

Forum: Human Rights Council (HRC)



Issue: Addressing the effects of foreign debt and other related international financial obligations of Member States on the full enjoyment of human rights

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Personal Introduction

Dearest Delegates,

My name is Constantia Cronje, I am a 10th-grade student at the American College of Greece (Pierce) and it is my honor to serve as Deputy President for the Human Rights Council (HRC) in this year's American College of Greece Model United Nations Conference. With this guide, I would like to introduce you to the following topic: "Addressing the effects of foreign debt and other related international financial obligations of Member States on the full enjoyment of human rights" to help you form robust resolutions for a fruitful debate.

Before I start, I would like to congratulate all of you for choosing to become a member of the MUN community! It is a very special experience that becomes a passion and has a permanent impact on you. For me, the most important thing that the conferences offer is the chance to develop the mindset of a leader and a citizen of the world. Every conference changes you through the experience, teaches you skills, and builds new friendships. That is why I strongly encourage you to participate as much as you can because only then you will understand the true value of the MUN.

This study guide examines the issue of, "Addressing the effects of foreign debt and other related international financial obligations of Member States on the full enjoyment of human rights". It is a fascinating topic, vital for achieving global stability. As future leaders, it will be our duty to address such topics and pave the way towards a secured economy and a balanced society. Although this guide contains very thorough research, I encourage you to conduct further research to gain more knowledge on your country's policies and position, as to ensure a lively discussion and develop effective clauses

for our resolutions. If you have any questions, please do not hesitate to contact me via email at constantiacronje@gmail.com.

I am looking forward to meeting you all in March!

Yours truly,

Constantia Cronje

Topic Introduction

“Debt is the number one problem for developing countries. It undermines their ability to address the social, environmental, and economic challenges they face.”, Ban Ki-moon, Former UN Secretary-General.¹

Many countries are burdened by foreign debt and international financial obligations, a significant challenge, especially for developing nations, that undermines their ability to sustain economic growth and protect the rights of their citizens. Although loans and international assistance can support development and economic growth, excessive debt burdens often lead to challenges, as repayment obligations undermine the country’s ability to fulfill its social responsibilities and protect the human rights of its citizens.

The issue's origins trace back to the debt crisis of the 1980s in Latin America, which was driven by rising interest rates and global economic downturns, and left countries burdened with unsustainable debt levels. These countries sought financial assistance from organisations such as the International Monetary Fund (IMF) and the World Bank, which implemented restructure and relief programs. However, these programs often resulted in austerity measures that impacted social services, leading to widespread poverty, inequality and undermining fundamental human rights. It has been noted that under the pressure of repayment, governments often neglect essential services such as healthcare, education and social protection. This affects marginalized communities in various ways and erodes efforts to achieve equity and inclusion. Many attempts have been made to address the problem such

¹ Ban Ki-moon. Speech on Global Development and Debt Relief. United Nations, 20 Sept. 2014.

as the implementation of structural adjustment programs (SAPs). These programs were particularly controversial as they mandated austerity measures. Thus challenges persisted, such as the lack of a global framework for debt restructuring that prioritized human rights and the dominance of creditor interests. Furthermore, geopolitical tensions and economic dependency pose barriers that remain to be overcome.

The effects of foreign debt and other related international financial obligations of Member States on the full enjoyment of human rights should be addressed to the challenge of “Balancing Infinite Opportunities” by enabling equitable growth, ensuring social protection and empowering citizens. Tackling the constraints of foreign debt creates an opportunity to reshape the global economic system and shift focus towards human rights instead of prioritizing debt repayment. Addressing this issue is critical for fostering a fairer and more inclusive future, where economic policies support social justice and global cooperation.

Definition of Key Terms

Austerity Measures

“The term austerity refers to a set of economic policies that a government implements in order to control public sector debt. Governments put austerity measures in place when their public debt is so large that the risk of default or the inability to service the required payments on its obligations becomes a real possibility. The goal of austerity is to improve a government's financial health.”²

Foreign Debt

“Foreign debt is money borrowed by a government, corporation or private household from another country's government or private lenders. Foreign debt also includes obligations to international

²Investopedia. "Austerity." Investopedia, <https://www.investopedia.com/terms/a/austerity.asp> . Accessed 27 Nov. 2024.

organizations such as the World Bank, Asian Development Bank (ADB), and the International Monetary Fund (IMF). Total foreign debt can be a combination of short-term and long-term liabilities.”³

Debt Service

“Debt service refers to the periodic payments required to service and repay outstanding debt obligations. It encompasses the regular interest payments as well as the principal repayments on loans, bonds, or other forms of debt that a government, corporation, or individual has incurred. Debt service is a critical factor in evaluating the financial health and sustainability of an entity's debt burden.”⁴

