Financing a Sustainable Recovery - *Role of Debt Relief instruments*

The Latin American and Caribbean perspective

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How can the international community facilitate debt relief in Latin America and the Caribbean?

- Lend support to the capitalization of ECLAC Resilience Fund initiative
- Multilaterals can promote private sector engagement with the endorsement of resilience fund initiative
- Broad solutions supported by Paris Club, private sector, IFIs and debtor countries needed for systemic debt crisis aggravated by COVID-19 pandemic
- DSSI is useful but excludes middle income countries. IFIs should encourage the support and participation of the private sector
- New SDR allocations can help relieve fiscal stress and provide additional finance without increasing debt burden
- IFIs can help reduce debt service and expand fiscal space for economies with extreme debt burden

Challenges in the implementation of debt swap initiatives and resolutions for both creditor and debtor countries

- Expand financing sources for Resilience Funds by setting up as a Segregated Portfolio Resilience Trust Fund.
- Promote financing of Resilience Funds by exploring the possibility of financing Resilience Funds through some portion of newly allocated SDRs
- Including hurricane or disaster-linked clauses in debt contracts to build financial resilience
- Establish relationship with local focal points to mitigate implementation challenges
- Important to address solvency challenges while engaging in debt restructuring initiatives. Liquidity can be distributed through multilateral funds to the FACE.

Mechanics of ECLAC's Debt Climate Adaptation Swap

Initial CRF capitalization for Phase I countries of US$527 million

Target growth set at 1%

Long-term elasticity of debt on growth: 0.082

Required total debt reduction: 12.2% of GDP

Antigua and Barbuda

Required Total Debt
US $197 million
(15.7% of total debt)

Saint Lucia

Required Total Debt
US $231 million
(18.6% of total debt)

Saint Vincent and the Grenadines

Required Total Debt
US $99 million
(16.2% of total debt)

Thank you!