STATEMENT BY SOUTH AFRICA
DURING THE GENERAL DEBATE OF THE
SECOND SESSION FOR THE FFD4 PREPCOM
4 DECEMBER 2024

Chairperson

South Africa wishes to thank the co-facilitators for their diligence in drafting the elements paper, which we believe is a solid basis that can be further strengthened.

The Cost of Capital remains a critical challenge to developing countries being able to access the necessary scale of financial resources for SDG related investment.

We would therefore want to see a dedicated section in the FFD outcome document that relates to specific actions that will be taken to reduce the cost of capital, to ensure that debt sustainability in developing countries is not put at risk and that would also create the necessary fiscal space for investment in SDGs.

Specific commitments in this regard should include:

i. To significantly reduce the cost of capital by 2030 to support SDG related investments;

ii. To significantly increase the mobilisation ratio of finance mobilized from public sources by 2030. This currently stands at $0.75 on average of private finance for developing countries, but falls to just $0.37 for low-income countries.

iii. To expand significantly the use of financial instruments in an equitable manner, such as first-loss instruments and guarantees; and

iv. To scale up use of local currency financing, foreign exchange risk instruments, and climate-resilient debt clauses into financing arrangements by 2035.

Chairperson

A key concern is that developed countries are focused on trying to offset their obligations to make public sector finance available to developing countries by inappropriately crowding in private sector finance.

Private sector resources are not suitable for all sectors and countries and are thus not a substitute for traditional ODA.

Also, while concessional loans have better terms than market-rate loans, they still demand repayment, further burdening developing countries with unsustainable debt.

As such, there is a need to reverse the trend of increased concessional loans at the cost of grants.

Grants cannot be replaced by concessional, blended and other types of financing. While some developing nations may benefit from new mechanisms, many countries are at risk of being left behind.

Chairperson

While financing from all sources is essential to address the SDG investment gap, it is important that the FFD process addresses the issue of finding the right balance between different sources of financing.

It should also set appropriate targets for each source, to ensure that developing countries are provided with development financing that truly supports long-term sustainability and does not inadvertently contribute to future debt crises.

I thank you.

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