Economic Sovereignty

“Economic sovereignty refers to the ability of a state to control its own economic policies and resources without external interference. This concept is crucial in understanding how countries navigate globalization and the influence of multinational corporations (MNCs) on their economies. A nation's economic sovereignty allows it to make decisions that align with its own interests, balancing between attracting foreign investment and protecting local industries.”⁵

Gross Domestic Product (GDP)

“GDP stands for Gross Domestic Product, which represents the total monetary value, or market value, of finished goods and services produced within a country during a period, typically one year or quarter.” In other words, GDP is a measurement of domestic production and can be used to measure a country's economic health.⁶

³ Investopedia. "Foreign Debt." Investopedia. Available at <https://www.investopedia.com/terms/f/foreign-debt.asp>, Accessed 24 Nov. 2024

⁴ Fiveable Library. "Debt Service." Fiveable Key Terms: Principles of Economics. Available at <https://library.fiveable.me/key-terms/principles-econ/debt-service>, Accessed 24 Nov. 2024.

⁵ Fiveable. "Economic Sovereignty." Fiveable, available at <https://library.fiveable.me/key-terms/political-economy-of-international-relations/economic-sovereignty>, Accessed 24 Nov. 2024.

⁶ Gordon, Kelsey. "Why Is GDP Important?" Harvard Business School Online, 11 July 2019, <https://online.hbs.edu/blog/post/why-is-gdp-important>. Accessed 24 Nov. 2024

Structural Adjustment Program (SAP)

“A structural adjustment program (SAP) is a set of economic reforms that a country must adhere to in order to secure a loan from the International Monetary Fund or the World Bank. SAPs often consist of economic policies such as reducing government spending and opening up to free trade, among others”⁷

Background Information

Historical Background

World War II is often regarded as one of the most devastating conflicts in human history. During that time, infrastructure was destroyed, social welfare was undermined and development was brought to a halt. As a result, after the war ended, developing countries borrowed heavily to try and rebuild what they had lost. To help war-torn economies and ensure international economic stability, the International Monetary Fund (IMF) and the World Bank were established on July 1st 1944⁸. These organizations aimed to promote economic cooperation, support economic growth and prevent future global economic crises. During this period programs like the U.S. Marshall Plan⁹ were adopted, which highlighted the importance of international assistance in the reconstruction of war-torn countries. However, many developing nations faced major financial challenges due to their heavy reliance on loans, leading to long term economic difficulties.

Soon, the international economic environment deteriorated and a combination of the increase of interest rates, the decline of prices and the restructuring efforts of nations, after the war financed

⁷ Investopedia. "Structural Adjustment Program (SAP)." Investopedia, available at <https://www.investopedia.com/terms/s/structural-adjustment.asp>, Accessed 24 Nov. 2024.

⁸ World Bank. "Bretton Woods and the Birth of the World Bank." World Bank, www.worldbank.org/en/archived/bretton-woods-and-the-birth-of-the-world-bank. Accessed 24 Nov. 2024.

⁹ History.com Editors. "Marshall Plan." History.com, A&E Television Networks, 29 Oct. 2009, www.history.com/topics/world-war-ii/marshall-plan. Accessed 24 Nov. 2024.

through loans, led to the “Debt Crisis” of the 1980s¹⁰. Latin American countries, including Mexico, Argentina and Brazil were significantly affected and suffered hyperinflation. To address the crisis, the IMF and the World Bank implemented Structural Adjustment Programs (SAPs), which provided financial assistance in exchange for implementing economic reforms. These reforms included, cutbacks in public spending, privatization of state-owned enterprises, as well as trade liberalization. While the SAPs main goal was to stabilize the economy, they often increased poverty and inequality and led to major defaults, such as Argentina’s \$132 billion debt default, which marked the largest sovereign debt default in history at the time¹¹. Meanwhile, widespread human rights violations were a result of austerity measures, impacting vulnerable populations and undermining their access to social services.

By the late 1980s and early 1990s, human rights implications of foreign debt began to be acknowledged. Events such as the World Conference on Human Rights (1993),¹² highlighted the association of debt and economic stability with human rights, emphasizing the need to address the “debt trap” faced by developing countries. Many debt relief initiatives were launched in response to the debt burden that developing countries were facing. One example is the Heavily Indebted Poor Countries (HIPC) Initiative¹³, which was introduced in 1996 and provided debt cancellation to heavily burdened countries. This initiative aimed to free up resources for sectors such as poverty reduction, healthcare, and education, while promoting human rights. While the HIPC offered temporary relief, concerns persisted regarding its limited reach and the conditions attached to debt relief.

While the beginning of the 21st century showed signs of economic improvement, in 2008 the world once again faced a financial crisis. The bankruptcy of the investment bank Lehman Brothers

¹⁰ Federal Reserve History. "Latin American Debt Crisis." Federal Reserve History, Federal Reserve Bank of St. Louis, www.federalreservehistory.org/essays/latin-american-debt-crisis. Accessed 24 Nov. 2024.

