UN-OHRLLS

Meeting Report

Virtual Ambassadorial Dialogue on Addressing Sovereign Debt Distress in LDCs, LLDCs and SIDs During COVID-19

Jointly organized by UN-OHRLLS, Kazakhstan, Chair of the Group of LLDCs in close collaboration with Malawi, Chair of Group of LDCs and Belize, Chair of the Alliance of Small Island States (AOSIS)

Held on June 18, 2020

BACKGROUND

The Ambassadorial dialogue on Addressing Sovereign Debt Distress in LDCs, LLDCS and SIDS during COVID-19 was organized by Office of the High Representative for the Least Developed Countries, Landlocked Developing Countries and Small Island Developing States (UN-OHRLLS) and Kazakhstan, Chair of the Group of LLDCs in close collaboration with Malawi, Chair of Group of LDCs, and Belize, Chair of the Alliance of Small Island States (AOSIS).

The dialogue was organized in view of the looming debt affecting most LDCs, LLDCs and SIDS, all of which is exacerbated by the coronavirus pandemic. According to UNCTAD, in 2020 and 2021 alone, repayments on public external debt are estimated at nearly $3.4 trillion – between $2 trillion and $2.3 trillion in high-income developing countries and between $666 billion and $1.06 trillion in middle- and low-income countries. Debt servicing costs for IDA-eligible countries, to which almost all LDCs belong, more than doubled between 2000 and 2019, increasing from 6 to 13 per cent of government revenue. More worrisome, debt service is often higher than spending on health. High debt servicing not only cripples the much-needed investment in SDGs in LDCs, LLDCs and SIDS, it also hinders immediate responses to COVID-19. Many of these countries have practically no fiscal space to increase expenditures and increasing balance-of-payment challenges, particularly at a time when public finances have deteriorated with lower tax revenues, demand for commodities has declined, the tourism sector has nearly collapsed, and diasporic remittances has dramatically fallen. Several calls for debt relief to ease the burden on developing countries have been made including by the UN Secretary General and the civil society.

The meeting was organized to provide a platform for sharing information on debt relief and other initiatives aimed to mitigate the debt situation in the affected countries. It also aimed to explore measures necessary to head off a looming debt disaster in the vulnerable countries stemming from the economic fallout from the coronavirus pandemic; discuss possible solutions to address private debt; and elaborate on the way forward in maintaining their debt sustainability in the long run while fulfilling their growing financing needs to implement the 2030 Agenda.

The meeting was attended by representatives from LDCs, LLDCs, SIDS, representatives of relevant UN system entities and financial institutions, private sector, and civil society. The meeting was moderated by Professor Léonce Ndikumana of University of Massachusetts Amherst.

The meeting stressed that the debt crisis was hindering the LDCs, LLDCs and SIDS responses to the COVID-19 pandemic and, as such, many speakers called on creditors and development partners to grant enhanced debt relief to free up liquidity to be used in the health and other social sectors. There was emphasis on the need for drastic changes to the global debt architecture. While the meeting welcomed the WBG and IMF support measures targeting in particular IDA recipients, there was emphasis on the need to scale up support and to also include other vulnerable countries as well as expand access to concessional loans using other criteria than income criteria, in particular vulnerability criteria. Member States called for implementation of the three-pronged approach in line with the Secretary-General report, “Debt and COVID-19: A Global Response in

Solidarity": (i) a full standstill on all debt service (bilateral, multilateral and commercial) for all developing countries that request it, while ensuring that developing countries without high debt burdens still have access to credit needed to finance COVID responses; (ii) additional debt relief for highly indebted developing countries to avoid defaults and create space for SDG investments; and (iii) addressing structural issues in the international debt architecture to prevent defaults leading to prolonged financial and economic crises.

PROCEEDINGS

Ms. Fekitamoela Katoa 'Utoikamanu, **Under Secretary-General and the High Representative for LDCs, LLDCs and SIDs** noted that the pandemic not only posed a health emergency but was also a development emergency. She stressed that a deep recession was likely and that gaps in inequality would only widen. Further that the challenges faced by developing countries are multiplied as developed countries control the global macroeconomic system. She further stressed that LDCs, LLDCs and SIDS are the hardest hit due to their reliance on hard currency earned from exports, reliance on remittances and Official Development Assistance (ODA) and non-concessional borrowing. She noted that even with falling revenues, governments will have to increase spending to mitigate the impact of the pandemic. She stated that the pandemic significantly curtailed progress on the 2030 Agenda and the various Programmes of Action. She emphasized that the debt situation will only grow worse and called for adopting the Secretary-General's three-pronged approach of debt relief across the board, creating stronger instruments to address debt distress and for addressing the structural issues that cause debt distress in the first place.

