

# DEBT AND DEBT SUSTAINABILITY

## Civil Society FfD Mechanism Submission to FfD4 Elements Paper

**Recommendation: UN Framework Convention on Sovereign Debt that addresses the necessary reforms in the global debt architecture for the prevention and resolution of debt crises.**

- The UN is mandated to address the issue of sovereign debt,<sup>1</sup> as well as the establishment of a multilateral legal framework for sovereign debt resolution Monterrey Consensus.<sup>2</sup>
- The UN needs to reclaim its role in addressing sovereign debt challenges, away from creditor dominated forums that have failed to establish mechanisms to prevent the accumulation of unsustainable and illegitimate debt and to resolve debt crises, bound to human-rights commitments, including peoples' right to development and gender equality.
- A UN Framework Convention on sovereign debt (hereby Debt Convention), negotiated and agreed by all Member States, in an equitable, inclusive, participatory, accountable and transparent manner, should address the commitment to establish a multilateral debt resolution mechanism, but not be limited to it. The Debt Convention should embody a global consensus on the necessary principles, rules and structures throughout the different interdependent stages of the debt cycle. Primarily, the Debt Convention should establish:
  - A fair and transparent multilateral sovereign debt resolution mechanism, in order to deliver on sufficient debt restructuring and cancellation for the borrowing countries to be able to fulfil its international human rights obligations, achieve the SDGs, ensure gender equality, and implement the necessary climate actions.
  - Principles of responsible sovereign lending and borrowing, and promote legislation, both in lender and borrower countries, that mandates transparent and fair governance and management of sovereign debts
  - New approach to debt sustainability framework and analyses (DSAs), ensuring that the assessment is aligned with human rights, climate and sustainable development needs, including ex-post and ex-ante gender, human rights and environmental impacts assessments and audits to identify illegitimate debts.
  - Automatic debt service cancellation mechanism that protects Global South countries from extreme climatic, environmental, economic, health, food and security shocks, and promotion of debt contract clauses that provide for sharing the risks of climate-related and other external shocks between lenders and borrowers.
  - A binding global debt registry to promote transparency
- Numerous documented instances in the past establish the need for and/or endorse the proposition of a comprehensive debt architecture reform under UN auspices, including UNGA resolutions, reports by UN Independent Expert on Foreign Debt and Human Rights and calls by Member States.<sup>3</sup>

<sup>1</sup> Under Article 22 of the International Covenant on Economic, Social and Cultural Rights, the Economic and Social Council (ECOSOC), A/HRC/20/23, <https://documents.un.org/doc/undoc/gen/g12/140/90/pdf/g1214090.pdf>; A/HRC/20/23/Corr.1, <https://documents.un.org/doc/undoc/gen/g12/128/80/pdf/g1212880.pdf>.

<sup>2</sup> Monterrey Consensus, para. 60, [https://www.un.org/en/development/desa/population/migration/generalassembly/docs/globalcompact/A\\_CONF.198\\_11.pdf](https://www.un.org/en/development/desa/population/migration/generalassembly/docs/globalcompact/A_CONF.198_11.pdf); A/RES/68/304, [https://unctad.org/meetings/en/SessionalDocuments/ares68d304\\_en.pdf](https://unctad.org/meetings/en/SessionalDocuments/ares68d304_en.pdf).

<sup>3</sup> A/HRC/20/23 & A/HRC/20/23/Corr.1, <https://documents.un.org/doc/undoc/gen/g12/140/90/pdf/g1214090.pdf>; G77 (2015), <https://www.g77.org/statement/getstatement.php?id=150205>; Malawi (on behalf of LDC Group) and Jamaica (on behalf of CARICOM) at UNGA 2019, <https://media.un.org/en/asset/k1s/k1sivz8ios>; AOSIS Statement on Debt (2020), <https://www.aosis.org/sustainable-dev-pm-barrowaosis-statement-on-debt/>; G77 and China (2024), [https://www.g77.org/doc/3southsummit\\_outcome.htm](https://www.g77.org/doc/3southsummit_outcome.htm); Africa Group (2024), <https://journal.un.org/en/addis-ababa/meeting/officials/b3d5e16a-882f-4e28-93d6-08dc80203a8d/2024-07-23>.

**Recommendation: Deliver immediate cancellation of all unsustainable and illegitimate debts, from all creditors, consistent with states' human rights obligations.**

Characterised by exclusionary, profit-driven debt resolution processes, the existing global debt architecture prioritises debt servicing at the expense of human rights, SDGs, gender equality, and climate action. Furthermore, debt cancellation should be unconditional and Member states should agree on eliminating detrimental loan conditionalities that divert crucial resources from ensuring sustained fulfilment of fundamental human rights, SDGs and climate action.

- Several resolutions of the UNGA and HRC reiterate the obligations to ensure that “debt service does not result in violations of human rights and human dignity and does not prevent the attainment of international development goals.”<sup>4</sup>
- Countries in the Global South need debt cancellation today in order to be able to comply with the 2030 agenda and the Paris Agreement and fulfil fundamental human rights obligations.

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<sup>4</sup> A/HRC/40/57 and A/HRC/20/23.