**UNCTAD intervention at HRC Session 18 January 2024**

**Leaving no-one behind at a time of growing debt**

The hierarchical and unequal structure of the international financial system has become disconnected from development priorities. This is nowhere more apparent than in its treatment of sovereign debt problems, with Countries are left hanging in what has been described as an incandescently painful situation, with associated negative effects especially on the most vulnerable people.

The past three years have laid bare that an unforeseen shock can put many countries in a precarious position. External private financing is volatile, the cost of capital is high, more foreign capital flows out than in, there is unequal access to the global financial safety net and illicit financial outflows are growing. This is not a situation of countries’ own making. But it has left them servicing barely-affordable debt. On average, at the end of 2022, the debt servicing burden as a share of export revenues for low-income countries was 23 per cent and 16 per cent for all middle-income and low-income countries. This is five and three times respectively more than the ceiling put on the reparations required of post-war Germany in the 1953 London agreement. The UN has said this is clearly unsustainable, as it undermines the Sustainable Development Goals.

In its most recent Trade and Development Report, UNCTAD calls for, among others:

* More concessional finance, through greater capitalization of multilateral and regional banks and a new issuance of special drawing rights.
* Greater access to financing should be guided by improved transparency of terms and conditions around how financing is used. Digitalizing loan contracts could help automation and accuracy of this information.
* Revising the UNCTAD *Principles for Responsible Sovereign Lending and Borrowing* could create momentum to underpin the importance of guiding principles throughout each of the stages of sovereign debt acquisition.
* At the country level, improved debt sustainability analysis and tracking needs to be available, not only to reflect the achievement of the Sustainable Development Goals but also to empower country negotiators with improved data on their potential for growth and fiscal consolidation.
* Access to a truly global financial safety net would greatly benefit developing countries. Especially access to central bank swaps in a time of liquidity crunch would help avert crises.
* We are also calling for automatic standstills such as climate-resilient debt clauses and the approach spearheaded by the World Bank, as well as better understanding of how innovate financial instruments can be brought to bear.
* At the same time that borrowers should co-ordinate better drawing inspiration from private creditors and cooperate to share information and experiences, work on a more robust debt workout mechanism and statutory global debt authority must begin, with the aims of balancing of borrower and lender rights.