

The UK's role in supporting the G20 debt suspension

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1. The G20 debt suspension and private creditors

On 15 April the G20 Finance Ministers, including UK Chancellor Rishi Sunak, agreed to offer a suspension of debt principal and interest payments for all World Bank International Development Association countries, and all UN Least Developed Countries. This amounts to 77 countries in total (see list in Appendix 2). The agreement covers all bilateral creditors, ie, other governments. The agreement also says that: "Private creditors will be called upon publicly to participate in the initiative on comparable terms."¹

Private creditors are a disparate group of hedge funds, banks, commodity traders and other private companies. The World Bank breaks down external debt owed to private creditors into debt owed as bonds, and other private debt such as direct loans by commercial banks, or loans by commodity trading companies. Even if some owners of a class of debt offer a suspension to a debtor government, if that debtor stops paying, they risk being sued by another owner of the debt. The request for the suspension effectively puts the onus on debtor governments to stop paying, but to do so they need legal protection so they will not be sued if they suspend payments.

Below are estimates of debt payments due in the remainder of 2020 for the 77 countries covered by the G20 deal.

2. Bonds

The category of debt for which information is most available is bonds. We have analysed the foreign currency bond contracts for the 77 countries covered by the G20 agreement. Of these countries, we have identified bonds for 24 of them. Between 1 May and 31 December 2020 these countries are due to spend \$4.3 billion on bond payments, most of which is interest. Payments coming due are listed in the Appendix, starting on 1 May. In May alone there are 16 payments worth \$620 million for nine countries (Angola, Cameroon, Ghana, Grenada, Kenya, Mongolia, Nigeria, Rwanda and Senegal).

Over 99% of international government bond contracts are owed under English or New York law.² However, of the bond contracts owed by the 24 countries covered by the G20 deal which we have identified, 90% are owed under English law. This means that:

- If a government suspends debt payments on these bonds as requested by the G20, any creditor who wants to sue that government is likely to bring the case in the High Court in London.
- The UK parliament could pass an Act, or an amendment to another Act, to protect borrowing governments who choose to implement the suspension of their private debt payments from legal action.

3. Other private external debt

While bonds are the debts owed to the private sector with the most publicly available information, there are also many other debts owed to external private creditors. Using the World Bank's

¹ <http://www.g20.utoronto.ca/2020/2020-g20-finance-0415.html>

² IMF. (2017). Third progress report on inclusion of enhanced contractual provisions in international sovereign bond contracts <https://www.imf.org/~media/Files/Publications/PP/2017/pp113017third-progress-report-on-cacs.ashx>

International Debt Statistics database, we have identified that there are payments on non-bond external private debt due in 2020 for 39 of the 77 countries covered by the G20 deal. This almost certainly understates the true number of countries with such debts as:

- The World Bank database only records payments on loans contracted before the end of 2018
- External private debts we know about, such as oil-backed loans to Chad, Republic of Congo and South Sudan, do not appear to be included in the database.

We estimate that at least \$5.1 billion is due to be paid by the 77 countries between May and December 2020 to non-bond private external creditors (see Appendix 2).³

Because of the lack of transparency for non-bond debts, we do not know what jurisdiction they are owed under. We do know from some cases (e.g., Mozambique) that they tend to be owed under the same law as bonds. Therefore, it is reasonable to assume that a large proportion of these non-bond private external debts will also be owed under English law.

3. Total debt payments

We have identified \$9.4 billion of external debt payments due to be made by 46 countries⁴ covered by the G20 deal, between May to December 2020. The total amount of countries and payments is likely to be higher than this.

4. Potential legislation

In 2010 the UK parliament passed the Debt Relief (Developing Countries) Act. This prevented any creditor suing one of the 40 countries eligible for the Heavily Indebted Poor Countries (HIPC) debt relief initiative for more than the creditor would have received if they had taken part in the debt relief. The Act covered all loans from before 2004, whereas most of the debt payments are arising on loans taken out since 2004. The same principal could be used in protecting borrowing companies from legal action in relation to the Covid-19 debt crisis.

