**Lidy Nacpil**

**Asian Peoples Movement on Debt and Development, member of Jubilee South**

**Outline of Presentation: Systemic Issues, Global Economic Governance and External Debt**

**A. Introduction**

**B. Comments on the section on Debt and Debt Sustainability**

a. The emphasis seems to be still on the responsibility of borrowing countries and the need for “prudent management of borrowing and of liabilities”

* No doubt this is very important – we are very critical of our own governments’ over-reliance on borrowing to cover public expenditures and the problems of borrowed funds being wasted due to overspending and corruption in government projects.
* However, even while the draft document reiterates that borrowers and lenders “must share responsibility for preventing and resolving unsustainable debt situations” - there is a need to be more substantive and concrete in referring to and addressing lender responsibility and culpability in the accumulation of unsustainable debt as well as of illegitimate debt. There should be acknowledgement of and commitment to address continuing practices of public and private lenders that have led to accumulation of unsustainable debt and of illegitimate debt – such as predatory lending, supply-driven lending, imposing loans as co-financing in order to access grants, the push for different kinds of public guarantees and contingent liabilities in public-private partnerships, and many others.

b. We ask that Member States not only to acknowledge the UNCTAD’s principles on Responsible Sovereign Lending and Borrowing but also to call for and initiate process that will build on UNCTAD and other similar efforts and lead to the development of a Convention on Responsible Lending and Borrowing.

c. The previous Elements paper had referred to debt audits that could be initiated and owned by both lender and borrower countries. Debt audits are critical towards shaping and improving policies on managing outstanding debts and debt service but also on borrowing and lending. We urge not only for bringing back the reference to debt audits but the inclusion of a strong call for debt audits.

d. We also urge the integration of the LDC governments call for full cancellation of multilateral and bilateral debts owed by all least developed countries to public and private creditors and, and further ask that immediate debt cancellation also be extended to countries in crisis, countries heavily affected by climate change

e. We note that there is no mention at all of the problem of illegitimate debt- even as in previous years there have been papers, roundtable discussions and conferences organized by agencies of the UN and even by the World Bank itself where the subject has been discussed not only by debt campaigners but also by academics and policy-makers. At the last UN FfD Conference in Doha in 2008, there were efforts by some of the more enlightened governments, north and south, to put illegitimate debt on the agenda and initiate a serious study of the problem towards eventual multilateral resolutions and actions. Unfortunately these efforts were successfully blocked. It would be important to try and raise this issue again.

f. The problem of unsustainable and illegitimate debt should be more sharply linked not only to lending, borrowing and debt management policies, but to other economic policies such as trade and investment strategies, agreements and relations. Unfair, imbalanced and inequitable trade and investment policies and agreements contribute significantly to huge net resource transfers from developing countries to developed countries. These form part of the roots of development financing deficit, which then serves as the backdrop, basis and justification for over-reliance on borrowing, and the vulnerability to loan peddling.

**2. Comments on Systemic Issues**

a. The 2008 world financial and economic crisis underscored more than just the need for regulation of financial markets and the imperative of a global financial safety net. The crisis revealed the extent by which the financial system – in its international and national articulations – has evolved into a complex architecture riddled with its own internal, inhuman, irrational and unjust logic, policies and practices. The strategic agenda must not be simply the stabilization of the system through limited reforms but its complete transformation. The construction of a new financial system must be part of the larger agenda of sustainable development and transforming the global economic order.

b. The transformation of the financial system should begin in many places and these places include the Bretton Woods institutions. The zero draft acknowledges and prescribes much too great a role to these institutions in reforms and solutions, without recognizing the negative impacts their policies have had not just on developing country economies but now also, in particular the IMF on developed countries in crisis. Granting the IMF played some counter-cyclical role during the crisis, this should not overshadow the fact that its many decades push for capital accounts and current accounts deregulation has contributed greatly to global financial instability and the loss national policy space and sovereign control over finance and capital flows. There should be substantive and concrete calls for a transformation of these institutions in terms of governance structure, the development paradigms they espouse, their policy frameworks, their operations. Or they should be replaced with new ones.