H. E. Ambassador Taye Selassie Made, Vice Chair of Group of LDCs, highlighted that before the outbreak of COVID-19, LDC debt had increased from USD199 billion in 2011 to USD358 billion in 2018. He further stated that public debt rose from 32 percent in 2011 to 47 percent of GDP in 2019. He stated that five LDCs were classified as debt distressed in 2020, with 12 more listed as high risk of debt distress. He cited further statistics which showed, for example, that the ratio of debt service to exports had grown from 4.2 percent in 2008 to 9.4 percent in 2018. Commercial credit doubled from 6 to 12 percent of public external debt from 2010 to 2019. He further highlighted with concern the fact that domestic revenue was in freefall, while government costs were soaring, exacerbated by debt denominated in strengthening foreign currencies that make the situation worse. He emphasized its impact on the ability of LDCs to repay debts, unless their economies recovered quickly, or they received greater support from developed partners. He voiced his appreciation for various debt relief schemes offered by international institutions but expressed some members' hesitation for taking part in these initiatives as debt would still have to be repaid and may cause them to go into default and lower their credit ratings. He elaborated on an official statement issued by the Group of LDCs (A/74/843), which calls on creditors and development partners to grant debt relief to free up liquidity to be used in the health and social sectors. The document also calls on creditors to expand debt standstills to all LDCs and extend the period of repayment, for official creditors to consider debt swaps, for private creditors to join the debt

moratorium, for the debt sustainability framework to take into account structural constraints in implementing the SDGs and for the provision of grants-based or concession ODA with a grace period of at least 10 years.

H. E. Ambassador Kairat Umarov, Chair of the LLDCs, said that LLDCs' lack of maritime borders hampered their integration into the global economy, aggravated by inadequate transit transport infrastructure and high trade costs. He stated that 13 LLDCs are already classified as highly indebted, with some having external debt stock higher than their gross national income. Meanwhile, most of the external debt is private and non-guaranteed. While debt servicing is at 20 percent of export revenue, concerns were raised over declining foreign direct investment. He called for increased concessional financing and for multilateral development institutions to scale up their support. He called on the UN system to provide support for the LLDCs' debt suspensions to free up liquidity for supporting social and health systems. He also called on official creditors to consider debt swaps.

H. E. Ambassador Lois Michele Young, Chair of AOSIS, emphasized the importance of listening to scientific advice and data as pandemics become more regular. She highlighted how SIDS' economies are constantly in crisis due to high trade imbalances and high debt burdens. She stressed how income levels in SIDS don't reflect their vulnerability and called for improved access to concessional financing and for concerted global measures that address climate impacts. She called on the international community to act on their words and to find a viable solution for SIDS. She reiterated AOSIS's endorsement of the Secretary-General's call for debt relief. She also called for immediate liquidity to increase social spending; debt restructuring and developing financial flows consistent with building back greener, sustainable and more resilience as well as for increased resilience financing, both bilateral, multilateral and through private institutions.

Mr. Navid Hanif, Director of Financing for Sustainable Development at UNDESA, highlighted that COVID-19 increased the risk of the debt crisis. He indicated that global debt stood at USD255 trillion at the end of 2019, a figure that is 40 percent higher than the level during the 2008 financial crisis. Further that global debt would further increase during the pandemic. He noted that public debt for LDCs increased from 31 percent of GDP on average in 2010 to 47 percent in 2019. LLDCs debt amounts to 44 percent of GDP in 2019, up from 25 percent in 2010. For SIDS, he indicated that public debt was 58 percent of GDP in 2019. He noted that six SIDS that were considered middle-income countries were excluded from the G20's Debt Service Suspension Initiative (DSSI) and debt servicing amounts to over 40 percent of public revenue. He emphasized that even without the outbreak of COVID-19, debt levels were unsustainable. He stated that LDCs, LLDCs and SIDS would be most affected by the crisis due to pressure on foreign currency reserves stemming from a sharp fall in commodity prices, remittances and tourism. These challenges would be accentuated by climate change. He endorsed the Secretary-General's three-pronged approach to address the debt crisis. He thanked G20 as 73 low income countries have become eligible to pause debt servicing to official bilateral creditors but commented that many SIDS and LLDCs cannot benefit from this because of their middle-income status, exposing the limits of using per capita income as a measure of vulnerability. He called for the initiative to be extended to such

middle-income countries. He also called for debt service suspension to be extended to commercial loans, as they were used increasingly, with SIDS getting half their debt from commercial companies. He called on private creditors to institute debt standstills. Combined with the worsening debt situation, he observed that developing countries still need to make great investments to meet the SDG targets. Finally, he called for debt relief for the poorest countries as well as debt restructuring.

