How the IMF Can Unlock Multilateral Debt Cancellation

October 2020

Summary
Since the Covid-19 crisis began, central banks and governments in Western countries have used an unprecedented amount of monetary and fiscal stimulus to support their economies through the economic turmoil. In contrast, poorer countries have been unable to use anywhere near the same scale of stimulus measures. Because their currencies and government finances are perceived to be weaker, they are unable to undertake the same level of 'quantitative easing' and domestic borrowing without triggering currency devaluations and high inflation.

Given existing global economic inequalities and the lack of stimulus measures available to poorer countries, rich countries have an obligation to make resources available to support them through this crisis. However, the support given to poorer countries has been negligible compared to the stimulus undertaken by rich countries for their own economies. For example, the Bank of England, European Central Bank and US Federal Reserve have between them created $4,200 billion through quantitative easing monetary stimulus since the crisis began.[1] In contrast, the G20's Debt Service Suspension Initiative (DSSI), which was announced by Finance Ministers in April and offered to suspend debt payments for up to 73 poorer countries to other governments, has so far led to only $5.3 billion of debt payments being suspended in 2020, all of which will come due to be paid between 2022 and 2024.

As well as only suspending debt payments rather than cancelling them, the DSSI scheme has failed to fully tackle the debt crises being faced by developing countries because of Covid-19 as debts to private lenders and multilateral institutions have not been included. The failure to include private lenders has been rightly criticised by the Heads of the World Bank and IMF, David Malpass and Kristalina Georgieva. David Malpass has also called for debt cancellation rather than just suspension. Yet the IMF and World Bank are themselves large lenders. Debt payments to the IMF, World Bank and other multilateral institutions make up 36% of external debt payments for the countries eligible for the DSSI in the remainder of 2020.

All creditors need to take part in debt payment cancellation to help developing countries through the current crisis. The possibility of not being paid in full is always a risk when you lend money. Bilateral lenders can fund the cost of writing off the debt payments owed to them. Private lenders lent at high interest rates on the basis that the loans were risky. Now that lower income countries have been hit by an unprecedented set of economic shocks, private lenders should accept – and be made to accept – that their risky speculation has failed and that debt payments must be cancelled.

This briefing focuses on the role that the IMF can play in helping to tackle the debts owed by poorer countries to the IMF, World Bank and other multilateral institutions. It argues that these debts could easily be paid using funds from two sources: profit from IMF gold sales, and use of rich country proceeds from an IMF issuance of Special Drawing Rights.

[1] $2,200 billion from the US Federal Reserve https://www.brookings.edu/research/fed-response-to-covid19/
€1,350 billion ($1,600 billion) from the European Central Bank https://www.ecb.europa.eu/mopo/implement/pepp/html/index.en.html And £310 billion ($400 billion) from the Bank of England https://www.bankofengland.co.uk/monetary-policy/quantitative-easing

We find that:

- Cancelling all debt payments to the IMF and World Bank by DSSI countries from October 2020 to December 2021 could be funded by profits made from the sale of just 6.7% of the IMF's gold. This would save $8.2 billion of debt payments for the poorest countries in the world. Even after such gold sales, because of the increase in the gold price in 2020, the IMF's gold would still be worth $27 billion more than at the start of the year.

- Cancellation of all multilateral debt payments by DSSI countries from October 2020 to December 2024 could be paid for with less than 9% of the funds rich countries and China would receive from a Special Drawing Rights issuance.[2] Cancelling all multilateral debt payments between October 2020 and December 2024 would save $70 billion for the poorest countries in the world.

Multilateral debt payment cancellation for lower income countries is urgent and essential. However, if it is done unilaterally, there is a danger the resources freed up are just used to pay off other lenders – particularly private lenders. Multilateral debt cancellation should therefore be offered as part of a scheme that requires private lenders to also write down debt payments, and which turns the current suspension of payments to bilateral lenders into debt cancellation. Using multilateral debt payment cancellation to leverage private and bilateral debt payment cancellation would leverage far more in debt cancellation overall. For the DSSI eligible countries, full external debt payment cancellation across multilateral, bilateral and private creditors from October 2020 to December 2024 would save $180 billion.

One concern which has been expressed about requiring private lenders to participate in debt cancellation is that it will prevent lower income countries from being able to borrow from private lenders at low interest rates in the future. That concern is misplaced for a number of reasons:

1) Comprehensive debt payment cancellation would reduce the need for countries to borrow from private external markets in the short-term.

2) In the medium-term, there is evidence that debt payment cancellation reduces debt burdens and so makes recipient countries more able to borrow at lower interest rates.

3) International private financial markets are not an essential source of development finance. There are many lower income countries which have not borrowed through foreign currency bonds in recent years, but have had significant increases in public spending, for example: Burkina Faso, Cambodia, Madagascar, Nicaragua and Nepal.

4) In contrast, loans in foreign currency at high interest rates are often not a useful form of development finance. The high interest takes significant money away from governments, so the loans need to be extremely well invested to be worth it.

It is of course a sovereign decision of debtor countries as to whether or not to repay their debts in full. But the G20 should offer a comprehensive scheme to cancel debt payments to bilateral and multilateral institutions and require the private sector to cancel debt payments too.

Numerous schemes have been proposed which would ensure compliance by private lenders, including:

[2] Assuming gold sales paid for IMF and World Bank debt payment cancellation from October 2020 to December 2021, and the SDR allocation paid for the rest.

