

Proposals submitted by Switzerland on paragraph 42 and 46

Drafting sessions on the draft outcome document for the Follow-up International Conference on Financing for Development to Review the Implementation of the Monterrey Consensus

42.

We recognize that important challenges remain. **Debt levels in some low and middle-income countries remain unsustainable and debt service accounts for a significant portion of their fiscal budget** [DELETE: Debt service in a considerable number of low and middle-income countries is still too high]. The existing international debt resolution mechanisms, including the Paris Club, **are still not all inclusive** [DELETE: cannot guarantee equivalent treatment of all creditors and just treatment of creditors and debtors), hindering the establishment of predictable debt resolution procedures]. There is concern about increasing vulture fund litigation. In addressing these situations, we need to enhance the **existing** international financial mechanisms for debt crisis prevention and resolution by finding internationally agreed solutions **in close cooperation with the private sector**. These mechanisms need to be underpinned by principles that have served us well in dealing effectively with many debt problems. These include the need to ensure that debt resolution is a joint responsibility of all debtors and creditors; to recognize that furthering development is the ultimate objective of debt resolution, and that debt relief should not detract from ODA; to strengthen transparency and accountability among all parties; to promote responsible **borrowing and lending** practices, improved debt management and national ownership of policies; [DELETE: and to facilitate equivalent treatment of all creditors] **and to uphold the comparability of treatment principle in dealing with creditors**.

46.

We acknowledge the need to address all relevant issues regarding external debt problems, [DELETE: including through new ad-hoc forums] with technical support from the BWIs and the United Nations, to consider inter alia, **an enhanced** sovereign debt work-out mechanism **based on existing frameworks** [DELETE: enhancing the transparency and accountability of procedures of existing mechanisms], and the possibility of crafting [DELETE: more] permanent debt mediation or arbitration mechanisms.