateral creditors.
- Monitoring of new indebtedness
- Looking for solutions to the growing problem of internal debt.
- Assuring the additionality of resources for debt relief

## **On the search for a definitive solution:**

### **1. International Court of Arbitration**

We propose the idea of a Chapter 11 [sic]<sup>3</sup> bankruptcy law of the USA applicable to municipalities. They can resort to this mechanism in case that the service of the external debt leads to necessary social investments for the development of their communities being unmet.

Move towards the creation of an International Financial Legal Code that today does not exist. The arbitration authority could be the Paris-based Chamber of Commerce which today has an arbitration mechanism for disputes on international commerce.

The principles of the new international code would be:

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<sup>3</sup> Note by translator: based on the description that follows, the Chapter referred here was Chapter 9.

- External debt payment should not be an obstacle for human development or a threat to environmental balance.
- It is not acceptable within international law that external debt arrangements be instruments of political pressure so that a creditor State or some creditor State-controlled entity imposes unsustainable conditions on a debtor State, especially reflected by structural adjustment.
- The conditions of any arrangement ought to be based on the economic, social, and environmental human rights.

Based on the principles mentioned above it is necessary to create an international financial law agreed by all and which all creditors without exception abide by. This would permit a certain independence of national powers from the larger creditors. The criterion would be the same as the International Commercial Code currently being drafted by UNCITRAL.

The starting point of any solution, including arbitration, lies upon the identification of the legally contracted debts which can be paid, distinguishing them from corrupt and odious debts (this latter defined based on the “odious debt” doctrine as those debts utilized by dictatorships for violations of human rights).

One of the chapters which ought to be contemplated would be the code of corrupt credits, because studying history it becomes evident that there are credits that never ought to have been authorized and only were authorized because there were pre-established winners. These ought to be cancelled.

This requires hearings about international credits that should be done by civil society to avoid that interested parties control the mechanism.

There should be proportionality (*pari passu*) among all the creditors. The object of negotiation ought to include debt owed to multilateral, bilateral and private creditors, not just the latter.

For the service of the debt contracted and renegotiated through definitive agreements and in legitimate conditions, there will have to be established clear parameters in fiscal terms, so that the service of the debt yet to be paid, within the State budget, does not affect the social expenditures nor minimize potential development, as in the capacity for internal savings.

Causes of default should be established so that “cases of *force majeure*” would be treated differently from “cases of bad administration.”

To establish in the new law a *force majeure* clause that protects the debtor from:

- Abrupt hikes in the international interest rates, e.g. when the prime rate in two years goes from 7 to 21% (1979-81)
- Abrupt falls in the prices of products exported by the country (e.g. 1998-2001), when the fluctuation is greater than the average of the last years, and
- Those cases in which the countries’ currency is affected by a speculative attack as was the case in Thailand in 1997.

## **2. Cancellation of the debt and policy coherence**

- Resume the Jubilee proposal

- Debate free trade and investment and its impacts on development and debate new sources of financing.

## **AFRICA**

### **Comments gathered by AFRODAD (African Forum and Network on Debt and Development)**

The following are comments from the African CSOs who attended the Commonwealth Civil Society Consultations on HIPC and Debt Sustainability Analysis during 08th – 10th December 2004 in Malawi, in preparation for the HIPC Minister’s Meeting and the UN Multistakeholder Consultation to be held in Maputo, Mozambique during 17th –18th March 2005.

1. African CSOs acknowledge that the eHIPC initiative or HIPC II has failed to deliver on its major objective of ensuring that HIPCs exit permanently from the Debt crisis.
  - Countries which *have* reached the ‘completion point’ in some cases have suffered a relapse into indebtedness, and their social indicators re worse off now than before they embarked on e.g. Uganda, Malawi, Zambia etc.
  - Conditionalties have continued to compromise the effectiveness of the HIPC Initiative. The conditinalities which are far too many and sometimes unrelated to the poverty reduction programmes, tie the Governments to specific content and processes, which are dictated by the WB and IMF.
  - The continuing problem of imposed policy frameworks vs. home-grown development strategies continue to hinder genuine efforts by African governments to effectively implement development programmes that would deal with the aspirations of their electorate. This imposition of policies perpetually makes them fail to be liberated economically. CSOs would find greater acceptance with any policy prescription that is drawn and wholly drive by the people themselves, unlike the current practices under the BWIs. At the very least, there should be the opening up of policy formulation space.

### **On Debt Sustainability vs. Macroeconomic Social Terms**

2. It is important that our African governments focus on the budget processes transparent and participatory. There is need to balance the resources that are allocated towards social sector development and the productive sector.
3. There is need to push our African Ministers of Finance to adopt legislation that would be calling on the BWI to limit external debt servicing obligations of third world countries to not more than 10% of their GDP/revenue. Currently, there is at least US\$15 billion annual resource outflow in form of debt servicing from South to the North.

### **On Debt Management Strategies**

4. There is need to examine what African governments’ debt management policies are at national level and how comprehensive these are in dealing with the current debt crisis.

5. African governments lack the capacity for debt management - this has contributed largely to the problem of failing to develop and implement concrete proposals on how they can deal with the debt crisis.
6. It is also important to look at the whole cycle of loan contraction - the institutions involved, who the key players are, what type loans are contracted and for type of projects. Role of Parliaments and CSOs and other watchdog organizations should be examined as well.
7. To what extent are governments transparent and open about providing information on what type of loan agreements they enter into with donors and for what projects.
  - This raises broader questions around national planning in terms of who decides on what the priority areas for expenditure should be....issues of corruption and how lack of transparency in setting the national agenda and priority areas contributed to corrupt practices such as fungibility of funds - funds meant for development purposes are diverted towards election campaigns, defense and presidential slush funds.
  - The role of donors at country level need to be examined especially in relation to their influence in loan pushing, setting of macroeconomic benchmarks and monitoring of policy performance.