- Legislation in the UK and New York to prevent lenders from suing any country taking part in the G20 scheme
- Use of Article VIII Section 2(b) at the IMF which allows the IMF to impose a debt standstill through the temporary suspension of enforceability of debt contracts in domestic courts of more than 189 IMF member countries
- A UN Security Council resolution to order a suspension of private creditor litigation with regards to certain countries' sovereign debt: an action that was used in relation to Iraq's debt with United Nations Security Council Resolution 1483.[3]

This briefing shows that the resources are easily available to cancel debt payments to multilateral institutions for lower income countries for the next four years. But this should only be done as part of a scheme which requires private and bilateral lenders to cancel debt payments too.

1. Debt Payments to the IMF and World Bank
Since the Covid crisis began, the IMF and World Bank have been prominent voices calling for debt payment suspension and debt cancellation.

In March 2020 the IMF and the World Bank said governments should suspend debt payments from countries that request it.[4] Since this was agreed by G20 Finance Ministers in April 2020, the Heads of the IMF and World Bank, Kristalina Georgieva and David Malpass, have consistently called for private lenders to be included in debt suspension, and for the scheme to move towards debt cancellation. For example, in an interview in the Guardian in August 2020, David Malpass indicated he believed debts needed to not just be suspended but cancelled:

"Even before the pandemic we had noted debt distress in many countries. There has been a huge rise in the amount of debt in poor countries and across the developing world, in part caused by the hunt for yield. For countries that are heavily indebted we need to be looking at the stock of debt. Up until now we have been providing relief for debt service payments but then adding what hasn't been paid on at the end."[5]

Malpass also criticised the fact that private lenders continue to get paid in full: "*There is a risk of free riding, where private investors get paid in full, in part from the savings countries are getting from their official creditors. That's not fair to the taxpayers of the countries providing development assistance and means poor countries don't have the resources to deal with the humanitarian crisis"*.[6]

He made similar comments to the Financial Times in September: *"Commercial creditors as a group need to look to the longer run. These countries are a potential source of future income and the right thing is to look to debt relief. I'm frustrated that commercial creditors have been continuing to take very large payments from the poorest countries."*[7]

However, the World Bank has not offered to suspend or cancel any debt payments owed to it.

[3] See https://jubileedebt.org.uk/wp-content/uploads/2020/07/Passing-the-buck-on-debt-relief.pdf
[4] https://www.theguardian.com/business/2020/mar/25/western-governments-told-to-suspend-debt-interest-amid-covid-19
[5] https://www.theguardian.com/business/2020/aug/19/world-bank-calls-for-greater-debt-relief-for-poorer-countries-in-wake-of-covid-19
[6] https://www.theguardian.com/business/2020/aug/19/world-bank-calls-for-greater-debt-relief-for-poorer-countries-in-wake-of-covid-19
[7] https://www.ft.com/content/e57f8164-02fb-46e7-abfb-519ed10cb030

In June 2020, the Financial Times reported that Kristalina Georgieva was calling on private sector lenders to African countries, such as banks and pension funds, to join in a debt moratorium. "We are asking everybody to look in the mirror," she said.[8]

The IMF and World Bank are themselves large lenders and creditors. In the final three months of 2020 the countries eligible for the G20 Debt Service Suspension Initiative (DSSI) are due to pay the IMF and World Bank $1.7 billion (14% of external debt payments). In 2021 DSSI countries are due to pay the IMF and World Bank $6.5 billion (15% of external debt payments), rising to $7.2 billion in 2022 (18% of external debt payments), $9.8 billion in 2023 (25% of external debt payments) and $12.1 billion in 2024 (26% of external debt payments).

In each year there are similar amounts again owed to other multilateral institutions, so in total debt payments to multilateral lenders make up 36% of external debt payments by DSSI countries from October to December 2020, 31% in 2021, 37% in 2022, 44% in 2023 and 42% in 2024.[9]

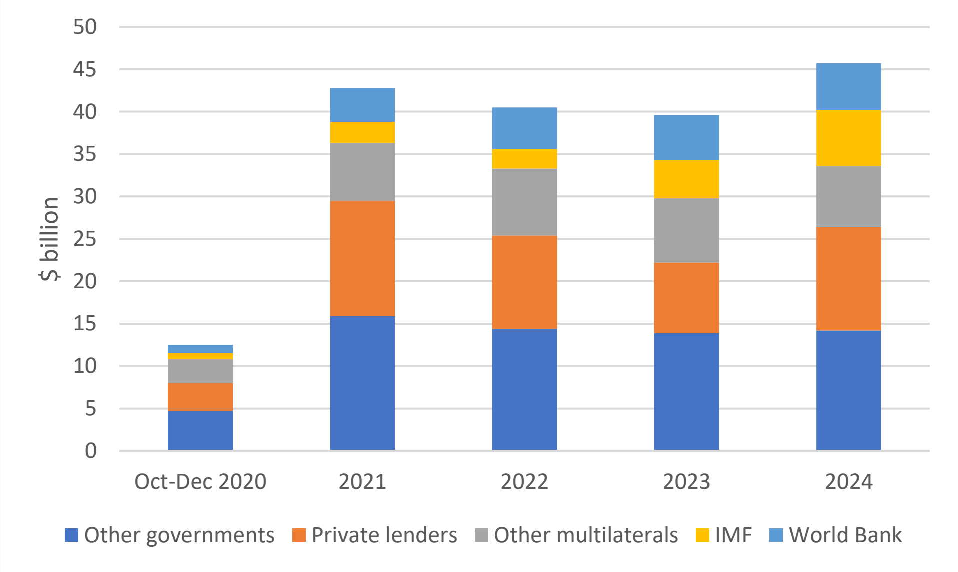
So far, the World Bank has not offered to suspend or cancel any debt payments owed to it. The IMF is cancelling $250 million of debt payments by 25 countries for six months, but this is a small proportion of debt payments to the IMF by lower income countries, including many African countries.

