DEBT AND DEBT SUSTAINABILITY

IMPORTANCE

Unsustainable debt puts countries on a difficult path and can be a clear obstacle to sustainable development.

While rising public debt levels were already a cause for concern at the end of last decade, the COVID-19 pandemic has triggered a massive increase in debt accumulation and has exacerbated the risk of debt crises for low- and middle-income countries.

More than half of the least developed countries are currently in debt distress or at high risk of it.

The debt structure has shifted with a growing share of the private sector and non-Paris club bilateral creditors.

1. The EU and its Member States have provided substantial liquidity support to vulnerable low-income countries through the G20 Debt Service Suspension Initiative (DSSI) to help the poorest countries manage the impact of the COVID-19 pandemic. The EU and its Member States also supported the extension of the DSSI to the end of 2021, enabling a smooth transition to the G20's Common Framework for debt treatments.

2. The EU and its Member States finance one third of the Catastrophe Containment and Relief Trust that provides grants for debt relief for the poorest and most vulnerable countries hit by catastrophic natural disasters or public health disasters.

3. The EU and its Member States support the reallocation of the International Monetary Fund's Special Drawing Rights (SDRs) to vulnerable countries.

4. The EU and its Member States have supported global initiatives on responsible lending and borrowing practices such as those promoted by the G20, the Paris Club, UN, and the International Financial Institutions. For example, Team Europe supports the OECD Debt Transparency Initiative aiming to set up a database and reporting system focused on the recording of private lenders.