Options for new legislative measures should include the following:

- **In line with G20 agreement:** prevent any creditor suing a government for non-payment on a debt in 2020. Creditors would be prevented from bringing a court case against any government which is suspending debt payments in line with the G20 agreement. The legislation should automatically be updated in line with future G20 agreements, for example if the suspension is extended to 2021, or extended to other countries.
- **Extending to more countries:** The G20 agreement only covers 77 countries. There are many other middle-income countries who are likely to need to suspend debt payments to private creditors in 2020, including Argentina, Ecuador and Lebanon. The legislation should also cover these countries.

³ The World Bank database only lists payments due in 2020, not by date. To produce an estimate for May to December we worked out the amount of bond payments in the World Bank database, compared to the actual bond payments we know are due from our research between May and December 2020. This shows that 74% of the amount due to be paid for 2020 on bonds is due to be paid between May to December. The reasons this is higher than 66% (May to December's proportion of the year) could be because of payments on bonds taken out since end-2018, and/or because of a bias towards debt payments being made later in the year. Both these reasons would also hold for other private debts, so we therefore think the best estimate comes from assuming 74% of the payments listed in the World Bank database for 2020 are still to be made.

⁴ This is the total amount of countries we have identified with either bond or other private external debt payments, or both, remaining in May to December 2020

- Preventing holdouts from suing:** Many governments will be undertaking debt restructuring negotiations with private creditors over 2020 and coming years. The way private debt contracts are written means there is large scope for holdout creditors to refuse to take part in a restructuring agreed by a majority of other creditors, and to either be paid more as a result (as happened with Greece in 2013) or sue for a larger payment (as happened with Argentina between 2013 and 2016). Specific problems are that:
 - While many bond contracts issued since the Greece and Argentina cases have included collective action clauses which are actually collective across different bond issuances, these only apply to debts issued since then. Most countries have some bonds without these clauses, so holdout creditors such as vulture funds can buy up enough of these bonds to block a debt restructuring for that particular bond, and demand payment in full.
 - Collective action clauses only apply to bonds. Holdout creditors can buy other forms of private debt instead and refuse to take part in debt restructurings on that debt

Therefore, the UK parliament should introduce legislation specifying that if a country gets agreement of 66% of its bond holders across all bonds to a restructuring, it is applied to all bonds. And if a country gets agreement of 66% of its debt holders across all forms of debt owed under English law, that restructuring is applied to all debts. The impact of this is that no creditor would be able to sue for more than the restructured amount, if a super-majority of holders of the debt under English law agree.

These changes would be valuable under both New York and English law, but English law would be most important for the 77 countries covered by the G20 deal. These legal changes would not remove the need for a multilateral debt workout mechanism, as recently called for by the UN Secretary General. A multilateral mechanism is ultimately the only way to ensure all creditors are covered by debt restructuring deals. However, the prevalence of contracts under English law means the UK parliament has an important and urgent role to play.

Appendix 1. Bond payments by 77 countries covered by the G20 deal due in 2020

Country	Bond ISIN number	Face value of bond	Currency	Coupon	Next interest payment date (coupon and amortization)	Amount of payment (\$ million)	Law owed under
Mongolia	USY6142NAB48	800	USD	5.625	01-May-20	22.5	New York
Rwanda	XS0925613217	400	USD	6.625	02-May-20	13.25	English
Angola	XS1318576086	1500	USD	9.5	12-May-20	71.25	English
Grenada	USP48863AD94	90	USD	7	12-May-20	7.65	New York
Senegal	XS0625251854	300	USD	8.75	13-May-20	13.125	English
Ghana	XS1821416234	1000	USD	7.625	18-May-20	38.125	English
Cameroon	XS1313779081	750	USD	9.5	19-May-20	35.625	English
Nigeria	XS1910826996	1118	USD	7.625	21-May-20	42.62375	English
Kenya	XS1843435840	900	USD	7	22-May-20	31.5	English
Kenya	XS1843435766	1200	USD	8	22-May-20	48	English
Senegal	XS1619155564	1100	USD	6.25	23-May-20	34.375	English
Angola	XS2083302419	1750	USD	8	26-May-20	70	English