¹¹ Policy Perspectives. "The Argentine Financial Crisis: Causes and Lessons Learned." Policy Perspectives, 14 Nov. 2017, <https://policy-perspectives.org/2017/11/14/the-argentine-financial-crisis-causes-and-lessons-learned/#:~:text=Summary%20of%20the%20Crisis%20The%202001-2002%20Argentine%20Financial,external%20shocks%20and%20swings%20in%20global%20capital%20flows>. Accessed 17 Dec. 2024.

¹² United Nations. "Resolution A/HRC/1994/30." Refworld, UNHCR, www.refworld.org/legal/resolution/unchr/1994/en/19230. Accessed 24 Nov. 2024.

¹³ World Bank. "Heavily Indebted Poor Countries (HIPC) Initiative." World Bank, <https://www.worldbank.org/en/topic/debt/brief/hipc>. Accessed 26 Nov. 2024.

marked a critical turning point in the crisis¹⁴. During this period, both More Economically Developed and Less Economically Developed Countries faced debt burdens and limited resources for social programs. The situation worsened with the start of the Covid-19 pandemic, which further intensified foreign debt challenges, as countries faced health, economic, and social crises¹⁵. As a result, many countries borrowed heavily, which led to a sharp increase of debt burdens. This crisis emphasized the importance of reassessing the relationship between financial obligations and the full enjoyment of human rights, particularly in healthcare, education, and social protection.

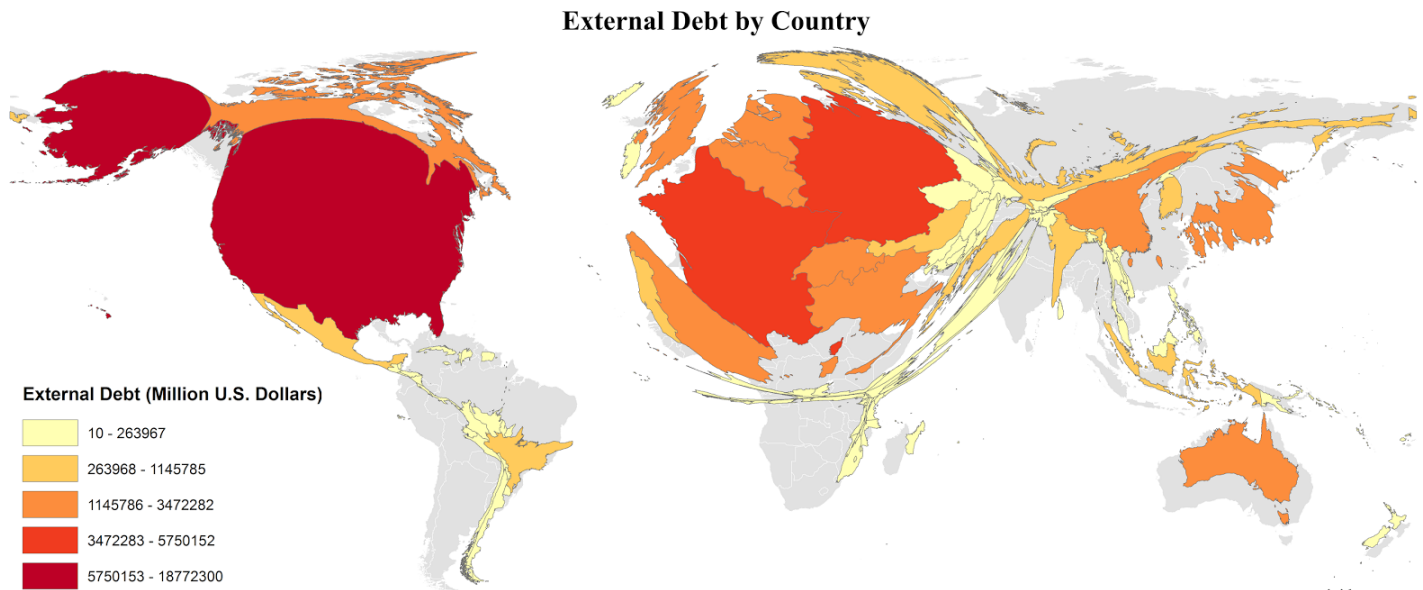


Figure 1: External Debt by Country¹⁶

Effects of foreign debt

Economic Effects

Foreign debt limits the financial abilities of debtor countries, as debt consumes significant portions of public revenue. This limits resources for sectors such as healthcare, education, social

¹⁴ History.com Editors. "Recession." History, A&E Television Networks, <https://www.history.com/topics/21st-century/recession> . Accessed 26 Nov. 2024.

