**International debt architecture reform and human rights**

1. **Measures and steps already taken or planned regarding increasing liquidity provisions for countries to respond to the pandemic and address debt service burden.**

1.1 Since the outbreak of the COVID-19, the Government of Mauritius has mobilised 3 budget support external loans, amounting to a total of some Rs 34 billion (equivalent to around USD 850 million) for, among others, implementing various measures to support the population to deal with the pandemic.

1.2 The Bank of Mauritius (BoM) has taken the following measures as part of the COVID-19 Support Programme:

1. The Cash Reserve Ratio applicable to commercial banks has been reduced from 9% to 8% to support banks in further assisting businesses which have been directly impacted by COVID-19.
2. In order to boost domestic economic activity, the Key Repo Rate (KRR) was lowered by 50 basis points in March 2020 and by a further 100 basis points in April 2020. The KRR currently stands at 1.85%.
3. A moratorium of up to 30th June 2021 on capital repayment for existing loans has been provided to economic operators and households affected by COVID-19.
4. For households earning a monthly basic salary not exceeding Rs 50,000, the interest payable for the period 1st April to 30th June 2020 and 1st January to 31st March 2021 on their outstanding loans with commercial banks are being borne by BoM.
5. A special line of credit for an amount of Rs 5 billion has been extended by BoM to commercial banks for on-lending to economic operators to meet their cash flow and working capital requirements. Interest on these facilities has been capped at the fixed rate of 1.5 % per annum.
6. A Special Foreign Currency (USD) Line of Credit for an amount of USD 500 million has been made available through commercial banks, targeting operators having foreign currency earnings, including Small and Medium Enterprises. Funds have been made available to commercial banks at 6-month USD-Libor for this facility.
7. A USD/MUR swap arrangement with commercial banks was introduced for an amount of USD 200 million to enable the banks to support import-oriented businesses.
8. The Mauritius Investment Corporation Ltd (MIC) was established by the BoM in June 2020, *inter alia* to provide, through a range of equity and quasi-equity instruments, financial assistance to systemically large, important and viable enterprises, which are financially distressed as a result of the pandemic. The objective is also to mitigate contagion of the ongoing economic downturn to the banking sector, thereby limiting macro-economic and financial risks. As at end of April, the MIC had disbursed some Rs 2,2 billion.

1.3 Various other schemes were put in place by public institutions to provide financial assistance in the wake of COVID 19 such as:

1. An Equity Participation Scheme was launched by the State Investment Corporation (SIC) Ltd to assist enterprises with annual turnover exceeding Rs 250 million to overcome their financial difficulties in the wake of COVID-19.
2. A series of schemes were implemented by the Investment Support Programme Ltd (ISP) namely;
* provision of cash flow facilities, under the SME Factoring scheme, to entrepreneurs via the factoring of their credit sales invoices through Non-Bank Financial Institutions. Enterprises with annual turnover of up to Rs 50 million will benefit from a reduced interest rate of 2.5% instead of 3.9% under SME Factoring Scheme.
* A reduced interest rate ranging between 2.5% and 3.35% per annum is granted to enterprises with annual turnover ranging between Rs 50 million and Rs 1.5 billion under the Leasing Equipment Modernisation Scheme (LEMS) by ISP.
1. The Development Bank of Mauritius implemented various loan schemes from several lines of credits contracted from the Bank of Mauritius, including:
* Scheme to assist SMEs with an annual turnover of less than
 Rs 10 million to meet their cash flow requirement;
* Wage Support Scheme to assist export-oriented enterprises to meet the payment of wages of their employees;
* Several budgetary loan schemes to assist eligible beneficiaries to meet their cash flow requirements; and
* Loan schemes to distressed enterprises

1.4 It is to be noted that the level of excess liquidity in the banking system in Mauritius, which was already high before COVID-19, has further increased after the pandemic. Consequently, there is adequate liquidity in the domestic market to finance the borrowing needs of the private sector, implement support measures for protecting the lives and livelihood of the population in the wake of the pandemic and to meet debt service obligations.

1. **Measures and steps already taken or planned to address the high foreign and public debt because of the pandemic at national and subnational level.**

2.1 The COVID-19 pandemic has impacted negatively on public finances. The contraction in economic activities has resulted in a drastic fall in revenue while expenditure has been higher due to measures taken to protect lives, the industries and livelihood of the population.

