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Statement

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High Representative
and
Under-Secretary- General
Least Developed Countries, Landlocked Developing Countries and Small Island Developing States

Ambassadorial level dialogue on addressing sovereign debt distress in LDCs, LLDCs and SIDS in the time of Covid-19

Virtual Meeting

18 June 2020 at 15:00 to 17:30hrs
Your Excellencies,
Amb Taye Amde, PR Ethiopia & Vice Chair of Group of LDC
Amb Kamrat Umarov, PR Kazakhstan, Chair of Group of LLDCs
Amb Lois Young, PR Belize, Chair of AOSIS

Excellencies,
Distinguished panelists,
Dear Colleagues,
Ladies and gentlemen

I welcome you to our virtual meeting.

It would be an understatement to say that our shared globe travels through challenging times.

No one, no one country, no one place is spared from uncertainty and the already visible devastating impacts of the Covid-19 pandemic.

Yes, this is a health emergency but one that has already shown very clearly to all that we have a development emergency too.

The Coronavirus continues to spread around the world. Governments turned to classic public health measures such as confinements and social distancing.

The flow of goods and people stalled. Economies and incomes stalled. Livelihoods stalled.

The economic contagion is now spreading as fast as the disease itself.

Analysts increasingly warn that a deep and prolonged global recession is inevitable.

Yes, there is havoc everywhere. But it is already clear that pre-existing inequalities have only grown deeper.

The challenges to vulnerable countries have moved from difficult to daunting.

For the most part, developed nations access the full range of macroeconomic tools to scale up capacities and mitigate the manifold impacts of the pandemic.

That is not on the cards for vulnerable countries with limited reserves, capacities and limited fiscal space to both cushion the blow and rebuild.

The LDCs, LLDCs and SIDS are hardest hit.

They rely on access to ‘hard currency” earned primarily through exports of commodities and highly selective exports and services, such as food, oil, textiles and tourism.
The domestic economies and peoples’ livelihoods also, and by times heavily, rely on remittances from their diasporas.

They rely on FDI.

They rely on access to ODA grants and concessional and market-based borrowing.

The situation now is one of commodity price shocks, loss of export revenue, major loss of investment and remittances, and rapidly plummeting if not non-existing tourism. And we do not know if and when we return to what we now call the “new normal”. And we do not know what this “new normal” may look like.

Beyond any doubt, there will be deep and long-lasting economic and social impacts on these countries.

The stakes are high!

The falloff in revenues will obviously be enormous. Yet, to avoid ever deeper inequalities and ensure basic livelihoods spending needs to be ramped up, investing in curbing the spread of the virus is a must and it is a must to mitigate the socio-economic impacts of the pandemic.

As I said earlier, prior to COVID 19 the situation was challenging but the challenge has beyond doubled with the absolute necessity to respond to COVID-19 as well as the need not to lose sight that we must also achieve the SDGs.

Excellencies,

The pandemic threatens progress so far achieved in implementing the 2030 Agenda and the dedicated Programme of Actions.

Now, in addition to the myriad of challenges I just highlighted, the LDCs, LLDCs and SIDS face high debt burdens or are at risk of debt destress.

Several of them are already in debt distress or will become distressed with the looming global recession.

UNCTAD estimates that in 2020 and 2021 alone, repayments on public external debt will be nearly $3.4 trillion – between $2 trillion and $2.3 trillion in high-income developing countries and between $666 billion and $1.06 trillion in middle- and low-income countries.

Excellencies,

It is now, with truly no time to waste, that we must address this looming debt crisis.

The UN Secretary-General has made repeated calls to the international system and community to address the looming debt crisis.
A three-pronged approach is on the table:

First, an across-the-board standstill on all debt service, including bilateral, multilateral and commercial, for all those developing countries that have no access to financial markets and cannot service their debt.

Second, more comprehensive options towards debt sustainability with instruments such as debt swaps and a debt mechanism for the Sustainable Development Goals.

And

Third, addressing structural issues in the international debt architecture to prevent defaults leading to prolonged financial and economic crises.

Since, several initiatives deal with the looming debt crisis.

These include the announcement of suspension of debt service payments for all International Development Association (IDA) countries and LDCs who request forbearance by the G-20.

The IMF and the World Bank Group and others have also put in place some initiatives to respond to the call to support the most vulnerable.

We will hear more on these initiatives in their presentations today.

These initiatives are a good start, but they may not be sufficient given the severity of the situation faced by the most vulnerable.

To put it bluntly, peoples’ lives and livelihoods are at stake.

Our conversation today is vital!

We must address this question as well as discuss other ways of addressing the looming debt crisis in LDCs, LLDCs and SIDS.

I place high hopes in our discussions that we can come up with workable deliberations that help answer these questions. We must focus on actionable recommendations to deal with the devastating impact of the Covid-19 pandemic.

So, I express my sincere gratitude to the panelists for agreeing to be part of this very important dialogue.

I look forward to listening to you and to our exchanges.

Thank you.