Building Resilient, Sustainable Communities, Lifting the Vulnerable, Addressing Inequality and Mitigating Natural Disasters

The 12th United Nations Conference on Trade and Development (UNCTAD) Debt Management Conference: Making Debt Work for Development

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Remarks As Prepared for Delivery

I want to extend my gratitude to all of the organizers of the 12th UNCTAD Debt Management Conference: Making Debt Work for Development. This convening comes at a critical, frightening moment. While the title of these UN Meetings encourages debt to work for development, we need to ask the question: is debt hindering development?

With UNCTAD noting that debt sustainability in developing countries is "deteriorating fast" and the International Monetary Fund stating in August that 47% of low-income countries are in debt crisis or facing high debt distress, human beings are suffering. In too many poor countries, high debts mean people don't eat, people don't see doctors and communities are unprepared to deal with the havoc caused by tsunamis, hurricanes, earth quakes and other extreme weather events.

Because of high unsustainable debts, corruption, a lack of public budget transparency, tax evasion, tax avoidance and bad trade deals – countries are losing revenue and this real revenue loss becomes a theft from the poor. According to UNICEF, 22,000 children under the age of five are dying every single day.

If these numbers aren't frightening enough, these same structural causes of poverty are also why we have extreme inequality. Why 80 people have more wealth than 3.5 billion or half the world's people, people who live in poverty.

High debts and these other structural issues are why the IMF and UNCTAD are warning all of us that we could experience another global financial crisis. This frightens all of us.

This convening comes at a critical, frightening moment and we ask are debts hindering development, are high debts creating the conditions for another global 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, The Evangelical Lutheran Church, The Episcopal Church 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. Working with many of you in this room and governments around the world, 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 54 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. Former World Bank President Jim Kim cites debt relief as one of the main reasons we saw 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. At this point only Somalia is able to qualify for this existing process. Eventually 2 other countries may be able to utilize this process.

But for every other country in the world, this door is now closed.

While the door is closed now for almost every country in the world on this process, we acknowledge that it was only because of the political will of the people in this room and our countries that this happened. In 2016 we saw that political will again in the United States under the Republican led US Congress when a super bankruptcy process was created to deal with Puerto Rico's $72 billion debt crisis. It was the first act of the US Congress to stop predatory "vulture funds." After Haiti's tragic earthquake, we saw world leaders and the IMF create a process to relieve Haiti's debt. Just a few years ago, we saw that political will again when the IMF moved forward a debt relief process and innovative grant process to respond to the 3 Ebola affected countries of Guinea, Sierra Leon and Liberia.

We also see the US Government and the G20 working to stop "vulture funds," promote sustainable development and prevent financial crisis with the Operational Guidelines for Sustainable Development. Political will mobilized again to create new contract clauses to stop predatory "vulture funds."

Now we need that political will again.

We need that political will from all of us to ensure that debt is a vehicle for sustainable development, not a hindrance to development and a cause of human suffering. We need to make debt sustainable and restructurings predictable to stop another global financial crisis.

While the problems are great, there are solutions we can move forward now.

With political will growing, we can tackle some of the debt problems of Small Island Developing States or SIDS. Across the world, many of these islands have poverty rates that range from 30% to 50%. These so called Middle-Income Small Islands are now facing crisis. Of the 25 highest debt per capita countries, more than half are SIDS.

Unsustainable debts mean that these small islands don't have resources to deal with the shock of a hurricane or a financial crisis that stops tourists from visiting their countries. When hurricanes decimated Caribbean islands in the last five years, we saw countries like Dominica and Antigua and Barbuda make debt payments within days of a hurricane ravaging their country. 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 and 11 styles of bankruptcy – it seems the Caribbean and SIDS could be good candidates for a regional or focused initiative. This post HIPC initiative, could be an initiative with the high debt distress many Caribbean countries and SIDS are experiencing. It can utilize the principles of bankruptcy for a regional or focused mechanism. When a disaster strikes, a debt moratorium would allow breathing space and debt payments to be used for rebuilding. This would also be a time to reevaluate debt sustainability and possibly trigger a bankruptcy restructuring process.

We've done it before, we can do it again.

For small islands, on a smaller scale, we can test solutions that can build resilient, sustainable communities, address inequality and lift the vulnerable. Starting here, we can build the political will to finally resolve debt crisis and stop global financial crises.

Thank-you.