2.2 Over the last one year ended March 2021, the Government debt picked up by some
Rs 50 billion (that is, from 58.7% of GDP at end March 2020 to 82.7% at end March 2021). Foreign debt increased from Rs 33.6 billion (6.8% of GDP) to Rs 83.5 billion (19.6% of GDP).

2.3 Although the current level of Government debt as a percentage of GDP is relatively high, it is currently sustainable on account of its structure, profile and composition. It is, however, planned to maintain debt sustainability over the medium term by focusing on measures to promote economic recovery. A number of initiatives, as announced in the Budget 2020/21, presented in June 2020, are being implemented to boost recovery in various sectors of the economy. A list of those budget measures include the following:

1. Construction industry
* Waiving of Building and Land Use Permit fees for construction of pharmaceutical manufacturing factories, food processing plants and warehouses;
* Amendment of the Construction Industry Development Board Act to review the grading of contractors;
* Allowing for payment of VAT as from the date of receipt instead of the date of invoice in relation to construction works; and
* Promotion of local expertise, favouring input from local firms.
1. Agro-Industry Sector

A National Agri-Food Development Programme is being implemented to reduce dependency on imports through imports substitution for strategic industries such as crop production, farming, food processing and pharmaceuticals. Key measures of this programme include:

* Establishment of a price guarantee mechanism for producers to earn a sustainable flow of income;
* Increase in subsidy for the purchase of seeds for some essential crops;
* Provision of loans at concessional rates to distressed companies affected directly by the Covid-19 pandemic;
* Increasing regional storage facilities to improve on-shelf life for some seasonal crops; and
* Waiving of insurance payable by sugar planters for crop 2020.
1. Tourism Sector
* Provision of financial support to the National Carrier;
* Introduction of a scheme to convert part of hotels into serviced apartments that can be sold individually;
* Exemption of Tourism Licence Fee for a period of two years;
* Origination of major events in Mauritius where various tour operators, travel agents and international press will be invited;
* Waiving payment of rent in respect of state lands for hotels for 1 year; and
* Increasing the rebate for renovation and restructuring of hotels to 100% until 2022.
1. Manufacturing Sectors
* Extension of the investment tax credit of 15 % over 3 years to all manufacturing companies;
* Provision for a double deduction on the cost of acquisition of patents and franchises and also the costs incurred to comply with international quality standards and norms;
* Additional financial support to enterprises involved in the production of hygienic goods such as sanitizers, PPEs, masks, handwash, and medical devices; and
* Support to small and medium sized enterprises, and vulnerable households by way of very concessional loans.

2.4 In October 2020, four months after the presentation of the national budget, further measures were announced to provide support to enterprises in order to boost economic growth and limit the increase in unemployment. These include the following:

1. Increase in intakes for the National Training and Reskilling Programme by the Human Resource Development Council by some 9000 unemployed; A monthly stipend equivalent to the minimum wage (Rs 10200) is paid over a training period of six months;
2. Implementation of a Support Scheme for SMEs to support some 11000 employees with a monthly payment equivalent to the minimum wage;
3. Recruitment by Landscape Mtius Ld (a public owned company) of some 2000 technically unemployed persons for a National Clean Up Campaign;
4. Enhancement of the Rebate Scheme through increase in the percentage of refund to 60% of freight costs for exports, with a cap of Rs 30 million per company over a period of 1 year. The scheme is designed to boost GDP growth by providing support to Export-Oriented Enterprises.
5. **In the case that foreign debt repayments represent more than 15% of your Government’s annual budget, as approved by national law and internal mechanisms, what steps have been taken to ensure that the obligation to use the maximum of available resources for human rights is safeguarded in times of COVID-19 crisis?**

3.1 Foreign debt repayments represent around 3.7% of the Government of Mauritius’s annual budget for 2020/21, which is quite low compared to the benchmark of 15%.

