

# **A debt jubilee to tackle the Covid-19 health and economic crisis**

## **1. What we are calling for**

We, the under-signed organizations, aware of the severe impacts on hundreds of millions of people from the health, social and economic crises faced by countries in the global South as a result of Covid-19, urgently call for:

- Cancellation of all external debt payments due to be made in 2020.
- Provision of emergency additional finance which does not create debt.

All principal, interest and charges on sovereign external debt due in 2020 should be cancelled permanently, they should not accrue into 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.

## **2. Implementing cancellation of debt payments**

Borrower governments have it within their power to stop making debt payments but they should not suffer any penalties for doing so. All lenders should therefore agree to the immediate cancellation of debt payments falling due in 2020, with no accrual of interest and charges and no penalties.

In the absence of a wider, multilaterally agreed debt cancellation, lenders should take the following steps:

- Multilateral institutions, including the IMF and World Bank, should offer an immediate cancellation of all principal, interest and charges for the remainder of 2020 for all countries in need, and most urgently for all PRGT and IDA countries.
- The IMF and World Bank should urge any country ceasing multilateral and/or bilateral debt payments to also cancel payments to private external lenders. Any new IMF and World Bank finance should be in the form of grants not loans, and require other lenders to reprofile the debt where sustainability is uncertain, or restructure their debt where it is unsustainable,<sup>1</sup> to help ensure money is used to support public policy priorities in response to the COVID-19 crisis, rather than to repay other lenders.
- Lender governments, both Paris Club members and others such as China, Saudi Arabia and Kuwait, should cancel all principal, interest and charges for the remainder of 2020 for all countries in need, and most urgently for all PRGT and IDA countries. Ideally a debt cancellation should be coordinated between lenders but should not wait for them all to agree.
- The G20 should support moves by any country to stop making payments on debt to private external lenders.
- Key jurisdictions, especially the UK and New York, should pass legislation to prevent any lender suing a government for stopping debt payments in 2020.
- Debt payment cancellations and additional finance should be free of economic policy conditionality promoting privatisation, deregulation and trade liberalisation. The crisis has been caused by exogenous shocks: developments over which countries in the global south had no control.
- Debt payment cancellation and additional finance should be designed specifically to bolster public expenditure targeted at protecting the rights and needs of populations, especially to maintain and increase social protection and health spending in response to COVID-19 and ensure relief goes directly to benefit those in need.

### **3. Resolving the debt crisis**

Many countries were in debt crisis before the Covid-19 crisis began. Many more will emerge from this crisis with even higher unsustainable debts. Immediate cancellation of debt payments should therefore be linked to a more comprehensive and long-term approach to debt crisis resolution. As such, to make debt restructuring more efficient, equitable and successful we call for:

- The creation through the United Nations of a systematic, comprehensive and enforceable process for sovereign debt restructurings.<sup>2</sup>
- The IMF to introduce clear guidelines on when a debt is unsustainable, and follow its policy only to lend to countries with unsustainable debts if there is a default or debt restructuring.<sup>3</sup>

A process to make these changes must begin before the end of 2020.

### **4. The impacts of Covid-19**

The global Covid-19 crisis has led to falls in commodity prices, an increase in future borrowing costs for global South governments<sup>4</sup>, and contributed to the largest ever capital outflow from developing countries.<sup>5</sup> Government revenues will fall as a result, and debt payments will increase at the same time that countries need to expand healthcare and social protection in response to the crisis. Developing countries had already been facing heightened debt vulnerabilities and rising debt costs before the Covid-19 outbreak.<sup>6</sup> The scale of the public health crisis and need for rapid policy responses means vital government resources must be urgently directed towards the needs of populations and not diverted to lenders. The outbreaks of Covid-19 so far show that time is essential. Governments need to have resources for decisive action today. Any delay will make the pandemic more difficult to control and a later repair of economic damage more costly, especially for borrower countries.