**Sharing of risk on debt management -Who should bear the risk for Debt management failures?**

8. In most cases when debts accumulate to unreasonable levels, the governments as well as the majority of the people bears the burden for its effects, even when debts were guaranteed by the private sector. There is need to make sure that the risk for debt management is shared by all stakeholders - donors, governments, and private sector and ensure that the social sector is protected.

HIPC countries: Governments should encourage the private sector to invest in social sector provided it guarantees to pay back the private sector its investments in case the project fails. Private sector involvement in the provision of social services must not only be determined by commercial interests but should also be driven by social responsibility, in particular the sharing of risks associated with the provision of public goods e.g. water, education, health.

Post-conflict countries: The private sector in post-war countries should be persuaded to put the social agenda first, recognising that this short-term input will contribute to the long-term viability of their businesses.

**On Domestic Debt**

9. Domestic Debt needs to be given due attention in a manner that reflects country-by-country dynamics. There are cases where a lot of domestic debt is historical and if a new government comes into power, they find it difficult to operate particularly if the policies being pursued are also not favorable. At another level, it has been realized that most countries that are heavily indebted (are close to defaulting) and have no money to pay off their debts resort to



borrowing heavily on the domestic market thereby destabilizing interest and exchange rates leading to reduced investment.

10. There is also the problem of a 'floating' and elusive completion point – countries which go 'off-track' with the PRGF are suspended from HIPC assistance e.g. case of Malawi. This has caused an increase in domestic debt for most HIPCs. There is need to ensure that social sectors/pro-poor programs under PRGF are protected and continue to be funded regardless of slippages. Thus, there would also be need to consider the de-linkage of PRGF programmes from the HIPC conditionalities.

### **On Long term Debt Sustainability Analysis (DSA) and forward looking approaches to Debt**

There is need to acknowledge that debt sustainability has not been and will not be achieved for a single HIPC country due to the following problems:

- DSA is flawed – it is based on projections which are unrealistic and overly ambitious (growth rates, inflation, etc., which are usually non-negotiable, except in cases where there are serious policy slippages)
- African governments are currently under pressure to finance Poverty Reduction Strategies (PRSs) programmes at the same time meet debt servicing obligations
- DSA does not take into account the social costs of conditionalities
- There is need for independence on assessing country institutional and policy performance. There is a serious tendency for political risk when doing Country Policy and Institutional Assessments (CPIA) ratings.

AFRODAD is currently coordinating CSO input into the Multistakeholder consultation on Debt for Africa. So, feel free to send your comments and suggestions on how best African CSOs should engage in the forthcoming consultation. Send your comments directly to [barbara@afrodad.co.zw](mailto:barbara@afrodad.co.zw).

## **EUROPE**

### **EURODAD (European Network on Debt and Development)**

#### **Introduction**

With this comments paper, Eurodad (European Network on Debt and Development) is pleased to submit its response to the to the paper entitled *“strategic issues in managing sovereign debt for sustained development: an issues paper for the multi-stakeholder dialogue on debt”*.

In it, we draw attention to alternative approaches to some of the questions the strategic issues document raises and the solutions it offers. We also feel that the paper has not tackled several issues we consider of fundamental importance to the sovereign debt

debate, and we have highlighted these. However, where we agree with the approach and questions raised by the paper, we also acknowledge this.

### **Operationalising Debt Sustainability**

In relation to part one of the paper “operationalising debt sustainability”, we feel that at a very general level, the paper frames the issue of debt sustainability in largely macroeconomic (and therefore very crude) terms. For example, the paper defines the central concept of debt sustainability as a government’s capacity to make “*the full set of debt repayments as specified in all outstanding loan contracts*”.

It is true that paragraph 11 acknowledges that the “*sustainability of foreign debt has been defined in both macroeconomic and social terms*”, and goes on to outline very briefly a couple of “social” options such as limiting debt-service to 5 or 10% of government revenues. Nevertheless, we feel that the paper skips over alternative more “social” approaches to assessments of debt sustainability rather hurriedly.<sup>4</sup> Instead it chooses to frame the debt sustainability discussion in wholly macroeconomic terms.

This is ironic given that the Monterrey Consensus, UNDP Human Development Report 2003, the New Partnership for Africa’s Development, the Irish Government and HIPC Finance Ministers have all spoken of the importance of a human development approach to debt sustainability. This approach recognises the very real human and development consequences of high levels of indebtedness, and prioritises human rights over debt repayments. It is sad that this paper makes no mention of the basic realities and challenges faced by many poor countries: excessive levels of poverty, low economic growth, high unemployment (and underemployment), HIV/AIDS, social unrest and insecurity. How can a paper which claims to address “strategic issues in managing sovereign debt” make no mention at all of these fundamental factors? In this context, we propose that in advance of the High-level Dialogue on Financing for Development planned for autumn 2005, assessments of low-income countries’ debt sustainability according to the human development approach be carried out to determine exactly how much debt needs to be cancelled to free up resources for investment in essential services such as health and education and in important infrastructure such as rural roads.

In relation to the new Bank/Fund framework for assessing debt sustainability in low-income countries, we feel first and foremost that the paper has failed to point to the most fundamental shortcoming of the new approach: the question of who actually assesses debt sustainability. According to the new approach, the Bretton Woods Institutions act as both creditors and centralised assessors of debt sustainability, which not only represents a clear case of conflict of interests but reduces the debt issue to one of mere technicalities. We feel very strongly that the new approach, which grants the BWIs the monopoly over definitions and assessments of debt sustainability in poor countries contravenes the principles of developing country ownership which the same institutions claim to adhere to. Debt sustainability analyses should be carried out in the first instance by the loan contracting governments themselves.