1. **In the case that foreign debt repayments represent more than 10% of the country’s export revenues, what steps have been taken to ensure that the obligation to use the maximum of available resources for human rights is safeguarded in times of COVID-19 crisis?**

4.1 The foreign debt repayments (national) represent some 6.8% of the country’s export revenues.

1. **What measures and mechanisms have been adopted to protect the fiscal space required to respond to the exceptional needs of the population during the pandemic, in areas such as health, food, education and social security?**

5.1 Following the outbreak of the pandemic, the Government of Mauritius is implementing various initiatives to respond to the exceptional needs of the population in areas such as heath, food, education and social security. It has, among others, put in place the following:

1. Wage assistance schemes to private sector enterprises in order to avoid lay off of employees;
2. Self-employed Assistance scheme in order to provide support to those employed in the informal sector or to self- employed;
3. A one-off grant to self- employed;
4. Provision of additional resources to the health sector for purchase of COVID related equipment and for expansion of services to deal with the pandemic;
5. Implementation of a national vaccination programme in order to achieve herd immunity at an early date.
6. Allowance to front liners;
7. On-line educational courses for students;
8. Deferral of tax payments.
9. Fiscal support for an early economic recovery programme.

5.2 The above measures, together with heavy revenue shortfall in the wake of the pandemic, created a large fiscal gap. To finance part of this gap, an exceptional one-off contribution was made by the Bank of Mauritius to the Government in the 2020/21 Budget in order to enable implementation of the above-mentioned measures and also to have some fiscal space for the 2021/2022 Budget.

1. **How could assessments of a debtor’s capacity to repay its creditors incorporate the safeguarding of maximum available resources for human rights?**

6.1 The assessment of the repayment capacity should take into account social sustainability considerations. For instance, Moody’s has recently published, in December 2020, a methodology for assessing the impact of environmental, social and governance (ESG) factors on sovereign credit quality and rating. Such a methodology would ensure that the repayment capacity of a sovereign is being assessed while taking into consideration the resources available for human rights considerations.

1. **If there are legal, policy or regulatory frameworks that can assert the primacy of access to essential services over the repayment of foreign debts, please explain and provide relevant documentation.**

7.1 There is no legal, policy or regulatory framework that asserts the priority of access to essential services over the repayment of foreign debts.

7.2 Repayments of all Government debts and public service pensions payments are accounted as part of ‘expenditure charged statutorily or by virtue of the state obligation’. These are not appropriated and they have priority for spending over other Government expenditures. However, provision of essential services is equally a priority for the Government of Mauritius and, so far, there has not been any case whereby the provision of essential services has been interrupted or curtailed.

1. **If available, what is your Government’s position/ Institution’s position with regard to the aspects of national and international debt architecture that need to be reformed in order to make it more robust?**

8.1 There is need to extend the Common Framework and the Debt Service Suspension Initiative to small Middle Income/Upper Middle-Income countries severely affected by the pandemic, such as Island economies highly dependent on tourism and which have been severely affected by closure of international borders due to the COVID-19.

1. **Which stakeholders should be consulted, at national and/or international level, in order to identify existing gaps in the international debt architecture? Why? What sort of mechanisms should be used for these consultations? What would be some of the benefits and shortfalls of consultation for the process?**

**9.1 Non-Governmental Organisations involved in human rights issues both at national and international level should be consulted.**

1. **If your Government made use of the new measures by the G20 and IMF, what was the domestic process for consultation and approval of such a decision? What are the existing mechanisms and safeguards to ensure that decisions take into account consistency with human rights obligations?**

10.1 The Government of Mauritius did not have recourse to the new measures by the G20 and IMF as it is not eligible for such facilities.

1. **With regard to the G-20 Debt Service Suspension Initiative (DSSI), adopted in April 2020 and valid until June 2021: What have been the benefits and what have been the drawbacks of this initiative? If available, what is your Government’s position/ Institution’s position regarding how the DSSI could be improved, and why would this initiative need extension and improvement?**

**11.1 This initiative is meant only for low income countries. Mauritius, which is classified as an upper-middle income country, was not eligible to benefit from same. It is proposed that the initiative is extended also to SIDs, which are already being severely affected by climate change and small middle-income countries, heavily dependent on tourism which have been severely affected by the closure of borders.**

1. **One of the alternatives to supply needed emergency liquidity is through a new issuance of special drawing rights (SDR): How could a new issuance of SDRs be beneficial for your State in the short and mid-term?**

12.1 A new issuance of SDRs would certainly benefit the country as it would provide additional foreign currency, following the significant decline in export proceeds in the wake of the pandemic, for importation of equipment to deal with the pandemic and essential goods for the population.

1. **If available, what is your Government’s position/ Institution’s position with regard to the following issues:**
	1. **Debt cancellation**

Foreign debt cancellation would be beneficial to assist the Government in their fiscal policy and additional resources will be available for financing other priority expenditures.

