

Transforming the International Financial System: Sovereign, Democratic and Responsible Financing

A South-North Platform

This platform forms part of the broader agenda of southern and northern movements, organizations, NGOs and networks working to end debt domination and build new financial and economic systems nationally and internationally. As such, it recognizes first and foremost that the establishment of sovereign, democratic, and responsible financial relations entails acknowledging and redressing the historically unjust and inequitable power relations between countries and between elites and the majority that for centuries have marked the lives of peoples, countries, and the environment. Secondly, it clearly implies reversing the autonomy, privileges and the corresponding legal standing that have been ceded to capital over recent decades.

This platform defines principles, rules and standards as basis for changing policies, processes and practices in financial transactions having to do with the accumulation of debt being claimed from countries of the South, in particular public lending and debt collection, public borrowing and debt payments, the issuance of public guarantees and accumulation of contingent liabilities.

The financial as well as economic system must be profoundly transformed

The current economic and financial crisis and the debt crisis that has plagued Southern countries for decades have their roots in colonial rule and a fundamentally flawed system that is driven by capital accumulation. This system gives primacy to the pursuit of profit and is based on the exploitation of people and environment.

Economic and political power relations between north and south countries, between global institutions of capital and the people of the South has given rise to the illegitimate debt. It also involves the collusion and collaboration of South elites and asymmetrical relations among south countries. It also stems from the conflict between the dominant economic system and ecological justice and environmental rights.

The financial system – in its international and national articulations – has evolved into a complex architecture riddled with its own internal, inhuman, irrational and unjust logic, policies and practices. It must be completely transformed.

The financial system cannot be made just and fair unless the economic order it emanates from and supports is also changed. The construction of a new financial system must be part of a larger agenda and process of changing the global economic order.

General Framework and Principles

The financial system must be transformed according to the following integral principles:

1. Finance capital and the financial system should be based in and serve the real economy – production – and social reproduction, according to the following interconnected principles:
 - Economic justice and the eradication of poverty;
 - Democratic and equitable ownership and distribution of economic resources and benefits;
 - People's participation in the shaping of economic policy; Democratic management of economic affairs;
 - The primacy of the development of local and national economies, over global demand;
 - Food and Energy Sovereignty;
 - Ecological sustainability and environmental justice;
 - Community control and protection of water, seeds, genes, air, communal lands, fisheries, and other "commons";
 - The fulfillment, protection, and promotion of universal human rights from an integral and interdependent perspective. These include the right to food, housing, work, health, and education, economic rights and cultural rights, the right to land, air, water, and peace as collective rights, the rights of workers, small-hold food producers, rural and urban communities, indigenous peoples, women, youth, children, and the elderly;
 - Universal access to essential services and public utilities;
 - Recognition and equitable distribution of global public goods;

- Gender, racial, ethnic and intergenerational justice and equality;
 - Self-determination and sovereignty of peoples and nations;
 - Mutual cooperation, complementarity and solidarity;
 - The responsibility of the state to be fully transparent and accountable to its citizens and promote and ensure the fulfillment of the above.
2. Financial institutions should be regulated and subject to strict controls and public accountability. All aspects of banks' operations should be regulated and/or public controlled in line with the above principles. Banks and financial institutions should be prohibited from making short term speculative, and damaging investments.
 3. The financial system, finance flows and financial transactions and processes should not lead to or reinforce:
 - Exploitation and marginalization of the poor,
 - Violation of human rights;
 - Projects and policies harmful to people, communities and the environment;
 - Waste of public resources, fraud and corruption;
 - Grossly disadvantageous and unfair terms and onerous conditions;
 - Subversion of people's sovereignty and right to self-determination;
 - Violation of the obligations of states to its citizens.
 4. The financial system must support and contribute to the development of the domestic capacity of economies to generate financial resources, moving away from "dependence" on aid and borrowings, and pursuing alternative sources of financing. The financial system should not lead to the creation and accumulation of illegitimate debt.
 5. Public scrutiny of financial institutions and activities should be based on the above principles.