¹⁵ Warwick McKibbin "Title of the Article." Journal Name, vol. X, no. Y, Year, Pages. Publisher, <https://www.sciencedirect.com/science/article/pii/S0264999323003632> . Accessed 26 Nov. 2024

¹⁶ Vivid Maps. "External Debt Around the World." Vivid Maps, available at <https://vividmaps.com/external-debt/> , accessed 24 Nov. 2024.

protection and exacerbates poverty and inequality. The resulting rise in the cost of living further intensifies unemployment, as many families are forced to forgo essential needs like healthcare and housing, thereby reducing their access to social mobility. Moreover, the unstable business environment discourages job creation, leaving many citizens unemployed, and therefore worsening income inequality.¹⁷

Right to Health

The right to health is one of the fundamental rights most affected by foreign debt. Austerity measures often result in budget cuts in healthcare, leading to shortages of medical supplies, equipment and essential medicines. Consequently, nations face difficulties in proceeding with adequate healthcare service, especially in marginalized communities. The erosion of healthcare systems, not only limits access to care, but also undermines the realization of the right to physical and mental health. This leaves vulnerable populations, without the support they need to live healthy lives¹⁸.

Right to Education

Another right heavily affected by foreign debt, is the right to education. Debt burdens reduce funding in education, which results in insufficient resources for teacher salaries, school infrastructure and educational materials, such as technological equipment which are essential for 21st century learning. These financial constraints lead to barriers to equitable access to education particularly for marginalized groups such as girls and rural populations. Moreover, economic hardships force many children to stay at home to contribute to their family needs due to the rise of the prices, which further limits their opportunities for education¹⁹.

Right to Adequate Housing & Social Security

Foreign debt obligations also violate the right to adequate housing, as reduced investments in housing and social programs, make housing in debtor countries unaffordable. Also, the lack of social programs that support impoverished families, increases homelessness

¹⁷ ScienceDirect, vol. Issue Number, 2024, <https://www.sciencedirect.com/science/article/pii/S2590051X24000571> . Accessed 29 Dec. 2024.

¹⁸ PubMed Central, 2022, <https://pmc.ncbi.nlm.nih.gov/articles/PMC9225792/#s0002> . Accessed 29 Dec. 2024.

¹⁹ Global Campaign for Education. Debt and Education: A Comparative Analysis. 2023, <https://campaignforeducation.org/images/downloads/f1/1857/debt-comparative-paper-final.pdf> . Accessed 29 Dec. 2024.

and housing insecurity²⁰. Austerity measures also impact the right to social security, as they weaken social protection systems. Specifically, pension reforms reduce retirees' purchasing power and widespread dismantling of care policies affects women and LGBTQ+ individuals. This increases additionally, the vulnerability of individuals who rely on public welfare, especially during crises²¹.

Civil and Political Rights

Civil and political rights are deeply affected by foreign debt burdens. Austerity policies lead to social disruption and public protests, as citizens complain about budget cuts to social welfare and demand essential services and equality. As a result, governments restrict freedom of expression and thereby undermine democratic participation. Moreover, austerity measures limit autonomy of the government's decision making abilities, since financial obligations are prioritized over the rights of its citizens²².

Challenges in Addressing the Problem

Political and Geopolitical Challenges

Debtor countries often face pressure to prioritize debt repayment over human rights obligations. This pressure undermines their ability to maintain political independence, as they are compelled to adhere to conditions imposed by creditors. This leads to compromises in national policy priorities, including those for human rights protection. Moreover, weak governance structures, which are characterized by corruption, lack of transparency, and weak institutional capacity, hinder effective debt management and human rights prioritization, while lack of political will often increases dependence on creditors. Lastly, the human rights agenda is

²⁰ ScienceDirect. "Article on the Impacts of Structural Adjustments on Economic Stability." Journal of Business Research, 2024, <https://www.sciencedirect.com/science/article/abs/pii/S1544612324004197> . Accessed 29 Dec. 2024.

²¹ Social Protection Floors Coalition. Case Studies: Argentina 2024. Oct. 2024, <https://www.socialprotectionfloorscoalition.org/wp-content/uploads/2024/10/2024-R2SSC-Case-Studies-Arentina.pdf> . Accessed 29 Dec. 2024.

²² Ekpenyong, Stephen. "The Paradox of Foreign Debt to Third World Nations in International Politics: A Rationale for Perpetual Dependency." ResearchGate, 2020, https://www.researchgate.net/publication/338716824_The_Paradox_Of_Foreign_Debt_To_Third_World_Nations_In_International_Politics_A_Rationale_For_Perpetual_Dependency. Accessed 29 Dec. 2024.

overshadowed by major creditor nations, which slowly gain more power and influence over strategies that debtor nations should implement rather than humanitarian considerations.