All creditors need to take part in debt payment cancellation to help developing countries through the current crisis. The possibility of not being paid in full is always a risk when you lend money. Bilateral lenders can fund the cost of writing off the debt payments owed to them. Private lenders lent at high interest rates on the basis that the loans were risky. Now that lower income countries have been hit by an unprecedented set of economic shocks, private lenders should accept – and be made to accept – that their risky speculation has failed and that debt payments need to be cancelled. Research for the IMF found that given the high interest rates, bondholders tend to make large profits even where debt restructurings take place.[10]

This briefing looks at the cost of cancelling debt payments to the two largest multilateral lenders – the World Bank and IMF – as well as to the broader group of multilateral institutions, and at how such debt cancellation could be easily funded by the IMF.

[8] https://www.ft.com/content/8e057a2a-88a2-494f-81b2-a5ec91ebe4d9
[9] Calculate from IMF website and World Bank DSSI database
[10] https://www.imf.org/en/Publications/WP/Issues/2019/07/01/Long-Term-Returns-in-Distressed-Sovereign-Bond-Markets-How-Did-Investors-Fare-46945

Graph 1. Debt Payments by DSSI Countries Late-2020 to 2024 by Creditor



Box 1. The World Bank and Debt Suspension

Since the G20 DSSI was announced there has been a debate as to whether the World Bank and other multilateral institutions should join the scheme. In April 2020, the G20 Finance Ministers called on multilateral development banks "to further explore the options for the suspension of debt service payments over the suspension period, while maintaining their current rating and low cost of funding".[11]

Following this call, the World Bank lobbied not to be included in the suspension. This led to the G20 Finance Ministers in July dropping their call for multilateral development banks to join the DSSI. The Bank has argued that if it joins the suspension this would weaken its finances and make it less able to borrow at low interest rates and therefore lend in response to the crisis. This seems unlikely given that the Bank is backed by rich country governments which are so trusted by financial markets they can borrow at virtually 0% or even negative interest rates. And quantitative easing and a flight to safety by speculators has led to a huge demand for safe debt guaranteed by rich country governments, such as that issued by the World Bank.

However, while debt suspension does help government finances now, it creates an even bigger debt payment burden to be dealt with in the future. Debt payment cancellation is needed to help lower income countries now and maintain fiscal space for them to recover from the crisis.

If the World Bank's arguments about debt suspension are correct, this means it is easier for it to cancel debt payments than suspend them. If debt payment cancellation is funded by new resources it has no impact of the World Bank's finances because the Bank is still being paid in full. In fact, by providing money up front to the World Bank to cover future debt payments, funded debt cancellation reduces the World Bank's risk. This is because it would receive guaranteed money now, whereas future debt payments could be defaulted on.

The World Bank and other multilateral institutions have cancelled debt payments before – through the HIPC and MDRI initiatives – with no impact on their ability to borrow from private financial markets.

[11] http://www.g20.utoronto.ca/2020/2020-g20-finance-0415.html

2. Sources of Funds to Pay for Debt Cancellation

2.1 Gold Sales

The IMF holds 2,814 tonnes of gold, which is 90.47 million fine troy ounces. On its books, the IMF values this gold based on a historic gold price of $35 per fine troy ounce, which means it says in total the gold is worth $4.45 billion.[12]

In reality, the current price of gold (as of 17 September 2020) is $1,942 per fine troy ounce.[13] This means that the value of the IMF's gold at current market prices is $176 billion, and that the IMF would currently make approximately 97.5% profit from the sale of its gold.

If the IMF were to sell any of its gold, then an amount equivalent to the IMF's book value would be retained by the Fund in its reserves. For every $1 billion of gold sales, $25 million would stay in the IMF reserves. The rest - $975 million - would be profit distributed to IMF members in proportion to their quota.

42 rich countries and China (a middle income country) hold 71.15% of quotas at the IMF. If these 43 countries committed to returning their proceeds from any gold sales to the IMF and World Bank for debt cancellation, then for each $1 billion of gold sales, $694 million would be returned to the Fund and Bank, while $281 million would go to low and middle income country governments (and $25 million would be retained as IMF reserves).

As stated above, the countries eligible for the DSSI are due to pay $8.2 billion to the IMF and World Bank in the remainder of 2020 and the whole of 2021. To generate this amount for the IMF and World Bank would require selling $11.8 billion of the IMF's gold, if rich countries and China returned the proceeds for debt cancellation. A further $3.3 billion from these gold sales would go to low- and middle-income countries directly. $11.8 billion is 6.7% of the IMF's current gold reserves. **Therefore, cancelling all debt payments to the IMF and World Bank by DSSI countries from October 2020 to December 2021 could be funded by the profit from selling just 6.7% of the IMF's gold.**

If this was done, the IMF would be left with $164.2 billion of gold, plus $0.3 billion of cash reserves from the gold sales, $164.5 billion in total.

At the start of 2020, before the Covid-19 crisis began, the gold price was $1,520 per fine troy ounce.[14] This made the market value of the IMF's gold reserves $137.5 billion. Therefore, if the IMF sold gold to fund debt payment cancellation for DSSI countries for October 2020 to December 2021, the value of the IMF's remaining gold would still be $27 billion higher than at the start of 2020. **The IMF could fund IMF and World Bank debt cancellation just through the increase in the price of gold that has happened during the crisis.**

To cancel all debt payments to the IMF and World Bank from October 2020 to December 2024 would cost $37.3 billion. To fund this entirely from IMF gold sales would require selling $53.7 billion of gold at current market prices – 30.5% of the IMF's current gold reserves. This would also provide an additional $15.1 billion for low-and middle-income country governments. Doing so would still leave the IMF with $122.3 billion of gold and $1.3 billion of new cash reserves, $123.6 billion in total. Back in June 2019, the gold price was $1,300 per fine troy ounce, so IMF gold was worth $118 billion.

