

## Discussion Group 4: Debt and COVID-19 Second Meeting Summary

*6 August 2020*

The group, chaired by Pakistan, the Netherlands and the African Union, convened their second meeting on 6<sup>th</sup> August to discuss substantive issues. Co-Chairs were joined by distinguished experts and more than 100 participants to discuss concrete policy options regarding extending the scope of Debt Service Suspension Initiative (DSSI) and ideas related to debt relief. The first half of the panel, dedicated to extending the scope of DSSI, was moderated by Co-Chair Netherlands, and included an update on the current state of DSSI provided by the International Monetary Fund (IMF). The second half of the panel, dedicated to ideas related to debt relief, was moderated by Co-Chair the African Union. Distinguished experts and thought leaders contributed to both sections of the panel discussion and provided inputs. The Co-Chairs will distribute a revised draft to participants for further review prior to their third meeting on 25 August.

### Key messages:

The Co-Chairs used the second meeting to consult with experts on the: (i) expansion of the DSSI, in terms of eligible countries, time frame, and treatment of multilateral debt; and (ii) options for debt relief for countries, including debt swaps, buybacks and other forms of debt relief. A main point that arose from the discussion argued that policy options must take into account the needs of countries, including whether they have access to market financing or not. Specific proposals included a multilateral debt cancellation mechanism modelled on the IMF's Catastrophic Containment and Relief Trust, and debt swaps at a larger scale and supported by the multilateral development banks (MDBs). In this regard there were also calls for capitalization of the MDBs, including regional development banks.

Addressing longer standing problems of the international debt architecture, several experts stressed the need for a global bankruptcy framework or a formalized debt restructuring mechanism that is orderly, fair and transparent. The Co-Chairs called for political will to devise appropriate solutions and stressed that a coherent and coordinated response to the current crisis will need to emanate from an inclusive and equitable process that also gives voice to developing countries.