The second formal meeting of the Group, attended by over 100 participants, took place on 6th August. The co-chairs Antigua and Barbuda and Senegal engaged a number of renowned experts with the aim of discussing concrete options for private sector engagement, including in the Debt Service Suspension Initiative (DSSI), and alternative mechanisms to address commercial debt challenges, including legal assistance. The first half of the discussion, on private sector engagement, was moderated by Co-Chair Senegal and included remarks by legal expert Lee Buchheit of the University of Edinburgh Law School, Sonja Gibbs of the International Institute of Finance, and Elena Duggar of Moody's investor Service. The second half of the discussion, on alternative mechanisms to address commercial debt challenges, including legal assistance, was moderated by Co-Chair Senegal, and featured a panel discussion with Catherine Mann of CitiBank, Laura Jaitman of the World Bank Group, and Adnan Mazarei of the Peterson Institute. The Co-Chairs will circulate the revised draft menu of policy options prior to the Roundtable of Experts scheduled for 19 August.

Key messages presented:

Co-Chairs moderated an interactive dialogue on ways to engage private sector creditors with the participation of both experts and Member State participants. Speakers noted the challenges of finding effective and actionable solutions for debt restructuring and cancellation within a heterogeneous creditor environment and amid varying conditions of market access. Some speakers noted voluntary approaches would not be sufficient and pointed to the urgency of engaging private creditors through solutions that combine involuntary and market-based approaches. Emergency financing extended by multilaterals and debt relief by bilaterals amid continued debt servicing to private creditors calls for urgent action to incentivize private creditor engagement in the DSSI and through other avenues.

In order to address these issues and develop concrete policy options, one set of specific solutions that was mentioned related to taking advantage of the highly discounted value of debt on secondary markets, (also discussed in Group IV in relation to swaps and debt buybacks) with support of the official sector. There were, however, fewer solutions to bring in private creditors directly, short of long negotiating processes such as the case of Argentina, without a broader approach to addressing sovereign debt architecture. In terms of specific policy options, speakers also noted the proposal by Galpern, Hagan and Mazarei to make IMF support conditional on debt suspension participation.

The Group also discussed the impact of participation in the DSSI on countries’ credit ratings, and noted the role of multilateral institutions in the context of the DSSI and beyond, including actions taken by the World Bank and others to support countries' fiscal space. The meeting also touched upon further efforts needed to meet the growing
demand from developing countries for legal assistance, either by building on existing mechanisms such as through the World Bank’s debt reduction facility or voluntary approaches.