Our demands

Transforming the financial system and establishing an alternative economic order should begin with preventing further damage, redressing the injustices that it has spawned, reversing the massive net outflow of financial resources from the South to the North, stopping loan-pushing by governments and financial institutions as a means for pursuing their economic, geopolitical and military interests, and ending the reliance and "dependence" of South governments on borrowing and aid.

Thus we emphasize the critical importance of the following demands, especially in the face of multiple crises.

1. Conduct comprehensive participatory and regular audit of all debts claimed from South countries. Immediate cancellation, repudiation and/or non-payment of all illegitimate debt.
2. Undertake reparations and restitution for social, historical and ecological debt owed to the peoples of the South by governments of the North, international financial institutions and private corporations.

3. For governments of the North, the IFIs and private corporations to take responsibility for their role in the multiple crises. Responses to the current climate energy, food and economic crisis must not generate debt accumulation -- reparations and grants, and not loans, should be the main actions in response to these crises.
4. Halt the imposition of all policies on South countries using debt, aid and other financial flows as leverage. These include economic, natural resource, geopolitical and military policies.
5. Address the domination of lenders over debt mechanisms – establish fair and transparent debt work-out mechanisms. Reinforce capacity of borrowing governments to undertake unilateral actions for the repudiation of illegitimate debt.
6. Develop the capacity of South countries to mobilize domestic resources for development. Reintroduce capital controls. End illicit and other forms of capital flight. Ensure tax justice. Reverse policies, laws, treaties and agreements including those on trade and investments that inhibit or impede this process. Regulate transfer fees of remittances in order to curb profiteering in financial transactions.
7. Constitute new international financial systems based on the framework and principles stated here. This is an urgent need. Institutions such as the World Bank and IMF have to take responsibility for their policies that contributed to the current crisis. Given their record of failures in financing development, their culture of secrecy and their unaccountability, their power must be broken and their senior leadership must be held accountable and brought to justice.
8. **Policies, practices and processes of lending and borrowing must be challenged and transformed towards Sovereign, Democratic and Responsible Financing**

Standards and Rules for Lending and Borrowing and Related Financial Transactions

To prevent further build up of illegitimate debt and move us forward in building a new international financial system – far reaching and comprehensive changes in lending and borrowing and related transactions are needed based on the standards and rules outlined below:

A. ON PUBLIC LENDING and RESPONSIBILITIES and OBLIGATIONS of LENDING GOVERNMENTS and INSTITUTIONS

The history of the public debt crisis in the South since the 1980s has shown that northern governments, international financial institutions and private banks and financial companies bear major responsibility for the accumulation of illegitimate and unsustainable debt. Lenders should uphold the following obligations and standards, and regulatory mechanisms on financial transactions should be established along these lines.

1. The protection of human rights and the environment; upholding the core universally accepted standards on human rights and the environment

- a. **Respect for human rights:** Activities financed must not violate human rights and must not contribute to the violation of human rights. These rights are set out in the internationally and nationally recognised and accepted human rights laws and treaties.
- b. **Respect for internationally recognised social, labour and environmental standards:** Lending must not support any venture that contravenes national laws and United Nations and other internationally recognized standards on social, labour and environmental protection whichever is stronger.
- c. **Recognition of the primacy of human and environmental rights obligations over financial, economic, and/or commercial agreements.**

This would apply in particular to public lending for military expenses, deforestation and development of projects with large scale destruction of environment and displacement of people (e.g. large scale dams, extractive industries, fossil fuel extraction). Food, climate and disaster support should be in the form of reparations and grants, rather than loans.

2. Respect for sovereignty and self-determination, for national ownership and policy space

- a. Lending and access to credit should not be used as leverage to impose conditionalities on borrowing governments that are extrinsic to financial and fiduciary terms and mutual obligations of the loan.
- b. Loans should not be accompanied with terms that violate public procurement and other laws. Loan contracts should not be tied to the purchase of goods or services from the lender.

