*Please check against delivery*

****

**UN-OHRLLS**

**Statement**

**by**

**Rabab Fatima**

**Under-Secretary-General and High Representative**

**for the Least Developed Countries, Landlocked Developing Countries and Small Island Developing States**

**at the**

**3rd Preparatory Committee for the Fourth International Conference on Financing for Development (FfD4)**

**Agenda Item: Debt and Debt Sustainability**

**13 February 2025**

**10.00am – 1.00pm**

**Excellencies,**

**I thank you for the opportunity to speak on debt and debt sustainability.**

**This critical issue continues to fundamentally undermine development in LDCs, LLDCs, and SIDS, with as many as 30 of these countries either at a high risk of, or already in, debt distress, by the end of 2024.**

**Sustainable and responsible borrowing and lending, and debt crisis prevention**

**Debt sustainability must begin with responsible borrowing and lending practices. Strengthened transparency, accountability, and risk assessment mechanisms are essential to prevent unsustainable debt accumulation.**

**I would like to strongly call for the operationalization of the SIDS Debt Sustainability Support Service. I would also call for the expansion of eligibility under the DSSS to include heavily indebted LDCs and LLDCs, consistent with paragraph 311 of the new LLDCs Programme of Action.**

**The full gamut of support for debt financing, reprofiling, restructuring, swaps, and debt relief, including blue and green bonds should be explored.**

**Fiscal space for investment in countries facing debt challenges**

**For LDCs, LLDCs, and SIDS, high debt servicing burdens often limit fiscal space, constraining their ability to invest in essential infrastructure, health, and education.**

**Urgent action is needed to provide targeted debt relief, concessional financing, and innovative mechanisms such as state-contingent debt instruments, which can help create fiscal room for sustainable development investments.**

**Debt architecture for debt crisis resolution**

**The current global debt architecture must be reformed to be more inclusive, efficient, and fair. There is a pressing need to enhance multilateral coordination for debt restructuring and provide timely, adequate relief for countries in distress.**

**The Common Framework for Debt Treatments should be strengthened to ensure fair burden-sharing among creditors, including private lenders, while making debt restructuring processes more predictable and efficient.**

**Debt sustainability assessments and credit ratings**

**Debt sustainability assessments must better account for the unique vulnerabilities of LDCs, LLDCs, and SIDS, including their exposure to climate risks and external shocks.**

**Credit rating agencies must improve transparency in their methodologies and ensure that sovereign ratings do not unfairly penalize vulnerable economies, limiting their access to affordable financing.**

**Greater recognition of development-oriented debt instruments and climate resilience measures in rating assessments is imperative.**

**Excellencies,**

**We must adopt bold and innovative approaches to debt sustainability if we are to support inclusive growth, resilience, and long-term prosperity for the most vulnerable nations.**

**I thank you.**