[12] https://www.imf.org/external/Pubs/FT/quart/2020fy/013120.pdf
[13] https://markets.ft.com/data/commodities/tearsheet/summary?c=COMEX+Gold
[14] https://markets.ft.com/data/commodities/tearsheet/summary?c=COMEX+Gold

In theory, profits from IMF gold sales could fund debt payment cancellation to the IMF and World Bank for the next four years and three months, and still leave the IMF with gold worth more than the value of its gold reserves in June 2019. However, in practise selling this much gold onto the market would be likely to reduce the price, and so mean even more would have to be sold to fund the debt cancellation. But selling gold is not the only way to fund debt cancellation – an SDR issuance could also be used.

2.2 SDR Issuance

SDRs are a reserve asset created at the IMF. Once created, countries can convert the asset into foreign exchange with another Central Bank or keep hold of them as an asset. If a country does convert its SDRs into another useable asset, it is charged a notional interest rate of 0.05%.

There have been numerous calls for an SDR issuance at the IMF. Both the Financial Times and Oxfam have called for an issuance of $1 trillion.[15]

Any issuance of SDRs is done in proportion to countries' quotas at the IMF, so in the same proportion as profit from gold sales. This means a majority of any issuance would go to rich countries. A $1 trillion allocation would increase the SDR reserves of rich countries and China by $712 billion, while low- and middle-income countries would receive just $288 billion.

As US Treasury Secretary Stephen Mnuchin has noted, *"Almost 70 percent of an allocation would be provided to [the member countries of the Group of 20 (G20)], most of which do not need, and would not use additional SDRs to respond to the crisis."*[16] However, just because most of the reserve assets would go to richer countries does not mean the SDR issuance should not be done. Significant amounts, especially relative to GDP and government revenue, would still go to poorer countries (see Table below). And richer countries could then use the assets they don't need by exchanging a proportion for currency to put in a trust fund to cancel debt payments to the IMF and World Bank by poorer countries (see Barry Herman's article "What You Really Need to Know about the SDR and How to Make it Work for Multilateral Financing of Developing Countries")[17].

There is a further $32.3 billion of debt payments due to other multilateral institutions by DSSI countries between October 2020 and December 2024. SDR allocations to rich countries could also be used to fund debt payment cancellation to other multilateral institutions. $32.3 billion represents just under 5% of a $712 billion SDR allocation to richer countries. Therefore, just under 5% of the SDRs rich countries would receive from a $1 trillion issuance would be needed to fund debt payment cancellation to the IMF and World Bank.

Cancelling all debt payments by DSSI countries to the IMF, World Bank and all other multilateral institutions would cost $69.5 billion – which would be just under 10% of the SDRs rich countries and China would receive from a $1 trillion SDR allocation. **Cancellation of all multilateral debt payments by DSSI countries from October 2020 to December 2024 could be paid for with just 10% of the resources rich countries and China would receive from an SDR allocation.**

As outlined in section 2.1, if IMF gold sales paid for the first 15 months of debt payment cancellation to the IMF and World Bank ($8.2 billion in total) this would leave $61.3 billion of multilateral debt

[15] https://www.ft.com/content/2691bfa2-799e-11ea-af44-daa3def9ae03 and https://www.oxfam.org/en/press-releases/sdrs-must-move-back-burner-front-discussion-oxfam
[16] https://meetings.imf.org/~/media/AMSM/Files/SM2020/IMFC/usa.ashx
[17] https://www.tandfonline.com/eprint/BVCGAFRW9KMG5RHWNINQ/full?target=10.1080/05775132.2020.1802178

payment cancellation to be paid for out of rich country SDRs. **This would be less than 9% of the SDR allocation for rich countries in China, from a $1 trillion SDR issuance.**

A $1 trillion SDR issuance, with 10% of the allocation to rich countries and China being used for debt cancellation, would only partially address the fact that most of the resources would go to richer countries. For example, having taken account of the SDRs used for debt cancellation, and the benefit of multilateral debt cancellation, the UK, US and Germany would receive $628, $602 and $477 per person respectively. In contrast, Ghana, Pakistan and Ethiopia would receive $101, $97 and $27 per person respectively (see Table below). But an SDR allocation, and using some of richer countries allocation to fund debt payment cancellation, would have a large overall financial benefit for lower income countries.

Table. Examples of how SDR resources could be used by country

Country	Amount of SDRs it would receive from $1 trillion issuance	New SDRs as proportion of government revenue[18]	Debt payments to the IMF and World Bank October 2020 to December 2024	Debt payments to other multilateral institutions October 2020 to December 2024	Total received/savings from SDRs and IMF, World Bank and multilateral institution debt cancellation	Total received/savings from SDRs and IMF, World Bank and multilateral institution debt cancellation, per person
US	$175 billion	2.7%			$158 billion[19]	$477
Germany	$56 billion	3.1%			$50 billion[20]	$602
UK	$42 billion	4.1%			$38 billion[21]	$628
Ethiopia	$0.6 billion	5.2%	$1,561 million	$433 million	$2.6 billion	$27
Ghana	$1.6 billion	15.1%	$1,247 million	$281 million	$3.1 billion	$101
Pakistan	$4.3 billion	11.8%	$10,083 million	$4,748 million	$19.1 billion	$91

[18] Is for government revenue in 2019. The IMF has not yet updated government debt and GDP figures for 2020.
[19] Takes account of transfer of 10% of SDRs to fund debt cancellation
[20] Takes account of transfer of 10% of SDRs to fund debt cancellation
[21] Takes account of transfer of 10% of SDRs to fund debt cancellation

2.3 IMF Reserves in the General Resources Account

When the IMF lends to many middle and all high income countries it charges an interest rate in order to fund itself as an institution and to earn a 'profit' which is placed in the Fund's cash reserves. Over the last decade, these reserves have grown significantly, primarily because of the profit the IMF made from its lending following the Global Financial Crisis, especially to countries such as Greece.

