DRAFT OPENING REMARKS
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HIGH-LEVEL MEETING ON THE INTERNATIONAL DEBT ARCHITECTURE & LIQUIDITY
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- I am pleased to be co-convening this High-Level Meeting with Prime Minister Trudeau and Secretary-General Guterres, as we examine the impact that the COVID-19 global health and economic crisis is having, particularly on the critical issues of debt and liquidity.

- Just over a year since the onset of the pandemic vaccine roll-outs are gathering pace, even as we note that all countries must have sufficient amounts and capacity to vaccinate their populations if we are to achieve inclusive recovery.

- Moreover, the dire warnings of a wave of sovereign defaults throughout the Global South have yet to materialize.

- Against this encouraging outlook, however, we should temper our expectations that the crisis is nearing its end.

- There are those who point to the fact that developing countries have, by and large, met their debt service commitments; and this is true.

- However, we cannot lose sight of the fact that this has come at tremendous socio-economic cost to their populations, which have borne the burden of steep cuts in public expenditures, including on primary education, public health and basic infrastructure.

- Such extreme fiscal contractions will have a dramatic impact on the ability of developing countries to meet their sustainable development and climate action commitments.

- Even with the severe austerity measures that have been imposed, many developing countries still have not created sufficient fiscal space to mount an effective response to the crisis and avail their populations of much needed vaccines. They are, therefore, faced with no other option than to undertake increased borrowing, which adds to already high debt service burdens.

- Given the severity of the debt and liquidity crisis for some countries, and its possible extension to others, the policy responses we adopt should reflect a combination of debt relief coupled with a major injection of liquidity.

- In this regard, we are encouraged by the views expressed recently by the US Treasury Secretary, who has made it clear that a new allocation of Special Drawing Rights could improve the health and economic recovery efforts of developing countries.

- Importantly, liquidity can also prevent many countries from falling into insolvency.

- It would be helpful if a new general allocation of SDRs were coupled with a voluntary reallocation of excess SDRs, provided by countries with strong external positions to those that need them the most.

- Another encouraging development has been the extension by the G20 of its Debt Service Suspension Initiative (DSSI) to the end of this year. I would note, however, that there is a sound basis for the Initiative to be further extended into next year. Consideration should also be given to expanding its beneficiaries to include vulnerable middle-income countries that request debt forbearance.

- Additionally, a mechanism should be created to include commercial creditors, which are currently outside the framework of the DSSI but represent an increasingly large share of the overall creditor composition of developing countries.

- In this regard, we need to bring the credit rating agencies into our discussions, as many countries are afraid to apply for debt relief because of the threat of a ratings downgrade.

- In relation to the G20's *Common Framework on Debt Treatments Beyond the DSSI*, we welcome the inclusion of non-Paris Club G20 members, although here again we believe there is a credible case for it to be expanded beyond DSSI-eligible developing countries to vulnerable middle-income countries.

- The utilization of innovative financial instruments such as debt swaps, state contingent debt instruments and specialized liquidity funds can also play an important role in ameliorating the debt and liquidity challenges of developing countries.

- In this respect, we support the proposal by ECLAC that aims to address the liquidity needs of Caribbean countries through the creation of a Caribbean Resilience Fund (CRF), as well as a Debt for Climate Adaptation Swap facility.

- I believe both these initiatives merit serious consideration, given the dependence Caribbean SIDS have on external capital flows linked to tourism, as well as our extreme vulnerability to climate change.

- Also of interest is Costa Rica's proposal for the creation of an extraordinary support fund, the *Fund to Alleviate the effects of COVID-19 Economics* or FACE. This fund would be geared to address the impacts of the COVID-19 Pandemic on the fiscal space of countries, and assist countries in fulfilling their external debt obligations.

- As we commence our deliberations on these important matters I am mindful of the fact that there are no quick fixes for these complex issues. However, there are solutions to these problems, provided we can mobilize the required political will to implement them.

- At the end of the day, what we need to ensure is the development of a sovereign debt architecture that provides a framework for long-term debt sustainability.

- In order for this to happen, we have to adopt a systemic approach to reforming the international debt architecture; one that aligns with the SDGs and Paris Agreement and that provides a workable mechanism for orderly sovereign debt resolution.

- Excellences, let us continue through robust cooperation and coordination to take deliberate actions to reverse the devastating economic effects of the pandemic as we prepare for a future of sustainable growth and development.

- With the collective will of the international community I am convinced we can combat the wide-ranging impact of the coronavirus pandemic, and place ourselves on a more sustainable and resilient path over the years to come.