We estimate cancellation of external debt payments in 2020 for 69 countries<sup>7</sup> classified by the IMF as Lower Income Economies and for which data is available, would save \$19.5 billion in external debt payments to bilateral and multilateral lenders in 2020, and \$6 billion in external debt payments to private lenders. If it was extended to 2021 it would save a further \$18.7 billion in multilateral and bilateral payments and \$6.2 billion in external payments to private lenders.<sup>8</sup>

### **5. Support for action on debt cancellation**

African Finance Ministers have called for a suspension of all interest payments in 2020, and all principal and interest payments by fragile states.<sup>9</sup> The IMF and World Bank have called for a suspension of all debt payments by the poorest countries to other governments.<sup>10</sup> The United Nations Secretary General has called for debt restructuring, including waivers on interest payments in 2020.<sup>11</sup> Prime Minister of Pakistan Imran Khan has called for a debt write-off for his and other vulnerable countries.<sup>12</sup> Ecuador's Congress has also called on the government to suspend debt payments.<sup>13</sup> In early March Lebanon defaulted on private external debt payments and has announced it will stop paying all foreign currency bonds.<sup>14</sup> Ethiopian Prime Minister Abiy Ahmed Ali has called for a widespread debt write-off, with any remaining debt not payable for ten years and limiting debt payments to 10% of exports.<sup>15</sup>

### **Signatories (161 networks and organisations in total)**

#### **International organisations and regional networks**

1. African Forum and Network on Debt and Development (Afrodad)
2. Asian Peoples' Movement on Debt and Development (APMDD)
3. Latin American Network for Economic and Social Justice (Latindadd)

4. European Network on Debt and Development (Eurodad)
5. Arab NGO Network For Development (ANND)
6. Red Jubileo Sur/Américas
7. Focus on the Global South
8. CADTM international
9. Oxfam
10. ActionAid International
11. CCFD-Terre Solidaire
12. CIDSE
13. Christian Aid
14. Brot für die Welt
15. The ONE Campaign
16. Save the Children
17. Fundación Educación y Cooperación – EDUCO
18. Society for International Development
19. 350.org
20. Medical Mission Sisters
21. Africa Development Interchange Network
22. Global Policy Forum
23. Debt Relief International
24. Youth for Tax Justice Network (YTJN)
25. Fair Finance International
26. Oil Change International
27. Missionary Oblates of Mary Immaculate
28. Sisters of Charity of Nazareth Congregational Leadership
29. Federación Internacional Fe y Alegría
30. Platform to Protect Whistleblowers in Africa (PPLAAF)
31. International Budget Partnership
32. Y Care International
33. Corporate Europe Observatory
34. Congregation of Our Lady of Charity of the Good Shepherd (Global)
35. Migrant Forum in Asia
36. Aksi! for gender, social and ecological justice

### **National organisations**

1. Aid/Watch, Australia
2. Jubilee Australia
3. NRDS, Bangladesh
4. 11.11.11, Belgium
5. CNCD-11.11.11, Belgium
6. Entraide et fraternité, Belgium
7. Federação Nacional do Fisco Estadual e Distrital (FENAFISCO), Brazil
8. FOAESP – Fórum das Ong Aids do estado de São Paulo
9. Gestos (HIV and AIDS, communication, gender), Brazil
10. Grupo de Resistência Asa Branca (GRAB), Brazil
11. Instituto de Justiça Fiscal (IJF), Brazil
12. Outras Palavras Comunicação Compartilhada, Brazil
13. Plate Forme d'Information et d'Action sur la Dette (PFIAD), Cameroon
14. Forum des Organisations Nationales Humanitaires et de Développement en RD Congo
15. PC2D (RD.Congo) et Caritas Congo ASBL