Angola	XS2083302500	1250	USD	9.13	26-May-20	57.0625	English
Ghana	XS1968714110	750	USD	7.875	26-May-20	29.53125	English
Nigeria	XS1717011982	1500	USD	6.5	28-May-20	48.75	English
Nigeria	XS1717013095	1500	USD	7.625	28-May-20	57.1875	English
Pakistan	XS1729876059	1000	USD	5.625	05-Jun-20	28.125	English
Pakistan	XS1729875598	1500	USD	6.875	05-Jun-20	51.5625	English
Mongolia	US60937GAB23	1000	USD	5.125	05-Jun-20	25.625	New York
Maldives	XS1617562290	250	USD	7	07-Jun-20	8.75	English
Ethiopia	XS1151974877	1000	USD	6.625	11-Jun-20	33.125	English
Angola	XS1819680288	1750	USD	8.25	15-Jun-20	72.1875	English
Angola	XS1819680528	1750	USD	9.375	15-Jun-20	82.03125	English
Cote d'Ivoire	XS1631414932	324	EUR	5.125	15-Jun-20	18.09945	English
Cote d'Ivoire	XS1631415400	1250	USD	6.125	15-Jun-20	38.28125	English
Ghana	XS1821416408	1000	USD	8.627	16-Jun-20	43.135	English
Honduras	XS1006084211	500	USD	8.75	16-Jun-20	21.875	New York
Kenya	XS1028952403	2000	USD	6.875	24-Jun-20	68.75	English
Nigeria	US65412AEK43	300	USD	5.625	27-Jun-20	8.4375	New York
Congo, Rep	XS0334989000	295	USD	2.5	30-Jun-20	12.095	New York
Cote d'Ivoire	XS0496488395	953	USD	5.75	30-Jun-20	27.39875	New York
Laos	USY52081AA71	150	USD	6.875	30-Jun-20	5.15625	New York
Nigeria	XS0944707222	500	USD	6.375	12-Jul-20	15.9375	English
Ghana	XS1108847531	1000	USD	8.125	18-Jul-20	40.625	English
Honduras	USP5178RAC27	700	USD	6.25	19-Jul-20	21.875	New York
Nigeria	XS1910827887	1000	USD	8.747	21-Jul-20	43.735	English
Nigeria	XS1910828182	750	USD	9.248	21-Jul-20	34.68	English
Kyrgyzstan	GBA05210722	340	USD	2	22-Jul-20	3.4	English
Cote d'Ivoire	XS1089413089	141	USD	5.375	23-Jul-20	3.789375	English
Nigeria	XS0584435142	500	USD	6.75	28-Jul-20	16.875	English
Senegal	XS1090161875	500	USD	6.25	30-Jul-20	15.625	English
Zambia	XS1267081575	1250	USD	8.97	30-Jul-20	56.0625	English
Ghana	XS0956935398	253	USD	7.875	07-Aug-20	9.961875	English
Ghana	XS2115122538	1250	USD	6.375	11-Aug-20	39.84375	English
Ghana	XS2115141751	1000	USD	7.875	11-Aug-20	39.375	English
Nigeria	XS1566179039	1500	USD	7.875	16-Aug-20	59.0625	English
Angola	PTAVDAOT0001	400	USD	6.927	19-Aug-20	42.866	English
Uzbekistan	XS1953916290	500	USD	4.75	20-Aug-20	11.875	English
Uzbekistan	XS1953915136	500	USD	5.375	20-Aug-20	13.4375	English
Nigeria	XS1777972511	1250	USD	7.143	23-Aug-20	44.64375	English

