

Media Briefing for G20 Finance Ministers meeting on 15 April 2020:

G20 MUST CANCEL DEBT TO STOP CORONAVIRUS "THIRD WAVE" DEVASTATING DEVELOPING COUNTRIES

News Summary: The G20 needs to heed the warnings - a "third wave"[1] of the coronavirus crisis could result in a catastrophic loss of life in poorer countries in the Global South and push half a billion more people into poverty.[2] Countries like the Central African Republic have just 3 ventilators for almost 5 million people,[3] and Malawi has only a quarter of the nurses needed to provide healthcare for all.[4] Yet, right now, instead of investing every dollar they have into boosting their healthcare systems to defend against the onslaught of the virus, these countries are having to use their precious resources to pay off external debt. Sixty-four countries spend more on external debt payments than on public healthcare.[5]

The window to act is closing quickly. **But this week, the G20 finance ministers, the IMF and the World Bank can offer an instant lifeline - cancel all external debt payments for 2020**. Cancelling debt payments of the 76 poorest countries could save **$40 billion[6]** immediately and support almost 500 million of the world's poorest[7] to survive this crisis. Other developing countries also need debt cancellation, and if their payments were also cancelled for the next year, the figure would reach over $300 billion.[8] These nations will also need **an injection of additional emergency funds.**

There is huge public backing for urgent debt relief measures - not just from African finance ministers, but also from dozens of former and current heads of state as well as **more than 750,000 citizens across the world who have signed petitions calling for debt cancellation**.[9] Ordinary citizens also funded a full-page ad in The Economist urging G20 leaders to drop the debt and save lives in the world's poorest countries.

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[1] https://www.theguardian.com/global-development/2020/mar/20/worlds-most-vulnerable-in-third-wave-for-covid-19-support-warn-experts

[2] 'Dignity not Destitution',Oxfam, 2020: https://www.oxfam.org/en/research/dignity-not-destitution

[3] UNOCHA Global Humanitarian Response Plan, Covid-19: UNOCHA, 28 March 2020 https://www.unocha.org/sites/unocha/files/Global-Humanitarian-Response-Plan-COVID-19.pdf,

[4] Oxfam's calculations based on latest WHO figures https://www.who.int/gho/publications/world_health_statistics/2019/en Average nursing salaries sourced from www.salaryexplorer.xn--com-to0a

[5] Calculated by Jubilee Debt Campaign from IMF and World Bank sources: https://jubileedebt.org.uk/press-release/sixty-four-countries-spend-more-on-debt-payments-than-health

[6] Calculated by Jubilee Debt Campaign from World Bank International Debt Statistics. The figure is for external debt principal and interest payments in 2020 for the 76 IDA countries

[7] See World Bank factsheet, 76 IDA countries are home to nearly two-thirds of the world's poorest people: 'The international Development Association', World Bank, December 2019: https://www.worldbank.org/en/news/factsheet/2019/12/13/fact-sheet-the-international-development-association-ida

[8] Calculated by Jubilee Debt Campaign from the World Bank's International Debt Statistics.The figure is for all low and middle income countries excluding China and Russia. If you include China and Russia in this figure, the total is over $400billion. See also: 'Dignity not Destitution',Oxfam, 2020 https://www.oxfam.org/en/research/dignity-not-destitution

[9] See live petitions: https://secure.avaaz.org/campaign/en/coronavirus_debt_relief_loc/; https://act.globaljustice.org.uk/coronavirus-drop-debt; https://jubileedebt.org.uk/actions/stop-coronavirus-debt-disaster

CRISIS: THE "THIRD WAVE" IS GROWING

The simplest measure to fight Covid-19 is a challenge in many parts of the developing world - **3 billion people worldwide can not wash their hands with soap at home**.[10] And even in normal circumstances, half of the world's 7.6 billion people can not access essential healthcare.[11] **This puts their lives and livelihoods at stake**. But with coronavirus spreading through the Global South, this "third wave" is gathering force (with Africa alone recording more than 14,000 confirmed cases already)[12] and could cause permanent devastation. The impacts of Covid19 will not be gender neutral. As women make up the majority of unpaid care, health and precarious workers, the health and economic impacts of the virus will hit them hardest.[13]

But instead of being able to adequately prepare for this crisis, many of the world's poorest countries are unable to spend their precious resources on healthcare **because of massive debt burdens**. Sixty-four countries spend more on external debt payments than public healthcare.[14]

Vulnerable countries face a lethal combination of slashed revenues and potential new debt crises. African economies are already suffering with the prices of export commodities like copper and oil plunging,[15] revenues from tourism drying up, while borrowing costs and debts go up.

