

**The 7th session of the Expert Mechanism on the Right to Development**  
**Item 4 of the Provisional Agenda**  
**Implementation of the mandate and programme of work - Focused thematic discussion**

**Reform of the International Financial Architecture**

**Concept Note**

*Dialogue on a Right to Development Approach to Reforming of the International Financial Architecture in the lead up to the SDG summit.*

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**Introduction**

Lending by public (International Financial Institutions ('IFIs') and governments) and private actors, as well the size and conditions of sovereign debt are inextricably linked to the right to development. They directly affect the ability of States, and especially developing and least developed States, to fulfil this right vis-à-vis individuals and peoples.

Lending decisions, policies, and practices, including loan surcharges, high interest rates and risk premia, at times, put so great a strain on such States' finances that loans, instead of helping development, can leave States unable to fund public services and the fulfilment of human rights, because States have to divert funds to service debt while implementing stringent fiscal policies to avoid default.<sup>1</sup>

The consequences of such regulatory arrangements and debt payments directly impact many areas of human rights, including the rights to development, education, and health. They also affect nutrition, social protection, and the environment. People in most vulnerable situations, bear a disproportionate burden. The adverse effect on human rights is intensified by crises, including epidemics and pandemics, wars and conflicts, and losses and damages from climate change.

The Declaration on the Right to Development expressly states that appropriate economic and social reforms should be carried out with a view to eradicating all social injustices.

In those circumstances, it is essential to explore:

- (1) how the existing architecture of IFIs affects the right to development; and
- (2) the reforms necessary to further the right to development.

**Purpose**

To engage relevant experts in examining the current international financial architecture from the right to development perspective, with a view to formulating EMRTD contribution to the process in the lead up to the 2023 SDG summit in September 2023.

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<sup>1</sup> A/74/178

## Guiding questions

### 1. What are the current policy frameworks developed at multilateral level?

- i. Do IFIs take a human-rights based approach in their lending?
- ii. Is a purely fiscal approach to lending sufficient to address countries' needs or should a broader notion of debt sustainability lending be the foundation of the IFIs' policies?
- iii. What role, if any, do development banks play in this context?

### 2. Why is it relevant to address this issue from a right to development perspective?

- i. How does the IMF's lending framework affect the right to development?
- ii. What are the main risks and effects of IMF's surcharges policies?
- iii. Is the IMF's *de facto* status -as the preferential creditor- working jointly with IMF's surcharge, harmful to the right to development?
- iv. How are risk premia calculated and charged to sovereign debtors, and how this affect the right to development?

### 3. What other factors are relevant to the existing International Financial Structure from a right to development perspective?

- i. How does a State's individual responsibility in relation to good governance and corruption impact the above assessments?
- ii. What role, if any, does the private sector currently play towards a socially oriented market and sustainable lending?
- iii. What are Social and Gender Bonds? What are their effects on the right to development?

### 4. What recommendations can be made based on right to development principles?

- i. What should change in the existing international financial architecture, including lending policies and their regulatory framework?
- ii. What role should the private sector play towards a socially oriented market and sustainable lending?
- iii. Could the private sector's involvement lead to only selective social objectives or,
- iv. Could those risks be avoided by a creative collaboration between the public and the private spheres?

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