Economic & Social Challenges

Over reliance on external financing is a challenge in effective and humanitarian debt management, as many countries depend on foreign loans to fund projects and cover social needs. Additionally, economic crises and global shocks expose the vulnerability of debtor nations, who cannot repay their debt while protecting human rights. Austerity measures may also trigger public protests and social unrest, while undermining political stability. Vulnerable populations bear the brunt of these measures, as access to healthcare, education and social services increases inequality and poverty.

Legal Challenges

Countries face legal challenges when addressing the effects of foreign debt of Member States on the full enjoyment of human rights. International frameworks often lack enforceable mechanisms, which leaves debt management to the discretion of each debtor country. Also, there is no globally accepted legal framework for managing foreign debt crises while protecting human rights. This creates inconsistencies in debt restructuring and relief attempts. Creditors may have conflicting interests regarding debt restructuring or relief, as some may support immediate repayment while others debt relief measures. This makes it difficult to reach agreements that prioritize human rights. Lastly, sovereign immunity laws can protect creditors from legal accountability, which makes it challenging to hold them responsible for policies that violate human rights.

Major Countries and Organizations Involved

Argentina

Argentina has faced many financial crises in the past few decades. In 2001, the country defaulted on its debt and hasn't recovered since, facing severe economic challenges, including hyperinflation,

heavy debt burden and extreme poverty²³. Even though the origins of the crisis is traced back to the 1970s, the country still deals with widespread strikes and political tension, which are worsening the situation. Additionally, public spending cuts have led to shortages in essential services, which increases levels of poverty and inequality. The government approaches the crisis variously with the latest attempt being “Shock Therapy”, which aims to stabilise the Argentinian currency, the peso, and increase economic growth. These reforms have a significant impact on the country’s trade relationships and investments and makes Argentina a priority of South America's Economic agenda.

Greece

Greece has been affected by debt burden for decades. Specifically, the country faced a sovereign debt crisis in 2009²⁴, which brought global attention to balance debt and human rights. To get out of the situation, the Member State signed main bailout agreements and accepted international assistance with strict austerity measures that led to cuts in healthcare, education and pensions which affected many vulnerable communities²⁵. For the past decades debt relief programs have limited some of the pressure, however the long-term impacts remain to be seen.

United States

The USA has historically influenced all economies, through investments and its influence in international organisations such as the IMF. The Member State’s significant influence over the IMF, as the largest shareholder within the organization, has influenced loan agreements globally and structural reform requirements. Specifically, the United States holds approximately 16.5% of the IMF's voting power²⁶. This dominance gives the USA control over IMF policies, loan agreements, and structural

²³ Hollis, Susan. “Argentina: Economic Crisis and Debt Restructuring.” Congressional Research Service, IF10991, 11 Apr. 2023, <https://crsreports.congress.gov/product/pdf/IF/IF10991> . Accessed 20 Dec. 2024.

²⁴ Amadeo, Kimberly. “Understanding the Downfall of Greece's Economy.” Investopedia, <https://www.investopedia.com/articles/investing/070115/understanding-downfall-greeces-economy.asp#:~:text=Greece%20defaulted%20on%20a%20debt%20of%20%E2%82%AC1.6%20billion,of%20tax%20revenues%20due%20to%20systematic%20tax%20evasion> . Accessed 9 Dec. 2024.

²⁵ “Why Did Greece Need a Bailout?” BBC News, <https://www.bbc.com/news/world-europe-45245969> . Accessed 9 Dec. 2024.

²⁶ Congressional Research Service. Argentina's Economic Crisis and Default. IF10991, <https://crsreports.congress.gov/product/pdf/IF/IF10991> . Accessed 20 Dec. 2024

reform requirements. For example, the USA's role was crucial in deciding Argentina's \$57 billion loan in 2018, the largest in the IMF's history²⁷.

European Union (EU)

The European Union has helped many countries manage their debt and deal with economic crises, including Greece, Portugal and Ireland. Through the European Central Bank, the EU provides financial assistance packages²⁸ to relieve debtor countries from debt burden. However, these packages have been criticized for exacerbating inequality and undermining economic and social rights within debtor nations²⁹. This approach has fueled an ongoing debate about the need for reforms in the EU's approach to financial crises and their impact on citizens' rights.

International Monetary Fund (IMF)

The International Monetary Fund is one of the most influential organizations in the global economic landscape, as it is in charge of global debt management. Specifically, the IMF provides financial assistance and advice to debtor countries³⁰. However, IMF policies often face criticism as they include austerity measures that lead to cuts in healthcare, education and public services in general. Today, there are multiple ongoing efforts that aim to incorporate more pro-growth policies and debt restructuring options that take social implications into account.

World Bank

The World Bank collaborates with the IMF to support economic stability and development in debtor countries³¹. Especially, in sectors such as infrastructure, health and education, the World Bank's contribution has been essential. Additionally, the organization has supported the Heavily Indebted Poor

²⁷ "U.S. Relations With Argentina: Fact Sheet." U.S. Embassy in Argentina, <https://ar.usembassy.gov/u-s-relations-with-argentina-fact-sheet/> . Accessed 20 Dec. 2024.