We also feel that the paper has failed to point to another weakness of this approach: that lending decisions are essentially governed by the political interests of creditors, and that debt is in fact an instrument of control over the economic policy space of debtor

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<sup>4</sup> For example, BOTOS Approach: An Alternative Approach to Calculating and Achieving Debt Sustainability in HIPC Countries, June 2004  
[http://www.erlassjahr.de/content/languages/englisch/20040607\\_botos\\_approach.php](http://www.erlassjahr.de/content/languages/englisch/20040607_botos_approach.php)

countries. This will therefore impact upon whether the indicative thresholds derived from these new debt sustainability analyses are actually respected or not. Another danger of course is that Bank/Fund signals of a high risk of debt distress coupled with a poor policy and institutional environment could give some donors/creditors the excuse to withdraw completely from any given country leaving many “high and dry”. This is worrying because the paper admits itself that *“debt sustainability assessments of individual countries are more art than science”*.

The proposed new approach also does not take into account the inherent tension between the need to reduce poverty and the need to service debt. This tension (between social expenditure and servicing debt – both required by donors) is a critical reality in many low-income countries and therefore needs to be included in any reasonable assessment of debt sustainability within the country.

The paper does however rightly point to concerns regarding the robustness of the Country Policy and Institutional Assessment (CPIA) as the central guide to determine a country’s capacity to carry debt over time (which we echo). The CPIA has been widely criticised for its ideological bias towards trade liberalisation, lack of evidence based assessment and the fact that assessments are not able to discriminate reliably among countries except when their scores are quite far from each other (more precisely [...] 90% confidence intervals are wide).<sup>5</sup> It would work as a new form of externally-driven donor conditionality as countries strive to improve their CPIA ratings to access greater funds. This contradicts the principles of ownership and democracy. We therefore feel it is an inappropriate tool on which to base decisions over the allocation of scarce resources. Furthermore, according to this approach the IMF and World Bank remain the final arbiters of what constitutes good and bad macroeconomic policies. This is regrettable given the repeated failure of their policy advice over the past 25 years.

We also welcome the fact that the paper highlights very explicitly the failure of international policy reform initiatives to address the problems of excessive and growing domestic debt burdens. We believe that any reasonable assessment of a country’s level of debt distress must necessarily take into account the burden of domestic debt. Indeed, in many low-income countries the domestic debt service burden is higher than the external debt service burden. This burden matters: recent work by Jubilee Zambia has demonstrated very clearly the link between the external and domestic debt burdens and the implications of this on investment opportunities and poverty reduction expenditures in-country. Nevertheless, a consideration of the burden of domestic debt does not feature with the proposed new Bank/Fund debt sustainability framework. We think the problem merits significant attention.

### **Process Issues in Managing Sovereign Debt**

In relation to process issues in managing sovereign debt, the paper rightly points to the importance of effective intra-government and public communication and dialogue on debt. According to the paper, the relevant decision-makers need to appreciate fully the *“linkage between the expected debt-servicing burden of additions to external debt, the heightened risk of default from higher debt levels, and the budgetary opportunities opened by the borrowing for development and poverty reduction”*. We agree that it is worth looking at the experience of countries that have addressed these challenges successfully. We also agree that that national democratically elected officials and non-

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<sup>5</sup> Barry Herman, How Well Do Measurements Of An Enabling Domestic Environment For Development Stand Up?, 2004

official stakeholders should play a much stronger role in the debt policy dialogue. However we would go further than the paper does here: we argue that donors (not just beneficiary governments) need to support much greater openness, transparency and accountability in the contracting of new loans by developing countries (including creditor peer review).

The paper also points (albeit briefly) to the importance of “due diligence” on the part of the creditors in deciding whether to extend a loan and acknowledges that *“official creditors have in the past lent to poor country governments well past the point of sustainability”*. This acknowledgement is welcome, however more problematic are the specific proposals outlined to deal with the problem. These include greater donor harmonisation and alignment behind country-owned development strategies and the possible creation of a multilateral “debt surveillance mechanism”. These “solutions” however are technical ones and are forward-looking only, i.e. they do not tackle the fundamental problem of creditor control over the international debt architecture and the instruments proposed relate to future debts only.

In our view, the paper skims over the issue of what to do about existing unpayable and illegitimate debt burdens. For example, the paper does not ask whether official creditors who engaged in defensive lending ought not to take co-responsibility now for bad decisions and unsustainable debt burdens in many poor countries. Secondly, the issue of illegitimate debt is confined to a brief mention in a footnote, *“there is (or some would say, ought to be) a political dimension to due diligence; e.g. some authorities have recently sought to apply the concept of “odious debt” to relieve the successor government of Iraq from responsibility for servicing loans that had been extended to the earlier regime”*. In fact, there are many examples of odious and illegitimate debt throughout the world, and civil society organisations (and some parliamentarians) in countries such as Argentina, South Africa, Democratic Republic of Congo and Philippines have long been calling for the application of the doctrine of “odious debt” to their national external debt burdens. A process of “independent arbitration” they argue would assess which debts are odious and therefore should not be repaid and which were in good faith and should be reimbursed.<sup>6</sup> These issues (and possible solutions) are sadly not touched on by the paper but fundamental to consider during the multi-stakeholder consultation process.

### **Practical Ways to Contain Risk and Reduce Uncertainty**

At a very general level, we agree on the need for a more stable and predictable environment. However we feel that part three of the paper reduces the discussion on ways to contain risk and reduce uncertainty to a random set of technical proposals such as seniority structures, catastrophe bonds and GDP-linked bonds. While the discussion of such instruments certainly has its place, we feel that they are of little relevance unless they are accompanied by a fundamental questioning of the problem of creditor control over international debt negotiation processes. It is highly problematic that the paper replaces the debate on a new, more equitable framework for debtor countries and instead frames it in terms of technocratic, remote new instruments.

