REMARKS BY ALICIA BÁRCENA, EXECUTIVE SECRETARY OF THE ECONOMIC COMMISSION FOR LATIN AMERICA AND THE CARIBBEAN (ECLAC), AT THE MEETING OF FINANCE MINISTERS CONVENED BY THE UNITED NATIONS DEPUTY SECRETARY-GENERAL AND THE FINANCE MINISTERS OF CANADA AND JAMAICA, 8 SEPTEMBER 2020

During the era of the coronavirus disease (COVID-19), the Debt Service Suspension Initiative (DSSI) is a crucial initiative to provide fiscal breathing space to low-income countries. It is welcome but is clearly insufficient. Its term should be extended beyond 2020, while the participation of private creditors is essential and the scope should be broadened, with emphasis on vulnerability to include middle-income countries in urgent need of debt relief.

Middle-income countries account for 96% of total developing country debt, not including China and India. Therefore, potential insolvency of middle-income countries poses a systemic risk to global financial stability.

In an increasingly integrated world, financial stability is a global public good and debt relief initiatives must include vulnerable, small, highly indebted middle-income countries, such as the small economies of Central America and the Caribbean small island developing States (SIDS).

As a result of efforts to offset the impact of COVID-19, Central American countries' debt service payments are largely higher than their health expenditures, in a context of large current account deficits.

The structural vulnerabilities of Caribbean SIDS economies (high indebtedness, narrow productive base, tourism-dependency and high exposure to natural disasters intensified by the effects of climate change) are posing unmanageable challenges.

The total debt of these economies amounts to US$ 57 billion (between 70% and 100% of GDP) and the debt service ranges between 30% and 70% of government revenues.

There is an urgent need for some form of international assistance and concessional funding to prevent these small economies from collapsing.

The Economic Commission for Latin America and the Caribbean (ECLAC) has been advocating for greater financial support to build resilience for the Caribbean SIDS through a debt reduction initiative focused on the creation of a Caribbean Resilience Fund (CRF).

CRF would be financed through debt reduction representing 12.2% of the total public debt of the Caribbean SIDS, amounting to only US$ 7 billion.

CRF links debt relief with resilience and debt sustainability by using its funds to finance climate adaptation projects and infrastructure, and resilience-building in general.

No initiative for debt relief and debt sustainability can eschew the need for increased external liquidity to avoid the use of contractionary policies, which are simply not an option in the current circumstances.