



High-Level Meeting with Heads of State and Government on the International Debt Architecture and Liquidity

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Prime Minister Trudeau, Prime Minister Holness, Secretary-General, Dear Friends,

I am delighted to participate in this timely discussion on the need for action to address debt vulnerabilities and facilitate an inclusive recovery and a sustainable and resilient future.

In many developing economies, the compound nature of the COVID-19 shock – greater spending needs, reduced fiscal space, higher public debt ratios, inflationary pressures generated by domestic currency depreciation – has compromised governments' ability to service their debt while also responding to the pandemic and making the investments necessary to build back better.

Just as within countries, where the most vulnerable groups have been hardest-hit, so too, at the international level, the most acute stress is being felt by the most vulnerable countries. We need to ease their liquidity constraints and alleviate their debt service burdens where needed.

To its credit, the international community has responded. The Debt Service Suspension Initiative (DSSI) and the expansion of IMF and WBG lending have improved the liquidity situation for some hard-pressed countries, while the “Common Framework for Debt Treatment beyond the DSSI” will allow DSSI-eligible countries with unsustainable debt to enter a restructuring process. The emerging consensus on a new allocation of SDRs is also a promising development.

More will be needed, however, both to address solvency problems arising from this crisis and to improve the global debt architecture so that such problems can be resolved faster and at lower cost. Resolving unsustainable sovereign debt burdens is a collective action problem for which we need to develop the right tools. A serious upcoming challenge is the question of the debt sustainability of a number of middle-income emerging and developing countries.

One pressing issue is to improve debt transparency. With the support of the UK government, the OECD has recently launched a **Debt Transparency Initiative** to collect, analyse, and report on debt levels of low-income countries in alignment with the Institute of International Finance's (IIF) Voluntary Principles on Debt Transparency.

This initiative brings together multilateral institutions, central banks, finance ministries, civil society organisations, and commercial banks and will shed new light on previously opaque bilateral lending to low-income countries. This will provide stakeholders with more comprehensive and accurate public debt data, and enable informed decisions.

Dear friends,

This crisis has highlighted pre-existing vulnerabilities and compromised the provision of public goods and services in many countries. Confronting the issue of debt sustainability is an opportunity for the international community to establish a new deal for development, based on co-responsibility, and to get on track for achieving the SDGs. Count on the OECD to play its part, providing the data, the analysis and the policy advice to help all countries build *forward* better for a strong, resilient and green future for all.

Thank you.