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BEYOND DSSI TO STRCUTURAL REFORMS IN LICS

1. PREAMBLE

UDN and CSOs appreciate efforts of the global development partners such as World Bank Group (WBG), International Monetary Fund (IMF), European Union, G.7 and G.20, to ameliorate effects of COVID-19 globally. The efforts so far include recent Grants, concessional loans and frameworks like IMF the WBG-G.20 Debt Service Suspension Initiative (DSSI) for a 6-month debt moratorium till December 2020 to benefit 73 countries. IMF in April 2020 cancelled six months of debt payments for world's 25 poorest (or rather impoverished) countries.

2. CHALELNGES DESPITE DEBT SERVICE SUSPENSION INITIATIVE (DSSI)

Amongst the LICs such as Uganda, COVID-19 curve largely remains steep; the 6-month DSSI period had expected a slope, so DSSI assumptions still challenged. This over the next 10 years disempowers post-COVID-19 recovery capacity for LICs to meet debt obligations.

According to Jubilee Debt Campaign (London), the 73 countries pay a combined $92 million dollars a day to debt repayment obligations, rather than on saving lives of their citizen. Should LICs prioritize debt repayment at cost of death of citizens due to COVID-19 and lesser investment in social services?

According to OECD-2020, the current debt measures translate into an approximate parltry of $9 billion in debt relief; i.e. less than 20% of all external debt payments due in 2020 for the LICs and some MICs. A huge debt problem remains, even outside MFIs bracket to LICs. Nearly half of countries currently eligible for DSSI faced high risk of debt distress or were actually under debt distress by dawn of 2020; so there need for a "full-doze" not piecemeal action which moreover involves China EXIM and commercial Creditors.

The current debt instruments and *modus operandi* merely deal with concessional loans and new debts, thus only up to a negligible less than 20% reduction in debt burden; since the Private external lenders (i.e. commercial creditors who usually provide Loans at high interest rates), with sections of Chinese Government debt instruments not yet participating in DSSI. We all need to work with MFIs that Private creditors join the converdation.

3. RECOMMENDATIONS

1)Several LICs appear dragging their feet; the LICs are concerned about the implication of these windows on their (LICs) access to international and domestic credit markets. May the on-going IMF- World Bank Annual meetings 2020, spearhead robust steps for which Debt cancellation should not be a hindrance to credit markets.

2)At the on-going IMF- World Bank Annual meetings 2020, the duo plus G.20 as the global superintendents or those at echelons of power and authority, should spearhead instruments that register; a) Total Debt cancellation of outstanding debts of LICs, owed to the G.20, IMF, World Bank, regional banks, Bilateral creditors (e.g. under Paris Club) including China EXIM, plus Private creditors (e.g. under London Club) b) No-interest for LICs on new debts for 10 years commencing 2020; to allow economic recovery of the LICs including Uganda.

3)The Debt cancellation and the 10-year no interest for LICs on new debts should be tagged to the LICs undertaking requisite Reforms (Legal, Policy and Institutional). The reforms should shrink size of burden of running Governments- Public Sector Management; opulence, corruption and attendant mischief.

4)There should be behavioral change by Governments of the LICs, from wasteful expenditures to strategic public sector investment that achieves lesser out-of-pocket healthcare, better access to health services livelihood systems and other equitable economic development for the citizens.

5)Debt cancellation is the most feasible instrument for the LICs to recovery. The recovery is critical to both the Lenders in the developed world and the Creditors in LICs like Uganda.

ABOVE: UDN team meeting with the PS/ST Keith Muhakanizi (Centre) on Debt Cancellation Campaign at Ministry of Finance

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