- c. Lenders should not aggressively peddle loans to promote vested political and economic interests.
- d. Lenders should not interfere in or unduly influence the identification or implementation of the projects, policies and programs financed by the loans. Lending must be in the framework of country-designed development strategies and policies.

3. Ensuring Public Consent and Transparency

Public agencies involved in the loan transaction must have a code with a presumption in favor of disclosure, with very limited exceptions and a clear access and complaints procedure.

- a. **Parliamentary and citizen participation:** Lending institutions must exercise due diligence, ensuring that the loan contraction process is transparent and participatory in accordance with core UN standards. Parliaments and/or citizens and affected communities in the borrower nation must be given adequate time and information to debate the taking-on of the loan, including purpose and terms of the loan in accordance with the national constitution. This must allow for the possibility that a loan proposal is rejected by the peoples of the country in question as indicated by decisions of appropriate democratic structures in the country.
- b. **Public disclosure of information:** All details of the loan proposals and eventually the contracts and all supplemental and linked documents, annexes and appendices must be available to the public in both borrower and lender nations (e.g. transmitted to parliament, available for consultation on request, published on the web, announced in the national press, radio and/or television as appropriate)

Language: The contract must be available in the main national languages of the borrowing nation, including the language(s) of affected communities. Both original and translated versions should have equal validity in a court of law.

4. Adherence to integrity and anti-corruption pacts — national, regional and international charters, laws and conventions in all processes of loan contraction and implementation of loan financed projects. There should be regular disclosure of lists of companies and agencies that are involved in corruption and fraud in all the above loans processes, both by lending countries and agencies, and by the borrowing countries.

Agencies and agents found to have violated anti-corruption guidelines should be debarred from further contracts for an extended period.

5. Due Diligence

a. **Feasibility study and ex ante impact assessment:** The lender has a fiduciary responsibility to ensure that activities financed are legal and viable, as attested by a feasibility study and an independent ex ante long-term integrated impact assessment. The lender, the borrowing government and affected communities should jointly appoint a body to carry out the ex ante assessment. The loan contract should state who bears the costs of possible risks associated with the project as identified in the ex-ante assessment. The feasibility study and ex ante impact assessment should be financed through a grant and not charged as part of the loan.

b. **Ongoing project monitoring** – the lender has a responsibility to ensure that implementation is done in line with the project agreement and in line with international and national laws.

6. Stopping loan disbursements – In the event of the loan being used for purposes other than agreed, or in a manner that violates the principles stated here, the lender may decide to stop the loan disbursement(s) after granting the borrower the opportunity for corrective measures to be taken, and reasonable advanced notice.

7. Loan currency – Official lenders should offer the possibility of borrowing all or part of the loan in local currencies to help balance exchange rate risk.

8. Loan collection policies – Collection of loan payments should be guided by principles including the language(s) of affected communities, including the language(s) of affected communities,

B. ON PUBLIC BORROWING and DEBT PAYMENTS: RESPONSIBILITIES and OBLIGATIONS of BORROWING GOVERNMENTS

Governments of the South also have responsibility in the creation of the debt problem and should be held accountable to their citizens.

In situations where borrowing becomes necessary, whether externally or internally, governments should establish solid legal and institutional borrowing policies guided by principles of sovereignty and democracy and the following rules, standards and obligations.

1. Borrowing and debt payment practices and policies should not run contrary to the responsibility of governments to:

- a. Uphold, protect and defend basic civil, political, economic, socio-cultural and environmental rights of its citizens.
- b. Ensure ecological justice and recognize the limits to the bio-capacity of the Earth.
- c. Pursue democratic, equitable and sustainable development and give primacy to the needs and well-being of its citizens, especially the marginalized and excluded.
- d. Exercise democratic governance and be transparent and fully accountable to their citizens.
- e. Uphold national sovereignty and promote international relations based on mutual respect and solidarity.

2. Clear, comprehensive and coherent regulatory laws and mechanisms on borrowings and debt payments should be established, and should include provisions for:

- a. Limits to the purpose of borrowing in general and the use of specific loans and credit instruments in particular.