In October 2009, the IMF's cash reserves in its General Resources Account were $12.1 billion. [22] By October 2019 they had more than doubled to $27.1 billion.[23]

This is a further source of funds which sit unused at the IMF. Following the Covid-19 crisis, the IMF's reserves may grow even further from its increased lending activities.

The IMF's cash reserves could be another source of finance to fund IMF debt cancellation. Supposedly, the reason for IMF holding reserves is to cover in case a government cannot repay its debt to the IMF. Yet the IMF never offers to use the reserves proactively in that way when a government cannot pay, or when IMF lending programmes fail in their objectives.

Given the much larger potential sources of finance available from profits from gold sales and an SDR allocation, the IMF's cash reserves do not need to be used to help fund debt cancellation. But their size and increase in the last decade further shows how well funded the IMF is – and so why it should be more open to debt payment cancellation.

3. Comprehensive Debt Cancellation

Multilateral debt payment cancellation for lower income countries is urgent and essential. However, if it is done unilaterally, there is a danger the resources freed up are just used to pay off other lenders – particularly private lenders. Private lenders lent at the highest interest rates so should be the first to be made to participate in debt cancellation, not the last.

Multilateral debt cancellation should therefore be offered as part of a scheme that requires private lenders to also write-off debt payments, as well as bilateral lenders cancelling debt payments (rather than just suspending them).

One concern which has been expressed about requiring private lenders to participate in debt cancellation is that it will prevent lower income countries from being able to borrow from private lenders at low interest rates in the future. That concern is misplaced for a number of reasons:

1) A comprehensive scheme to cancel debt payments across private, bilateral and multilateral lenders, alongside new sources of finance such as SDRs, would reduce the need for countries to borrow from private external markets in the short-term.

2) In the medium-term, a country which reduces its debt burden now will be more able to borrow at lower interest rates than one which continues to make debt payments but at the expense of an ever-increasing debt burden. This was the conclusion of IMF research in 2013, which found that "debt restructurings have often been too little and too late, thus failing to re-establish debt sustainability and market access in a durable way"[24] – i.e. for high debt countries it is restructuring debt which enables that country to be able to borrow from the financial markets again in the future.

[22] https://www.imf.org/External/Pubs/FT/quart/2010fy/103109.pdf
[23] https://www.imf.org/external/Pubs/FT/quart/2020fy/103119.pdf
[24] https://www.imf.org/en/Publications/Policy-Papers/Issues/2016/12/31/Sovereign-Debt-Restructuring-Recent-Developments-and-Implications-for-the-Fund-s-Legal-and-PP4772

3) The same point was made by Scope Ratings in a September 2020 report, which stated: "If an economy's debt sustainability is adequately enhanced via public and private sector debt relief, this could support stronger market access and lower borrowing rates longer term, and with this, potentially a stronger credit rating long term."[25]

4) International private financial markets are not a necessary source of development finance. There are many lower income countries which have not borrowed through foreign currency bonds in recent years and have very limited borrowing from the external private sector. Some of these have impressive records at both keeping debt payments under control while having strong economic growth and increased public spending. Burkina Faso, Cambodia, Madagascar, Nicaragua and Nepal are all countries which have had relatively low debt payments and consistently rising public spending per person. A common feature of all five is that they owe no or very little debt to external private lenders. They have all borrowed from multilateral and bilateral lenders and have all increased government revenue collection as a proportion of GDP.[26]

5) In contrast, loans in foreign currency at high interest rates are often not a useful form of development finance. The high interest takes significant money away from governments, so the loans need to be extremely well invested to be worth it. Research by the IMF in February 2020 found that countries borrowing from international private lenders have higher debt payments, no increase in growth and greater economic vulnerability: "Access to international [debt] markets has often coincided with worsening debt dynamics and greater vulnerabilities … [for] 20 countries that accessed international bond markets for the first time after 2005, [their] debt service to revenue ratios rose consistently… This is to be expected but growth rates in the five years afterwards have typically not picked up, contributing to weaker internal debt dynamics."[27]

It is of course a sovereign decision for debtor countries as to whether or not they want to repay their debts in full. But the G20 should offer a comprehensive scheme to cancel debt payments to bilateral and multilateral institutions which also requires the private sector to cancel debt payments.

Numerous schemes have been proposed which would ensure compliance by private lenders, including:

- Legislation in the UK and New York to prevent lenders from suing any country taking part in the G20 scheme.
- Use of Article VIII Section 2(b) at the IMF which allows the IMF to impose a debt standstill through the temporary suspension of enforceability of debt contracts in domestic courts of more than 189 IMF member countries.
- A UN Security Council resolution to order a suspension of private creditor litigation with regards to certain countries' sovereign debt: an action that was used in relation to Iraq's debt with United Nations Security Council Resolution 1483.[28]

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[25] https://www.scoperatings.com/ScopeRatingsApi/api/downloadstudy?id=d89d0b31-d96a-4cfb-a7a7-6558e499080d
[26] See more detail in forthcoming paper by Jubilee Debt Campaign, published by Centre for Global Development 'Rising debt burdens, the impact on public spending, and the coronavirus crisis'.
[27] https://www.imf.org/en/Publications/Policy-Papers/Issues/2020/02/05/The-Evolution-of-Public-Debt-Vulnerabilities-In-Lower-Income-Economies-49018
[28] See https://jubileedebt.org.uk/wp-content/uploads/2020/07/Passing-the-buck-on-debt-relief.pdf

Conclusion
The economic and health crises caused by the Covid-19 pandemic are huge. Rich countries have implemented huge stimulus measures in response, but such policies are not available to poorer countries. Rich countries therefore need to enable a significant injection of resources to countries in the global South.

