

exogenous shocks. A country would become potentially eligible for support through the Crisis Response Window if it faces a severe natural disaster". The CRW for natural disasters do not take into account the very different characteristics of IDA countries with respect to their size, absorptive capacity and ability to mobilize resources for reconstruction.

Moral Grounds for Debt Forgiveness

The fact that IFIs are devoid of any respect for human rights, has been proved once again. Soon after the flood calamity in Pakistan, the World Bank made announcement to provide new loan to Pakistan of \$ 1 billion. Following the suit, Asian Development Bank offered \$2 billion emergency loan. This is a time when Pakistan needs unconditional help but IFIs handing over further loans capitalizing on the misery of the people of Pakistan. Pakistan is already paying huge amount under debt servicing at the heavy cost of denial to basic needs of majority of its population. The country owes heavy amount of about \$ 24 billion to IFIs including Asian Development Bank and the World Bank. Further loaning, without doubt, will lead an already debt-trapped Pakistan to worst economic mess.

Therefore, instead of accepting new loans, Pakistan must stand for the total and unconditional repudiation of its foreign debts. This is our moral right. Time and again, countries facing tragedies, like Pakistan's catastrophic flooding, are forced by International Financial Institutions and donor countries to mortgage their future as

they borrow for relief and recovery efforts. Thus, the tragedy is magnified for years to come.

Debt Repudiation as Human Right

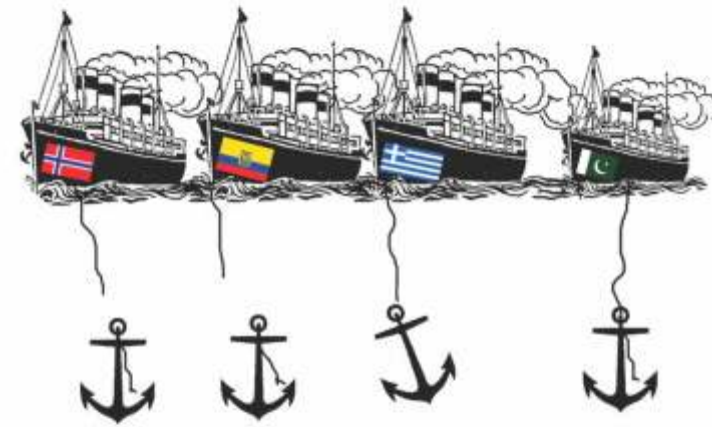
In 1987, President of Burkina Faso, Thomas Sankara said "The debt cannot be repaid, firstly because if we do not pay, the money lenders will certainly not die, on the other hand if we pay, we will certainly die. Those who have led us to debt trap have gambled as though in casino. When they were winning there was no debate. But now when they have lost through gambling, they demand that we repay them. No! According to rules of the game we cannot pay and refuse to pay all foreign debts."

Extraordinary Human Crisis

There is extraordinary human crisis in Pakistan. The country needs to be able to mobilize all available resources toward relief and rehabilitation efforts. Instead of serving billions in debt services, Pakistan should be able to divert those resources in recovery for its people in urgent need. Furthermore, the international community should provide grant support instead of new loans that will push Pakistan further into debt.

"We appreciate the PML-N's commitment, expressed in its Election manifesto 2013 to reduce country's dependence on foreign loans. However, this promise is yet to be translated into action through undertaking solid and alternative measures to reduce the chronic debt burden."

PAKISTAN NEEDS TO BE SET FREE



If Norway, Ecuador & Greece can have their debts audited
Why can't Pakistan establish a Debt Audit Commission?

WE DEMAND A DEBT FREE PAKISTAN



International Rules for Arguments on Debt Cancellation

There are number of spaces available in international law that can be invoked as legal justification to refuse the external debt under extraordinary circumstances.

· **Rule of State of Necessity:**

State of necessity, now known as “necessity” and codified by Article 25 of the International Law Commission's (ILC's) Articles on State Responsibility (ASR), is a circumstance precluding the wrongfulness of an otherwise internationally wrongful act. It is traditionally defined as a situation in which the sole means by which a state can safeguard an essential interest from a grave and imminent peril is to sacrifice another state's interest of lesser importance.

“This rule is characterized by a situation that jeopardizes a State's economic or political survival - such as the situations which creates the factor of impossibility of fulfilling the very basic needs of the populations (health, education, food, water, housing etc). The "State of Necessity" justifies the repudiating of debt, since it implies establishing priorities among different obligations of the state”.

The natural calamity-like the one hit Pakistan in August 2010, creates the very factor of “State of Necessity”. Therefore, Pakistan can invoke this very rule to stop foreign debt repayments to fulfill the fundamental needs of its flood-hit population.

· **UN Human Rights Commission Resolution 1999**

The UN Human Rights Commission has adopted numerous resolutions on the issue of debt and structural adjustment. One such resolution was adopted in 1999, asserts that

“The exercise of the basic rights of the people of the debtor countries to food, housing, clothing, employment, education, health services and a healthy environment cannot be subordinated to the implementation of the structural adjustment policies, growth programs and economic reforms”.

· **Rule of State Responsibility**

The laws of state responsibility are the principles governing when and how a state is held responsible for a breach of an international obligation. Rather than set forth any particular obligations, the rules of state responsibility determine, in general, when an obligation has been breached and the legal consequences of that violation. This rule adopted by the UN Commission on International law 1980 says that

“A state cannot be expected to close its schools, hospitals and universities, abandon public services to the point of chaos, simply to have money to pay its foreign debts”.

· **Post-Catastrophe Debt Relief Trust Fund.**

The PCDR Trust Fund allows IMF to join international debt relief efforts when poor countries are hit by the most catastrophic of natural disasters.

" Eligible countries are able to get two years relief of debt repayments, as well as, "full cancellation of a country's stock of debt to the IMF ... in cases where the disaster has created substantial and long-lasting balance of payments needs, and where the resources freed up by debt stock relief are critical for meeting these needs."

On July 21, 2010, the IMF agreed to use the PCDR Trust Fund to eliminate all of Haiti's \$268 million debt stock to the Fund. However, this cancellation was not so simple and straight. It came along with a new loan of \$ 60 million. From one perspective IMF's cancellation of Haiti's debt, looks good step but at the same time it looks totally absurd that the poor ravaged country is burdened with fresh loan. The eligibility criteria for the PCDR Trust are also flawed. It is far too narrow and the financing far too little to provide needed debt relief to the poor countries.

It must be expanded to countries that suffer severe natural disasters as assessed by the United Nations Disaster Assessment and Coordination team. And also the post-conflict countries whose infrastructure and productive capacity has been severely destroyed should have the right to avail the benefit.

· **Crisis Response Window (CRW)**

World Bank's International Development Association (IDA)'s Crisis Response Window (CRW) includes both natural disasters and economic crises resulting from external shocks. “The Crisis Response Window is supposed to provide special financing to IDA countries facing natural disasters and other