**Debt and debt sustainability**

**INTERVENTION ON BEHALF OF THE LIKE-MINDED GROUP FOR MIDDLE-INCOME COUNTRIES**

**Thursday, 13 February 2025**

1. I have the honor to deliver this intervention on behalf of the Like-Minded Group of Countries for Middle-Income Countries composed of Armenia, Belarus, Chile, Colombia, Costa Rica, Dominican Republic, Ecuador, El Salvador, Guatemala, Honduras, Jamaica, Lebanon, Mexico, Namibia, Panama, Peru, the Philippines, Uruguay, and my own country Morocco.
2. **This whole chapter has no single reference to middle-income countries**. The Secretary-General’s report on debt sustainability and development in 2023 found that the debt servicing of middle-income countries reached the ratio of around 13 per cent of total exports in 2022 and recognized that nearly a third of middle-income countries are at high risk of a fiscal crisis. Unfortunately, the succeeding report left out middle-income countries, which discontinued the monitoring of the debt sustainability situations of middle-income countries.
3. We express concern with the way the chapter is premised. It begins with a reference to borrowing which must be prudently managed and connects it to a reference to responsible borrowing and lending. **It shapes the narrative that debt sustainability challenges are primarily the responsibility of the borrowers and that they are caused by irresponsible borrowing.**
4. **We propose to balance the narrative** **by recognizing that debt sustainability depends on a confluence of many factors beyond effective debt management** at the international and national levels, and emphasizing that country-specific circumstances and the impact of external shocks, such as volatile commodity and energy prices, more intense and frequent natural disasters and volatile international capital flows, rising costs of capital, spillover negative impacts of macroeconomic policies should continue to be taken into account in debt sustainability analyses.
5. On fiscal space for investment in countries facing debt challenges, **we propose changing the title to “fiscal space for investment in sustainable development”.** The considerations under this subsection should **address the debt challenges** as well as considering alternatives to mobilize additional resources and incentivize public investment in global public goods and SDGs.
6. **We express our support to the proposal in 49b on requesting an existing facility to provide systemic support to developing countries to, inter Alia, develop innovative financing mechanisms, such as debt swaps.** We support the list of challenges that should be addressed when it comes to these instruments and would like to add to the list of the need to ensure country-ownership and transparency in these operations. We also are of the view that debt swaps for climate and nature deserve a special focus.
7. **We would want to see commitments to the provision of support specifically for MICs in addressing their liquidity challenges.** The zero draft focuses on existing frameworks that are already available to other group of countries and we believe we should address what is lacking in the status quo.
8. On debt architecture for debt crisis resolution, **we would want the reflection of MICs in the reference to strengthening the Common Framework**. MICs is the only group of countries that is excluded in the framework.
9. Moreover, on improving the common framework, **standardizing debt service suspension should be explicit on automatic debt service standstill** to alleviate liquidity constraints, avoid the accumulation of arrears and incentivize quicker resolutions.
10. Finally, on debt sustainability assessments, we support the proposal to integrate climate and nature risks in these exercises, as referenced in paragraph 51a. However, the need to advance this purpose should not be limited to the views of World Bank and IMF. We would like to introduce a reference to the recommendations of the independent Expert Review on Debt, Climate and Nature, so these can be taken into account in this effort.