Public borrowing must respect human rights and internationally accepted social, labour and environmental standards. This applies particularly to military expenses, deforestation and development projects with large scale destruction of environment and displacement of people (e.g.

large scale dams, extractive industries, fossil fuel extraction). Food, climate and disaster support should be in the form of reparations and grants, rather than loans.

- b. Ensuring due diligence and the execution and submission of requirements in evaluating loan proposals. These include documents and other evidence which identifies the need for the loan in order to avoid unnecessary borrowing and/or supply-driven borrowing. These also include feasibility, viability and impact studies on the project and policies to be financed.
- c. Disallowance of contracts and supplemental agreements which result in tied aid and loans and debt conditionalities. These include the imposition of knowledge and technical “expertise”.
- d. Ceilings on the amount of borrowings and outstanding debt, which can be expressed per annum and as % of GDP; ceilings may be expressed as range.
- e. Ceilings on debt payments, which can be expressed in terms of % of national budgets.
- f. Limits and guidelines on “counterpart fees” and penalties.
- g. Identifying Institutions and bodies that will be tasked with responsibilities regarding borrowing, loans and payments; Clear outline of authorities and relationships and clear processes and requirements for approval of loans and borrowing instruments and determination of debt payments.
- h. National regulation and monitoring of borrowing and loan contraction by local government units (to guard against predatory direct lending to local governments).
- i. Ensuring that national government borrowing for local projects have the prior and informed consent of local governments and affected communities.
- j. Prohibition of the appointment of former senior staff or officers of international financial institutions and private financial institutions to government positions involving responsibilities in planning, economic affairs and finance, for a specified period. Former staff and officers of international financial institutions and private financial institutions should also be prohibited from being appointed to government posts involving planning, economic affairs and finance for a specified period after they leave these institutions.
- k. Ensuring that if international, national and local civil society organizations and NGOs implement any project out of loans, they must comply with the principles and standards outlined here. This involvement should not undermine the responsibility and rights of the borrowing state.

3. Ensuring ACCOUNTABLE and DEMOCRATIC decision-making and appropriate checks and balances

- a. The establishment of an accountable and democratic body that evaluates and recommends proposals for borrowing and loan contractions. This should be a separate body from implementing agencies of the loan-financed projects or programs. It should include representatives from civil society, the beneficiaries and local government representatives.

- b. Parliamentary approval of program and project loans as well as bonds and other borrowing instruments. Parliaments shall set up mechanisms for this purpose.

Example: Parliamentary approval of loans may involve a “Debt Contraction Committee” with representatives from civil society

- c. Democratic body that monitors and evaluates the use of the loans/debt and implementation of loan/debt-financed projects and policies. This body makes recommendations regarding the loan and the project based on its evaluation. This should be a separate body from approving as well as implementing agencies. This body should include representatives from civil society and affected groups.

Example: “National Debt and Management Council” that scrutinises the loan contraction process after the Ministry of Finance has identified the donor.

- d. Regular, periodic, comprehensive, transparent and participatory parliamentary debt audits, with the involvement of citizens groups.

4. Full information disclosure and transparent and democratic processes in every phase: submission, evaluation and approval of loan proposals; preparation and finalization of contracts; procurement of services and goods; monitoring, reporting and evaluation of loan-financed programs and projects; decision-making on debt payments.

Public agencies involved in the loan transaction must have a code with a presumption in favor of disclosure, with very limited exceptions and a clear access and complaints procedure.

- a. Parliaments, local governments, citizens groups and affected communities must be given adequate time and information to debate the taking-on of the loan, including purpose, terms, consequences and impacts of the loan in accordance with the national constitution and laws and universal agreements on human rights.
- b. The loan contract, supplemental and linked agreements, annexes and appendices must be available to the public in both borrower and lender nations (e.g. transmitted to parliament, available for consultation on request, published on the web, announced in the national press, radio and/or television as appropriate).
- c. Language: The contract must be available in the main national languages (including the language(s) of affected communities) of the borrowing nation. Both original and translated versions should have equal validity in a court of law.
- d. Public procurement: Government procurement processes must be transparent. There should be an independent procurement body. The loan contract should carry clear details of tendering processes for those carrying out any work or providing any services.
- e. Adherence to integrity and anti-corruption pacts — national, regional and international charters, laws and conventions in all processes of loan contraction and implementation of loan financed

projects. There should be regular disclosure of lists of companies and agencies that are involved in corruption and fraud in all the above loans processes, both by lending countries and agencies, and by the borrowing countries.