Mr. Marcelo Estevao, Global Director of Macroeconomics, Trade and Investment Global Practice, World Bank Group, briefed about World Bank efforts to battle the debt crisis. He highlighted that analysis from the World Bank shows that the global economy is expected to contract by 5.2 percent of GDP in 2020, with great implications for poverty reduction. He noted that between 71 to 100 million people could be pushed into extreme poverty. He informed that the World Bank has made available USD160 billion over the next 15 months to alleviate health, economic and social shocks, and this included USD50 billion of concessional IDA transfers. He emphasized the World Bank's commitment to transparency and ensuring that funds reach the most vulnerable. He informed attendees about a USD8 billion programme designed to support SMEs to stay afloat as people adhere to social distancing rules. He briefly outlined the International Finance Corporation's (IFC) programmes to support SMEs, totaling USD1.5 billion, with 51 percent of the funds going to low income countries. Furthermore, he highlighted that the IFC aimed to provide USD47 billion in financing to private sectors in developing countries over 15 months. He further highlighted that the Multilateral Investment Guarantee Agency (MIGA) pledged USD5 billion to support the private sector and lenders affected by the pandemic. He noted that MIGA's capabilities have been redirected towards short term funding needs of governments and for the purchase of essential medical supplies. He mentioned that the World Bank was working with other multilateral donors to provide USD80 billion in co-financing. He highlighted that debt suspension would free up vital resources for cash-strapped governments, with bilateral debt suspension playing a particularly important role. He informed attendees that the World Bank was working with IDA countries to formulate ideas on how to best use limited resources to battle the socioeconomic effects of COVID-19. He assured developing countries that participating in initiatives such as the DSSI will not affect their credit ratings and that they should not fear asking official creditors for debt suspension. He noted that if the debt crisis worsens, the World Bank would be prepared to discuss measures beyond debt suspension. He emphasized that transparency was necessary to maintain credit ratings as well as accountability by governments. He outlined that net positive flows from the World Bank to IDA countries amounts to USD30 billion for 2020.

Mr. Robert Powell, Special Representative of the International Monetary Fund to the United Nations informed attendees about the efforts that the IMF had taken to assist developing nations with the COVID-19 pandemic. He highlighted the uniqueness of debt problems and composition in each country and that there is never a one-size-fits-all solution. He discussed how sovereign debt structuring has changed over the last few years, with large creditors and private lenders becoming more prominent, thus making coordination to solve the crisis more complicated. He highlighted that the IMF doubled the level of funding available in their emergency financing facilities and expected to triple their loans to low-income countries, with 62 already receiving some form of emergency financing from the fund. He also mentioned that the IMF was providing real-

time policy advice on forthcoming fiscal issues stemming from the coronavirus. He also informed about the Fund's Catastrophe Containment and Relief Fund, which low income countries can accessto cover their current debt servicing needs, allowing more for immediate liquidity. He further informed about the IMF's collaboration with the World Bank aimed to give technical support to G20 members and their borrowers through the Debt Service Suspension Initiative (DSSI), to the end of 2020. Mr. Powell highlighted that 37 states have requested to take part in the DSSI, but around a quarter of all borrowers have proven hesitant, citing issues such as credit rating downgrades as a reason to not participate. Work is currently underway to produce a report by the end of the year 2020 for the G20 to assess whether an extension of the DSSI was needed or not. He noted that a framework aimed to guide private lenders that may want to also offer debt payment freezes had been developed but were only voluntary. Mr. Powell's final point was addressing how developing states can continue working towards the SDGs while not taking on even greater debt loads, with the IMF offering capacity building expertise and guidance for fiscal spending and other measures that could help lower debt burdens while expanding sustainable development.