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<sup>6</sup> Many NGOs have called for the creation of a fair and transparent arbitration process (FTAP) for indebted Southern countries. Such a process would involve a neutral decision-making body which is independent from both parties involved and all stakeholders would have the right to be heard. For further details, see: International Solvency and Arbitration: Arguments and Counter-Arguments, Erlassjahr.de, January 2002: [http://www.erlassjahr.de/content/languages/englisch/dokumente/antw\\_englisch.pdf](http://www.erlassjahr.de/content/languages/englisch/dokumente/antw_englisch.pdf)  
FTAP II: More Arguments and Counter-Arguments, Erlassjahr.de, January 2004: [http://www.erlassjahr.de/content/publikationen/e\\_ftap20040108\\_arguments.php](http://www.erlassjahr.de/content/publikationen/e_ftap20040108_arguments.php)

On the issue of how to guarantee comparable treatment between creditors in debt restructuring, the paper describes this as one of the greatest sources of creditor uncertainty. Returning to the issue of independent arbitration, we believe that some form of independent insolvency or bankruptcy procedure could in fact solve some of these problems, such as the “free-rider” phenomenon (and work for the benefit of the both the debtor and creditor therefore). At present, the paper rightly says that *“it is a contest with the government and the different creditors and their negotiating committees each seeking the best deal they can get”*. An international bankruptcy procedure, designed along the lines of Chapter 9 of the United States legal code (with the addition of an independent arbitration panel) would reduce uncertainty since it would constitute an international judicial body with competence and capacity to resolve debt (and debt payment) problems between sovereign debtors and their creditors. The paper hints very implicitly that no such instrument currently exists (*“unlike a corporate bankruptcy case, there is no judge overseeing the process and ensuring it follows bankruptcy law”*), however it falls short of mentioning that concrete proposals actually already exist for various forms of international insolvency procedure and that these may in fact be worth a look – they are! Ultimately, a permanent body to deal with successive debt crises could be institutionlised within a structure such as the United Nations.

Most importantly, we feel that such a framework could go some way to resolving the current situation of fundamentally unequal creditor/debtor relations, which we have pointed to throughout this response. We sincerely regret that the issue of this unequal relationship (whereby creditors stand as both judge and jury) is not dealt with at all within the paper. To us, this seems quite ironic because at the end, the paper acknowledges very clearly that in many cases, the return to debt crisis *“reflected a continuing of a crisis that was not adequately resolved in the first attempt”*, i.e. repeated creditor designed (and centred) solutions to the debt crisis have so far failed.

### **Further comments**

Finally, we feel it is important to flag up four further points which do not appear to have been raised within the strategic issues document.

1/ Firstly, the paper does not appear to consider the positive interactions between debt stock reduction and economic growth (as proven by empirical evidence carried out by the International Monetary Fund itself), notably through an increase in the quality and quantity of domestic and foreign investment. We believe this strengthens the case for a cancellation of the debts of the world’s poorest countries however the issue of cancellation has been confined to a (very) brief mention of two recent proposals by the US and UK Governments. Where is any more detailed consideration of its possible (immediate) benefits?

2/ Secondly, the issue of the Millennium Development Goals. Recent experience of the HIPC Initiative has shown that some HIPCs (and some LICs) are experiencing rising debt burdens as they strive to raise the additional finance required to meet the MDGs (because donor aid commitments have not been forthcoming despite their signing-up to the internationally agreed goals). Any sensible consideration of strategic issues in sovereign debt over the next ten years must take into account the MDGs and the exceptional levels of finance needed by poor countries to meet them. In this context, we propose that the IMF should act as signaler alerting the international community where bilateral donors’ provisions of development finance are off-track.

3/ The paper does not address the problem of fragmentation in existing debt management, i.e. it treats the existence of different fora (e.g. Paris Club, HIPC Initiative)

to treat different types of debt as a given (and acceptable) fact. This is particularly problematic (and embarrassing) since it is clear that Paris and London Club debt restructurings, the HIPC Initiative etc. have all failed to resolve problems of default on sovereign bonds. Yet each time, creditors view the restructuring and relief process as providing the necessary assistance to secure an exit from crisis. In reality, indebtedness among both low and middle income countries continues to grow at an alarming rate, and in particular the problem of domestic debt which in some countries accounts for as much as 80% of sovereign debt. A new type of debt crisis is therefore looming which demands a much greater coherence in debt management. We regret therefore that the issues paper does not pay due regard to this problem.

4/ In most cases, debt relief provided by donors has not been additional, i.e. it has come from existing ODA (official development assistance) budgets. On the one hand, this results in no net gain for the beneficiary countries and on the other it means that scarce resource are being diverted away from other equally deserving less indebted poor countries to HIPCs. It is also a serious concern that as some bilateral donors have increased their levels of debt reduction, the World Bank has responded by reducing its commitments under the HIPC Initiative, once again resulting in no net gain for the beneficiary countries. It is extremely sad that numerous donors are claiming significant increases in their ODA budgets while the truth is that if we take away debt relief from this figure, they are actually decreasing in many cases. Donors need to guarantee that the debt relief they provide is truly additional.

## **CISDE (Coopération Internationale pour la Solidarité et le Développement)**

### **CIDSE comments on 'Issues Paper for Multi-stakeholder dialogue on debt'<sup>7</sup>**

#### **1. Need for renewed action on debt cancellation**

The paper notes that the Monterrey Consensus says: *'Future reviews of debt sustainability should also bear in mind the impact of debt relief towards progress in achievement of the development goals contained in the Millennium Declaration... Continued efforts are needed to reduce the debt burden of heavily indebted poor countries.'* (UN 2002, para. 49).

