



Remarks as prepared for delivery:

**IMPLEMENTING DEBT, TAX, TRADE AND TRANSPARENCY
POLICIES THAT PROTECT THE VULNERABLE, PROMOTE
DEVELOPMENT AND ADDRESS INEQUALITY**

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Implementing Debt, Tax, Trade and Transparency Policies that Protect the Vulnerable, Promote Development and Address Inequality

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I want to extend my gratitude to all of the organizers of the Intergovernmental Group of Experts on Financing for Development and UNCTAD for convening these critical UN meetings. In particular, in light of recent reports from the International Monetary Fund and UNCTAD that warn of another financial crisis, we cannot forget that UNCTAD was one of only a few bodies that foresaw the last global financial crisis of 2008.

As concerns grow that not enough has been done to prevent another financial crisis and we are seeing rising debt vulnerabilities in Africa and throughout the developing world, the timing of these meetings is incredible. I associate my remarks today with the insightful November 7th statement of the Holy See.

In today's UN forum we are tasked with responding to the following issues: mitigating debt vulnerabilities, utilizing debt financing to promote sustainable development, promoting responsible finance and improving existing policies to resolve debt and financial crisis.

My organization, Jubilee USA Network is well positioned to respond to these issues because of our unique history in creating and supporting policies that successfully resolve unsustainable debts, prevent financial crisis and diminish poverty.

Jubilee USA is part of the broader community of global organizations that coalesced around resolving debt crisis in the poorest countries of the world over 20 years ago. Jubilee USA moves forward global policies that address the root causes of poverty and inequality related to debt, tax, trade and transparency issues. In the United States, Jubilee USA's founders and members include

the US Conference of Catholic Bishops, American Jewish World Service, Islamic Relief, the United Church of Christ and most mainline Christian Churches. Congressional Quarterly cites the work of Jubilee USA as some of the last truly bipartisan efforts in the United States.

In the 1990's we began our work together to address inequality and finance development by addressing the global debt crisis. Together we won two great debt relief and financing initiatives to address global poverty and promote children's education and health: The Heavily Indebted Poor Country Initiative (HIPC) and the Multilateral Debt Relief Initiative (MDRI). Because of these initiatives, over \$115 billion was won in debt relief to benefit some of the world's poorest countries. Because of that debt relief we know in sub-Saharan Africa that more than 52 million kids went to school who never would have seen the inside of a classroom. We know that school fees were cancelled, hospitals were opened, because of this historic initiative, because of this relief and the international accountability laws that we won, all of this money had to go into building social infrastructure. World Bank President Jim Kim cites debt relief as one of the two reasons we see sustained economic growth in some countries across Africa.

It was out of these initiatives that concepts around achieving debt sustainability were born.

Unfortunately, as successful and important as HIPC and MDRI were, we now realize that those solutions were not enough to entirely address the problem. Out of the 38 very poor countries that benefitted from the HIPC and MDRI initiatives, 31 again face debt distress, financial crisis or unsustainable debts. 31 out of 38.

But not only has that crisis impacted and returned to some of the world's poorest countries, we have also seen it impacting middle-income and even developed countries. From 2009 to 2014, debt service in Africa nearly doubled. While at the same time in the same countries in Africa, we saw spending on health care decline. This year the IMF released a new report acknowledging that serious debt crisis is facing countries across Africa. We are concerned that nearly 20 African countries are showing worrying signs of crisis or impending crisis. We are currently seeing a tragic situation on Small Island Developing States or SIDS across the world, many of these islands with poverty rates that range from 30% to 50%. These so called Middle-Income Small Islands are now facing crisis, just as so-called middle-income countries in Africa are facing similar crises.

These new crises have become more complicated. Debt itself has changed and the instruments of debt have changed. Where 20 years ago, debt was relatively quarantined to a rather small group of lending facilities, international financial institutions, governments and bonds - now we see more complicated instruments and a broader array of types of credit and debt. These concerns are interrelated with the reality that many developing countries across Africa are much more vulnerable to any new global financial crisis.

With this new reality and this lack of debt sustainability there is a small group of exploitative hedge funds that are trying to benefit from countries wrestling with financial crisis. These so called "vulture funds" are responsible for predatory behavior in Detroit, in Greece, in Argentina and were recently stopped in Puerto Rico by an act of the US Congress. So called "vulture funds" buy debt for pennies on the dollar and then sue in full using aggressive litigation tactics to collect the full amount. These types of funds have successfully collected aid monies that were intended to provide development financing in the developing world. Some of the victims of this behavior sit here in this room.