²⁸ "Government Debt and Expenditure in the EU - Overview." Statista, <https://www.statista.com/topics/10766/government-debt-and-expenditure-in-the-eu/#topicOverview> . Accessed 9 Dec. 2024.

²⁹ "European Union - Total Debt (% of GDP)." CEIC Data, <https://www.ceicdata.com/en/indicator/european-union/total-debt-of-gdp> . Accessed 9 Dec. 2024.

³⁰ "Managing Sovereign Debt." International Monetary Fund, <https://www.imf.org/en/Topics/sovereign-debt#:~:text=The%20IMF%E2%80%99s%20analytical%20work%20helps%20identify%20sovereign%20debt,capacity%20to%20report%20and%20manage%20their%20public%20debt> . Accessed 9 Dec. 2024.

³¹ Revised Guidelines for Public Debt Management 2014. World Bank, 2014, https://www.worldbank.org/content/dam/Worldbank/document/Debt/Revised%20Guidelines%20for%20Public%20Debt%20Management%202014_v2.pdf . Accessed 20 Dec. 2024.

Countries (HIPC) Initiative, which provides debt relief to nations under pressure. On the other hand, the IMF has been accused of prioritizing economic growth over human rights, which leads to inequality.

Blocs Expected

The "Global South" Alliance (Less Economically Developed Countries)

This bloc consists of Member States that are heavily burdened by foreign debt, limiting their investing ability in healthcare, education and social protection. The Member States included, fight for debt cancellation and relief programs to take the pressure off and limit their burden, while advocating for reforms in global institutions like the IMF and the World. These reforms aim to ensure equitable policies that prioritize human rights, and equal resource allocation.

The challenges that this alliance faces are the limited influence that its members have in negotiations, as they are dominated by creditor nations. Additionally, they are dependent on international assistance. This bloc would include Member States like Kenya, Pakistan and Brazil. China also is included in this bloc as it often aligns with the Global South in advocating for development-oriented financial policies and providing loans.

The "Global North" Alliance (More Economically Developed Countries)

This bloc consists of Member States that are More Economically Developed, industrialized and usually creditors. The Member States included, encourage better debt management in debtor nations and emphasize governmental responsibility. Additionally, they favour transparency in loan agreements and governmental decisions in order to limit the risk of corruption.

This alliance also faces some difficulties, in balancing their interest with debt relief requests, as well as with repayment measures. Also, they are often accused of prioritizing economic growth over the realization of human rights. This bloc would include Member States like Germany, Japan, the United States and the United Kingdom.

Timeline of Events

Date	Description of Event
July 1, 1944	The Bretton Woods Conference created the International Monetary Fund to lend to countries in temporary crisis, and the World Bank to provide long term investment. ³²
June 5, 1947	The US Marshall Plan was introduced to help rebuild Europe. Grants, and a smaller proportion of loans, were given. ³³
1980s	The lost decade across most of Latin America as 58 countries were facing debt burden. ³⁴
1981	The first major SAPs were implemented when the IMF began offering loans to countries in crisis, including many in Latin America
14 - 25 June 1993	World Conference on Human Rights (1993) establishing the promotion and protection of

³² World Bank. "Bretton Woods and the Birth of the World Bank." World Bank, www.worldbank.org/en/archived/bretton-woods-and-the-birth-of-the-world-bank . Accessed 24 Nov. 2024.

³³ History.com Editors. "Marshall Plan." History.com, A&E Television Networks, 29 Oct. 2009, www.history.com/topics/world-war-ii/marshall-plan . Accessed 24 Nov. 2024.

³⁴ Federal Reserve History. "Latin American Debt Crisis." Federal Reserve History, Federal Reserve Bank of St. Louis, www.federalreservehistory.org/essays/latin-american-debt-crisis . Accessed 24 Nov. 2024.

	human rights as a matter of priority for the international community. ³⁵
September 1996	The Heavily Indebted Poor Countries (HIPC) Initiative was officially introduced by the International Monetary Fund (IMF) and the World Bank. ³⁶
September 15, 2008	Investment bank Lehman Brothers filed for bankruptcy marking a critical turning point in the financial crisis of 2008 ³⁷ .
December 2019	The COVID-19 global pandemic started, causing significant global economic and social disruption. ³⁸

³⁵ United Nations. "Resolution A/HRC/1994/30." Refworld, UNHCR, www.refworld.org/legal/resolution/unchr/1994/en/19230 . Accessed 24 Nov. 2024.

³⁶ World Bank. "Heavily Indebted Poor Countries (HIPC) Initiative." World Bank, <https://www.worldbank.org/en/topic/debt/brief/hipc> . Accessed 26 Nov. 2024.