Let's look at 2020 alone. According to Jubilee Debt Campaign calculations, the 76 group of poorest countries are due to spend:

- ➡ **$18.1BN** on bilateral debt payments to other governments,
- ➡ **$12.4BN** to multilateral institutions such as the IMF and the World Bank
- ➡ **$10.1BN** to external private creditors such as banks and hedge funds.

That is a staggering total of $40.6 billion[16] that could easily and instantly be diverted to spending on healthcare instead. If this were extended to other developing countries also in need of debt cancellation this year, this would take the total figure to over **$300 billion.[17]**

[10] https://www.unicef.org.uk/press-releases/handwashing-with-soap-critical-in-the-fight-against-coronavirus-is-out-of-reach-for-billions-unicef/

[11] WHO estimates that half of the world's 7.6 billion people lack access to essential healthcare. World Health Organization and World Bank. (2017). Tracking Universal Health Coverage: 2017 Global Monitoring Report. https://apps.who.int/iris/bitstream/handle/10665/259817/9789241513555- eng.pdf?sequence=1

[12] See Coronavirus in Africa tracker: https://africanarguments.org/2020/04/10/coronavirus-in-africa-tracker-how-many-cases-and-where-latest/

[13] https://www.oxfam.org/en/press-releases/half-billion-people-could-be-pushed-poverty-coronavirus-warns-oxfam

[14] Calculated by Jubilee Debt Campaign from IMF and World Bank sources: https://jubileedebt.org.uk/press-release/sixty-four-countries-spend-more-on-debt-payments-than-health

[15] Urgent call to head off new debt crisis in developing world https://www.theguardian.com/world/2020/mar/22/urgent-call-to-head-off-new-debt-crisis-in-developing-world

[16] Calculated by Jubilee Debt Campaign from World Bank International Debt Statistics. The figure is for external debt principal and interest payments in 2020 for the 76 IDA countries.

[17] Calculated by Jubilee Debt Campaign from the World Bank's International Debt Statistics.The figure is for all low and middle income countries excluding China and Russia. If you include China and Russia in this figure, the total is over $400billion. See also: 'Dignity not Destitution',Oxfam, 2020 https://www.oxfam.org/en/research/dignity-not-destitution

SPECIFIC COUNTRY EXAMPLES

1. **GHANA** has a population of 29 million[18], and it was in deep debt distress even before Covid-19 hit. Ghana is due to spend $3.8bn on external debt payments in 2020. It is currently spending almost four times more on servicing its external debt than it is on public healthcare[19] for its people: 39.1% of its government revenue is spent on debt servicing, 10.8% is spent on healthcare. Ghana is still in the early stages of its crisis, but already has more than 500 reported cases[20] of Covid-19 and should be spending urgently to contain its spread.

2. **CENTRAL AFRICAN REPUBLIC** has 3 ventilators in a country of almost 5 million people.[21] It is due to spend $25 million on external debt payments in 2020 (10% of government revenue according to the IMF's Debt Sustainability Analysis).[22] Instead, if it could spend the money increasing access to clean water and soap, and putting social distancing measures in place, it could help avoid the mass spread of disease with current cases reportedly at 11.[23]

3. **ZAMBIA'**s external debt amounts to $950 per person.[24] Every dollar spent on debt is a dollar that could be spent on Zambian citizens' urgent healthcare needs. Current Covid-19 cases are at 43 and two deaths.[25] But it is not locking down because the government worries people would not be able to survive.[26]

4. **MALAWI** has only a quarter of the nurses needed to provide health care for all. Debt cancellation for 2020 alone could pay the salaries of all 14,000 extra needed nurses for 3 years.[27]

> "The debt problem is not simply an economic issue. It is fundamentally an ethical issue because it is radically a human problem, affecting the wellbeing of families, the survival of the poor, the bonds of community, and the security of the future."
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> – Archbishop Medardo Mazombwe of Zambia[28]

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[18] See CIA country factbook: https://www.cia.gov/library/publications/the-world-factbook/geos/print_gh.html

[19] Calculated by Jubilee Debt Campaign from IMF and World Bank sources https://jubileedebt.org.uk/press-release/sixty-four-countries-spend-more-on-debt-payments-than-health

