**EFFECTS OF FOREIGN DEBT AND OTHER RELATED INTERNATIONAL FINANCIAL OBLIGATIONS OF STATES ON THE FULL ENJOYMENT OF ALL HUMAN RIGHTS, PARTICULARLY ECONOMIC, SOCIAL AND CULTURAL RIGHTS**

**The Role of Credit Rating Agencies: Debt Relief, Debt Crisis Prevention & Human Rights**

1. Credit rating Agencies (CRAs) assess the credit risk of corporate and government borrowers as well as issuers of fixed-income securities by analyzing relevant information available regarding the issuer or borrower, its market, and its economic circumstances. The information processed by the CRAs, while generally available to the public where the security is publicly traded, may be costly and time-consuming to collect and analyze.
2. In general, a credit rating is used by sovereign wealth funds, pension funds and other investors to gauge the credit worthiness, thus having a big impact on the borrowing costs. Borrowing costs may add to the debt burden, which may adversely impact on borrowers resulting from the shortcomings in the operation of the Credit Rating Agencies and thus deprive borrowers of their enjoyment of basic human rights.
3. There is, therefore, a need to address specific issues regarding the functioning of CRA’s. The credit rating agencies should:

* be more transparent notably regarding their pricing policy and the fees they receive;
* be more transparent about how they conduct their process of rating and reach their conclusions;
* be more independent from their shareholders and from other CRAs; and
* be liable towards investors when breaching intentionally or with gross negligence the CRA Regulation.

1. The COVID-19 pandemic has affected many economies, which have seen a downgrade in their credit rating by these agencies. Whilst these economies have to meet higher borrowing needs, these would have to be financed at a higher real cost due to the downgrade in their credit rating, thereby driving these economies to further distress.

1. Similarly, the State of Mauritius has also faced enormous consequences of the COVID-19 pandemic, in particular the tourism sector as tourist arrivals since the third week of March 2020 has been negligible. This sector, which directly and indirectly contributes to about 15% of Gross Domestic Product, has been severely affected by the pandemic. This, together with the impact of COVID-19 on other sectors of the economy, such as manufacturing, has led to significant drop in output during 2020. The Government of Mauritius has had to take a number of measures to financially support the formal and informal sectors and save employment. Thus, the borrowing needs of the State have increased significantly and these have been financed both from foreign and local sources.
2. Credit rating agencies may also be severely impacted by the COVID-19 pandemic on the following grounds:

* Criminals and terrorists exploiting the COVID-19 and the associated economic downturn are likely to move into new cash-intensive and high-liquidity lines of business both for the laundering of proceeds as well as to fund their illicit operations, as well as fraudulently claiming to be charities to raise funds online;
* criminals may also find ways to bypass regulatory measures by exploiting temporary challenges in internal controls caused by remote working situations, in order to conceal and launder funds;
* exploiting the economic stimulus measures and insolvency schemes as a means for natural and legal persons to conceal and launder illicit proceeds; and
* misuse and misappropriation of domestic and international financial aid and emergency funding by avoiding standard procurement procedures, may result in increased corruption and consequent money laundering risks.

1. Although the State of Mauritius has not benefitted from any debt relief or debt suspension initiatives, the concerns raised by the Independent Expert on foreign debt and human rights concerning the roles of credit rating by private agencies are considered legitimate.
2. The State of Mauritius is of the view that special considerations should also be given to Small Island States as they are particularly affected not only by climate change but also by the COVID-19 pandemic, on account of their high dependence on tourism sector which has now come to a standstill situation.