Any company found to have violated anti-corruption guidelines should be debarred from further contracts for an extended period.

5. Internal Evaluation of loans and loan-financed projects; Progress reports

Implementation agencies must conduct regular internal evaluation (e.g. biannual or annual as appropriate) and submit progress reports on loans and loan-financed projects. There should be a clear timetable for completion of the project. These project reports and evaluations must be tabled in parliament and must be made public.

6. Efficient and rigorous records and data management

There should be a central body that has custody of certified true copies of loan contracts, regularly monitors, collects and organized data related to borrowings and payments; generate regular reports not only for government agencies but also for the public

Example: Creation of a National Debt and Grants Account -- this will make it easy to monitor debt resources and enhance efficiency in data management

7. Accountability of officials and government bodies

There should be effective legal and institutional framework and mechanisms to hold officials and government bodies accountable for irregularities in loan contraction processes, the administration and use of borrowed funds, and the implementation and impact of loan-financed projects and programs. There should be provisions for redress, complaints mechanisms, and civil and criminal prosecution of officials and politicians including heads of states. Institutions and officials should not be granted immunity for wrongdoing in the performance of their official duties.

C. ON LOAN CONTRACTS AND JOINT RESPONSIBILITIES OF LENDERS AND BORROWERS

1. TECHNICAL AND LEGAL TERMS AND CONDITIONS

- a. Purpose and amount of loan: The loan document must state clearly the purpose, amount and beneficiaries of the loan.
- b. Mutual obligations and predictable disbursement: The borrower commits to spend the funds as stipulated in the loan agreement. The lender commits to deliver the funds predictably as stated.
- c. Compliance with relevant national and international laws: The parties to the loan must comply with relevant international laws and conventions and with national laws and regulations in the borrower and lender nations. This includes the general principles of international law as under the Vienna Convention. Loans should not be exempted from the responsibilities and accountabilities demanded by national law in the borrower or lender nation. Disregard for applicable laws can render any later claims invalid.

- d. Legal authorisation to enter into the transaction: The loan document must be signed by authorised representatives of both borrower and lender. It must show that it has secured the necessary parliamentary and/or other administrative approvals in the borrower country.
- e. Repayment assumptions: The borrower government and lender must make public the economic 'assumptions' they have made in relation to how the loan is to be repaid, such as the financial position of the borrower, and expected rate of return on activities financed where it applies.
- f. Interest rates: The loan document must indicate clearly the type and level of interest rates charged (fixed or variable rates).

If variable interest rates are chosen, rates should be given a reasonable and fair upper limit which must be stated in the contract. This offers more predictability and certainty to both parties to the contract.

- g. Repayment profile: The contract must provide clear information on grace and maturity periods, and repayment profiles (date and amount of debt service).
- h. Penalties: There should be no usurious penalty premiums. These should be set at no more than the original interest rate.

For example: if the original loan carries an interest rate of 3%, the penalty premium should carry a maximum interest rate of 3%.

- i. Side-letters: Confidential side letters should not be permitted.
- j. Fees and charges: The loan document must contain detailed figures and information of any fees charged as part of the transaction (including recipient(s) and purpose(s) of fees). Fees should be agreed upon by both lender and borrower, and should be consistent with laws and policies of the borrowing country.
- k. Conflicts of interest: The loan document should also spell out any additional role the lender has played in relation to the loan, e.g. if it has acted as advisor/consultant to the borrower in addition to its role as lender. The details of this advice should be public and available on demand.
- l. Sale of loans or debt papers in secondary markets: To prevent aggressive actions by litigating holders of credit claims, the loan should restrict the holder's or lenders' right to assign the debt to another party. The lender cannot unilaterally sell or assign the debt to other entities. The lender must first obtain the free and informed consent of the borrower.

