

The Secretary General

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To: G20 Finance Ministers

Paris, 8 July 2022

Your Excellencies,

I am writing – on behalf of the global business community – in advance of your discussions next week to underscore the need for decisive action to ensure low- and middle-income countries have sufficient fiscal space and liquidity to deal with the growing global cost-of-living crisis.

At the onset of COVID-19, the International Monetary Fund (IMF) estimated that nearly 60 percent of the world's poorest countries were already in or at high risk of debt distress. Since then, the pandemic has pushed this cohort's total indebtedness to a 50-year high – leaving more than two dozen countries at risk of defaulting in 2022 according to recent private sector estimates.

Compounding this risk – as the Second Brief of the United Nations Global Crisis Response Group makes patently clear – is the fact that many emerging markets are severely exposed to the inflationary effects of the war in Ukraine on food, fertiliser and energy markets.

The net result is that many developing countries now face an impossible choice: continue servicing international debt obligations or provide the necessary support to help their citizens cope with rising food and energy bills.

Moreover, we see a real risk of solvency problems creating a systemic developing country debt crisis. This must be avoided at all costs given the severe downside risks such a scenario would create for trade and the global economy as a whole.

In this context, I urge you to use next week's G20 Finance Ministers and Central Bank Governors Meeting to agree on three common-sense interventions to take the risk of a global debt crisis off the table – and, most fundamentally, ensure that all emerging markets have sufficient fiscal space to protect their citizens from the very real risks of hunger and hardship. Specifically:

- **Reinstate the G20's Debt Service Suspension Initiative** for an initial one-year period through July 2023, ideally with broad eligibility criteria to offer debt service relief to all countries in need.
- **Establish a time-bound roadmap to agree on enhancements to the Common Framework for Debt Treatment** – no later than the G20 Leaders' Summit in November 2022. We commend the recent proposals made to this effect by both the IMF and World Bank, which we respectfully propose should be the basis for any such process to render the Common Framework fit for purpose.

- **Agree to a new issuance of IMF Special Drawing Rights** – of no less than US\$650 billion – coupled with further pledges to recycle or on-lend unused rights from countries with strong foreign reserve positions.

While the clock is ticking, we believe there remains a narrow window of opportunity to mitigate the worst effects of the global cost-of-living crisis on emerging markets. But let us be clear as to what is at stake: a failure to rapidly address the debt and liquidity needs of developing countries in the coming months risks placing millions of lives and livelihoods in danger — as well as undermining the global economy’s nascent recovery from the COVID-19 pandemic.

The global business community is clear that we must not let this happen. We urge you to put other political differences aside next week and act decisively to ensure no government is left without the fiscal space to manage the unprecedented shocks to global energy and food systems.

Yours faithfully,



John W.H. Denton AO

Secretary General

Cc: David Malpass, President, World Bank Group
Kristalina Georgieva, Managing Director, International Monetary Fund