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Written statement* submitted by Sikh Human Rights Group, a non-governmental organization in special consultative status

The Secretary-General has received the following written statement which is circulated in accordance with Economic and Social Council resolution 1996/31.

[29 January 2024]

* Issued as received, in the language of submission only.

Revisiting the Global Debt Crisis: Challenges, Injustices, and the Search for Equitable Solutions

The current debt crisis highlights important challenges and injustices in the global financial system, particularly affecting countries in the "South". The current approaches to addressing these don't appear to be solving the problem. There is need for new and imaginative solutions.

Initially, the root causes of the debt crisis of the 1980s and 1990s were not adequately addressed, leading to a cycle in which irresponsible lending was frequently bailed out, shifting the burden of economic hardship onto communities in the global South. The result was stagnating economies, rising debt and increasing poverty and inequality.

In 1996, the International Monetary Fund (IMF) and the World Bank introduced the Heavily Indebted Poor Countries (HIPC) Initiative, with the aim of alleviating some of the debt burden. However, by 1999, only a few countries had experienced modest debt relief. This inadequacy triggered a global debt justice movement, culminating in the Jubilee campaign, which called for full debt cancellation and systemic reforms. The campaign gained momentum and influenced G8 leaders to extend the HIPC initiative and, in 2005, to cancel debts owed to major financial institutions by countries completing the HIPC process.

While this relief provided some breathing space, allowing for increased domestic investment in essential services and poverty reduction, the HIPC initiative had several limitations. Not all indebted countries were eligible, private creditors had no mandate to participate, and countries seeking relief had to implement austerity-based economic reforms, often to their detriment. For example, privatisation of the water supply system in the United Republic of Tanzania led to deteriorating services, and Zambia was unable to hire additional health workers despite offers of external funding.

The 2008 financial crisis, largely caused by the reckless lending and borrowing practices of Western banks, further exacerbated the debt situation. Despite not having been largely responsible for the crisis, countries in the Global South faced economic hardship due to falling commodity prices and declining export revenues. Lending to these countries soared, and private creditors charged high interest rates. This led to an increase in the proportion of debt owed to private lenders, setting the stage for another debt crisis.

The COVID-19 pandemic further aggravated the debt crisis. The economic slowdown hit the economies of the global South hard, just when they needed more resources to meet health and social needs. Many countries were spending more on debt repayment than on public health. In response, the G20 established the 2020 Debt Service Suspension Initiative to temporarily pause debt repayments for lower-income countries. However, this initiative only covered a fraction of the debt and was followed by the inadequate Common Framework for Debt Treatment, which failed to compel the participation of private creditors.

Today, the international response to the debt crisis is marked by inequalities and ineffectiveness. While "Southern" countries bear the brunt of the crisis, "Northern" countries and institutions largely have the power to change the situation. The failure to effectively address private sector involvement in debt relief, coupled with the lingering colonial legacy in international debt contracts, underlines the urgent need for a more equitable and fair approach to global debt management.