This briefing has shown that the resources are easily available to cancel debt payments to multilateral institutions for lower income countries for the next four years. Only a small proportion of IMF gold and rich country allocations of a new SDR issuance would be needed to fund this debt payment cancellation, giving countries resources now to tackle the crisis while preventing a large build-up of debt which will hold back economic recovery.

There is a danger that multilateral debt payment cancellation by itself would just bail out private lenders. Therefore, multilateral debt payments should only be cancelled as part of a scheme which requires private and bilateral lenders to cancel debt payments too. Together, this could cancel up to $180 billion of debt payments over the next four years.

It is urgent that the G20, IMF and World Bank act now to tackle the current crisis and prevent it turning into a decade of stagnating economies, declining public services, and increasing poverty and inequality.

Appendix 1. Quotas of rich countries and China at the IMF

Country	Quota at the IMF
Australia	1.38
Austria	0.83
Belgium	1.35
Bulgaria	0.19
Canada	2.32
China	6.41
Croatia	0.15
Cyprus	0.06
Czechia	0.46
Denmark	0.72
Estonia	0.05
Finland	0.51
France	4.24
Germany	5.6
Greece	0.51
Hungary	0.41
Iceland	0.07
Ireland	0.73
Israel	0.4
Italy	3.17
Japan	6.48
Kuwait	0.41
Lithuania	0.09
Luxembourg	0.28
Malta	0.04
Netherlands	1.84
New Zealand	0.26

Norway	0.79
Poland	0.86
Portugal	0.43
Qatar	0.15
Romania	0.38
San Marino	0.01
Saudi Arabia	2.10
Singapore	0.82
Slovakia	0.21
Slovenia	0.12
Spain	2.00
Sweden	0.93
Switzerland	1.21
UAE	0.49
UK	4.24
US	17.45
Total	**71.15**

Appendix 2. Debt payments to the World Bank and IMF from countries eligible for the DSSI, remainder of 2020-2024, $ million[29]

Country	Creditor	Oct-Dec 2020	2021	2022	2023	2024
Afghanistan	World Bank	5.1	14.6	14.4	14.3	17.5
	International Monetary Fund	1.7	6.8	5.3	4.5	7.0
	Combined	6.8	21.4	19.8	18.8	24.5
Angola	World Bank	19.9	56.8	69.2	71.0	66.0
	International Monetary Fund	4.1	16.2	16.2	202.1	262.2
	Combined	24.0	73.0	85.4	273.2	328.2
Bangladesh	World Bank	134.1	555.9	648.6	706.7	782.4
	International Monetary Fund	52.1	183.1	170.4	255.7	313.6
	Combined	186.2	739.1	819.1	962.4	1096.1
Benin	World Bank	7.7	22.2	26.4	33.3	45.7
	International Monetary Fund	2.9	16.2	12.5	14.7	19.2
	Combined	10.6	38.5	39.0	48.0	64.8
Bhutan	World Bank	2.7	10.4	11.8	11.7	12.2
	International Monetary Fund	0.0	0.0	0.0	0.0	0.0
	Combined	2.7	10.4	11.8	11.7	12.2
Burkina Faso	World Bank	14.2	37.2	45.4	56.0	63.3
	International Monetary Fund	12.2	29.4	25.4	19.8	22.6
	Combined	26.5	66.6	70.7	75.7	85.9
Burundi	World Bank	0.2	5.9	6.3	7.5	8.0
	International Monetary Fund	0.0	12.5	9.0	6.3	3.5
	Combined	0.2	18.4	15.3	13.9	11.6

[29] Figures for the World Bank are from the World Bank DSSI database. Figures from the IMF are from projected payments to the IMF from the IMF website.

Cabo Verde	World Bank	4.3	13.8	14.2	14.8	15.5
	International Monetary Fund	0.0	0.0	0.0	0.0	0.0
	Combined	4.3	13.8	14.3	14.8	15.5
Cambodia	World Bank	7.1	25.0	28.7	35.8	35.6
	International Monetary Fund	0.0	0.0	0.0	0.0	0.0
	Combined	7.1	25.0	28.7	35.8	35.6
Cameroon	World Bank	10.2	45.7	58.2	67.4	81.2
	International Monetary Fund	0.0	0.2	0.2	57.7	88.3
	Combined	10.3	45.9	58.4	125.1	169.5
Central African Republic	World Bank	0.7	1.5	3.1	4.3	4.7
	International Monetary Fund	1.2	7.2	15.1	24.3	35.9
	Combined	1.9	8.7	18.3	28.7	40.6
Chad	World Bank	1.7	7.3	9.3	9.7	10.5
	International Monetary Fund	2.8	11.3	23.7	41.3	66.3
	Combined	4.5	18.6	33.0	51.0	76.8
Comoros	World Bank	0.0	0.6	0.3	0.3	0.3
	International Monetary Fund	0.9	2.1	2.7	7.0	7.3
	Combined	1.0	2.8	3.1	7.3	7.6
Congo, Dem. Rep.	World Bank	8.1	31.1	46.4	64.8	73.7
	International Monetary Fund	7.0	14.3	0.5	0.5	0.5
	Combined	15.1	45.4	46.9	65.4	74.2
Congo, Rep.	World Bank	2.4	8.1	12.9	12.9	13.5
	International Monetary Fund	0.0	0.9	0.0	0.0	0.0
	Combined	2.4	8.9	12.9	12.9	13.5
Cote d'Ivoire	World Bank	4.1	32.8	62.0	68.9	49.2
	International Monetary Fund	68.8	198.4	184.7	348.4	508.6
	Combined	72.9	231.2	246.7	417.3	557.8
Djibouti	World Bank	2.0	7.6	9.5	10.3	10.4
	International Monetary Fund	0.9	4.3	1.7	0.0	0.0
	Combined	2.8	11.9	11.3	10.3	10.4
Dominica	World Bank	0.3	1.3	1.3	1.3	1.5
	International Monetary Fund	0.0	2.3	2.0	1.7	1.7
	Combined	0.3	3.6	3.3	3.0	3.2
Ethiopia	World Bank	65.2	184.7	276.0	326.1	345.9
	International Monetary Fund	7.1	6.0	6.0	110.3	233.7
	Combined	72.3	190.8	282.0	436.4	579.6
Fiji	World Bank	1.2	3.9	5.6	7.2	7.1
	International Monetary Fund	0.0	0.0	0.0	0.0	0.0
	Combined	1.2	3.9	5.7	7.3	7.1
Gambia, The	World Bank	0.8	5.0	6.0	6.9	7.5

