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Statement by Ambassador Munir Akram, President of the Economic and Social Council and Permanent Representative of Pakistan to United Nations in New York, at the Virtual Side Event of the 77th UNESCAP Session, "Debt Relief in the Aftermath of the Pandemic"

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New York

Executive Secretary of ESCAP,
Ambassadors of Fiji and Pakistan,
Excellencies, ladies and gentlemen,

Thank you for inviting me to speak at this important event.

The pandemic has exacerbated pre-existing debt vulnerabilities and exposed prejudices in the global financial architecture. According to the International Monetary Fund, 56% of countries are in debt crisis, debt distress, or face severe debt unsustainability. Six developing countries have already defaulted on their debt. Others may be obliged to do so.

Excellencies, ladies and gentlemen,

My Prime Minister called for a global debt initiative last April. G20's debt suspension has provided some fiscal space to a number of low-income countries, including Pakistan. But the relief for the 44 countries, which have applied, is only about $5.5 billion. Nevertheless, we are glad that the G20 has agreed to extend the suspension to the end of this year.

After deliberations, which started last May, on debt in New York, the ministerial declaration adopted at the conclusion of the Financing for Development Forum earlier this month has indicated some convergence on debt relief, sustainability, and liquidity issues in the aftermath of the pandemic.

The G20's framework can be elaborated, adopted globally and utilized to promote a deeper, long term, and sustainable debt restructuring program that is responsive to the needs of individual countries. Greater use can be made of state contingent debt instruments, debt buyout, debt swaps for climate, health, and SDG actions.

Ladies and gentlemen,

80% of the debt of the middle-income countries is owed to private creditors. Their participation is missing in the debt suspension initiative so far. Apparently, the fear of credit downgrades, the problem of holdout creditors, and vulture funds are obstacles to private sector participation. National and international measures need to be adopted to incentivize the private sector and the creation of a public rating agency has been proposed to address the fear of such downgrades.

Excellencies,

Obviously, much more needs to be done to support economic recovery in the developing countries and to prevent a debt and liquidity crisis in them.

The proposed creation of $650 billion in new SDRs and the proposed voluntary reallocation of unused SDRs will significantly enlarge the capacity of the IMF and Multilateral Development Banks to provide much larger net inflows to developing countries. The World Bank's IDA window should be at least doubled from the currently envisaged $30 billion dollars to $60 billion. ODA commitments, of course, must be fulfilled. The Multilateral Development Banks should also significantly scale up financing by extending maturities, providing concessional financing for all developing countries, and expanding their non-concessional lending window.

Some of the new proposals for innovative financing deserve close consideration. Costa Rica and ECLAC have proposed the creation of FACE, a concessional financing fund to recover from COVID, and the Economic Commission for Africa has proposed the creation of a liquidity and sustainability facility to mobilize low interest loans for developing countries which have market.

Excellencies, ladies and gentlemen,

Our deliberations on the debt issue began in May last year when Pakistan convened the first informal consultations at the UN. A large menu of options has been identified and consensus has been reached on several policy actions. ESCAP, which represents the most dynamic region in the developing world, is well placed to lead the way in addressing the global and regional challenge posed by the debt overhang and the growing and enormous liquidity needs of the ESCAP region to recover from the COVID crisis and come back on track to the implementation of the SDGs by 2030.

I thank you.