**Draft Inputs for LDCs**

**for Chapter on Debt and Debt Sustainability at FfD4 Prepcom 3**

I have the honor to make these remarks on behalf of the Least Developed Countries (LDCs). We align ourselves with the statemen delivered on behalf of the G77 and China.

The debt situation in LDCs has reached alarming levels in recent years, exacerbated by the COVID-19 pandemic. External debt service payments in LDCs increased by 35% in 2022 compared to 2021, reaching $43.9 billion - the highest level ever recorded.

Such a rising debt burden in LDCs threatens long-term economic stability, especially as countries face overlapping crises and rising interest rates.

Without decisive action, LDCs risk falling into a debt trap, marked by dwindling fiscal space and diminished opportunities to meet their sustainable development needs.

We welcome many elements in the zero draft outcome document that address debt sustainability concerns. In particular, we strongly support retaining paragraph 48.a, which calls on the United Nations Secretary-General to create a working group to develop principles on responsible sovereign lending and borrowing. This is crucial for establishing clear guidelines and promoting transparency in debt management. However, we strongly suggest using language ‘building the UNCTAD principles on sovereign borrowing lending’ in this paragraph.

We also emphasize the importance of paragraph 48.d, which calls for standardized state-contingent clauses in loan and debt contracts. These clauses are essential for ensuring debt service standstills during crises not covered by standard force majeure provisions, providing much-needed flexibility for LDCs facing economic shocks.

Paragraph 48.e’s encouragement for official lenders to increase lending in local currencies is a step in the right direction. However, given the significant risks posed by foreign currency borrowing for LDCs, we propose strengthening this language to a firm commitment rather than just encouragement.

We strongly support paragraph 49.a’s call for efforts to lower borrowing costs. We call for the full implementation of the Debt Service Suspension Initiative (DSSI) and its extension, as well as the effective implementation of the Common Framework for Debt Treatments beyond the DSSI. We urge expanding DSSS eligibility to cover all LDCs, as this would provide critical support for debt management and sustainability.

The recognition in paragraph 50 that the current debt architecture is not fit for purpose is crucial. We firmly support the call in paragraph 50.e to initiate an intergovernmental process at the United Nations to address gaps in the debt architecture and explore options for enhancing debt sustainability, including a potential multilateral sovereign debt mechanism.

We also urge creditors and debtors to engage in constructive negotiations to find durable solutions to the debt challenges of LDCs, including through debt cancellation, to create fiscal space for investments in sustainable development and climate action.

We welcome paragraph 49.b’s proposal for an institutional home within an existing international financial institution to provide systematic debt management support. This would help streamline and coordinate debt-related assistance for LDCs.

Furthermore, we suggest strengthening paragraph 53 on IFI governance reforms. The current proposals, while welcome, do not go far enough in addressing the underrepresentation of LDCs in decision-making processes. We call for more ambitious reforms that ensure LDCs have a meaningful voice in shaping global economic policies that directly affect them.

Paragraph 54.e’s call to review Special Drawing Rights (SDRs) through the IMF Board of Governors is important. However, we believe this section should be strengthened. We propose including a specific commitment from developed countries to rechannel at least $100 billion in SDR allocations to LDCs on concessional terms. This would provide much-needed liquidity and support for LDCs facing economic challenges.

While the document outlines many positive areas, we believe some critical issues need to be considered.

Drawing from the Doha Programme of Action, we strongly urge the international community to take more ambitious and decisive action on debt relief for LDCs and propose to suggest appropriate language in the text.

We propose including a call for the establishment of a high-level commission at the United Nations to develop concrete proposals for governance reforms at international financial institutions. This commission should operate independently of the G20 and IFIs to ensure a fresh perspective and inclusive representation.

In conclusion, while the zero draft provides a solid foundation, we believe these additional elements and strengthened commitments are essential for creating a more equitable and sustainable global financial system that truly addresses the needs of LDCs.

We look forward to working constructively with all parties to refine and enhance the outcome document in the coming negotiations.