	International Monetary Fund	1.5	5.5	3.9	5.6	5.4
	Combined	2.3	10.6	9.9	12.5	12.9
Ghana	World Bank	36.9	140.1	161.4	174.0	169.1
	International Monetary Fund	28.2	115.9	125.7	129.5	166.4
	Combined	65.0	256.0	287.1	303.5	335.5
Grenada	World Bank	1.2	3.1	3.2	3.8	3.9
	International Monetary Fund	0.5	2.5	3.6	3.9	3.9
	Combined	1.7	5.6	6.9	7.7	7.8
Guinea	World Bank	2.0	9.9	13.1	15.2	16.7
	International Monetary Fund	2.6	48.1	53.2	47.7	52.2
	Combined	4.6	58.0	66.2	63.0	68.9
Guinea-Bissau	World Bank	1.2	4.9	6.9	9.4	9.6
	International Monetary Fund	1.5	2.8	3.2	5.3	5.7
	Combined	2.7	7.7	10.1	14.7	15.4
Guyana	World Bank	1.4	3.0	2.9	2.8	2.8
	International Monetary Fund	0.0	0.1	0.1	0.1	0.1
	Combined	1.4	3.1	3.0	2.9	2.9
Haiti	World Bank	0.0	0.0	0.0	0.0	0.0
	International Monetary Fund	2.4	10.0	16.0	12.6	11.2
	Combined	2.4	10.0	16.0	12.6	11.2
Honduras	World Bank	7.1	38.0	45.7	46.5	56.9
	International Monetary Fund	0.7	2.7	2.7	79.3	156.1
	Combined	7.8	40.8	48.4	125.8	213.0
Kenya	World Bank	49.1	224.0	313.2	356.6	331.9
	International Monetary Fund	52.8	126.9	70.2	30.2	0.2
	Combined	101.9	350.9	383.3	386.8	332.1
Kosovo	World Bank	3.0	6.9	6.7	5.9	5.4
	International Monetary Fund	19.0	61.1	14.4	14.9	29.0
	Combined	22.0	68.0	21.1	20.8	34.4
Kyrgyz Republic	World Bank	11.1	36.3	39.2	40.5	41.9
	International Monetary Fund	9.7	25.5	24.2	75.5	101.7
	Combined	20.8	61.8	63.4	116.0	143.6
Lao PDR	World Bank	5.1	30.5	36.3	38.4	39.1
	International Monetary Fund	0.0	0.0	0.0	0.0	0.0
	Combined	5.1	30.5	36.3	38.5	39.1
Lesotho	World Bank	4.2	15.4	18.8	20.4	20.9
	International Monetary Fund	5.2	11.5	7.9	6.8	16.4
	Combined	9.5	26.9	26.7	27.1	37.3
Liberia	World Bank	1.6	5.9	13.7	17.1	17.9
	International Monetary Fund	3.9	31.9	36.5	37.9	33.8
	Combined	5.5	37.8	50.2	55.0	51.7

Madagascar	World Bank	15.6	51.6	65.4	70.4	80.8
	International Monetary Fund	4.3	17.1	25.8	51.8	60.6
	Combined	19.9	68.7	91.2	122.2	141.4
Malawi	World Bank	5.0	23.2	32.5	40.3	53.1
	International Monetary Fund	4.6	25.7	35.9	31.1	32.2
	Combined	9.6	48.9	68.4	71.4	85.2
Maldives	World Bank	0.6	4.0	4.1	4.1	4.1
	International Monetary Fund	0.0	0.0	0.0	0.0	0.0
	Combined	0.6	4.0	4.1	4.1	4.1
Mali	World Bank	7.7	47.5	57.4	61.3	69.2
	International Monetary Fund	7.6	21.4	23.6	37.3	50.2
	Combined	15.3	68.9	81.0	98.6	119.4
Mauritania	World Bank	6.7	15.4	16.5	16.4	18.2
	International Monetary Fund	7.7	13.9	9.3	8.5	16.2
	Combined	14.4	29.3	25.7	24.8	34.3
Moldova	World Bank	12.6	46.6	51.3	49.0	49.3
	International Monetary Fund	13.7	52.4	35.3	60.6	108.2
	Combined	26.3	98.9	86.6	109.6	157.6
Mongolia	World Bank	6.7	24.7	31.3	33.7	31.6
	International Monetary Fund	1.5	9.3	31.1	67.2	89.5
	Combined	8.2	34.0	62.3	100.9	121.2
Mozambique	World Bank	16.1	72.8	97.0	111.0	117.4
	International Monetary Fund	13.2	26.4	26.4	26.4	11.9
	Combined	29.3	99.2	123.4	137.4	129.3
Myanmar	World Bank	2.2	8.6	9.9	13.8	17.5
	International Monetary Fund	0.7	2.8	2.8	32.7	121.5
	Combined	2.9	11.4	12.7	46.4	139.1
Nepal	World Bank	29.9	90.1	107.0	125.0	143.5
	International Monetary Fund	0.0	10.0	10.0	10.0	10.0
	Combined	30.0	100.1	116.9	135.0	153.4
Nicaragua	World Bank	4.5	22.1	30.4	30.6	30.5
	International Monetary Fund	3.3	2.4	0.1	0.1	0.1
	Combined	7.9	24.5	30.5	30.6	30.6
Niger	World Bank	7.0	24.8	42.6	52.1	59.1
	International Monetary Fund	1.6	26.5	30.3	35.0	36.2
	Combined	8.6	51.3	72.9	87.2	95.3
Nigeria	World Bank	91.1	369.5	448.4	472.0	440.4
	International Monetary Fund	9.2	36.5	36.6	887.6	1725.1
	Combined	100.3	406.1	484.9	1359.6	2165.5
Pakistan	World Bank	212.7	947.5	1040.2	1080.1	1054.0
	International Monetary Fund	329.9	1143.5	1060.5	1423.4	1791.0