In the event the debt is sold-on, it should not be sold on to a vulture lender. A vulture lender is defined as a lender who acquires a debt on the secondary market at a discount then sues to obtain the nominal value of the original loan.

Further, in the event the debt is assigned, transferred, restructured or replaced with a successor loan, all provisions as outlined in the original loan agreement apply, such as the provision for respect for borrower's rights and jurisdiction, the option for independent arbitration and change of circumstance.

2. OTHER AGREEMENTS BETWEEN BORROWER AND LENDER

The loan must contain details of any host government agreement, production-sharing agreement, power purchase agreement or any other similar accord. It must also contain details of any agreement to repay the loan in goods or services provided by the borrower as well as state clearly the basis for the valuation of these goods or services. Similarly, if the purpose of the loan is the provision of goods or services by the lender, the loan document must clearly state how such goods/services have been valued.

3. IMMUNITY

To ensure that service providers are fully accountable, there should be no clauses in loan agreements which give legal immunity for violations of the law in borrower and lender nation to those carrying out any services or work as part of the contract.

4. LOCAL CAPACITY-BUILDING

Procurement procedures should support the capacity-building of local companies and institutions in line with international agreements and commitments in this regard.

5. REPAYMENT DIFFICULTIES OR DISPUTES

Borrowing countries have the right to decide on national jurisdiction in the case of disputes.

Loan provisions regarding repayment difficulties and disputes should respect the sovereign right of countries to hold debt audits and take unilateral action to stop payments or repudiate debt claims in order to meet their human and environmental rights obligations.

- a. **Change in circumstance:** The loan must recognise that there will be cases where a dramatic change in circumstances – beyond the will of either borrower or lender – means that the borrower is no longer able to meet its financial obligations on the loan. The contract should state clearly what happens in such circumstances and should allow for a modification of the terms of the agreement. The borrower must provide clear evidence which demonstrates that it is not able to meet its financial obligations on the loan.

- b. **Independent arbitration:**

Borrowing countries should have access to an independent and transparent arbitration procedure in the case of payment dispute. The arbitration procedures should be fundamentally different from the existing mechanisms such as the World Bank's International Center for the Settlement of investment Disputes (ICSID).

If the option for independent and transparent arbitration is taken – there should be a stay on debt repayments while negotiations are underway. The borrower should also be protected from litigation while negotiations are in progress. Lenders and borrowers will abide by the decision of the independent arbitrator. There should be a right to appeal and appropriate mechanisms identified for this purpose.

- c. **Legal authorisation to negotiate** Proof of legal power of attorney and negotiation must be provided by both sides of the contract before commencement of any negotiations on the loan.
- d. **Loan refinancing** The details of any restructuring/refinancing agreement must be made public. Any

successor loan carries with it the properties of the original loan.

- e. **Prohibition of profiteering.** In the case of legal dispute or litigation, a lender is not permitted to be awarded an amount greater than the nominal value that the debt was acquired for plus a simple interest rate. The interest rate should be the rate set in the original loan agreement or the general rate set by the agreed jurisdiction, whichever is lower. Interest is applied and payable only from the date the loan is acquired.
- f. **Cross-default:** the loan document must not contain any cross-default or similar clause.
- g. **Termination of the contract:** There must be clear, fair grounds and requirements for nullification/termination of the contract by either party.

D. FINANCIAL MARKETS and TRANSACTIONS INVOLVING LENDING, BORROWING, BOND FLOATS, DEBT PAPERS

International financial markets have severely impacted borrower countries through creating financial instability, fluctuation of exchange rates and expropriation of national sovereignty in regulating national economy. Finance should be subordinated to support real economy and not speculative processes with severe impacts on the economies of Southern countries. Global economy should be definancialized and subordinated to binding rules.

The international financial architecture should be profoundly transformed in order to introduce a fair and stable monetary system re-establishing national monetary sovereignty.