[20] https://www.arcgis.com/apps/opsdashboard/index.html#/bda7594740fd40299423467b48e9ecf6

[21] UNOCHA Global Humanitarian Response Plan, Covid-19 https://www.unocha.org/sites/unocha/files/Global-Humanitarian-Response-Plan-COVID-19.pdf

[22] IMF and World Bank Debt Sustainability Analysis for Central African Republic, January 2020. https://www.imf.org/en/Publications/CR/Issues/2020/01/13/Central-African-Republic-Request-for-a-Three-Year-Arrangement-under-the-Extended-Credit-48940

[23] https://www.arcgis.com/apps/opsdashboard/index.html#/bda7594740fd40299423467b48e9ecf6

[24] IMF and World Bank Debt Sustainability Analysis for Zambia, August 2019 https://www.imf.org/en/Publications/CR/Issues/2019/08/02/Zambia-2019-Article-IV-Consultation-Press-Release-Staff-Report-and-Statement-by-the-48558

[25] https://www.worldometers.info/coronavirus/country/zambia/

[26] https://www.iol.co.za/news/africa/coronavirus-in-africa-zambia-says-its-citizens-wont-survive-lockdown-46400420

[27] Oxfam's calculations based on latest WHO figures https://www.who.int/gho/publications/world_health_statistics/2019/en Average nursing salaries sourced from www.salaryexplorer.xn--com-to0a

[28] 'The New Global Debt Crisis',Christian Aid, May 2019: https://www.christianaid.org.uk/sites/default/files/2019-05/The-new-global-debt-crisis-report-May2019.pdf

SOLUTION: #CANCELTHEDEBT + EMERGENCY FUNDS

The solution is clear, urgent and necessary - which is why over 200 networks and organisations across the world, representing millions of people, are calling on the G20, IMF and World Bank to:

- **Cancel all external debt payments** due to be made in 2020 for those in need, and most urgently for 76 of the world's poorest countries as identified by the World Bank.[29] This should include all bilateral, multilateral and private debt for the year.
- Provide emergency **additional finance**
- Create a process to reduce debt burdens to sustainable levels through **overall debt cancellation** in coming years.

  See the full statement and outline of policy asks here.

All payments on sovereign debt in 2020 - whether the payments are against the principal amount, interest, or charges - **should be permanently cancelled**. If the G20, IMF and World Bank merely commit to a temporary suspension, it could just create an even bigger debt problem in the future. Cancelling debt payments **is the fastest way to keep money in countries** and free up resources to tackle the urgent health, social and economic crises resulting from the Covid-19 global pandemic.

Country	Gov spending on healthcare as % of government revenue (2019)	Gov spending on external debt service as % of government revenue (2019)
Angola	6.4	42.6
Sri Lanka	13.0	47.6
Gambia	4.1	38.0
Congo, R	6.2	37.3
Ghana	10.8	39.1
Zambia	8.8	32.6
Laos	4.9	27.9
Lebanon	19.5	41.2
Pakistan	6.0	26.5
Cameroon	3.9	23.8

Table: The ten countries with the biggest difference between the the proportion of government revenue they spend on healthcare and external debt payments[30]

[29] Full list of International Development Association (IDA) countries - http://ida.worldbank.org/about/borrowing-countries

[30] Calculated by Jubilee Debt Campaign from IMF and World Bank sources: https://jubileedebt.org.uk/press-release/sixty-four-countries-spend-more-on-debt-payments-than-health

HOW SOON COULD THIS HAPPEN?

It can happen immediately. Individual creditor countries can write off their bilateral loans. And the IMF and World Bank can cancel multilateral debt payments. In addition, they should urge the countries ceasing to pay debt to also cancel payments to private lenders, so that money saved is used in the coronavirus response, not to pay off private lenders.

Key jurisdictions, especially the UK and New York, should pass legislation to prevent any lender suing a vulnerable government for stopping debt payments in 2020. 90% of African government external bonds are owed under UK law.[31]

Debt relief and emergency funds will help developed countries too. As countries globally are better equipped to fight the pandemic, its impact will be shortened, allowing for lower infection and mortality rates, and a quicker global economic recovery.

WILL DEBT CANCELLATION WORK? WON'T THEY JUST GET INTO DEBT AGAIN?

Debt cancellation is not a new idea. It's been done before - and it can be done now.

