Consideration of the draft outcome document of the Conference

Debt and Debt Sustainability

Thursday, 13 February

10:00am – 01:00pm

Co-Facilitator,

In view of rising debt vulnerabilities, India advocates for global coordination to facilitate effective debt restructuring in a predictable, timely, orderly and coordinated manner. We present the following suggestions in the draft outcome document for your consideration.

Paragraph 48:

- India recognizes the importance of global consensus on debtor and creditor responsibilities, and emphasizes that the development of principles on responsible sovereign lending and borrowing, as mentioned in **para 48 (a)** should avoid duplicating efforts already underway in existing forums. We also recommend that these principles remain **"voluntary and non-binding**" to ensure flexibility and encourage broad adoption.

- We recommend housing the 'global central debt data registry' mentioned in para 48 (c) within **IMF** given its 191 member reach and its mandated role in Article IV discussions with all member countries.

- In para 48 (d), we urge caution in the use of **debt cancellation and automatic debt service standstills as** they may shift focus away from SDGs, offering only short-term relief without encouraging long-term solutions. Therefore, it is advisable to avoid including such clauses in official lending. Additionally, we underscore the need to examine state and commercial debt contracts, as the efficacy of the state contingent clauses remains unproven and a one-size-fits-all solution may not be feasible.

Paragraph 49

- We recognize that "debt swaps" transactions are often complex, administratively costly and reliant on donor subsidies. Their success depends on effective design and implementation. In this light, **there is a need to further examine "debt swaps"** in para 49 (a)**.** Furthermore, we seek greater clarity on Debt Sustainability Support Service (DSSS).

Paragraph 50

- In para 50, we propose that restructuring efforts be accompanied by **adequate concessional financing from MDBs to ensure sufficient fiscal space for necessary SDG investments**.
- Regarding the **strengthening of the G20 Common Framework**, it is important to note that since its launch in November 2020, only four countries have applied for debt relief. Issues such as fear of credit rating downgrades, lengthy negotiations, and diverse creditors' landscape have discouraged countries in distress from seeking relief under the framework. These aspects should be considered when expanding the mechanism to include other indebted countries that are currently ineligible. Many provisions mentioned in para 50 (a) to improve the debt restructuring architecture go beyond the scope of the Common Framework and requires careful consideration. For example, debt service suspension may have the possibility of creating a moral hazard by encouraging risky borrowing and undermining fiscal discipline. It could also negatively impact the debtor country's credit rating, making it more difficult for them to access international capital market.

Thank you.

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