H.E. Mr. Andrew Wilson, Permanent Observer to the United Nations from the International Chamber of Commerce discussed how the private sector has seen a shift in thinking pertaining to the sovereign debt crisis faced by many developing states. He highlighted that debt relief issues had become an increasingly discussed topic within the private sector, as many businesses worry that their governments do not possess the capabilities to stimulate the local economy, causing knock-on disruptions to global supply chains. He commended the DSSI but called for more measures to encourage governmental support to small businesses. He stressed the need to expand the countries eligible under the IDA criteria, highlighting that many SIDS, LDCs and LLDCs were not eligible for the DSSI. Mr. Wilson moved on to discuss the role that ratings agencies have on interest rates and debt servicing costs for the countries. He explained that these agencies had adopted more cautious modelling techniques since the 2008 financial crisis. He raised the question on what innovation can be made to facilitate debt restructuring while maintaining ratings so that countries were not scared to apply for relief. He discussed a model suggested by JP Morgan, a type of carousel system that would see debt payments to creditors be immediately given back to the borrowers, allowing the payment to be made for the ratings agencies to see while still allowing the borrowers to maintain their liquidity levels.

Mr. Tim Jones, Head of Policy at the Jubilee Debt Campaign informed that Jubilee Debt Campaign had worked for cancellation of unjust and unpayable debt for over 20 years. He highlighted that since the COVID-19 crisis began, they have helped coordinate international civil society calls for debt cancellation in response to the crisis and over 250 leading organizations had joined the call and approaching 1 million people have signed petitions calling for debt cancellation. He indicated that they were calling for an immediate cancellation of external debt payments for all IDA countries and LDCs, all middle-income countries with high debt burdens, and all vulnerable Small Island Developing States. In view of the uncertainty of how long the crisis will last, he emphasized a two-stage approach, now through immediate payment cancellation, followed by a comprehensive relief package for all who need it once the picture is clearer. He welcomed the G20 offer of bilateral debt suspension and emphasized that it should be extended to the end of 2020 and extended to cover more countries, especially SIDS and LLDCs. He expressed concern that some countries were not requesting for the suspension due to the perceived impact on their credit rating and borrowing costs.

Regarding the private lender, he criticized their continued high interest loan payment collection during this crisis when health systems were underfunded. He noted that public money meant to respond to the crisis – whether the G20 debt suspension or new loans from the IMF and World Bank – is effectively being used to pay off private creditors. He suggested two approaches to dealing with private debt. He also called for debt restructuring citing that research has shown that for countries with high debt, restructuring the debt was the best way forward. He called for changes in laws in London and New York City, where the large majority of international debt is owned, that would allow countries suspending debt in times of crises such as now to avoid litigation from their creditors. This would give governments greater legal protection, but also greater leverage in negotiations with private creditors. He further cited a 2018 review by the IMF that found IMF programmes in countries with high debt vulnerabilities, where a debt restructuring was carried out, that 85% of programmes were fully or partially successful, and 15% unsuccessful. In contrast, in programmes without a debt restructuring, 50% were unsuccessful with 45% partially successful and just 5% fully successful. He emphasized that debt restructuring might be the way to achieve durable market access, not something that will prevent it. He questioned the sustainability of borrowing at interest rates of 6%-10% in foreign currency. He noted that such high and risky interest rates create a large burden on government finances.

On the multilateral approach to addressing the debt crisis, he called for debt cancellation. He pointed out that this was particularly important for some of the poorest and most vulnerable countries, where multilateral debt often makes up a large part of their debt burden. He noted that the cancelled multilateral debt needs to be paid and he recalled that a large variety of sources were available to address this. He noted that the IMF's gold reserves were worth around USD150 billion, and its cash reserves had doubled in recent years to USD27 billion. He also called for a Special Drawing Rights issuance, and richer countries could apportion some of their issuance to multilateral institutions to pay for debt payment cancellation, as well as making other forms of donations. He highlighted that, in contrast, debt payments to the World Bank of countries covered by the G20 suspension are around $3-$4 billion a year, and therefore only small amounts of gold sales, SDR issuances, reserves and donations would be needed to fund short term debt payment cancellation.

He emphasized the importance of transparency indicating that it will lead to lower interest rates and better-quality loans and spending. He emphasized that among the structural changes needed for sustainable debt in the future, a key one was that all information on all loans to governments need to be disclosed in one place.

