Your Excellencies, Delegates, Ladies and gentlemen.

Today I want to speak, not just in my capacity as an invited expert, but in my capacity, as a citizen of the world, and a proud African.

We now face the worst ever debt crisis in the global South. On average countries are spending **43 percent** of their budgets on debt service. This is three times as much as they spend on education, four times as much as on health, and **42 times** as much as they're spending on the climate crisis.

These figures are higher than they were In the Latin American debt crisis of the 1980s or the Heavily Indebted Poor Countries debt crisis of the 1990s. This is why two weeks ago the Pope called for another debt Jubilee, to succeed the one we delivered in 2005.

Twenty years later, we're in an even worse mess. As a result of the debt crisis,
Children are starving.
AIDS victims are dying
The planet is frying
Extreme poverty is rising
Human rights are being violated
And thousands of global species are disappearing.

So what can global leaders and UN member states do to stop this?

My organisation, Development Finance International, has just completed this report for Norwegian Church Aid, which learns the lessons of past debt relief for how to get us out of the current crisis. It suggests a new initiative by the citizens and governments of the world, to ensure this crushing debt burden is lifted, and allow the world to make progress on the Sustainable Development Goals we set for ourselves in 2015.

So today, I want to lay out, five very practical proposals from this report

But first, we need to acknowledge the widespread nature of the debt crisis: 112 countries in the global South are paying more than 20 percent of their budgets to creditors. They cannot possibly afford to scale up their spending on the SDGs, unless this burden is relieved. And it isn't a short-term problem. The high payments go on for the next 10 years in 99 of those countries.

The countries in the worst situation are those like Grenada, St. Vincent and the Grenadines, and Jamaica, which were hit by hurricane Beryl only two weeks ago, and are hit by a similar catastrophe every 2-3 years. We cannot continue to demand of countries hit by hurricanes and other disasters that instead of rebuilding the houses of their people, they prioritise paying debt service to their creditors. The first and most urgent thing we must do Is to cancel the payments owed by those countries while they rebuild. And I mean cancel, not postpone. Because if you postpone those payments, they will just fall due at exactly the moment when the next hurricane is hitting.

This step would cost very little in global terms because these economies are small. But it would mean a huge amount to their citizens and it is a measure which cannot afford to wait any longer.

In addition, there are another 70 lower-income countries in which debt service is pushing aside essential SDG spending. For those countries, we cannot possibly go back to pretending that by postponing the problem we will solve it. 40 years ago, the world did exactly that. We rescheduled debts over and over again, and failed to solve the problem for a single country, while their citizens lost a generation of development. Late in the 1980s, the world realized this was not working and introduced the Brady plan for Latin America, which reduced debt service and brought countries back to the capital markets. In the 1990s we did the same for the world's poorest countries, via the HIPC and MDRI initiatives.

So I want to make a plea to the International Community to learn the lessons of the past, and make sure that they don't reschedule debt to kick the can down the road. Many of these countries don’t yet need debt stock cancellation (which would cost a great deal). But what they desperately need - which is my second proposal - is ***cancellation of a high proportion of their debt service over the next five years***, to fund the UN

Secretary General's plan for an SDG stimulus.

To achieve this, we also need fundamentally to reform the Common Framework being used to provide debt relief to countries of the global South. I commend the efforts of people in many international institutions, and UN member states to extract more debt relief out of the current framework. But that process is failing to provide anything like the "fiscal space" governments need to increase spending on the SDGs. After receiving their debt relief, the six current beneficiary countries will still be paying 45% of their budgets on debt service through until 2030 !

The HIPC Initiative set a target to reduce countries' debt service to 10% of their budget revenue from year 1. In delivering HIPC relief, we met this target, and used the money to accelerate progress on the

Millennium Development Goals dramatically. In Tanzania, where I grew up, the relief was enough to fund Julius Nyerere's ambition of universal free primary education for all Tanzania's children. Now we need to summon up that same level of ambition so that this generation of Tanzanian children can finish secondary school. So my third proposal is that there be a ***comprehensive independent review of the Common Framework***, with the aim of again reducing service to 10-15% of countries' budget revenue.