In response to the challenges that “vulture funds” continue to pose, one can not underestimate the leadership of the US Government in two areas. In 2016 Congress and the White House moved into law the first anti-vulture fund legislation from the US Government to protect Puerto Rico from these predatory actors.

Second, we cannot forget how these predatory vulture funds have successfully used some of the nearly 2000 trade Interstate Dispute Settlement or global ISDS processes to collect on old bad debt. In the new NAFTA negotiations in the United States, Mexico and Canada, we are seeing these processes being severely limited and a final agreement should prevent this small group of hedge funds from exploiting these trade dispute processes.

In 2016 and 2017 the IMF and World Bank reviewed their sustainability framework. This framework offers a lot of valuable information and pulls together much needed analytical data. Debt sustainability frameworks need to be discussed in relation to strengthening global policies on debt restructuring and responsible lending and borrowing. Further debt sustainability analysis could be strengthened by ensuring they take into account issues such as development, improving flexibility to reevaluate after external shocks and reviewing fiscal targets to ensure that tax evasion and corruption are curbed.

We and the religious organizations that we represent and work with around the world, believe very much that debt sustainability works hand in hand with public budget transparency and responsible lending and borrowing. Beyond preventing predatory financial behavior, public budget transparency and responsible lending and borrowing can provide financing of billions of dollars annually for the developing world. Both in the monitoring of debt levels and in the financing for development, these issues cannot be separated from debt sustainability.

These concepts are reiterated in the very promising recent work of the G20 which the US Government and G20 endorsed last summer: the Operational Guidelines for Sustainable Development. We are now in an implementation phase on these efforts. This work compliments the strong consensus building work over the last 7 years with UNCTAD’s efforts on responsible lending and borrowing.

These conservative stewardship policies cost nothing and can raise billions in the developing world.

Further it’s why we support improved debt restructuring at the International Monetary Fund. It is why we supported the United Nations General Assembly process to create a legal global bankruptcy framework. Similar to Chapter 9 or Chapter 11 in the United States, global bankruptcy can provide the same kind of stability we rely on in domestic economies into the global financial system. Pope Francis supports such a system to provide financing to end poverty. Adam Smith the father of modern economics believed global bankruptcy is critical for global stability. We believe that a country’s debt can be called sustainable after the debt is adequately restructured.

Public budget transparency, responsible lending and borrowing and stronger restructuring regimes must be moved forward urgently to prevent or mitigate the next financial crisis.

In terms of issues around development, we must take into account the reality that poor populations and vulnerable communities often do not have their needs met when even

“sustainable” debts are paid. There needs to be a greater effort in analyzing the sustainability of a debt when the basic needs and economic rights of people are not met.

Next, external shocks can immediately change the debt dynamics of an economy. Antigua and Barbuda, Dominica and so many Caribbean islands were decimated by hurricanes last year. Our partners in Dominica can testify to this reality. It is imperative to move forward proposals that can restructure debt when countries face shocks or natural disasters. We see the success of proposals like this, when debt relief was successfully used as a crisis response tool for the three African countries hit by the Ebola epidemic.

When disaster strikes, when famine spreads and when economic crisis impacts the poor, we need to be able to reevaluate these situations. In line with our previous thoughts on improving debt restructuring and looking at Chapter 9/11 styles of bankruptcy – it seems the Caribbean would be a perfect candidate for a regional Caribbean initiative. This post HIPC initiative, could be a regional initiative with the high debt distress many Caribbean countries are experiencing. It can utilize the principles of bankruptcy for a regional Caribbean mechanism.

Finally, debt sustainability also must rely on improved fiscal policies that curb tax evasion and corruption. Standards must be set that provide targets to governments to curb illicit financial flows, tax evasion, corruption and corporate and professional tax avoidance. We also acknowledge the growing issues around tax evasion, illicit financial flows, anonymous shell companies and corporate tax avoidance. As the President Mbeki report noted, one of the greatest diversions of financing for human needs is because of tax evasion and corruption. Last year the UN Conference on Trade and Development (UNCTAD) released a study on five countries that showed how much money they were losing because of “trade mis-invoicing.” Currently we believe that 80% of all illicit financial flows are because of trade mis-invoicing at borders and port authorities. This is actually a relatively easy problem to tackle, and this particular problem if tackled could secure more than \$1 trillion a year to provide financing and support economic growth in the developing world. Addressing corruption, tax evasion, corporate tax avoidance, anonymous shell companies and related issues should be addressed. When countries fall short on revenue they too often turn to austerity and more borrowing to meet budget demands.

In closing, to promote development and prevent financial crisis we need to promote stronger policies on trade dispute mechanisms, public budget transparency, responsible lending and borrowing, development protections, improved debt restructuring and fiscal policies that curb tax evasion and corruption.

Thank you.