³⁷ History.com Editors. "Recession." History, A&E Television Networks, <https://www.history.com/topics/21st-century/recession> . Accessed 26 Nov. 2024.

³⁸ Warwick McKibbin "Title of the Article." Journal Name, vol. X, no. Y, Year, Pages. Publisher, <https://www.sciencedirect.com/science/article/pii/S0264999323003632> . Accessed 26 Nov. 2024

Relevant UN Resolutions, Treaties & Events

UN General Assembly Resolution 73/221 (2018)³⁹

The UN General Assembly Resolution 73/221 was adopted on the 20th of December, 2018 and highlighted the importance of international cooperation in addressing the impact of foreign debt on human rights. The resolution recognized that excessive debt burdens hinder the realization of human rights, especially in health, education and social welfare. Furthermore, it encouraged collaboration between creditor and debtors to decide on restructuring programs that promote human rights. This resolution is of great value as it indicated the importance of placing human rights at the center of the global financial system.

International Covenant on Economic, Social, and Cultural Rights (ICESCR) (1966)⁴⁰

The ICESCR was created on the 16th of December 1966 and established binding obligations of countries to utilize maximum available resources to achieve the full realization of economic, social and cultural human rights. The covenant recognized the human right to an adequate standard of living, which includes freedom from hunger, and the fact that austerity measures often violate these rights. The ICESCR established a legal framework, to argue excessive debt burdens that violated human rights.

Human Rights Council Resolution 49/8 (2022)⁴¹

The Human Rights Council Resolution 49/8 was decided on the 23rd of March, 2022. This resolution addressed the challenges posed by loans taken by countries to address the economic impact of the COVID-19 pandemic, on the realization of human rights. This resolution emphasized the impact that a crisis can have on the economy of a country and human rights. It encouraged nations to adopt

³⁹ United Nations. *Debt and Financing for Development*. United Nations, Mar. 2023, <https://financing.desa.un.org/sites/default/files/2023-03/N1845972.pdf>. Accessed 27 Nov. 2024.

⁴⁰ Office of the High Commissioner for Human Rights (OHCHR). *International Covenant on Economic, Social and Cultural Rights*. United Nations, <https://www.ohchr.org/en/instruments-mechanisms/instruments/international-covenant-economic-social-and-cultural-rights>. Accessed 27 Nov. 2024.

⁴¹ United Nations. *Implementation of the United Nations Global Counter-Terrorism Strategy: Sixth Review*. United Nations, 2022, <https://documents.un.org/doc/undoc/gen/g22/304/50/pdf/g2230450.pdf>. Accessed 27 Nov. 2024.

inclusive and equitable recovery measures that prioritized healthcare, education and social welfare. The resolution also acknowledged the need for broad participation in recovery efforts.

Monterrey Consensus (2002)⁴²

The Monterrey Consensus was the outcome of the 2002 Monterrey Conference, the United Nations International Conference on Financing for Development, which was held on the 18 - 22 of March, 2002. It was a document that highlighted the importance of addressing external debt burdens as part of development strategies. It emphasized debt relief, sustainable debt management, and global cooperation to increase economic stability and human development. The document supported debt relief initiatives by creditors like the HIPCs and sustainable management policies. It also recommended financing mechanisms to prevent debt crises in the future.

Previous Attempts to Solve the Issue

Heavily Indebted Poor Countries (HIPC) Initiative (1996)⁴³

One of the most important initiatives that address the problem is the HIPC. This initiative was launched by the IMF and the World Bank and aimed to reduce debt burden in debtor countries. It proposed the adoption of poverty reduction strategies to redirect savings from debt management systems to health and education. This initiative managed to relieve 36 Sub - Saharan African countries from heavy debt burden and reduce poverty in these countries. However, the austerity measures proposed led to cuts in other social sectors such as education, which negatively impacted vulnerable communities.

Structural Adjustment Programs (SAPs)

Structural Adjustment Programs were economic policy reforms imposed by the IMF and World Bank in the 1980s that aimed to stabilize economies, reduce inflation, and promote growth in debtor nations. Countries that successfully implemented SAPs were able to attract foreign investment and

⁴² United Nations. Monterrey Consensus of the International Conference on Financing for Development. United Nations, 2003, <https://www.un.org/esa/ffd/wp-content/uploads/2014/09/MonterreyConsensus.pdf>. Accessed 4 Dec. 2024.

⁴³ World Bank. Heavily Indebted Poor Countries (HIPC) Initiative. World Bank, <https://www.worldbank.org/en/topic/debt/brief/hipc>. Accessed 27 Nov. 2024.

gain access to international markets. Additionally, these programs contributed to long-term stabilization of the economy⁴⁴. However, like all the other initiatives it was criticized for their negative social impacts, particularly the reductions in social spending, which worsened poverty and inequality in many countries.

