2022 Financing for Development Forum

Session on Special High-level Meeting with Bretton Woods Institutions, WTO and UNCTAD

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We are in front of the most difficult challenges we faced in the last decades – as Ms Azucena Arbeleche, from the World Bank and IMF Development Committee stated -, but the answer from the WB and IMF seems to be limited to barely more and more lending. This is, more and more debt. Don’t get us wrong, access to concessional and long-term financing for developing countries is vital, but this overwhelming focus on market access, SDG and green bond issuing, blended financing, is becoming a great concern for civil society and communities in the global south.

We can only imagine the huge mountain of debt, upon already unsustainable debt levels, that will result from this. It’s been said that new debt should contribute to growth, but the reality is that in many countries most new borrowing is for refinancing existing debt obligations.

And this is all particularly worrying as we do not have a functioning debt resolution mechanism in place. The Common Framework is facing monumental challenges, and most importantly, what seems to be lack of political will to achieve agreement on ways forward within the G20, a space with less country representatives than this fairly empty room. China joining Zambia’s creditor committee is indeed good news, but they come with many months of delay. The Common Framework won’t magically work, “it is not a panacea”, as Special Envoy on Financing 2030 Agenda for Sustainable Development, Mahmoud Mohieldin stated.

Beyond the political consensus needed to provide timely, comprehensive and fair debt restructuring and debt cancellation to all countries that need it from all creditors, the IMF, MDBs and bilateral creditors could step up their game by providing on legal protection and concessional financial support to borrowing countries that choose to default on recalcitrant creditors, including lending into arrears.

Furthermore, how is fiscal space going to be created in such a context of increasing already monumental debts? With more austerity led fiscal consolidation, including cuts in public services, as it’s happening today in many developing countries?

Or by providing public concessional long-term finance for public goods, that allows the energy and economic transition to a decarbonised model and to reduce inequalities, without worsening the debt problems. As we pointed out yesterday, debt cancellation is also needed, within an ambitious agenda to tackle the debt distress, including, as H.E. Ms. Maimuna Kibenga Tarishi, President, Trade and Development Board President, at UNCTAD mentioned, an agreement on a multilateral mechanism for debt resolution, based on UN Basic
Principles on Sovereign Debt Restructuring Processes. A full reform of the international financial architecture and debt architecture, as the ECOSOC vicepresident proposed.

We agree with Colombia and Light-minded countries representative, that we need a realistic assessment of debt sustainability. We appreciate the progress on multidimensional vulnerability indexes, and understand that we should have an open review of the approach to debt sustainability, with UN guidance and civil society participation, based on the same principles that guide the work on Multidimensional vulnerability indexes, in order to move towards a long term debt sustainability concept that has at its core environmental and climate vulnerabilities, together with human rights and other social, gender and development considerations. As our colleague Emilia Reyes stated yesterday, Debt cannot be considered sustainable if its payment prevents a country from affording climate resilience plans or gender equality policies.

“We need to have the talk”, as Ms Kibenga proposed. I can’t imagine a better chance to have the talk on the reforms needed that a process towards a finance for development new conference.