Next, there are around 30 countries for whom access to International Capital Markets is crucial. They can’t fund their budgets without going to the markets on a regular basis. Yet they are now paying ludicrously high interest rates on their debt, ruining their national development plans.

You may detect from my accent that I'm a proud son of South Africa. And I cannot stand here and let the legacy of Liberation and of Nelson Mandela be destroyed by the astronomical levels of debt service South Africa is having to pay. I'm not talking only about South Africa - the same is true for almost all G77 members of the G20, or members of the G24, and another 20 large middle-income countries. They don't necessarily need or want debt relief because that would lock them out of capital markets. What they need is measures to bring down those borrowing costs sharply. So I support the proposals made by Jo Stiglitz, Martin Guzman and Vera Songwe among others, to reduce borrowing costs. ***My fourth proposal would be to act on this idea, but only if a condition for any credit enhancements is a sharp reduction in the interest charged on bonds issued by those countries, to the same levels as those received on bonds issued by***

potential guarantee institutions like the MDBs; and that these actions also apply to bonds issued in domestic markets (for countries like China and South Africa which have been sensible enough recently to borrow only on domestic markets, due to the extreme volatility of global ones). This would cut their borrowing costs by half – as suggested by the UNSG for his SDG Stimulus plan – from 9-10% to 5% (or maybe even 2.5% if issued for green purposes, as the World Bank recently did).

I would also add that this measure should not be taken in isolation – measures which FSD could explore, such as a publicly run independent international credit rating agency, and much stronger regulation of bond issuance to avoid conflict of interest between issuers and purchasers for the same issuing institution, would cut borrowing costs still further and more sustainably.

We have calculated for UNAIDS that reducing service to 15% of revenue for non-market countries, and halving borrowing costs for market-dependent middle-income countries, would save Sub-Saharan Africa alone at least US$97 billion a year - enough to fund its top priority social and environmental needs until 2030.

According to ***Debt Service Watch*** forecast debt service data, the numbers would be considerably higher for other regions, depending on which categories of countries are included. But even at the maximum, the savings for Asia (US$300 billion a year, plus US$1.7 trillion if China were to benefit from credit enhancements), Latin America (US$360 billion a year) and the Middle East (US$90 billion excluding HICs but including Turkey) would be very substantial, and would far exceed the UNSG's needs for a global SDG Stimulus.

The actual cost of service cancellation would be around US$10 billion a year for external debt across the world, a small amount by any global standards (eg one quarter of the aid currently going to Ukraine). The vast bulk of the savings on external debt (US$300 billion) would come from the credit enhancements for market accessing countries (but this could be paid for by guarantees which cost development partners nothing – even though they count them in their aid statistics !)

Finally, as we clean up the current crisis we need also to remember to prevent the next one. We all know that some of the money which is lent and borrowed goes out of the global South again, for illicit or corrupt purposes. My ***fifth proposal is to take measures now to deal with corrupt and predatory debt***, in a way which might be easiest for the United Nations to lead on now. Recently, lets be honest, crooked former ministers in Mozambique and crooked bankers from Credit Suisse First Boston conspired to organise a 3 billion dollar secret loan, purely to enrich themselves. This had no development impact whatsoever - and yet the Mozambican people are having to repay this debt.

We have got to stop this happening again. Voluntary principles for responsible lending and borrowing will not achieve this. Instead, we need a binding international agreement which makes it clear to all those crooks that they will not be able to force the citizens of the world to repay these "predatory" debts. The best way to do this would be to add a protocol to the UN Convention against Corruption (UNCAC), saying that predatory debt will be uncollectable in any country in the world. If we start work together on that now, we could have that protocol ready before we get to Sevilla next year. Wouldn't that be a proud achievement to leave to Gen-Z, helping them to fight corruption and spend money on the world they want ?

I hope that by the time we meet in Spain we will be able to declare that we have taken some of these fundamental measures to resolve the current debt crisis and prevent another one, and will be happy to help with that challenge in any way possible.

Thank you.