	Combined	542.6	2091.0	2100.7	2503.6	2844.9
Papua New Guinea	World Bank	8.7	26.6	31.2	28.1	29.9
	International Monetary Fund	0.0	0.1	0.1	0.1	0.1
	Combined	8.8	26.7	31.3	28.2	30.0
Rwanda	World Bank	5.4	29.4	49.8	61.2	77.2
	International Monetary Fund	11.1	36.2	44.5	44.5	33.4
	Combined	16.5	65.6	94.3	105.7	110.6
Samoa	World Bank	0.6	3.9	4.2	4.3	4.4
	International Monetary Fund	0.8	1.6	1.6	0.8	0.0
	Combined	1.5	5.6	5.8	5.1	4.4
Sao Tome and Principe	World Bank	0.2	0.5	0.6	0.6	0.6
	International Monetary Fund	0.1	0.6	0.8	1.0	1.1
	Combined	0.3	1.1	1.4	1.6	1.7
Senegal	World Bank	12.3	62.1	84.7	87.9	98.0
	International Monetary Fund	0.8	3.2	3.2	78.0	151.5
	Combined	13.1	65.3	87.9	165.9	249.5
Sierra Leone	World Bank	1.0	6.9	10.6	11.9	14.4
	International Monetary Fund	4.3	42.0	58.5	61.5	64.6
	Combined	5.4	48.8	69.1	73.4	79.0
Solomon Islands	World Bank	0.0	1.9	1.9	1.9	2.0
	International Monetary Fund	0.1	0.5	0.5	5.3	10.0
	Combined	0.2	2.4	2.4	7.2	11.9
Somalia	World Bank	8.1	25.1	29.6	25.7	24.1
	International Monetary Fund	0.2	0.6	0.6	0.6	5.2
	Combined	8.3	25.7	30.2	26.3	29.3
St. Lucia	World Bank	0.9	3.4	3.7	4.0	4.4
	International Monetary Fund	0.0	0.5	0.0	0.0	0.0
	Combined	0.9	3.9	3.7	4.0	4.4
St. Vincent and The Grenadines	World Bank	0.1	1.6	1.6	1.8	1.7
	International Monetary Fund	0.0	1.2	0.6	0.6	0.6
	Combined	0.1	2.9	2.2	2.4	2.3
Tajikistan	World Bank	3.1	14.0	16.4	18.2	19.4
	International Monetary Fund	5.5	9.1	3.7	0.1	0.1
	Combined	8.5	23.1	20.1	18.3	19.5
Tanzania	World Bank	40.9	175.7	226.1	264.3	272.8
	International Monetary Fund	0.0	11.7	0.2	0.2	0.2
	Combined	40.9	187.4	226.2	264.5	273.0
Timor-Leste	World Bank	0.0	1.7	2.8	3.3	3.1

	International Monetary Fund	0.0	0.0	0.0	0.0	0.0
	Combined	0.0	1.7	2.8	3.3	3.1
Togo	World Bank	0.3	1.1	1.7	3.8	7.6
	International Monetary Fund	2.0	2.4	3.5	17.5	28.0
	Combined	2.3	3.5	5.2	21.3	35.6
Tonga	World Bank	0.1	0.8	0.8	0.9	1.1
	International Monetary Fund	0.0	0.0	0.0	0.0	0.0
	Combined	0.1	0.8	0.8	0.9	1.1
Uganda	World Bank	21.9	94.7	124.2	128.7	141.2
	International Monetary Fund	0.0	0.1	0.1	0.1	0.1
	Combined	21.9	94.9	124.4	128.8	141.3
Uzbekistan	World Bank	15.5	104.9	100.7	137.2	144.4
	International Monetary Fund	0.7	2.7	2.7	66.4	129.1
	Combined	16.2	107.6	103.5	203.6	273.4
Vanuatu	World Bank	0.2	0.9	0.9	0.9	0.9
	International Monetary Fund	1.2	2.4	2.4	2.4	2.4
	Combined	1.4	3.2	3.2	3.2	3.2
Yemen, Rep.	World Bank	25.6	86.5	89.9	91.6	92.3
	International Monetary Fund	8.5	30.7	22.2	13.8	13.8
	Combined	34.1	117.2	112.1	105.4	106.1
Zambia	World Bank	9.2	36.6	49.8	54.7	56.9
	International Monetary Fund	5.2	2.9	0.3	0.3	0.3
	Combined	14.4	39.5	50.1	55.1	57.3