In conclusion, he called for great urgency in cancelling debt payment to help vulnerable countries through the crisis and the need to create a more transparent and sustainable system.

INTERVENTIONS

H.E. Ms. Kitty Sweeb, Permanent Representative of the Republic of Suriname, speaking on behalf of CARICOM, highlighted that the Caribbean remained a heavily indebted region and that the region's capacity to withstand financial stress and debt distress is significantly exacerbated by

challenges stemming from the COVID-19 pandemic. She noted that the region was experiencing a steep decline in tourism, unprecedented disruption in transport and global value chains and a contraction of FDI and remittances. She highlighted that CARICOM had always required support to manage external shocks and to address the multiplicity of complex development challenges and that the current situation required a transformative shift to achieve debt sustainability.

H.E. Ms. Sweeb acknowledged that there has been some response from the international community including from World Bank and the Bretton Woods institutions. However, she emphasized the need to do more to address the severity of the situation, especially that many countries were not included in the debt standstill. She further emphasized that the debt distressed economies needed rapid and sustained relief in order to recover and preserve the progress made towards achieving the SDGs. She called for greater access to concessional financing, grants and debt relief and forgiveness for CARICOM. She highlighted that CARICOM was in support of the three pronged-approach outlined in the Secretary-General's report "Debt and COVID-19: A Global Response in Solidarity". In this regard, she called for debt standstills for all developing countries, especially the vulnerable countries, including by bilateral, multilateral, private and commercial lenders. She also called for the expansion of the eligible criteria, including the use of vulnerability indices, in new and existing financial instruments and mechanisms as well as the provision of a special window for SIDS. She further called for global solidarity to address de-risking and the maintenance of critical correspondent banking relation and more ambitious sovereign debt management reforms that factor in global shocks on the scale of the current crisis.

H.E. Thilmeeza Hussain Permanent Representative of Maldives highlighted the unique impact the COVID-19 crisis is having on tourism in SIDS, with over 40 percent of the Maldivian economy is reliant on tourism revenue. It touched on SIDS' limited ability to provide fiscal stimulus in response to the pandemic, given its concurrent fight with climate change. She called for expanded access to concessional loans not linked to income criteria, debt write-offs, and loan restructuring. Calls were also made to private lenders to join in these initiatives. Efforts to emphasize cleaner, greener growth must be made to fight the climate crisis. The international community must make a concerted effort to support SIDS to ensure they are not left behind and meet their SDGs. This includes urgent measures that adequately address climate impacts. She also stressed the need for the private sector to engage in the efforts to alleviate the debt crisis. A business-as-usual scenario will not be sufficient, and we need to build back greener, cleaner and with enhanced resilience to climate change. She further elaborated, that the international development system needs more flexible and sensitive approaches to SIDS, to ensure that they survive the crisis without compromising sustainable development.

H.E. Julio Cesar Arriola, Permanent Representative of Paraguay indicated that the Government of Paraguay took swift action to avoid the spread of COVID-19 after the first two confirmed cases in early March 2020. He highlighted that the strategy has proven very effective in containing the virus and saving thousands of lives. He informed that to help mitigate the economic impact of the quarantine, the Government passed an Emergency Economic Relief bill, that allowed access to financial resources through debt, including loans from multilateral financial institutions and sovereign debt, of about 6% of the Gross Domestic Product (GDP). He indicated

that although Paraguay was not on a debt distress situation, it was closely monitoring the evolution of the debt stocks, particularly in developing countries, as the outcome of the recovery after the pandemic still looks uncertain. He emphasized his Country's support to the recommendations of the Secretary-General in his report on Covid-19 and Debt, specifically the need to ensure that developing countries without high debt burdens still have access to credit needed to finance COVID-19 responses, without prejudice to debt relief for highly indebted countries. He called on the multilateral financial institutions to continue providing low-cost and flexible support to the vulnerable countries to overcome the pandemic and recover better and he reaffirmed his solidarity to countries in special situation.

H.E. Dr. Satyendra Prasad, Permanent Representative of Fiji, endorsed the statement made by the chair of AOSIS regarding efforts to support SIDS. It called for this support to last 3-4 years to help boost national economies and societies as a whole and alluded to the possibility of future stimulus for vulnerable nations. He stressed that even with tourism being almost nonexistent, 60 percent of tourism related costs were still maintained. He stated that this cost was approximately USD2 billion, a figure higher than the total ODA available to all the SIDS. He further highlighted t that most of its tourism infrastructure is owned by developed countries. He outlined how developmental assistance could be used for health or social and economic development investments. If there does not already exist an international consensus for these instruments to be implemented, Fiji called on the UN to create a platform and host a forum for world leaders to meet and work on these issues together.

