

## Civil Society Meeting on the International Debt Architecture and Liquidity

23 March 2021

### Statement by Patricia Miranda

*Advocacy Coordinator, Red Latinoamericana por Justicia Económica y Social (LATINDADD), highlighting how current approaches represent false solutions and calling for systemic reforms*

The crisis did not start with Covid19, the pandemic only exacerbated the failures of our current system. The impacts we are going through, are already increasing poverty and inequalities and undermining the achievement of the Agenda 2030. It is urgent to have bold and ambitious solutions that respond to the magnitude of these multiple crisis, instead of false solutions.

Global community policies have tackled immediately some problems, such as the suspension of debt payments with the G20 Debt Service Suspension Initiative, but this is a very limited initiative in terms of creditors coverage and in terms of country eligibility, excluding from the debt treatment initiatives to middle income countries, which have high economic, social and climate vulnerabilities that are hidden under a GDP per capita ratio. This can be seen, when eight out of 10 'new poor' will be in middle-income countries.

Stop paying debt service is important in the face of the pandemic outbreak and the succeeding Covid-19 waves, because countries clearly need to urgently prioritise the investment on healthcare, vaccines and social protection among other needs, but it is a very short term approach and it is not enough to tackle the global crisis.

Recovery is still far for many developing countries. All sectors of the economy have stopped, with several impacts such as a decrease on tax revenues. Under this context, a debt suspension is only the postponement of the fiscal problem, by increasing the debt service that will be repaid in the next years.

The continuation with a "Common Framework for Debt Treatments Beyond the DSSI" is still another mechanism designed by and for creditors and it still fails to include all creditors on a binding basis, private and multilateral, but also regional development banks. These initiatives are far from the debt cancellation that some countries need, furthermore, a debt restructuring mechanism needs to be established towards a long term sustainable debt crisis resolution.

It is crucial to have and timely implement a comprehensive debt sustainability assessment, according to the new debt landscape and risks in our countries, an assessment that goes

beyond the criteria of making decisions based on the prioritization and capacity of debt payment only, moreover in the middle of the pandemic, leaving aside all the social costs.

Debt treatments need arenas that are not creditor dominated, and that also involves stakeholders at national levels, to reduce the risks of overoptimistic projections.

In terms of access to resources, new loans are not the solution to the economic fallout caused by the pandemic, it will only increase the debt burden, moreover if they can involve no concessional financing or fiscal consolidation and austerity measures, which only increases poverty and inequalities.

There are so many needs that are not being addressed by developing countries due to scarce resources, moreover when fiscal deficit has increased dramatically in many countries. The lack of access to global liquidity is a major limitation when there are urgent needs now.

The access to liquidity is important in a process towards an inclusive and fair recovery. A new allocation of SDRs is the response to have access to liquidity without increasing debt and without the implementation of austerity measures.

The mechanism of an SDR allocation needs to take into account developing countries needs in its calculations and an approach to make it an actual mechanism of solidarity that reduces inequalities. CSOs proposal reaches an allocation of 3 trillion dollars, considering that it would not be even half of the stimulus packages that OECD countries had, which represent around 50% of the global economy, but that would make a change for the most affected population across the world.

The implementation of debt treatments and access to liquidity are important now, however a systemic approach has to be implemented to guarantee sustainability in the long term, if we don't want to dive into another debt suspension in the next years. Fiscal and social sustainability need a transformation of the global tax system to make feasible that developing countries are able to achieve the domestic resource mobilisation that they need and that private finance mechanisms contribute to sustainable development without generating liabilities to the public sector budget.

The worst crisis since the global depression will not be tackled with short term measures, it urges to move beyond false solutions, we need that the global community turns from intentions into concrete decisions and actions.

We don't find hope in building back better, because before the pandemic there were already systemic failures, instead we strongly believe that it is possible to build forward better.

Thank you.