Nigeria	XS1777972941	1250	USD	7.696	23-Aug-20	48.1	English
Kenya	XS1781710543	1000	USD	7.25	28-Aug-20	36.25	English
Kenya	XS1781710626	1000	USD	8.25	28-Aug-20	41.25	English
Cote d'Ivoire	XS1196517434	1000	USD	6.375	03-Sep-20	31.875	English
Mongolia	USY6142NAA64	600	USD	8.75	09-Sep-20	26.25	New York
Ghana	XS2115147287	750	USD	8.75	11-Sep-20	32.8125	English
Senegal	XS1790134362	1000	USD	6.75	13-Sep-20	33.75	English
Tajikistan	XS1676401414	500	USD	7.125	14-Sep-20	17.8125	English
Ghana	XS1470699957	48	USD	9.25	15-Sep-20	18.06	English
Mozambique	XS2051203862	900	USD	5	15-Sep-20	22.5	English
Honduras	XS0905659230	500	USD	7.5	15-Sep-20	18.75	New York
Zambia	XS0828779594	750	USD	5.375	20-Sep-20	20.15625	English
Ghana	XS1968714623	1000	USD	8.95	26-Sep-20	44.75	English
Pakistan	USY8793YAL66	300	USD	7.875	30-Sep-20	11.8125	English
Pakistan	XS1299811486	500	USD	8.25	30-Sep-20	20.625	English
Fiji	XS1280754968	200	USD	6.625	02-Oct-20	206.625	English
Papua New Guinea	USY6726SAP66	500	USD	8.375	04-Oct-20	20.9375	New York
Mongolia	US60937GAD88	500	USD	10.875	06-Oct-20	27.1875	New York
Pakistan	XS1501659384	1000	USD	5.5	13-Oct-20	27.5	English
Ghana	XS1297557412	1000	USD	10.75	14-Oct-20	53.75	English
Zambia	XS1056386714	1000	USD	8.5	14-Oct-20	42.5	English
Pakistan	XS1056560920	1000	USD	8.25	15-Oct-20	41.25	English
Cote d'Ivoire	XS2064786911	850	EUR	6.875	17-Oct-20	63.69688	English
Ghana	XS1968714540	1250	USD	8.125	26-Oct-20	50.78125	English
Mongolia	USY6142NAB48	800	USD	5.625	01-Nov-20	22.5	New York
Rwanda	XS0925613217	400	USD	6.625	02-Nov-20	13.25	English
Angola	XS1318576086	1500	USD	9.5	12-Nov-20	71.25	English
Grenada	USP48863AD94	90	USD	7	12-Nov-20	7.4925	New York
Senegal	XS0625251854	300	USD	8.75	13-Nov-20	13.125	English
Ghana	XS1821416234	1000	USD	7.625	16-Nov-20	38.125	English
Cameroon	XS1313779081	750	USD	9.5	19-Nov-20	35.625	English
Kenya	XS1843435840	900	USD	7	22-Nov-20	31.5	English
Nigeria	XS1910826996	1118	USD	7.625	23-Nov-20	42.62375	English
Senegal	XS1619155564	1100	USD	6.25	23-Nov-20	34.375	English
Angola	XS2083302419	1750	USD	8	26-Nov-20	70	English
Angola	XS2083302500	1250	USD	9.13	26-Nov-20	57.0625	English
Ghana	XS1968714110	750	USD	7.875	27-Nov-20	29.53125	English
Nigeria	XS1717011982	1500	USD	6.5	28-Nov-20	48.75	English
Nigeria	XS1717013095	1500	USD	7.625	28-Nov-20	57.1875	English
Pakistan	XS1729876059	1000	USD	5.625	05-Dec-20	28.125	English

Pakistan	XS1729875598	1500	USD	6.875	05-Dec-20	51.5625	English
Mongolia	US60937GAB23	1000	USD	5.125	05-Dec-20	25.625	New York
Maldives	XS1617562290	250	USD	7	07-Dec-20	8.75	English
Ethiopia	XS1151974877	1000	USD	6.625	11-Dec-20	33.125	English
Angola	XS1819680288	1750	USD	8.25	15-Dec-20	72.1875	English
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Ghana	XS1821416408	1000	USD	8.627	16-Dec-20	43.135	English
Honduras	XS1006084211	500	USD	8.75	16-Dec-20	521.875	New York
Kenya	XS1028952403	2000	USD	6.875	24-Dec-20	68.75	English
Nigeria	US65412AEK43	300	USD	5.625	27-Dec-20	8.4375	New York
Laos	USY52081AA71	150	USD	6.875	30-Dec-20	5.15625	New York
Congo, Rep	XS0334989000	295	USD	2.5	31-Dec-20	11.98991	New York
Cote d'Ivoire	XS0496488395	953	USD	5.75	31-Dec-20	27.39875	New York