H.E. Ms. Mirgul Moldoisaeva, Permanent Representative of Kyrgyzstan, highlighted how the COVID-19 pandemic has greatly impacted the economies and fiscal streams for LLDCs and their efforts to attain the SDGs. He called for debt restructuring and the creation of new debt swap mechanisms for health care, social development, climate change and ecological issues. He also called for greater efforts to stop illegal financial flows and extorted financial assets being taken from developing nations.

H.E. Mr. Vandi Chidi Minah, Permanent Representative of Sierra Leone, discussed how the COVID-19 pandemic continues to ravage the most vulnerable countries. He highlighted its effects budget and economic outlook drawing comparisons for many other countries in similarly indebted situations that continue to operate in ever tighter fiscal spaces. He then called for emergency debt relief and greater access to resources from the international development institutions. He called for additional financing access and technical assistance for governments and the private sector and this include increased liquidity from multilateral lenders such as the World Bank and the IMF to extend more credit, extend debt payment standstills, and offer more cancellations. He further called the international community to do more for LDCs. He commended the DSSI but stated that debt cancellation was still necessary. He called for more ODA and for international support towards strengthening capacity building in domestic tax resource mobilization.

H.E. Mr. Jose Rocha, Permanent Representative of Cabo Verde, cited numerous concerns regarding the dilemma of debt on LDCs, LLDCs, and SIDS. He voiced fears that the DSSI is a debt rather than actual debt relief. Highlighting that there was uncertainty regarding the amount of funds that will be mobilized, and that countries can receive from the initiative. He noted that there were some sub-Saharan African countries and 16 SIDS that would benefit from this, but the

language is unclear if they would qualify for the DSSI. He called for laying out concrete plans for what steps would be taken after the DSSI is over. He highlighted resistance in the international community to providing debt relief for debt distressed countries. Furthermore, he emphasized that SIDS and LLDCs, in particular, need debt restructuring and suggested that debt swaps on programmes related to health care systems and climate change would be beneficial options.

H.E. Mr. Amrit Rai, Permanent Representative of Nepal, supported previous calls to adopt the Secretary-General's three-pronged approach to address the debt crisis. He commended the DSSI, IMF Bilateral Debt Moratorium and the World Bank's Emergency Response Support but stated that more needs to be done. He noted that prior to the outbreak of COVID-19, almost half of the countries eligible for IDA were already debt distressed and that measures only postpone debt service payments. Full cancellation of debt and greater access to concessional financing would prevent high levels of default. He noted that while debt was at a sustainable level of 30 percent of GDP, the various fiscal measures taken to mitigate the socioeconomic effects of the pandemic could necessitate a debt relief package.

H.E. Mrs. Aksoltan Ataeva, Permanent Representative of Turkmenistan, cited the disruption to global and regional supply chains as one of the unforeseen consequences of COVID-19 and its adverse impacts on the supply of essential products. LLDCs were particularly affected due to lack of access to the sea and high transport costs. She indicated that her country and the UN organizations will resume organizing the LLDC Ministerial conference to discuss the issue of sustainable transportation once the pandemic had subsided. She also indicated that her country commenced work on a draft resolution which aims to support transport links between all modes of transport to overcome the pandemic. She also noted that programs to support systems in LLDCs must be sustainable, affordable, and resilient in order to respond to the pandemic. She stressed the importance of strengthening cooperation between transit nations and LLDCs, while also promoting more public private partnerships.

H.E. Mr. Adonia Aybare, Permanent Representative of the Republic of Uganda, stressed that debt distressed countries also face the need for higher spending due to the pandemic. Uganda's revenues from commodity exports, tourism and remittances had decreased significantly but the country has remained self-sufficient in food production. Uganda's debt was equivalent to 50 percent of GDP, a figure which will only rise as government spending increases. He called on the international community to cancel debt payments, rather than just provide debt relief.