Debt Service Suspension Initiative (DSSI) (2020)⁴⁵

The DSSI was an initiative launched in 2020 as a response to the economic challenges the COVID-19 pandemic brought. This initiative aimed to provide temporary relief to debtor countries by suspending debt payments. Specifically, it suspended debt payments to bilateral creditors from May 2020 to December 2021, allowing LEDCs to feel relieved from the pressure of debt burdens. The DSSI managed to free up resources that got allocated to social needs and human rights realization during the pandemic. It also enhanced dialogue between the debtor and creditor nations about long-term solutions. Even though, the initiative was successful at first, it was temporary and did not address the roots of unsustainable debt.

Possible Solutions

Budget Establishment

In order to avoid further debt in debtor countries, balanced budget policies should be implemented. This is crucial for ensuring that government spendings prioritizes human rights especially in health, education and social protection. This could be done through the legislation of budget requirements that balance economic challenges, with financial constraints that are needed to fulfill debt obligations. Additionally, oversight committees are needed to monitor decisions regarding the budget and also to ensure that funds are directed to human rights programs. Capacity building is also important, as through the training of policymakers and government officials informed decision making is ensured. By implementing such a budget, governments will improve allocation of resources towards human rights. This approach improves the well being of the country, reduces inequality and ensures protection of human rights, as all communities are taken into consideration. Additionally, government

⁴⁴ International Monetary Fund. The Challenge of Structural Adjustment. Chapter 5, 1995, <https://www.elibrary.imf.org/display/book/9781557753021/ch05.xml> . Accessed 20 Dec. 2024.

⁴⁵ "COVID-19 Debt Service Suspension Initiative." World Bank, 2023, <https://www.worldbank.org/en/topic/debt/brief/covid-19-debt-service-suspension-initiative> . Accessed 20 Dec. 2024.

accountability is increased through transparency in this budget. This transparency fosters public trust, as citizens are assured that their needs are being prioritized and that funds are being spent responsibly. However, governments may face significant political resistance to allocating resources for human rights-focused programs, feeling the pressure from the creditors to meet loan conditions.

Human Rights-Centered Debt Management

One of the main reasons nations face debt burden, is their inability to manage their debt. Effective debt management strategies that prioritize human rights and well-being of citizens could potentially ensure that countries will be able to manage their debt without facing serious economic and social challenges. Debt restructuring and work with international organisations are strategies that should be implemented. Specifically, debt restructuring is the renegotiation of the terms of the debt agreement to reduce financial burden and thus allowing them to better allocate their resources. To ensure effective cooperation, incentives should be given to creditors, such as guarantees for partial repayment. This measure will be able to reduce the negative impact of debt on social sectors, as it reduces the pressure on budgets, which allows for sustainable development strategies that protect human rights. Also, through collaboration with international organizations such as the IMF or the World Bank can facilitate more equitable solutions in debt restructuring. Still challenges remain, such as the resistance from creditors, who may refuse to meet debt relief demands. Additionally, debt restructuring may have negative impacts in investor confidence, as creditors may see renegotiated agreements as a sign of risk.

Promote Transparency in Loan Agreements

When addressing the effects of foreign debt on the full enjoyment of human rights it is important that debtor nations make clear terms that include the purpose of the loan, repayment schedules, interest rates, and conditions attached for each loan. To implement this measure, standardized loan templates should be developed that show all key details of the agreement. Additionally, governments should create public disclosure platforms, on which the public will be able to access all information regarding loan agreements. These platforms should be regularly updated, showing repayment progress and any changes to terms. International watchdogs can monitor these agreements and ensure that they protect human rights. This solution gives the public access to information about loan terms and government borrowing, thus allowing informed decision making. Clear and transparent loan agreements also

promote government accountability and reduce the potential for mismanagement and corruption. Additionally, this approach reduces the likelihood of exploitative or predatory lending practices. However, some governments may be reluctant to embrace transparency due to the potential political or economic consequences, such as public backlash or internal scrutiny regarding the terms of loans or debt management practices.

Tackling Structural Inequalities in the Global Financial System

Seeing as the origin of the problem is the insatiable global financial system, it is crucial that we reform institutions such as the IMF and the World Bank to promote fairness and reduce exploitation of vulnerable countries. These reforms should advocate for changes in the decision-making process, prioritize sustainable development and the realization of human rights. Also, for these changes to be successful, alliances should be built between debtor nations and sympathetic MEDCs to present these reforms at global summits. This measure will reduce the vulnerability of low- and middle-income countries, while promoting equitable financial policies that favor development goals, including poverty reduction and protect human rights. By prioritizing human rights in decision-making, the international financial system aligns with global development goals. Additionally, global financial reforms can foster solidarity as MEDCs work with LEDCs to create a more inclusive global economy. A challenge that this solution faces is lack of political will from both debtor and creditor countries, as without commitment, such reforms will not be effective.

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