The need for increased debt reduction for poor countries remains critical. Only 7 countries have had their debts reduced to a 'sustainable' level, as measured against the World Bank / IMF Heavily Indebted Poor Country initiative criteria<sup>8</sup>.

It is vitally important that the concept in the Monterrey Consensus be made operational through increased debt cancellation for those countries that were promised a 'sustainable exit' under HIPC. The basis for debt cancellation should be the social and economic imperative underpinning the Millennium Development Goals.

A Human Development approach to debt cancellation should be adopted (albeit belatedly) to determine how much of countries' existing debt stocks need to be cancelled in order to free up resources for investment in basic services such as health, education and in key infrastructure which will help catalyse growth which is poverty-reducing

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<sup>7</sup> Prepared by the UN Financing for Development Office, 15<sup>th</sup> October 2004.

<sup>8</sup> CAFOD, Oxfam International, ActionAid International, 'Fool's Gold: the case for 100% Multilateral Debt Cancellation for the Poorest Countries', October 2004, p. 1.

(such as rural roads, irrigation, extension services etc.). Such analysis and cancellation should be carried out in advance of the FfD High Level dialogue in late 2005. Furthermore, such backward-looking debt cancellation should not be confined to HIPCs but should be extended to any country that needs debt relief in order to meet the MDGs.

Given that the bulk of debt owed by low-income countries is multilateral, an equitable arrangement is required which will deliver debt relief that is **additional** to existing aid, including grants and concessional loans. The sale or revaluation of IMF gold is a suitable option to finance debt cancellation. Further additional resources from bilateral donors will need to be mobilised to finance the cancellation of debt owed to the World Bank and other multilateral institutions. OECD donors should at least match the UK proposal to finance their share of the debt of the World Bank and African Development Bank debt through additional resources.

The use of IBRD net income should not be considered as a viable alternative option, since this would be likely to compromise the access of middle-income countries to IBRD finance at low interest rates. The less wealthy middle-income countries would therefore end up bearing the costs of debt cancellation rather than wealthy OECD countries.

## **2. Debt management and debt sustainability over the medium-term**

The World Bank and IMF have developed a proposed framework for assessing debt sustainability over the medium term in low-income countries. However, this instrument is flawed on several grounds<sup>9</sup>:

- It does not consider the need to reduce poverty as part of the constraints facing countries in servicing debt. The tension between social expenditure and debt servicing will remain a critical reality in low-income countries and should be included in stress testing in any analysis of debt sustainability.
- The IMF / World Bank proposal adopts the World Bank's Country Policy and Institutional Assessment (CPIA) instrument as the central plank in assessing capacity to absorb and effectively use loan resources. The CPIA has been widely criticised for: heavy reliance on the judgement of World Bank staff; an ideological bias towards trade liberalisation; a continuing lack of transparency and evidence-based assessment in spite of recent reforms; and a widely varying degree of confidence by Bank staff in their own assessments (varying by up to 90%<sup>10</sup>). It would work as a new form of externally-driven conditionality imposed upon recipient countries who will be pressured to improve their CPIA ratings in order to access a greater amount of resources, thereby contradicting the very principles of ownership and democracy. It is therefore inappropriate for such a contested instrument to provide the basis for decision-making over allocation of scarce concessional lending resources.
- The World Bank / IMF proposal also threatens to undermine the development of sustainable institutions by continuing to invest in debt sustainability analysis carried out by donors rather than the contracting government. Debt sustainability analysis should be carried out in the first instance by loan contracting governments. Independent support, such as that provided by Debt

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<sup>9</sup> Outlined in full in: CAFOD, Trócaire, Christian Aid, Oxfam International, Action Aid International – UK, 'To Lend or to Grant: a critical view of the IMF and World Bank's proposed approach to debt sustainability analyses for low-income countries', April 2004.

<sup>10</sup> Herman 2004, in CAFOD, Trócaire, Christian Aid, Oxfam International, Action Aid International – UK, April 2004, p. 4.

Relief International, should be provided to low-income governments. Clearly, creditors have the right to conduct their own analysis, but the presumption in international cooperation should be to prioritise the location of debt analysis and debt management within low-income countries' institutional structures, supported by external analysis and capacity-building.

- Accountability at debtor level: there has been a growing call by civil society across sub-Saharan Africa for loan contraction to be overseen by statutory parliamentary mechanisms at a country level. This should be supported as a key measure in transparency and accountability on the contraction and use of loans.
- Accountability at creditor level: creditors also have to accept responsibility for the loans which they make to Southern countries. A population should not have to pay back the debt that was contracted against its interest by a dictatorial regime of which it has been the foremost victim. In such cases, creditors should bear the responsibility for such bad loans unless they can prove that the loan was contracted in good faith. In low-income countries, many donors currently rely on the IMF's judgement of macroeconomic stability as a proxy for creditworthiness and capacity to use aid effectively. However, there is a lack of evidence-based analysis in the IMF's projections on economic growth. The IMF should make the rationale and assumptions for its decisions on the parameters in its programmes with low-income countries open to debate, particularly in the low-income country. Creditors should take responsibility for their own lending decisions, including mechanisms to cancel loans given with respect to projects which fail for reasons beyond the Government's control or which become unpayable in the event of shocks (see below). Creditors should be prepared not to only monitor each other's performance as responsible lenders but to submit to future reviews under NEPAD-type structures by recipient countries.
- Shocks and debt management: in the case of shocks, most low-income countries find themselves obliged to carry out deep adjustment measures (demand compression) given a shortage of finance to absorb the shock and maintain existing levels of government expenditure and investment. However, this can be deeply damaging in the medium to long-term, as well as causing immediate hardship to the most vulnerable. Reduced investment in the institutions and services which are necessary to maintain economic growth deepens and lengthens the period of economic crisis. Such a pro-cyclical response to shocks must be avoided and the only feasible way to do so is by generating finance at a sufficient level to protect social and economic institutions.

