



Statement by H.E. Archbishop Ivan Jurkovič, Permanent Observer of the Holy See to
the United Nations and Other International Organizations in Geneva
at UNCTAD Intergovernmental Group of Experts on Financing for Development
7 November 2018

Mr. Chairman,

One of the greatest vulnerabilities the developing world currently faces is a “new debt trap”. The total external debt stocks of developing countries are estimated to have grown by 8.5 per cent annually over the past decade, having reached 7.64 trillion USD in 2017. That same year, developing countries, on average, spent almost 14 per cent of the revenue they earned from exports on servicing their external debt. Presently, 40 per cent of Low-Income Developing Countries whose external debt sustainability is regularly assessed by the IMF are considered at a high risk of debt distress. This is twice as many as five years ago, and most of the countries that dropped into the category of ‘at high risk of debt distress’ are in sub-Saharan Africa. This unsustainably high burden of debt servicing puts at risk the major achievements made by the main debt relief initiatives of the 2000s. Emerging economies at different stages of their development are similarly affected: Middle-income Small Island Developing States (SIDS) have seen their external debt stocks more than double since the global financial crisis, and some of them face unsustainable debt-to-GDP ratios of well above 100 per cent.

2. *On the causes of new debt vulnerabilities in developing countries*

While States are called upon “to protect themselves with appropriate management of the public system through wise structural reforms, sensible allocation of expenses and prudent investment” to avoid unsustainable debt burdens, as well as “economic losses created by private persons and unloaded on the shoulders of the public system”¹, international initiatives and efforts to deliver “reasonable and concurred reductions of public debt” in developing economies seems to be indispensable. The looming developing country debt crisis, which this 2nd session of the IGE FfD has come together to address, is an inherent outcome of the core “ill” of our current global economy. The Holy See has already stressed, during the last Trade and Development Board in June, that the current system fails to comply with “its ‘true’ nature [that] consists in favoring the use of the resources saved where they can promote the real economy, well-being, the development of the whole man and all

¹ *Oeconomicae et pecuniariae quaestiones*. Considerations for an ethical discernment regarding some aspects of the present economic-financial system, §32.

men.”² The global financial crisis of 2008 showed very clearly that the unfettered spread of “financial innovations” promotes obscure practices that are de-coupled from real underlying economic activity, and that private markets dominated by such practices systematically fail to assess systemic risk adequately. The chance for reform, however, was missed in 2008, and a decade after the global financial crisis “the growing influence of financial markets on the material well-being of most of humankind” remains a core obstacle to progress, reform and the promotion of integral human development.³

3. *Policy responses to the evolving developing country debt crisis*

In response, the Holy See has emphasized the need to move away from a misleading belief that debates about economic and financial issues are inherently technical and value-free. Instead, no area of human action can legitimately claim to be outside of ethical principles based on liberty, truth, justice and solidarity, that puts the advancement of the integral development of every person, of every human community and of all people back at the heart of global economic governance. This means that we “recognize the validity of economic strategies that aim above all to promote the *global* equality of life, that, before the indiscriminate expansion of profits leads the way toward integral well-being of the entire person and of every person. No profit is in fact legitimate when it falls short of the objective of the integral promotion of the human person, the universal destination of goods, and the preferential option for the poor”.⁴

An important corollary is the need to reign in economic-financial practices that deepen entrenched inequalities and that grant primacy to the speculative intentions of private investors. “What is morally unacceptable is not simply to profit, but to avail oneself of an inequality for one’s own advantage, in order to create enormous profits that are damaging to others; or to exploit one’s dominant position in order to profit by unjustly disadvantaging others, or to make oneself rich through harming and disrupting the collective common good.”⁵

In conclusion, Mr. Chair

² Pope Paul VI, Encyclical Letter *Populorum Progression*, para. 14; Pontifical Council for Justice and Peace (2009). A New International Financial Pact. Note on Financing and Development in view of the Conference promoted by the United Nations General Assembly in Doha. November 18, 2008. Vatican City., p. 9.

³ *Oeconomicae et pecuniariae quaestiones*. Considerations for an ethical discernment regarding some aspects of the present economic-financial system, §1.

⁴ *Oeconomicae et pecuniariae quaestiones*. Considerations for an ethical discernment regarding some aspects of the present economic-financial system, §10.

⁵ *Oeconomicae et pecuniariae quaestiones*. Considerations for an ethical discernment regarding some aspects of the present economic-financial system, §17.

The role of UNCTAD in helping developing countries to attain such long-term debt sustainability has been of great importance and will remain indispensable for the foreseeable future. The Delegation of the Holy See calls upon UNCTAD, and the international community, to take seriously its responsibility to advance a development-friendly international economic environment within which developing countries can make use of external debt in productive ways that help protect the well-being of its citizens. An environment, therefore, that reigns in such economic-financial practices that “constitute instances of *proximate immorality*, that is, occasions that readily generate the kind of abuse and deception that can damage less advantaged counterparts” and “where selfishness and the abuse of power have an enormous potential to harm the community” (OPQ, para 14). As stated by Pope Francis: “It is important that ethics once again play its due part in the world of finance and that markets serve the interests of peoples and the common good of humanity”.⁶ The Delegation of the Holy See looks forward to this session and hopes that the outcomes of this week will help to mitigate debt vulnerabilities in the developing world

Thank you, Mr. Chair.

⁶ Address of Pope Francis to the participants in the Conference on impact investing for the poor, Rome 16 June 2014. Available at:

https://w2.vatican.va/content/francesco/en/speeches/2014/june/documents/papa-francesco_20140616_convegno-justpeace.html