Between 1998 and 2005 a set of debt relief agreements were reached as part of the Heavily Indebted Poor Countries initiative (HIPC) and Multilateral Debt Relief Initiative. **These led to almost $130 billion of debt being cancelled for 36 countries.** The debt relief agreements led to 100% of debt owed to the IMF and World Bank being cancelled on loans made before 2004, and 90%-100% of debt owed to other governments.[32] Ebola-hit countries of Guinea, Liberia and Sierra Leone were given $100 million in debt relief by the IMF in 2015.[33]

And as recently as March 2020, Somalia received debt relief after qualifying as the 37th country of the HIPC scheme.[34] But to ensure debt relief works, measures must not come with demands for severe austerity, further loan burdens, or a private lending boom that can rapidly erode the gains these countries could make.[35]

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[31] 'The New Global Debt Crisis',Christian Aid, May 2019
https://www.christianaid.org.uk/sites/default/files/2019-05/The-new-global-debt-crisis-report-May2019_1.pdf

[32] https://jubileedebt.org.uk/press-release/ten-years-since-historic-debt-cancellation-agreement-new-crises-threaten-africa

[33] https://www.theguardian.com/world/2015/feb/05/imf-ebola-debt-relief-sierra-leone-guinea-liberia#maincontent

[34] https://www.worldbank.org/en/news/press-release/2020/03/25/somalia-to-receive-debt-relief-under-the-enhanced-hipc-initiative

[35] https://www.christianaid.org.uk/sites/default/files/2019-05/The-new-global-debt-crisis-report-May2019.pdf

WHO SUPPORTS DEBT RELIEF?

There is unparalleled support:

- ✓ African Finance Ministers,[36] along with countries like Pakistan[37] and Ecuador.[38] France has also called for a moratorium on bilateral debt payments.[39]
- ✓ The World Bank and IMF,[40] and the WHO.[41]
- ✓ Pope Francis,[42] the UN Secretary General Antonio Guterres,[43] as well as The Elders.[44]
- ✓ A coalition of over 200 networks and organisations.[45]
- ✓ Over 100 former heads of state, politicians, and economists.[46]
- ✓ And crucially, **public opinion is firmly behind debt cancellation**. More than 750,000 people from across the world have signed petitions calling for debt cancellation[47] and ordinary citizens crowdfunded an ad in The Economist calling on G20 leaders to drop the debt this week.

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[36] https://www.uneca.org/stories/african-finance-ministers-call-coordinated-covid-19-response-mitigate-adverse-impact

[37] https://www.dawn.com/news/1547054/pakistan-to-intensify-efforts-for-debt-restructuring-relief

[38] https://www.latinfinance.com/daily-briefs/2020/4/10/ecuador-seeks-consensual-agreement-for-debt-relief

[39] https://www.ft.com/content/3f6c31fb-c59c-4aa0-88fd-275a880dad1a

[40] https://www.imf.org/en/News/Articles/2020/03/25/pr20103-joint-statement-world-bank-group-and-imf-call-to-action-on-debt-of-ida-countries

[41] https://www.who.int/docs/default-source/coronaviruse/transcripts/who-audio-emergencies-coronavirus-press-conference-full-01apr2020-final.pdf?sfvrsn=573dc140_2

[42] https://www.euronews.com/2020/04/12/coronavirus-pope-francis-calls-for-debt-relief-and-end-to-sanctions

[43] https://www.theafricareport.com/25483/exclusive-uns-antonio-guterres-in-the-face-of-the-pandemic-a-moratorium-on-african-debt-is-necessary/

[44] https://www.theelders.org/news/covid-19-joint-call-g20-coordination-health-and-economy?fbclid=IwAR3vj53rqa1S_SgYKKNauHMQ12QJHLuHJTGpW9uTYIFeQ9iGnK7tmylDiQc

[45] See statement signed by 200 civil society organisations: https://jubileedebt.org.uk/wp-content/uploads/2020/04/International-statement_English_04.20-3.pdf

[46] https://www.project-syndicate.org/commentary/covid19-impact-on-developing-emerging-economies-by-joseph-e-stiglitz-2020-04

[47] See live petitions: https://secure.avaaz.org/campaign/en/coronavirus_debt_relief_loc/; https://act.globaljustice.org.uk/coronavirus-drop-debt;https://jubileedebt.org.uk/actions/stop-coronavirus-debt-disaster

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