H.E. Mr. Enkhbold Vorshilov, Permanent Representative of Mongolia, emphasized how critical trade costs are to LLDCs, with World Bank estimates showing that trade costs are twice as high for LLDCs than it is for coastal countries, and that this gap would further widen. He stated that closed borders and reliance on commodities exports would lead to drastic falls in revenue. He further called for more targeted and specific programmes from international financial institutions to support public, private, and export sectors. He enquired about possible programmes that could support the Mongolian export and private sector.

Representative of Laos enquired about the implementation of programmes regarding partial debt relief and IMF debt relief to low income countries.

PANELISTS RESPONSES

Mr. Jones addressed the issue of debt cancellation, rather than debt relief. He highlighted the need to engage bilateral creditors to cancel debt. He briefly spoke about the technical reasons why multilateral institutions cannot cancel debt, even if they have done so in past instances.

Mr. Wilson stated that debt cancellation would be difficult and for attention to turn towards more achievable goals. In response to a question regarding the DSSI from Cabo Verde, he noted the need for institutional innovation. He highlighted that risks regarding the BASEL III Financial Accords must be considered, while also addressing issues with international credit ratings agencies. Finally, in response to Mongolia's question, he stated that the ICC has developed the Global Lines to Trade Facilitation program which is focused on trade and customs reforms. The programme was also being scaled up to meet the demands of COVID-19 and to provide better interventions to reduce trade costs for essential goods and small businesses.

Mr. Powell highlighted that the DSSI is still new and that officials are still learning about how to coordinate with Paris and non-Paris Club groups, as well as with the private sector. He noted that the IMF does not make loans that it feels are unsustainable. If negotiations between borrowers and creditors are accelerated, then borrowers can use debt cancellation as a negotiating technique to bolster their positions.

Mr. Estevao stated that the market uncertainty caused by the pandemic would cause some creditors to react slowly towards calls for debt cancellation. He noted that the World Bank is producing a report that would help guide the creditors' next course of action. He stressed that the World Bank could not offer an initiative similar to the DSSI, as that would hamper the IMF's ability to disburse funds. He also noted the importance of taking an optimistic approach. However, he reiterated that the projections of the Bank tell a different story. Finally, he reaffirmed that sustainability remains a central concept in development projects.

Mr. Hanif noted that while the crisis is still ongoing, debt levels have not finalized and that current measures in place are not enough. He called for developing innovative measures instead of using stop-gap measures. He stated the need to review debt issues on a case by case basis and for the IMF to develop a framework to be used for this purpose. He called for the development of a system that can be used to put debtors and creditors on similar footing at the time of the next debt crisis.

In summarizing key messages from the discussions, Professor Ndikumana highlighted that COVID-19 had dramatically changed the debt landscape and global growth outlooks. He emphasized that swift responses were needed to mitigate the crisis and should be paired with efforts to rebuild economies in a sustainable manner. He highlighted that future debt management may require debt relief and cancellation for debt distressed countries and that countries may also have to improve their sovereign debt management, with more transparency from both lenders and borrowers. He noted that private debt levels were also a great concern but emphasized that access

to private credit should also be viewed is an achievement in itself. He urged that efforts be made to ensure valuable lessons are learned from this crisis and all are better prepared for the next.

CLOSING REMARKS

In closing the meeting USG 'Utoikamanu thanked all the participants and panelists for their attendance and stressed the importance of continuing this dialogue. She called for all relevant stakeholders to ensure that the most vulnerable in society are not left behind. She cited that anywhere from 40 to 60 million additional people could be put into situations of extreme poverty, with LDCs, LLDCs and SIDS being disproportionately affected. She reiterated OHRLLS's support to work with relevant stakeholders to develop sustainable solutions and build beneficial partnerships.

KEY MESSAGES

- The debt crisis is hindering the LDCs, LLDCs and SIDS response to the COVID-19 pandemic and therefore many speakers called on creditors and development partners to grant enhanced debt relief to free up liquidity to be used in the health and social sectors.
- The need for drastic changes to the debt situation and the global debt architecture were emphasized to build back better and to achieve the 2030 Agenda and the respective programmes of action for each country group.
- While the WBG and IMF implement a range of support measures targeting in particular IDA recipients there was a call to scale up support and to include other vulnerable countries and expand access to concessional loans not linked to income criteria.
- The Secretary-General's three-pronged approach of debt relief across the board was emphasized.
- The need for sovereign debt restructuring was echoed by many speakers.
- The need to recover faster and greener was emphasized.

Annex – List of participants

	First name	Last Name	Affiliation (Mission, UN Organization or other)	Position	Email
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