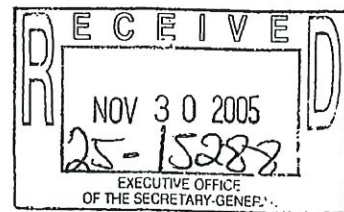


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DESA



**EURODAD**  
European Network on  
Debt and Development

Y

European Network on Debt and Development (Eurodad)  
Avenue Louise 176  
1050 Brussels  
Belgium

22 November 2005

Dear Secretary-General,

EURODAD, in collaboration with CIDSE, SLUG, Plate-forme Dette et Développement, AFRODAD, LATINDAD, Jubilee Research, Center of Concern and the NGO Committee for Financing for Development are pleased to cooperate on an initiative which calls on UN member state governments to support the creation of an international multi-stakeholder working group on fair and transparent debt work-out processes. We would also invite the UN Secretary-General to fully back this proposal.

At the 2005 UN World Summit, the international community agreed "to consider significant debt relief or restructuring for low and middle-income developing countries with an unsustainable debt burden that are not part of the HIPC Initiative, as well as the exploration of mechanisms to comprehensively address the debt problems of those countries."<sup>1</sup>

This concrete commitment undertaken by all member states significantly strengthens the importance of the recent "multi-stakeholder dialogues on sovereign debt" organised by the UN FfD Office in the follow-up to the 2002 Monterrey conference on financing for development. The three dialogues, which took place in New York, Maputo and Geneva earlier this year brought together representatives of creditor and debtor countries, international institutions, the private sector, academics, civil society organisations and other experts to discuss the debt of both low and middle-income developing countries.

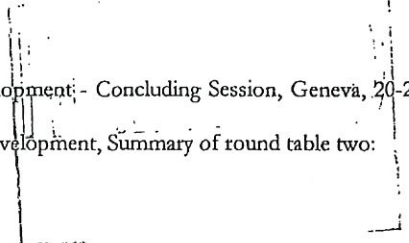
The consultation process has proved to be a promising first step towards gathering together all relevant stakeholders to discuss differences and formulate concrete proposals for the ways in which sovereign debt is managed and crises dealt with. At the concluding session in Geneva<sup>2</sup>, there was unanimous support for a proposal to establish an international multi-stakeholder working group "to explore additional mechanisms for improved debt work-outs, by exploring ideas like a code of conduct for sovereign debtors and their creditors, operationalising the doctrine of "odious debt", or offering arbitration and/or mediation services to facilitate dispute settlement".

The group also emphasised the importance of elaborating the concept of debt sustainability, its application and impact on policy.<sup>3</sup> This is particularly relevant given the recent report of the

<sup>1</sup> 2005 World Summit outcome document, paragraph 26 c), page 8

<sup>2</sup> Multi-stakeholder Dialogue on Sovereign Debt for Sustained Development - Concluding Session, Geneva, 20-22 June 2005). Secretariat Report of the Consultation, 6 September 2005

<sup>3</sup> See: Multi-stakeholder Dialogue on Sovereign Debt for Sustained Development, Summary of round table two: "issues for governments accessing international private financing"



HJB  
cc: YM

UN Secretary-General entitled "In larger freedom: towards development, security and human rights for all"<sup>4</sup> which proposed that "debt sustainability be defined with reference to the ability of the borrowing country to meet the Millennium Development Goals". The report then emphasised the importance of an "operational definition of development oriented debt sustainability".

Recent experiences demonstrate the urgency of further work in these areas. Iraq recently gained an 80% cancellation of its debts owed to Paris Club creditors while Nigeria only managed to obtain 60%. Other countries are able to negotiate only a restructuring of their debts owed to the Club. At the same time, many creditors – and in particular private creditors – still do not participate in the HIPC Initiative which means that the burden of debt cancellation is not fairly distributed and beneficiary countries suffer.<sup>5</sup>

Moreover, at the last UN ECOSOC meeting (June 29th - July 1st), both the G77 and Ecuador called for fair and transparent procedures to address unsustainable debt burdens. Many NGOs have also long made the call for such instruments, the key characteristics of which should include neutrality, comprehensiveness of procedure and the right of all stakeholders to be heard.

The UN Secretary-General, in his report on the dialogues, also states that there is broad convergence on "the need for an improved mechanism to achieve cooperative debt work-outs from crises. Avoiding future cases of non-cooperative workouts from insolvency and strengthening confidence all around in a country's sovereign debt [are] a high priority."<sup>6</sup>

The year 2005 has been an occasion for the international community to renew its commitment to a "global partnership for development" (MDG 8). In practice however, little has been achieved to wrench control of international debt negotiations away from creditors who continue to maintain their stranglehold over debtor nations. The "solutions" designed and implemented by creditors have not however solved the debt crisis.

The creation of a multi-stakeholder working group under the auspices of the UN to further explore fairer and more comprehensive debt work-out mechanisms offers a real opportunity for all stakeholders to have an equal say as well as Northern Governments to demonstrate their commitment to MDG Goal 8. This approach is far more likely to succeed in finding lasting solutions to the debt crisis than any creditor-imposed solution. The Financing for Development process is also the only one that provides the umbrella for pursuing these discussions from the development and holistic perspective that is a distinctive mark of the Monterrey Consensus.

We are therefore asking UN member state governments to back the creation of such a group from a number of distinct angles:

1. Support the inclusion of this proposal in the Monterrey + 5 resolution that is currently being discussed at the UN General Assembly;
2. Bring other governments on board in support of the proposed working group and actively engage in the work of the group;
3. Contribute financially to the operationalisation of such a working group.

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<sup>4</sup> Report of the UN Secretary-General "In larger freedom: towards development, security and human rights for all" (A/59/2005), paragraph 54

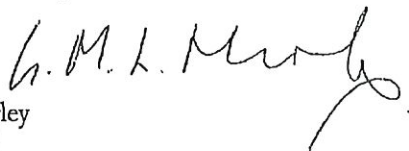
<sup>5</sup> This problem was highlighted in the recent "HIPC Initiative: status of implementation" report by the World Bank and IMF, September 2005

<sup>6</sup> Report of the UN Secretary-General on the multi-stakeholder consultations, August 2005, See: <http://daccessdds.un.org/doc/UNDOC/GEN/N05/469/85/PDF/N0546985.pdf?OpenElement>

This initiative has the support of a number of national and international NGOs, including EURODAD, CIDSE, SLUG, Plate-forme Dette et Développement, AFRODAD, LATINDAD, Jubilee Research and Center of Concern and the NGO Committee for Financing for Development.

We would be very pleased to discuss this proposal with you further.

Yours Sincerely,

A handwritten signature in cursive script, appearing to read "G. M. L. Hurley".

Gail Hurley  
Eurodad

Note:

With copy to José Antonio Ocampo and Oscar de Rojas.