

8 October 2020

## **OPEN LETTER TO G20 FINANCE MINISTERS**

### **Global business, workers and civil society emphatic in call for comprehensive emergency debt relief to enable developing countries to combat the COVID-19 pandemic**

Dear Finance Ministers,

We are writing in advance of your discussions next week to underscore the imperative for enhanced international support for countries in need to mitigate the human and economic effects of COVID-19.

It is increasingly apparent that the impact of the crisis on the world's most vulnerable populations calls for decisive measures to address the acute phase of the pandemic. Experts estimate that nearly 1 billion children are out of school worldwide, over 130 million more people are facing greater food insecurity and over 80 million children are missing out on routine immunisations.

We also see a highly uneven and uncertain path forward for the global economy and the Sustainable Development Goals. Data from our respective networks show the sustained impact that COVID-19 has had on human development, livelihoods and productivity throughout the developing world—with significant downside risks in the months ahead.

According to the International Labour Organization, global labour income is estimated to have declined by 10.7% in the first three quarters of 2020 —with 34 million jobs lost in Latin America and the Caribbean alone, where registry data indicates that business failure rates in August were around 60% higher than the previous year.

Moreover, a recent survey—conducted by the United Nations Capital Development Fund, ICC and other partners—indicates that less than half of small and medium-sized enterprises (**SMEs**) in least developed countries have received government support since the onset of COVID-19. These results also show a worrying deterioration in business sentiment in the world's poorest economies, with some 54% of SME owners indicating that they anticipate having to permanently close their businesses within the next six months absent a significant increase in either demand or emergency financial support.

In this context, it is apparent that the G20 Action Plan agreed in April, while laudable in its intentions, is rapidly becoming insufficient to protect the real economy from long-term scarring. In this connection, we are deeply concerned about the growing impact of the pandemic on young people in developing economies—with new interventions urgently needed to mitigate the effects of school closures and tackle rising child mortality rates.

High-income countries have been able to mobilise around 8% of their GDP for economic stimulus, compared to only 1.3% for low-income countries. Despite the spillover effects of

stimulus measures in many advanced economies, local investments in jobs and social protection are urgently needed throughout the developing world. To match the ratio of fiscal stimulus to working-hour losses in high-income countries, low and middle-income countries would need to conduct US\$982 billion in additional measures. Debt is a major constraint on the ability of developing countries to rebuild.

We therefore urge you to use next week's G20 Finance Ministers & Central Bank Governors Meeting to take concerted action to address this worrying "stimulus gap". As noted in our recommendations for action in [April](#) and [July](#), we feel that this must be built on a comprehensive package of debt relief measures commensurate in scale and scope to the gravity of the COVID-19 crisis.

To this end, we urge you to agree on a bold Action Plan to address the barriers that sovereign debt burdens present toward pandemic containment and economic stabilisation, while enabling a global recovery that prioritizes health and social protections, decent work, and growth of the real economy.

At a minimum, this should include:

- **Extending the suspension of debt payments to 30 April 2022, commensurate with the anticipated economic uncertainty and scarring caused by the pandemic;**
- **Broadening the scope of the DSSI to encompass lower-middle and middle-income countries, based on their health and debt vulnerabilities;**
- **Replenishing the IMF Catastrophe Containment and Relief Trust (CCRT), to cover all Poverty Reduction and Growth Trust loan repayments through April 2022;**
- **Creating and funding mechanisms at the Multilateral Development Banks modelled on the IMF CCRT, covering—at a minimum—repayments owed by IDA and IDA-blend countries through April 2022;**
- **Establishing new institutional mechanisms to enable full participation from private and bilateral creditors in the provision of debt forbearance in accordance with any expansion to the DSSI;**
- **Clarifying the expectation that private creditors will participate collectively on comparable terms with official creditors; and**
- **Addressing any potential barriers to the full participation of private creditors in DSSI by providing coordinated clarification on the implementation of applicable regulatory frameworks.**

We continue to believe that a debt package of this kind—if effectively implemented with appropriate transparency mechanisms and technical assistance for sustainable debt management—would be ultimately beneficial to official creditors, bondholders and sovereign debtors.

Given the scale of this crisis—with the World Bank now projecting that an additional 110 to 150 million people may fall into extreme poverty by 2021—such measures would also need to be complemented by appropriate monetary and fiscal support to countries in need including: the reallocation of existing IMF Special Drawing Rights (**SDRs**) to help poor countries, as well as a major issuance of additional SDRs; additional grants and concessional financing to avoid a drop in multilateral aid beyond 2021; and a process for fair, comprehensive and binding resolution of cases of debt distress with full private sector participation.

A full response to the economic crisis is an absolute imperative to business, workers and families throughout the world. The required contribution from the world's leading economies is minute compared to the social and economic costs of inaction.

We await your urgent action.

Yours faithfully



John W.H. Denton AO  
Secretary General  
ICC



Sharan Burrow  
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Michael Sheldrick  
Chief Policy and Government  
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**cc:**

G20 International Financial Architecture Working Group

International Monetary Fund, Managing Director, Kristalina Georgieva

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