External debt*

CDP input on the 2023 ECOSOC theme (Accelerating the recovery from the coronavirus disease (COVID-19) and the full implementation of the 2030 Agenda for Sustainable Development at all levels)

Summary

The Committee discussed the escalating external debt distress and financial constraints faced by many developing countries, particularly in the light of the COVID-19 pandemic, rising interest rates, high food and energy prices and currency depreciation. The Committee stressed the importance of a comprehensive financing strategy to address the large scale of investment needs of developing countries. It also highlighted the need for short-term solutions such as multilateral financing and debt renegotiation to tackle the current debt crisis, while simultaneously establishing long-term solutions to prevent future debt crises. The Committee also called for improvements in the contractual approach with private creditors, including enhanced collective-action clauses and a more predictable framework for debt restructuring. To support vulnerable economies, additional SDR allocations contingent on well-defined economic shocks and re-channelled through multilateral development banks, can play an important role. At the same time, there is a need to efficiently allocate concessional finance for both dimate adaptation and mitigation and for developed countries to transfer additional resources to compensate for historical carbon debt to developing nations. Furthermore, the

The Committee recognizes that the lack of a consensus on key parameters of the framework for sovereign debt restructurings leads to repeated stalemates. The Global Sovereign Debt Roundtable launched this year is a welcome first step towards a more systematic and predictable approach. New statutory bodies such as an independent panel for sovereign debt negotiations and an international bankruptcy court could potentially provide a fair treatment of claims while protecting the sovereignty of debtor countries.

The Committee acknowledges that adopting a statutory mechanism for sovereign debt restructurings may not be feasible in the short-term. Thus, it is important to improve the current contractual approach and increase the use of enhanced collective-action clauses in sovereign bonds, as well as adopt majority-voting provisions in non-bonded debt instruments. Issues related to collateralized debts and the lack of transparency of some commercial and official claims underpins the