Report on FFD4 Side Event

"Inclusive Multilateralism and International Debt Architecture"

Our side event on "Inclusive Multilateralism and International Debt Architecture" focussed on the way forward with regard to dealing with the international debt crisis. Speakers from civil society, African trade unions, academia, the German government and the UN System provided critical reflections on current debt-related agreements in the *Compromiso de Sevilla* and their implications for dealing with the over-indebtedness of countries in the Global South.

All speakers stressed that recent initiatives have failed to prevent the new global debt crises, or resolve it in a fair, speedy and sustainable manner. Instead, more countries are being forced to default on national development commitments. Citizens bear the brunt of the consequences through higher taxes and diminished public services, undermining their social and economic human rights. As a result, the achievement of the Agenda 2030 Sustainable Development Goals (SDGs) is increasingly out of reach.

Four concrete proposals – all of which feature prominently in the Sevilla Commitment – were discussed as ways to move forward in addressing the debt crisis:

1. **Improve the G20 Common Framework for Debt Treatment Beyond the DSSI**

   With no binding international or inclusive agreements in place, the G20 Common Framework has become the standard instrument for restructuring debt in low- and lower-middle income countries. It is meant to deliver coordinated and sustainable debt treatments on a case-by-case basis, including the possibility of debt cancellation, and seeks to engage both official and private creditors.
   However, the Common Framework is criticized for being slow, lacking ambition, and failing to meet the urgent needs of highly indebted countries because it is creditor-driven and weak in involving private creditors. Speakers discussed paragraph 50(a) controversially against the backdrop of two key issues: the Framework's non-inclusive rule-setting structures on the one hand, and its status as the de facto sole mechanism for debt restructuring on the other. Paragraph 50(a) encourages the G20 to address some of the Framework's shortcomings.

2. **Establish a Borrowers' Forum**

   Referring to Paragraph 48(i) the establishment of a Borrowers' Forum or Borrowers' Club was discussed. The Forum – envisioned as a knowledge-sharing and coordination platform exclusively for indebted countries – should operate under the umbrella of the UN with a standing secretariat to ensure institutional continuity. The initiative aims to strengthen the representation and negotiating power of Global South countries within the international debt restructuring system.

3. **Create a UN Framework Convention on Sovereign Debt**

   As a third proposal a UN Framework Convention on Sovereign Debt was discussed which would aim at establishing fair, transparent, inclusive and legally binding rules for resolving sovereign debt crises. It would contribute to reducing national debt burden and giving the affected countries the opportunity to invest in social development, infrastructure and climate protection. Regulations would include:

- A Multilateral sovereign-debt resolution mechanism
- Binding responsible lending and borrowing principles
- Automatic mechanism for debt relief in the wake of catastrophic external shocks
- Climate resilient debt clauses
- Global debt registry to promote transparency
- Domestic legislation on responsible financing and debt management as well as domestic legislation in creditor countries to contribute to effective debt resolution
- Regulation of the financial system, for example on credit rating agencies

While several speakers referred to the intergovernmental process mentioned in Paragraph 50(f) as the most promising way forward to agree on such a Framework Convention, others expressed reservations, pointing to a hesitancy around sharing decision-making authority beyond the creditor countries and the G20.

4. **Promote Fundamental Reforms of the International Financial Architecture**

   Finally, further and deeper structural reforms mentioned in section F in the Sevilla commitment were discussed as being essential, as the current global governance system contributes to the persistence of the debt crisis. Key proposals to prevent future debt crises included amongst others:

   - Improving and reforming existing Debt Sustainability Analyses
   - Strengthening the global financial safety net and enhancing the voice and vote of developing countries in international financial institutions
   - Enhancing regulatory oversight and reducing reliance on blended finance and public-private partnerships, which have often failed to yield transformational investment outcomes
   - Reforming the role and influence of private credit rating agencies
   - Making greater use of Special Drawing Rights (SDRs) to support global development and debt sustainability
   - Shifting from project-based lending to mission-driven investment
   - Promoting local currency financing

The event was attended by 63 representatives from civil society organizations, trade unions, academia and governments, reflecting a broad-based commitment to advancing just and sustainable solutions to the debt crisis. The event was marked by active engagement from participants.

We extent our thanks to our co-hosts: Associação Brasileira de ONGs (Abong), Consortium of Christian Relief and Development Association (CCRDA), European Network on Debt and Development (Eurodad), Voluntary Action Network India (VANI), Friedrich Ebert Foundation, Global Policy Forum Europe, German Forum Environment and Development, Heinrich Boell Foundation und German Tax Justice Network.

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