Third Preparatory Committee (PrepCom) for the Fourth International Conference on Financing for Development (FfD4), NY, 10-14 February, 2025

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Debt and Debt Sustainability segment

Thank you Chair for the opportunity. I am Jason Braganza representing The African Forum and Network on Debt and Development, and the CSO FfD Mechanism.

Chair, the road to Seville is not just about agreeing an outcome document on debt. It is about safeguarding the future of lives that are, at present, being mortgaged due to the diversion of critical financial resources to prop up a creditor-centric debt architecture. This architecture is sure to guarantee that SDGs and Agenda 2030 will not be achieved given that countries that have defaulted and countries that are in high-risk of debt distress, are not only going to default on their debt, but default on their development Agenda.

Against this background, Chair, I will touch on some specific proposals given the time constraint with details already submitted as part of our CSO FFD Mechanism Submission.

1. We welcome the call in the zero draft for reform of the debt architecture to be development oriented. We would however recommend the language is more robust and takes this outcome to a more ambitious level than Addis Ababa back in 2015. This can be done by adding A more "human rights, decolonial" and development-oriented international debt architecture in which all creditors effectively participate could ensure efficient, fair, predictable, coordinated, timely and orderly restructurings, building on the call made in the Addis Ababa Action Agenda.

2. Specifically in para (50) we propose replacing "...path of debt sustainability" with "...path of sustainable development and climate action". In addition, we propose in this same paragraph adding "adverse effects on human rights and societies and economies as a whole. To enhance effectiveness, restructuring processes should be transparent and inclusive, engaging the public and affected communities to foster greater understanding and acceptance of difficult trade-offs."

On 50 (a) we propose a rewording of this section "Building on lessons learned from debt reliefs and debt resolution processes we decide to establish an intergovernmental process in the United Nations to review existing debt architecture with the aim to establish a UN Framework Convention on Sovereign Debt that addresses the establishment of a fair and transparent multilateral sovereign debt resolution mechanism in order to deliver on sufficient debt restructuring and cancellation for all countries in need to be able to fulfil its international human rights obligations, achieve the SDGs, ensure gender equality, and implement the necessary climate actions; as well as agree on the principles and parameters that should guide a fair debt restructuring, including the need for unconditional debt cancellation, from all creditors to all countries that need it, including standardizing debt service suspension by private and bilateral creditors during negotiations; developing a user manual for debtors with clear timelines; agreeing deeper debt relief so countries are not at risk of going back into crisis; and developing an accessible guideline for assessing comparability of treatment (CoT) and refining tools for enforcing CoT. We encourage debtor countries that need debt relief to actively seek debt treatments and pre-emptive debt restructuring.

On 50 (b) we propose explicitly adding "both in lender and borrower countries, that mandates transparent and fair governance and management of sovereign debts, and" With reference to domestic legislation. This is consistent with the broader objective of FFD4 to be ambitious and build on from Monterey, Doha, and Addis Ababa.

On 50 (c) we propose adding "Debt relief instruments and measures, in any form, must fulfil principles of transparency and accountability, both in the negotiation and the implementation process, guaranteeing meaningful participation and rights of the local communities over the interests of private intermediaries."

On 50 (e) we propose rewording this sub-paragraph with additional text on"...United Nations towards agreeing a legally binding framework on debt, with a view to ~~closing gaps in~~ comprehensively reforming the debt architecture and exploring options to address debt sustainability, including but not limited to a multilateral sovereign debt restructuring mechanism, binding principles like those of UNCTAD on responsible borrowing on lending, agree extensive debt cancellation, establish debt data registry and other issues related to debt prevention and resolution.

3. On paragraph 51, we propose adding the words "comprehensive" and "reduce risk and exposure to market speculation"; to emphasise the transparent analysis on sovereign debt sustainability is important for the smooth functioning and fair pricing of debt markets. Both public sector-led debt sustainability assessments and private sector credit ratings have evolved to address some of their weaknesses, but challenges remain, including in accurately assessing the risks and benefits of public policies affecting long-term debt sustainability. Private sector credit ratings of sovereigns are insufficiently transparent and may reinforce short-term, procyclical market reactions, undermining the ability of developing countries to borrow and invest in sustainable development. Stronger public action and regulatory efforts can ensure that credit assessments are more accurate, objective and long-term oriented.

On 51 (a) with reference to Debt Sustainability Assessments, we propose "Develop a new approach to assess debt sustainability assessments to better balance the information needs and accessibility for national policymakers, parliament, civil society and creditors, account for the achievement of the SDG and human rights spending needs, better capture climate and nature risks, corruption threats, account for investments (e.g. in resilience, nature protection, and productive capacity) and their impact on long-term growth and sustainable development, which requires a longer-term perspective, ~~and~~ to more accurately distinguish between solvency and liquidity, including long-term liquidity problems, establish the use of other relevant ratios that include domestic debt, such as total public debt service to revenues and include ex-post and ex-ante gender, human rights and environmental impacts assessments and audits to identify illegitimate debts. We recommend that the IMF and the World Bank implement revisions in an open and consultative manner, ensuring the participation of civil society in debt assessments, governance diagnostics and meaningful participation. We will strengthen countries' capacities to carry out their own debt sustainability

Chair, The Fourth UN International Financing for Development Conference must agree to a historic UN intergovernmental binding process that will develop and adopt a legally binding framework convention on sovereign debt and establishment of a Global Debt Authority as proposed by UNCTAD. Such an agreement paves the way for encompassing growing global consensus on the necessary rules, principles, and structures throughout the debt cycle to prevent and manage debt crises and offer fair, democratic and sustainable solutions.

In conclusion, Chair, as the CSO Mechanism, we register in the strongest possible way our grave concern over the modalities currently adopted by this process for closed door negotiations. This is a direct contradiction to spirit and rhetoric spoken about FFD 4 as the moment to save multilateralism, put people first, and rescue the SDG Agenda. We strongly encourage this House to reverse the modalities and get the people back in the room, or the legacy of Seville will be that of closing civic space... a regression from Monterrey, Doha, and Addis Ababa.

I thank you.