Shocks in Low-Income Countries can be predicted with a reasonable degree of reliability, given recurring patterns of natural and market-based volatility. The IMF, and the donors who rely on the IMF for its signal, should adopt responsibility for the repayment of loans which prove unsustainable when exogenous shocks undermine a low-income countries' capacity to repay. Mechanisms such as conversion of loans to grants should be considered as a priority. The IMF's Compensatory Finance Facility should be redeveloped as fast-disbursing, low-cost (PRGF terms), low conditionality mechanism in case of shocks. The cost element is an obvious requirement, given the need to avoid future debt unsustainability. Low conditionality is necessary to avoid the excessive recessionary adjustments noted above, given the likelihood that most shock-prone low-income countries will have a programme relationship with the IMF already.



There should be serious consideration of the inclusion of a “*force majeure*” clause<sup>11</sup> when contracting any new loans. This would prevent future uncertainty between creditors and debtors in case of non-execution of the debt contract arises out of causes beyond either party’s control.

### **3. A Fair and Transparent Process for Debt Management**

Paragraph 69 of the Monterrey Consensus recognises the need ‘*to promote fair burden-sharing and minimise moral hazard*’ by the consideration by ‘*all stakeholders of an international debt work-out mechanism*’. CIDSE / Caritas Internationalis<sup>12</sup> believe that existing debt management structures (Paris and London Club, BWIs), being creditor-dominated do not make this possible as, they both as judge and jury, in a manner of speaking. A fair, transparent and comprehensive debt work-out mechanism should have the following features:

- The process should be open to all debtors, including HIPCS;
- The start of the process should trigger an automatic standstill on all external debt payments; this would protect countries from litigation;
- The debtor and the creditors alike should choose the members of an ad hoc independent arbitration panel. Ultimately, a more permanent body to deal with successive debt crises could be institutionalised within a structure such as the UN, given its responsibility for the follow-up to the Financing for Development process;
- Debt sustainability should be judged by the independent panel. It would ensure considerations of debt sustainability within the development context of each debtor country whereby government revenues are balanced against the need to finance poverty reduction;
- Creditors and debtors would reach a specific agreement for using the debt savings in part to benefit the poorest and most vulnerable sectors of society;
- The population of the debtor country, through its representatives (parliament, chambers of commerce, trade unions, grassroots organisations, churches, NGOs etc.) should have a right to be heard before the panel and would participate in assessing the balance of interests between the creditors, the priority need to finance poverty reduction and the debtor country’s medium to long term economic interests;
- The role of the IMF should be restricted to that of a lender, rather than an arbiter of debt sustainability, given the conflict of interest inherent in the dual roles;
- The whole process as well as the decisions of the panel should be made public.

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<sup>11</sup> In international law, a *force majeure* clause excuses non-performance arising out of causes beyond either party’s control and without any fault or negligence on the part of the non-performing party. It affects both buyer (or creditor) and seller (or debtor). For the seller, *force majeure* may affect its ability to deliver and/or service the goods, while for the buyer, it may affect its ability to take delivery and/or to pay for the goods. If the parties are not specifically protected by a *force majeure* clause, then they are left to rely upon the doctrine of frustration for excusing performance in an appropriate case.

<sup>12</sup> CIDSE / Caritas Internationalis, ‘Sustainability and Justice: A comprehensive Debt Workout for Poor Countries with an International Fair and Transparent Arbitration Process (FTAP), Sept. 2004

## **NORTH AMERICA**

### **U.S. Comments On The Issues Paper for the Multi-Stakeholder Dialogue on Debt**

#### **1. Introduction**

The burden of overwhelming and unjust foreign debt remains a major stumbling block to development for many poor countries. It is a moral issue because it drains resources that should be devoted to education, health care, and essential social programs, accelerates environmental destruction, and makes the economies of impoverished countries vulnerable to external control. Behind the debt crises visible now are decades of similar and repeated crises rooted in a global economy tilted in favor of industrialized countries, the rich, the powerful, and the private sector. The debate about debt must address the historic imbalance of power and the colonial and neo colonial exploitation of natural resources and human labor. Until the slate of illegitimate debt is wiped clean and structural injustices in the global economy are eliminated, it will never be possible for impoverished countries to “manage” sovereign debt or achieve the MDGs. Present “debt relief” programs of the IMF and World Bank and other creditors perpetuate the current broken system rather than repair it.

The reason to address the untenable situation of overwhelming indebtedness in which many poor countries find themselves is not to make debt sustainable; rather it is to eradicate poverty and ensure basic economic and social rights and the integrity of creation. Debt and international economic arrangements are at their core political issues, rather than legal or financial issues. Unjust debt will cease to be a problem when there is sufficient political will in the global community to eliminate it without destructive conditionalities.

Overall, the strategic issues paper, *Managing Sovereign Debt For Sustained Development* issued on October 15 2004, is very technical and seems oriented to debt managers – in its current form, it is not helpful in pushing forward a policy debate as the parameters are too limited. It risks irrelevancy as stronger stands on debt (eg up to 100% multilateral debt cancellation) are coming from the G7 Finance Ministers, not to mention Southern governments and civil society considering default and other options. Also, the paper doesn’t address real options and processes being discussed by civil society – such as debt audits, repudiation, or an arbitration process modeled on US bankruptcy law.

