



**CIVIL SOCIETY
FINANCING FOR
DEVELOPMENT**
Mechanism

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

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**Daniela Berdeja, LATINDADD on behalf of the CS FfD Mechanism Intervention on
Debt and Debt Sustainability segment**

Thank you Chair. Daniela Berdeja on behalf of Latin American and Caribbean Network for Economic, Social and Climate Justice – LATINDADD and the Civil Society FfD Mechanism.

The current debt crisis, widely recognized, is not limited to high debt levels, but the servicing burden is crowding out an increasing proportion of public social investment. The Zero Draft must clearly acknowledge that the obligation to prioritize debt repayment threatens the ability of States to fulfil its peoples' and ecosystems' fundamental rights, undermines sustainable development and increases structural inequalities. These problems are also relevant to the middle-income countries, covered in paragraph 47 when it is mentioned debt relief for highly indebted developing countries, so policy design must be more ambitious in line with this challenge, including assessments with new comprehensive criteria for countries to access concessional finance and grants, as mentioned by some member States.

The different stages of the debt cycle are highly interdependent, so the benefits of partial reforms may be outweighed by the limitations of a fragmented approach, such as the one currently offered. The current challenges require more ambition based on a systemic and comprehensive approach that provides a framework of clear institutions and rules at the international level. Along these lines, the elements of the debt chapter should be framed within the decision to initiate an intergovernmental process under the auspices of the UN aimed at establishing a legally binding framework on debt. At the core of such a framework there should be a debt workout mechanism as suggested by member States.

Moreover, within such framework, the recommendations to paragraphs 47 and 48 include:

First, it is mentioned that “a development-oriented debt architecture is needed”, but it must also be human rights-centered, decolonial and gender-responsive. To achieve this, a transformational reform is urgently needed, such as the one stated above.

Second, include clear language on co-responsibility and the need for the principles of responsible lending and borrowing to be adopted on a binding basis, building on the principles that already exist. There is no need for more expert working groups on debt. On the responsibility of borrowing, the Zero Draft should acknowledge the structural economic imbalances and the exposure to vulnerabilities and shocks as the impacts of climate crisis, speculative financial markets and high cost of capital.

Third, on transparency and accountability at all stages of borrowing, including its use, emphasize it should be enforceable on the part of borrowers and lenders, including bondholders. It is suggested that these initiatives include not only parliamentary oversight, but also Supreme Audit Institutions (SAI), as well as the participation of civil society and communities in surveillance. We agree on the urgency of the creation of a global debt registry, as there isn't currently any institution that takes this role, as part of a UN Debt Convention Framework on Debt.

Finally, recognizing that creditor-led forums have failed to deliver concrete results and have favored particular interests, an independent and democratic space is critical for a fair, effective and inclusive debt architecture. It is not a duplication, when the current ad hoc processes have proven they don't fit for purpose. It is therefore necessary to affirm the role of the UN, which, neither lender nor borrower, can provide the multilateral space that meets this need and offers immediate action in response to the crisis, but also solutions with lasting and long-term impacts, prioritizing the sustainability of life.

Thank you for the opportunity.