16. Commission Justice et Paix de Pointe Noire, Republic of Congo
17. Convention de la Societe Civile Ivoirienne (CSCI)
18. Plate forme d'autonomisation des organisations de jeunesse de Côte d'Ivoire(PAOJCI)
19. Ecumenical Academy, Czech Republic
20. ActionAid Denmark
21. Jubileo 2000 Red Ecuador
22. Finn Church Aid, Finland
23. Action contre la Faim, France
24. Amis de la Terre France
25. Attac France
26. CADTM France
27. Centre de Recherche et d'Information pour le Développement (CRID), France
28. Confédération Générale du Travail (CGT), France
29. Coordination SUD, France
30. Equipop, France
31. Global Health Advocates France
32. Plateforme Française Dette & Développement (PFDD), France
33. Réseau Foi & Justice Afrique Europe antenne France
34. Solidaires Finances Publiques, France
35. Bischöfliches Hilfswerk MISEREOR, Germany
36. Bündnis Eine Welt Schleswig-Holstein e.V.
37. Erlassjahr.de – Entwicklung braucht Entschuldung (Jubilee Germany)
38. Transform! Europe, EU
39. Debtfree, Greece
40. Plateforme d'Information et d'Action sur la Dette et le Développement- Guinée (PIADD)
41. Plateforme nationale des Citoyens Unis pour le Développement (PCUD)
42. Fe Y Alegria Honduras
43. DemNet Hungary
44. Friends of the Earth Hungary
45. Environics Trust, India
46. Indian Social Action Forum
47. Mines, Minerals & PEOPLE, India
48. Solidaritas Perempuan (Women' Solidarity for Human Rights), Indonesia
49. Wahana Lingkungan Hidup Indonesia (WALHI)
50. 80:20 Educating and Acting for a Better World, Ireland
51. ActionAid Ireland
52. Centre for Global Education, Ireland
53. Christian Aid Ireland
54. Comhlámh (Ireland)
55. Financial Justice Ireland
56. Friends of the Earth Ireland
57. SMA Justice Office, Society of African Missions, Ireland
58. Institute of Public Finance Kenya
59. Sustainable Development Institute, Liberia
60. Catholic Commission for Justice and Peace of the Archdiocese of Lilongwe (CCJP Lilongwe- Malawi)
61. Centre for Social Concern, Malawi
62. Centre for Social Accountability & Transparency, Malawi
63. Economics Association of Malawi
64. Development Communications Trust, Malawi
65. Integrity Platform, Malawi

66. Malawi Economic Justice Network
67. Youth and Society, Malawi
68. Equidad de Género: Ciudadanía, Trabajo y Familia, Mexico
69. Observatorio Mexicano de la Crisis
70. Mozambique Budget Monitoring Forum
71. Mozambican Debt Group
72. ALTSEAN-Burma, Myanmar
73. Both ENDS, Netherlands
74. BudgIT Foundation, Nigeria
75. Debt Justice Norway
76. Freedom from Debt Campaign of Pakistan
77. Institute for Social & Economic Justice, Pakistan
78. Pakistan Fisher Folk Forum
79. Pakistan Kissan Rabita Committee
80. Freedom from Debt Coalition, Philippines
81. Oikos – Cooperação e Desenvolvimento, Portugal
82. ZERO - Association for the Sustainability of the Earth System
83. Budget Advocacy Network, Sierra Leone
84. Enabanda, Slovenia
85. Alianza por la Solidaridad-Action Aid España
86. Amycos.org, Spain
87. Ecologistas en Acción, Spain
88. Fundación Entreculturas, Spain
89. Greenpeace Spain
90. Ingeniería sin Fronteras, Spain
91. Lafede.cat – Organitzacions per a la Justícia Global – Catalunya
92. Observatorio de la Deuda en la Globalización, Spain
93. Observatorio de Multinacionales en América Latina (OMAL)-Paz con Dignidad, Spain
94. Plataforma Auditoría Ciudadana de la Deuda, Spain
95. Centre for Environmental Justice, Sri Lanka
96. Act Church of Sweden
97. Diakonia, Sweden
98. Alliance Sud, Switzerland
99. Observatoire Tunisien de l'Economie
100. SEATINI, Uganda
101. Action for Argentina, UK
102. Action for Southern Africa, UK
103. Bond, UK
104. Bretton Woods Project, UK
105. Cafod (Catholic Agency for Overseas Development), UK
106. Christians on the Left, UK
107. Gender and Development Network, UK
108. Global Justice Now, UK
109. Jubilee Debt Campaign, UK
110. Jubilee Scotland
111. Stamp Out Poverty, UK
112. Tearfund, UK
113. The Equality Trust, UK
114. Jubilee USA Network
115. Maryknoll Office for Global Concerns, US
116. Sisters of Charity Federation, US/Canada