#### **2. Sustainability and Restructuring Debt**

The debate over what constitutes “debt sustainability” for these countries is a grotesque red herring given the conditions in which people are living; it is one based on arbitrary and, in the historical context, ungenerous terms. The idea of “sovereign debt restructuring” gives inadequate attention to the current crisis of poor counties’ inability to provide basic human services to their people.

Though the strategic issues paper acknowledges that sustainability may be seen in “social terms,” it cites only two examples of such an approach – one adopted by the IMF but which was roundly criticized by civil society, and another supported by the US Congress which would limit external debt servicing to 10% of government revenues. By presenting only these two options, the paper prematurely limits the debate on a social needs approach to debt sustainability. In fact, there may be no sustainable level of debt for the most impoverished nations fighting HIV/AIDS and facing other urgent crises. One approach that should be included in the issues paper, would be to link debt service

payment to achievement of the MDGs approach – ie, until internationally recognized goals like the MDGs are met in a given impoverished nation, there should be no debt payments. This could take shape as outright cancellation, or barring the political will, a moratorium.

To the extent that debt sustainability assessments need to be carried out, it is also very important to learn from the past and acknowledge that the process by which they are performed is arguably as important as the debt sustainability indicators themselves. The new World Bank – IMF debt sustainability framework, by moving into a country-specific assessments of debt sustainability, does enlarge the scope for discretionary decisions. Since the exercise continues to be left in the hands of the Bretton Woods Institutions, it fails to provide adequate safeguards regarding the transparency, even-handedness and accountability of the process for arriving at particular results on debt burdens, growth projections and vulnerability. Moreover, it is not clear to what extent the countries concerned have a say in the final decision on their debt sustainability levels.

### **3. Illegitimate and Odious Debt**

The strategic issues paper does not adequately address odious or illegitimate debt, despite clear examples that must be taken into consideration, including a) odious debts - obligations taken on by irresponsible, illegitimate, and oppressive governments. b) Debts in which the principle has been paid many times over due to rescheduling and rising interest rates; c) debts for inadequately researched or irresponsible projects that were never completed or never translated in to a public benefit for the population of the borrowing country; d) Debts for food aid, that undercut domestic food production e) Debts for military expenditures that were part of the Cold War. In fact, the damage inflicted on all poor countries through colonial and neocolonial exploitation, theft, slavery, and environmental degradation which formed the basis of much of the wealth of “western” industrialized society suggests that we ask “who owes whom?”

### **4. Debt Crisis Resolution Framework**

The adoption of a predictable framework for debt arbitration that would replace the present ad-hoc, case-by-case, exclusively creditor-led approach to debt cancellation with a system that achieves fairer balance between the interests of creditor and debtor is required. One well-developed proposal, the FTAP /Chapter 9 framework, applies principles of domestic bankruptcy law and provides for an independent third party to make judgements on the claims of the creditors.

In the FFD Outcome Document, governments of the world agreed, for the first time, on the need to establish a set of clear rules for management of the debt crisis that would prevent moral hazard and achieve fair burden sharing of the crisis among creditors and debtors. However, the language failed to specify essential features the framework must meet in order to achieve those goals and left ambiguous the issue of who would be in charge of designing and implementing the framework.

Recommendations for a debt crisis resolution framework, include the following conditions:

1. An independent authority should make all decisions on the claims of the parties,
2. The debtor country should be able to initiate a unilateral process where they obtain immediate stand still protection – endorsed by the independent authority.

3. The independent authority in charge of the process should be explicitly empowered to rule on whether debts are illegitimate or odious.
4. All foreign currency debts owed by the sovereign government should be on the table. This should include debts owed to private lenders, to other sovereign governments (bilateral debt) and to international financial institutions (multilateral debt)
5. The process should be transparent and provide for the right of civil society to be heard at all relevant stages of the process: public hearings, publicity of sessions and decisions.
6. Any agreement between the debtor and the creditors should ensure that the debt burden of the sovereign is reduced to a level that ensures that the service on the remaining debt does not impair the ability of the indebted country to fulfill basic human rights of the population and meet the MDG's.

### **Additional Comments**

Problems exist with the identification of countries considered for debt relief. There is great difficulty involved in drawing a line between “low-income” and “middle-income” countries, just as there is between “heavily indebted” and simply “indebted” countries. The largest developing countries, such as the Philippines, Brazil and India, are classified as middle-income countries, and indeed are generally better-off than most sub-Saharan African countries (for example). But those large countries also include a huge percentage of the world's most desperately impoverished people, and their governments are prevented from improving their lives through the same mechanisms as the governments of Niger and Tanzania are. As long as debt payments are diverting resources that could be helping to solve chronic poverty, the governments can in no justifiable sense be said to be able to “afford” to pay wealthy institutions and governments.

In reference to Paragraph 29, creditors must be held responsible for negligent advice or they can be sued.

Paragraph 22) The use of policy “quality” as a tool to determine debt sustainability levels is suggested without any critical analysis of the failures of the types of macroeconomic policies promoted by the IMF and World Bank over the past 25 years. The paper refers often to “sound macroeconomic policies” without going into a critical discussion of the relative merits of IMF/World Bank policies as such which a growing chorus of official, intergovernmental and civil society bodies are recognizing as failed approaches.

Indeed, the issue of macroeconomic conditionality is a crucial one in the discussion of solutions to the debt crisis. The last 25 years have been marked by a cycle of heavily-conditioned loans made to pay off debts, followed by differently, and often more heavily, conditioned loans to pay off the previous loans. No country has graduated from this system; indeed, virtually all of the countries have simply multiplied their debt burdens. With such clear evidence that the system is failing, we must assert that debt cancellation, to be effective, must be unshackled from macroeconomic policy conditions.

Paragraph 46/47) The section on avoiding risk focuses to a large degree on risks of default to creditors. It fails to consider that in the context of extreme poverty, or in the case of an odious or illegitimate debt, a government or governments may be perfectly justified in considering default on debt in terms of its own national interest.

