

## Contributions to the SDG Summit and the Summit of the Future

Expert Mechanism on the Right to Development's [Annual Report 2023 - A/HRC/54/41](#)

### Reform of the International Financial Architecture

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The international financial architecture must be reformed through a right-to-development approach. It is expressly set out in the Declaration on the Right to Development that appropriate economic and social reforms should be carried out with a view to eradicating all social injustices. Under the Declaration, States are also required to take steps, individually and collectively, to formulate international development policies with a view to facilitating the full realization of the right to development.

Currently, developing countries are facing multiple crises of food, fuel and finance. A debt crisis is imminent, with about 54 countries currently in debt distress. Climate change has transformed the nature of the development challenge. In such circumstances, systemic reform of the international financial system is urgently required.

The flows in the current financial architecture became acutely apparent during the recent global health crisis. Developing countries were limited in their ability to respond because of their lack of access to affordable finance, which in turn limited their fiscal space, exacerbated their vulnerability to debt and undermined their ability to invest in people and in their own future.

It is abundantly clear that the existing financial architecture has had a direct impact on many areas of human rights, including the rights to development, education, and health. It directly affects nutrition, social protection, and the environment. People in the most vulnerable situations bear a disproportionate burden.

Lending decisions, policies, and practices, including loan surcharges, high interest rates and risk premiums, at times put so great a strain on such States' finances that, instead of helping development, loans can leave States unable to fund public services and fulfil human rights. This is because States have to divert funds to service debt, while implementing stringent fiscal policies.

In the light of the above, the following reforms are among those that should be considered:

- a) Governance should be broadened to include developing countries in decision-making and in the establishment of international economic norms;
- b) More finance should be made available and multilateral and regional development banks, which play a critical role in that process, should increase their financing to developing countries on favourable terms, especially to middle-income countries, where 70 per cent of the world's population lives;
- c) While lending should increase, per capita income should not remain the only criterion for assigning financial resources and access to financing, and favourable conditions should be based on measures that look beyond GDP and are aimed at a more inclusive approach based on international cooperation;



- d) Multidimensional vulnerabilities, poverty, structural gaps, and environmental challenges should be recognized criteria for access to global financial flows and a multidimensional vulnerability index should be used when deciding access to financing;
- e) In this context, lending institutions, in particular IMF, shape national economies through their recommendations, such as policy advice and conditionalities associated with loans. More specifically, the IMF surcharge loan policy has a direct impact on human rights, including the right to development. While that policy was put in place to reduce IMF exposure to the borrowing countries' risk of default, it does not serve as a mechanism to accelerate payment but rather to punish the countries in debt. Surcharges, therefore, disproportionately affect countries in crisis. It is necessary to remedy the architecture of sovereign debt, which does not allow developing countries to overcome their financial vulnerabilities. Against an increasingly burdensome and complex debt horizon, it is important for countries to be able to alleviate and restructure their debt in the face of unforeseen situations that have a direct impact on their growth outlook. It is essential to look at new structures, such as debt swaps linked to environmental protection;
- f) In the broader context of defining the parameters of the international economy, new measures are necessary, including taxation of the digital economy negotiated through an inclusive and transparent process within the United Nations framework;
- g) Last, but not least, the private sector should be incentivized to play a bigger, more active role in the process and mobilize the investment required.

In summary, for the right to development to be fulfilled, appropriate economic and social reforms should be carried out with a view to eradicating all social injustices. Possible measures should include public debt relief for developing countries and policies that do not involve modelling the economies of debtor countries on the basis of orthodox economic theories, which could increase inequality and environmental degradation. International financial law must not legitimize debt conditions that leave developing countries with no fiscal space to fully exercise the right to development.

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