117. ActionAid Zambia
118. Campaign for Active Voter Engagement in Zambia
119. Caritas Zambia
120. Centre for Trade Policy and Development, Zambia
121. CUTS International, Zambia
122. Jesuit Centre for Theological Reflection (JCTR), Zambia
123. Transparency International Zambia
124. Zambia Civic Education Association
125. Zimbabwe Coalition on Debt and Development

## References

<sup>1</sup> Under IMF policy if a government's debt is unsustainable a full restructuring or default on the debt is meant to take place during a loan programme. A restructuring is a change in the terms of the debt which lowers the amount a lender will receive back. If sustainability of the debt is uncertain, a reprofiling is meant to take place. This moves the date of debt payments into the future so that lenders are not effectively paid off by IMF loans.

<sup>2</sup> See 'We can work it out: 10 civil society principles for sovereign debt resolution'

<https://eurodad.org/Entries/view/1547087/2019/09/17/We-can-work-it-out-10-civil-society-principles-for-sovereign-debt-resolution>

<sup>3</sup> See more on this policy at [https://jubileedebt.org.uk/wp-content/uploads/2019/10/IMF-policy-on-debt-restructurings\\_English\\_10.19-1.pdf](https://jubileedebt.org.uk/wp-content/uploads/2019/10/IMF-policy-on-debt-restructurings_English_10.19-1.pdf)

<sup>4</sup> <https://jubileedebt.org.uk/uncategorized/coronavirus-worsens-debt-crisis-in-poor-countries>

<sup>5</sup> <https://www.theguardian.com/world/2020/mar/23/g20-finance-ministers-talks-hampered-by-us-china-posturing-coronavirus>

<sup>6</sup> <https://www.worldbank.org/en/news/press-release/2019/12/19/debt-surge-in-emerging-and-developing-economies-is-largest-fastest-in-50-years>

<sup>7</sup> These are not all the countries which need debt suspension. As defined by the IMF, LIEs include 59 countries eligible for IFI concessional financing, 13 middle-income small states and four countries that have graduated from concessionality eligibility since 2010.

<sup>8</sup> Research by Eurodad [https://eurodad.org/debt\\_moratorium](https://eurodad.org/debt_moratorium)

<sup>9</sup> <https://www.uneca.org/stories/african-finance-ministers-call-coordinated-covid-19-response-mitigate-adverse-impact>

<sup>10</sup> <https://www.ft.com/content/6eca167c-6ec0-11ea-9bca-bf503995cd6f>

<sup>11</sup> <https://www.un.org/sg/en/content/sg/note-correspondents/2020-03-24/note-correspondents-letter-the-secretary-general-g-20-members>

<sup>12</sup> <https://www.brecorder.com/2020/03/17/580790/pm-wants-world-to-consider-writing-off-pakistans-debt-to-help-cope-with-coronavirus/>

<sup>13</sup> <https://www.bloomberg.com/news/articles/2020-03-23/ecuador-bonds-sink-as-congress-suggests-suspending-debt-payments>

<sup>14</sup> <https://www.nytimes.com/aponline/2020/03/23/world/middleeast/ap-ml-lebanon.html>

<sup>15</sup> <https://twitter.com/AbiyAhmedAli/status/1242378606543855616/photo/2>