In this context developing countries should be put in the conditions to promote state-backed financial operations – including issuance of treasury bonds. Whereas these operations will take place at regional and international level the primary aim should remain the mobilization of resources at national level towards social and public purposes by retaining the maximum democratic control possible and adequate safeguards.

The Issuance of bonds:

1. Issuance should preferably be in local currency, and in any case interests should not be paid in foreign hard currencies.
2. Ex-ante approval by national parliaments should be required before any issuance of bonds, for example by setting an upper limit for the allowed amount of bond issuance. National parliament should also have the right to binding it to specific social scopes.
3. Bonds' soundness should be rated by public rating agencies to be established at national and regional level;
4. Dispute settlement mechanisms between issuing countries and international investors should be set up in the context of national jurisdiction and law according to predictable rules;
5. Strict transparency requirements should be introduced in order to make public bondholders known at any time;

6. A cap on the maximum percentage amounts of bonds against the overall issuance which could be bought by institutional investors, sovereign wealth funds, individual and foreign governments should be introduced in order to prevent improper international interference in national monetary and economic affairs of the issuer country;
7. Collective action clauses should be introduced with a strict reference to national law and jurisdiction;
8. Multilateral and bilateral treaties affecting national public control over issuance and management of bonds should be rescinded.

Debt papers, public debt securitisation and other debt restructuring mechanisms:

1. Securitisation of foreign debt by lenders should be banned.
2. Borrowers should have the right to know at any time which national agency in lender countries is responsible for the management of their debt;
3. Debt restructuring through bonds issuance – Public audit of debt illegitimacy should be carried out ex-ante by national parliaments in borrowing countries. In addition independent assessment of the value of existing debts should be carried out by publicly controlled agencies at national and regional level. In the case of existing ongoing operations, bonds issued on the basis of illegitimate debt or through illegitimate operations should be regarded equally illegitimate.
4. “Sovereign Wealth Funds” or similar state owned investment funds should make public the composition of their portfolio in terms of state-issued bonds and securities.

E. ON PUBLIC GUARANTEES AND CONTINGENT LIABILITIES

Public guarantees and contingent liabilities cover have led to crushing debt, while the beneficiary firms have ripped maximum profits from southern countries.

Export Credit Agencies play a major role in the extension of public guarantees and the accumulation of contingent liabilities by providing guarantees to private firms for their investments in South countries and requiring counter-part guarantees from South governments.

Private banks and private companies investing in “priority but risky” industries, mostly involving large infrastructure projects, often require and are granted different forms of government guarantees. These include foreign exchange rate guarantees, petroleum fuel price guarantees, “take or pay” provisions and others.

Public guarantees and contingent liabilities involve the application of public resources and should be governed by public law. In this regard guidelines and principles guiding the use of public guarantees and contingency liabilities must be developed.

To protect the sovereignty and resource of states and their peoples, there should be effective implementation of the following principles, rules and guidelines:

1. Governments of the South should not issue public guarantees for private profit and liabilities.
2. Export Credit Agencies should remove the requirement of country counter-guarantees from the Central Banks of South countries.
3. Parliamentary consent for public guarantees for state and public enterprises should be required.
4. There should be effective regulation of national government guarantees to public enterprises and local governments. There should be a clear policy on the lines of responsibility of both the local government and the national government regarding guaranteed loans.
5. Systematic data-banking and recording should be compulsory for all contingent liabilities. There should be full disclosure of public guarantees as well as when contingent liabilities become actual liabilities.
6. All information on the activities of “Public Guarantee Funds” should be publicly disclosed.
7. Comprehensive and participatory parliamentary audit of all public guarantees must take place regularly.
8. The national jurisdiction and the public law of States (constitutions, laws, and regulations) must be upheld and implemented. Projects must comply with host country standards. Projects must meet the international standards in the case these are more stringent than host country standards.
9. Projects must respect the existing legal instruments concerning human rights and environmental rights as well as the right of peoples to their own self-determination as recognized by the United Nations.
10. Pro-environmental laws for sustainable business operations as well as for the monitoring of such programs must be developed.