Paragraph 29) The current system ensures multilateral creditors are paid back dollar-for-dollar (while most wealthy governments value impoverished-country debt at about ten cents to the dollar), immediately, and by using taxpayer money. Not only does this privilege the current projects of the institutions – many of which have a dubious relationship to poverty-reduction – over the more sure-fire cancellation of debt, but it absolves the institutions of any accountability whatsoever for the damaging “advice” (especially the structural adjustment programs that further impoverished people whilst opening up whole economies to exploitation by multinational corporations) they have “given” over the last 25 years.

## **About the networks and organisations that contributed to this paper**

### **Estrategia Andina-CentroAmericana-Amazónica**

#### **Members:**

Teams and campaigns promoting civil society participation in:

- Questioning debt
- External debt reduction
- Fight against poverty
- Promotion of human development and human rights
- Public policy advocacy

Executive Coordination: Comisión Episcopal de Acción Social, member of the Jubileo Peru Network. Currently integrated by the following teams:

Foro de Deuda Externa de Honduras; Caritas Honduras; Grupo Incidencia Notre-Sur de Nicaragua; Caritas Nicaragua; Centro de Derechos Económicos y Sociales de Ecuador; Jubileo Guayaquil-Ecuador; Jubileo Perú; Centro de Pastoral Social de Bolivia Caritas Brasil; ATIS de Colombia.

#### **Objectives:**

**The Andean, Central American and Amazonian Strategy** objectives are:

- Facilitate exchange among members
- Joint advocacy
- Contribute to the international citizen movement
- Contribute to regional integration
- Contribute to democratic change of North-South relations

#### **Current proposals:**

Among the proposals currently being developed by the Andean, Central American and Amazonian Strategy are:

- Questioning of and alternatives to the HIPC scheme
- Promote and demand that external debt reductions be used in social and environmental expenditures
- Citizen hearings on external debt and establishment of their illegitimacy
- Proposal for a sovereign debt international arbitration tribunal
- Mechanisms of social control and official auditing with citizen participation

### **AFRODAD**

AFRODAD is a research, lobby and advocacy regional organisation seeking to secure positive policy changes to redress Africa's debt and development crisis in order to achieve equitable and sustainable development that will lead to an African and worldwide prosperous society.

It is a civil society organisation born of a desire to secure lasting solutions to Africa's mounting debt problem which has impacted negatively on the continent's development process.

**Vision**

AFRODAD aspires for an equitable and sustainable development process, leading to a prosperous African Society.

**Mission**

To secure policies that will redress the African Debt Crisis based on a human rights value system.

<http://www.afrodad.org/>

**EURODAD**

EURODAD (European Network on Debt and Development) is a network of 48 non-governmental organisations (NGOs) from 15 countries across Europe working on issues related to debt and finance, poverty reduction policies and empowerment. EURODAD's overarching aim is to work for national economic and international financing policies that achieve poverty eradication and the empowerment of the poor. The Brussels Secretariat acts as an information hub, monitoring and analysing changes at the international level, gathering and disseminating knowledge and experiences from the national level, and developing new policy positions to feed into advocacy, campaigning and education work by our members and other contacts around the world. Eurodad staff also engage in lobbying work at the multilateral level with the World Bank, International Monetary Fund (IMF) and European Institutions.

*EURODAD (Réseau Européen sur la Dette et le Développement) regroupe 48 organisations non-gouvernementales (ONGs) dans 15 pays européens différents, travaillant à la promotion de la coopération au développement, la lutte contre la pauvreté et l'annulation de la dette des pays du sud. Notre objectif principal est de promouvoir des politiques économiques nationales et des politiques financières internationales qui favorisent l'éradication de la pauvreté et la participation des personnes pauvres aux décisions qui les concernent. Le secrétariat à Bruxelles joue le rôle d'un forum central pour les échanges d'information, la veille politique et l'analyse des développements sur le plan international. Nous collectons et rediffusons les expériences et les informations venant des pays en voie de développement, et développons de nouvelles prises de positions relayées par les campagnes d'information et actions politiques de nos membres et d'autres contacts autour du monde. L'équipe de EURODAD mène également une action de lobbying au niveau multilatéral auprès de la Banque Mondiale, du Fonds Monétaire International (IMF) et des Institutions Européennes.*

<http://www.eurodad.org>

**CIDSE**

CIDSE (Coopération Internationale pour la Solidarité et le Développement) is an alliance of 15 Catholic development organisations from Europe and North America. CIDSE members share a common strategy on advocacy work, development projects and programmes, and development education.

*La CIDSE est une alliance de 15 organisations catholiques d'Europe et d'Amérique du Nord oeuvrant pour le développement. Les membres de CIDSE partagent une stratégie commune concernant un travail de sensibilisation et de lobbying, projets et programmes de développement, et de l'éducation au développement.*

<http://www.cidse.org>

**Maryknoll Office for Global Concerns**

USA response summarized by Maryknoll Office for Global Concerns (with contributions from: Jubilee USA Network, 50 Years Is Enough: U.S. Network for Global Economic Justice, Center of Concern, Maryknoll OGC and other USA based NGO's). Maryknoll Office for Global Concerns is the U.S.-based Catholic mission movement which includes: the Maryknoll Society (priests and brothers), Maryknoll Congregation (Sisters), the Maryknoll Mission Association of the Faithful (laity, priests and religious), and the Maryknoll Affiliates. Since 1911, Maryknollers have helped people overseas build communities of faith. Some work in war zones with refugees, others minister to the sick, the elderly, orphans or people with HIV/AIDS. Through lives of service, Maryknollers translate the gospel of love into different languages and in different cultures.

<http://home.maryknoll.org/>