* 1. **How to ascertain how much debt relief should take place and to which States**

The following considerations could be used to ascertain debt relief:

1. the amount of debt servicing that have to be effected over the next 3 to 4 years;
2. classification of the country - income status/ SIDS
3. the rate of decline in GDP compared to the period before the pandemic (i.e all countries with a decline in GDP by at least, say 15%)
	1. **Multilateral framework for debt restructuring**
4. Often loans contracted from the international capital market do not contain majority restructuring provisions.
5. While the Multilateral framework has helped, to some extent, to address collective action issues, there are a large number of sovereign debt agreements, which do not contain such provisions as these are relatively recent.
6. The existing framework would be unable to deal with multiple cases of COVID 19 debt related restructuring as the framework requires economic restructuring, fiscal consolidation and structural adjustment measures. Such measures take time to be implemented and will be difficult to implement in a context which requires protecting the lives and livelihood of the population, providing support to enterprises, boosting economic recovery and safeguarding employment.
7. The framework should therefore be reviewed to take account of the above-mentioned issues by reviewing contractual provisions and revisiting the framework to avoid any systemic crisis in the wake of the pandemic.
8. In the case of restructuring of commercial loans, creditors usually insist for clearing of interest already due and this often constitutes a strain on countries with limited resources. The assistance of international financial institutions through the provision of either grants or very soft term facilities, with long grace and repayment periods would be desirable.
	1. **Market-based improvements to international debt architecture**
9. Over time, debt held by official creditors who are not members of the Paris Club has increased quite significantly.
10. The present architecture has helped in addressing the restructuring of sovereign debt, comprising of loans and bonds. But the increase in the diversity of commercial creditors and the complexity of new instruments, such as non-bonded debt and collateralised debt require review of the international debt architecture.

1. Measures envisaged to be taken are focussed on improving liquidity to address solvency problems. But the increasing problem of debt sustainability in the wake of the pandemic and its aftermath has yet been addressed in depth.
2. The international debt architecture should therefore be revisited to adapt to changes taking place in the world economic environment, such as by requiring transparency on, and inclusion of new debt instruments in the restructuring process and inclusion of major new creditors in the Paris Club/London Club.
	1. **Independent international body on debt crisis resolution and prevention**
3. It is noted that the Independent Body is proposed to be set up under the aegis of UN. There is the need to ensure that bilateral and multilateral creditors would be agreeable to such an initiative. Moreover, appropriate arrangements should be made for the body to have the capacity to carry out its mandate and meet the set goals.
4. Nevertheless, it is felt that the body will require the expertise of the IMF to carry out thorough analysis and oversight over the economic performance and economic situation of its member countries.
	1. **Reform of credit rating agencies**

Credit rating agencies would need to take into consideration the social sustainability framework of a country, its environmental sustainability and governance strength when making their credit rating assessments, as MOODY`S has started to do. Moreover, they also need to take into account the efforts being undertaken by a country to preserve, protect and promote human rights obligations and standards.

1. **According to your Government’s position/ institution’s position, how can changes on the global level of international debt architecture be reflected and consistent with international human rights obligations?**

14.1 The debt levels of a number of low income as well as middle income countries which had been rising by the end of the last decade have taken new heights with the impact of the pandemic on their economies. This has been aggravating income inequalities within and across countries.

14.2 Dealing with the pandemic while addressing the issue of high and close to unsustainable debt levels and income inequalities poses enormous challenges to these countries.

14.3 In the short run, these problems have been mitigated, in some of these countries, by exceptional financing, such as creation of money by their central banks. But such financing, over time, may create inflationary pressures which can get out of control of the authorities.

14.4 The present challenges cannot be addressed by the conventional international architecture and by existing multilateral frameworks.

14.5 A new approach will be required which, apart from providing debt relief, combines assistance to safeguard the lives and livelihood and protect the basic human rights of needy people across the world.

14.6 Moreover, there is a need to support the vulnerable countries to deal with the pandemic as its prevalence in one country is a threat to the whole world.

14.7 International co-operation and collaboration is critical to achieve a more sustainable common future in the aftermath of the pandemic. It may be advisable to revise the New International Economic Order, which was approved by the UN in 1974, but unfortunately has been only partially implemented.

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