

**Attac Finland, Attac Ireland, Both Ends, Bretton Woods Project, CADTM - Committee for the Abolition of illegitimate Debts, Centre national de coopération au développement CNCD-11.11.11, Debt and Development Coalition Ireland, Ecologistas en Acción, Ekumenická Akademie, Enabanda, Erlassjahr.de – Entwicklung braucht Entschuldung, Eurodad - European Network on Debt and Development, European Information Human Rights Centre, Jubilee Debt Campaign UK, Společenství Práce a Solidarity, War on Want, Zukunftskonvent**

For the attention of members of the Eurogroup and the Eurogroup Working Group,

In autumn last year, some of our organisations handed over a petition supported by 53 organisations in 15 European countries and signed by over 100,000 individuals calling for the cancellation of Greek debt. It also called for an end to forced austerity policies, and new global rules to resolve debt crises promptly, fairly and with respect for human rights. We are therefore glad to see that addressing the Greek debt problem has finally been placed on the agenda. We are, however, concerned about the draft proposals that were presented at the last Eurogroup meeting on May 9th. The debt reprofiling measures outlined do not go far enough to solve the Greek debt problem in a speedy and sustainable manner. The so-called contingency mechanism sidelines democratic decision-making procedures and would trigger a dangerous downward spiral when Greece is hit by economic shocks.

Furthermore, the three-pronged approach of different reprofiling options, including maturity extensions, is postponing the actual solution to the Greek debt crises until the distant future. We do not believe that this delay is in the best interest of any legitimate party involved. On the contrary, this operation threatens to become another case of politically motivated procrastination, of “too little – too late” debt restructuring. Such procrastination has already caused a lot of harm in Greece, as well as in other debt crises around the globe.

The evidence from developing countries’ debt crises since the 1980s is that attempts to address debt overhangs through debt reprofiling have left countries burdened with unsustainable debts and have led to lost decades for development. Only actual haircuts managed to resolve the debt overhangs and restore growth. It is fair to conclude that the situation will not be different when it comes to Greece. We therefore reiterate our call that the major share of Greek debt must be cancelled.

It is indeed unfortunate that the burden of such an operation might fall on the European taxpayers. This is obviously a consequence of previous decisions to move formerly private debt to public balance sheets, to bailout banks with public monies. Several studies, most recently one by the European School of Management and Technology in Berlin, found that 95% of Troika loans have been used to repay old loans and bailout banks across Europe and even outside Europe. Given that, it is illegitimate to demand that the burden of repayment should be borne by the Greek citizens.

We, however, share the position expressed by several Finance Ministers that the Greek debt crisis should be solved in a way that minimises the costs for European taxpayers and public budgets. Therefore, we would also like to reiterate our call that money must be recovered from the banks which benefitted from the bailouts, in order to compensate the European financial instruments and finance the debt cancellation. The EWG should immediately start to develop a technical proposal for this recovery operation.

We trust that the EWG will develop, and that the Eurogroup will endorse, a solution to the Greek debt crisis that reflects the EU’s core values, that respects democracy, promotes convergence and cohesion, and ensures human rights for all.

Yours sincerely