INITIAL LIST of SIGNATORIES

INTERNATIONAL and REGIONAL NETWORKS and ORGANIZATIONS

African Jubilee South (AJS)
African Forum and Network on Debt and Development (AFRODAD)
JS - Asia/Pacific Movement on Debt and Development (JS-APMDD)
Latin American Network on Debt and Development (LATINDADD)
LDC Watch (Least Developed Country)
South Asia Alliance for Poverty Eradication (SAAPE)
Action Aid International
European Network on Debt and Development (EURODAD)
CADTM International

NATIONAL NETWORKS and ORGANIZATIONS

ASIA/PACIFIC

Equity & Justice Working Group (EquityBd) - Bangladesh
Unnayan Onneshan - Bangladesh
VOICE - Bangladesh
Aid and Accountability Group - Bangladesh
SUPRO - Bangladesh
Freedom from Debt Coalition (FDC) - Philippines
Kalayaan, Philippines
Solidarity of Filipino Workers, Philippines
Indian Social Action Forum (INSAF) - India
River Basin Friends (NE) - India
VAK - India
Koalisi Anti Utang (KAU) - Indonesia
Solidaritas Perempuan (SP) - Indonesia
INFID - Indonesia
Rural Reconstruction Nepal (RRN) - Nepal
Pakistan Fisherfolk Forum - Pakistan
Citizens' Alliance in Reforms for Equitable and Efficient Development (CREED) - Pakistan
CADTM Pakistan
Monitoring Sustainability of Globalisation (MSN) - Malaysia
Jubilee Australia

AFRICA

Daughters of Mumbi Global Resource Center - Kenya
Malawi Economic Justice Network (MEJN), Malawi
Africa Network for Environment and Economic Justice (ANEEJ), Nigeria
Economic Justice Network in Cape Town - South Africa
Economic Justice Network of the Fellowship of Christian Councils in Southern Africa
Recontre Pour La Paix Et les Droits De L'Homme (RPDH), Congo-Brazzaville
SOLIDAIRES/CADTM Pointe-Noire ; APASH/ CADTM Brazza, Congo Brazzaville
Jubilee Zambia, Zambia
African Forum on Alternatives - Senegal
Africaine de Recherche & de Cooperation pour l'Appui au Developpement Endogene (ARCADE) - Senegal
Union Nationale des Syndicats Autonomes du Sénégal (UNSA), Senegal
Centre d'étude et de recherche pour l'intégration régionale et le développement de l'Afrique, (CERIDA), Guinea
Réseau des Organisations de la Société Civile Mauritanienne pour la Promotion de la Citoyenneté (RPC), Mauritanie
Forum National sur la Dette et la Pauvreté, (FNDP), Côte d'Ivoire
AMSEL / CADTM Lubumbashi, Democratic Republic of Congo
CADD Bénin, Benin
CAD Mali, Mali
Réseau National Dette et Développement (RNDD), Niger
ATTAC Togo, Togo

LATIN AMERICA and CARIBBEAN

Fundacion Jubileo Bolivia

Jubileo 2000 Ecuador

Instituto del Tercer Mundo (ITEM), Uruguay

EUROPE

Campagna per la Riforma della Banca Mondiale (CRBM) - Italy

Mani Tese - Italy

Jubilee Debt Campaign - UK

Jubilee Scotland

Jubilee Netherlands

Aktion Finanzplatz Schweiz (AFP) - Switzerland

Centre Europe - Tiers Monde (CETIM) Suisse, Switzerland

Berne Declaration - Switzerland

SLUG Norway

CNCD Belgium

Comité pour l'Annulation de la Dette du Tiers Monde Entraide et Fraternité, Action Vivre Ensemble

(CADTM), Belgium

CADTM France

NORTH AMERICA

Jubilee USA Network

INDIVIDUALS

Rogate Mshana

Director for Peace, Justice, Diaconia and Responsibility for Creation, World Council of Churches