

3. The Sevilla Forum – I R

At the 16th United Nations Conference on Trade and Development (UNCTAD16) held in Geneva, a new global initiative, the Sevilla Forum on Debt, was launched

Overview of the Sevilla Forum

The Sevilla Forum is an international platform led by Spain and supported by UNCTAD (United Nations Conference on Trade and Development) and the United Nations Department of Economic and Social Affairs (UN DESA).

Purpose – To create a permanent, inclusive platform for dialogue and coordinated action on sovereign debt challenges. It serves as a mechanism for policy coordination, technical cooperation, and exchange of best practices in debt management.

Origins – Emerged as a tangible outcome of the Fourth International Conference on Financing for Development (FfD4). Forms part of the Sevilla Platform for Action, which operationalizes the Sevilla Commitment.

Sevilla Commitment – Provides a roadmap for strengthening development financing. Aims to ensure debt sustainability in developing economies, addressing systemic issues in sovereign debt management.

Rising Global Debt Levels

Current Situation – Global public debt reached a record \$102 trillion in 2024, according to UNCTAD. Developing countries account for \$31 trillion, representing nearly one-third of global debt. These countries collectively paid \$921 billion in interest, often exceeding their spending on health and education.

World Bank Report 2024 – Developing countries spent \$1.4 trillion to service foreign debt in 2023. Interest costs have reached a 20-year high, highlighting a growing debt vulnerability.

Debt Burden – Over half of developing countries allocate at least 8% of government revenues to interest payments—a figure that has doubled over the past decade. This unsustainable trajectory threatens progress toward the Sustainable Development Goals (SDGs). Intensifies calls for comprehensive sovereign debt reform.

The Sevilla Forum's Role in Tackling the Global Debt Crisis

Provides a multilateral platform to address challenges related to –

1. Debt restructuring.
2. Responsible borrowing and lending practices.
3. Coordination among creditors including multilateral institutions, private banks, and bilateral lenders.

Works to ensure that debt relief is linked to development goals, including health, education, climate action, and sustainable infrastructure.

India's Public Debt Situation

Public Debt-to-GDP Ratio – Increased marginally from 81% in 2005–06 to 84% in 2021–22, returning to 81% in 2022–23. Under the FRBM Act 2003, India aimed to reduce general government debt to 60% of GDP by 2024–25.

IMF Projections – India's general government debt, including Centre and States, could reach 100% of GDP by fiscal 2028 under adverse conditions. Projected debt-to-GDP ratio for 2024–25 – 82.4%.

Factors Contributing to Rising Debt Burden

Oil Price Shock (1970s) – Geopolitical tensions, including the 1973 Arab Oil Embargo, caused a surge in oil prices. Oil-importing developing countries faced higher import bills and financial strain.

Petrodollar Recycling – Oil-exporting Arab nations deposited surplus revenues (“petrodollars”) in Western banks. These funds were loaned to developing countries, allowing continued imports and supporting Western economic stability.

Rise of Private Lending – In the 1970s, private Western banks overtook official sources (e.g., IMF, bilateral loans) in lending. By 1982, private banks lent \$63 billion annually, nearly double the official lending. Contributed to rapid growth in some developing countries, but also increased exposure to external shocks.

The Debt Crisis (1980s) – A global recession combined with high interest rates led to widespread defaults. Developing countries borrowed more to service interest payments, creating a classic debt trap.

High Borrowing Costs – Developing countries borrow at rates 2–4 times higher than the US and 6–12 times higher than Germany. High interest rates result from perceived “high-risk” environments and limited access to concessional financing.

Concerns Arising from Rising Debt

Impact on Climate Action – Developing countries must increase climate investments from 2.1% of GDP to 6.9% by 2030 to meet Paris Agreement targets. Current interest payments on debt exceed climate spending, limiting investments in sustainability.

Complexity of Debt Resolution – Increased number of creditors and varied legal frameworks make debt restructuring more difficult.

Inequalities in International Financial Architecture – Borrowing from private commercial sources is costlier than multilateral or bilateral concessional loans.

Impact on Public Services – High debt often reduces spending on healthcare, education, and social welfare, exacerbating poverty and inequality.

Way Ahead / Recommendations

Promote Responsible Borrowing and Lending – Encourage fiscal prudence and avoid excessive reliance on high-cost commercial loans.

Enhance Coordination Among Stakeholders – Foster collaboration between multilateral institutions, bilateral creditors, private banks, and borrower nations.

Link Debt Relief to Development Goals – Tie debt swaps and relief measures to investments in –

1. Health
2. Education
3. Climate action
4. Sustainable infrastructure

Debt Sustainability Framework – Strengthen legal and institutional frameworks to prevent excessive borrowing, reduce refinancing risks, and promote long-term economic stability.

Significance of the Sevilla Forum

1. Provides a coordinated and inclusive platform to address the global debt crisis.
2. Strengthens the link between development financing and debt sustainability, particularly for developing economies.
3. Reinforces international cooperation to mitigate the negative impacts of high debt on SDGs, climate action, and social development.
4. Encourages equitable financial architecture and promotes responsible fiscal practices worldwide.

Source – <https://www.downtoearth.org.in/climate-change/new-sevilla-forum-on-debt-launched-to-tackle-global-debt-crisis>