Appendix 2. identified debt payments to private creditors for 77 countries covered by G20 deal

Country	Identified external bond payments in 2020	Identified other private external debt payments in 2020	Bond payments May to Dec 2020 (\$ million)	Estimated other private external debt payments May to Dec 2020 (\$ million)	Total (\$ million)
Afghanistan					
Angola	Yes	Yes	748	1450	2198
Bangladesh		Yes		4.08	4.08
Benin	⁵	Yes		68.9	68.9
Bhutan		Yes		4.62	4.62
Burkina Faso					
Burundi					
Cabo Verde		Yes		19.2	19.2
Cambodia					
Cameroon	Yes	Yes	71.3	151	222.3
Central African Republic		Yes		0.2	0.2

⁵ Benin has a €500 million bond owed under English law. It has already made its one interest payment for 2020, the next is due in March 2021.

Chad		Yes		0.01 ⁶	0.01
Comoros					
Congo, Dem. Rep.		Yes		0.2	0.2
Congo, Rep.	Yes		24.1	⁷	24.1
Cote d'Ivoire	Yes	Yes	249	41.7	290.7
Djibouti		Yes		0.1	0.1
Dominica		Yes		1.57	1.57
Eritrea		Yes		0.12	0.12
Ethiopia	Yes	Yes	66.3	926	992.3
Fiji	Yes		207		207
Gambia, The					
Ghana	Yes	Yes	592	540	1132
Grenada	Yes		15.1		15.1
Guinea					
Guinea-Bissau					
Guyana		Yes		1.64	1.64
Haiti		Yes		2.93	2.93
Honduras	Yes	Yes	584	20.4	604.4
Kenya	Yes	Yes	326	430	756
Kiribati					
Kosovo		Yes		2.38	2.38
Kyrgyz Rep	Yes		3.4		3.4
Laos	Yes	Yes	10.3	33.3	43.6
Lesotho		Yes		0.16	0.16
Liberia					
Madagascar		Yes		21.5	21.5
Malawi					
Maldives	Yes	Yes	17.5	62.1	79.6
Mali					
Marshall Islands					
Mauritania					
Micronesia					
Moldova		Yes		1.81	1.81
Mongolia	Yes	Yes	150	65.6	215.6
Mozambique	Yes	Yes	22.5	139	161.5
Myanmar		Yes		0.61	0.61
Nepal					
Nicaragua		Yes		3	3
Niger					
Nigeria	Yes		577		577
Pakistan	Yes	Yes	261	148	409
Papua New Guinea	Yes	Yes	20.9	167	187.9

⁶ This does not appear to include payments on oil-backed loans which are known to exist.

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Rwanda	Yes		26.5		26.5
Samoa					
Sao Tome and Principe					
Senegal	Yes	Yes	144	79.6	223.6
Sierra Leone					
Solomon Islands					
Somalia					
South Sudan				8	
St. Lucia					
St. Vincent and the Grenadines					
Sudan					
Syrian Arab Republic					
Tajikistan	Yes		17.8		17.8
Tanzania		Yes		168	168
Timor-Leste					
Togo		Yes		1.53	1.53
Tonga		Yes		0.01	0.01
Tuvalu					
Uganda		Yes		7.23	7.23
Uzbekistan	Yes	Yes	25.3	35	60.3
Vanuatu					
Yemen, Rep.					
Zambia	Yes	Yes	119	548	667
Zimbabwe		Yes		0.73	0.73
Total	23	39	4278	5147	

⁸ This does not appear to include payments on oil-backed loans which are known to exist.