Letter to G20 Finance Ministers and Central Bank Governors; Indonesian presidency Finance Minister Sri Mulyani and Central Bank Governor Perry Warjiyo; European Commission; G24; South Centre; UN Secretary General: Concerns and recommendations regarding the worsening debt distress by many low- and middle-income countries and the role of the private sector

14 April 2022

Your Excellencies,

The undersigned civil society organisations are writing to you with concerns regarding the rapidly worsening debt distress and fiscal conditions in many low- and middle-income countries while citizens face inflationary pressures as well as the various impacts from the continuing pandemic, the war in Ukraine and worsening climate change.

We understand that you have, since the end of 2021, been discussing proposals on how to enhance the design and implementation of the Common Framework, which has so far been unsuccessful, and that these discussions will continue in different forums in the upcoming weeks and months. We regret the absence of serious and inclusive discussions about a new international debt architecture.

We are deeply concerned about the role of the private sector in debt relief efforts. The private sector already failed to act in good faith after the G20 called on private creditors to suspend servicing repayments under the DSSI, and has so far failed to commit to comparability of treatment and debt restructuring under the Common Framework.

The G20 and Institute of International Finance (IIF) sponsored Principles for Stable Capital Flows and Fair Debt Restructuring, which supports a voluntary contractual approach to sovereign debt restructuring, have clearly not worked. We note that François Villeroy de Galhau, Governor of the Banque de France and Dr. Yi Gang, Governor of the People's Bank of China, are co-chairs of the Trustees of the Principles. We therefore question whether that interferes with independence of central banks participating in the G20, as well as with the possibilities for the G20 to adopt effective measures to ensure private sector involvement and comparability of treatment in debt restructurings, within or outside the Common Framework.

As civil society organisations, we have monitored with concern that the IIF, as spokesperson for the private sector to the G20, along with IIF members have argued towards debtor countries in favour of more debt issuance and against participation in the DSSI and Common Framework with various arguments. Credit rating agencies are members of the IIF but their approach has not been challenged as regards the long-term positive impacts of debt

---

4 Principles for stable capital flows and fair debt restructuring, 2021 Annual report featuring an interim report on updating the Principles with contributions from the Principles Consultative Group, October 2021, p. 63, https://www.iif.com/Portals/0/Files/content/PCG%20Report%202021.pdf
restructuring efforts and negative impacts of debt restructuring delays. Nevertheless, the G20 is providing the IIF and private creditors privileged access to G20 finance track working groups, seminars, conferences, and the G20 presidency. In contrast, debtor developing countries and their citizens who suffer from the cuts in government budgets, have not been able to address the G20 finance track directly.

We also consider the G20’s endorsement of the IIF/OECD debt transparency initiative, based on the IIF’s Voluntary Principles for Debt Transparency, to be vastly insufficient and incoherent. The IIF’s claim to sponsor debt transparency is not consistent with the IIF’s Global Debt Monitor reports and IIF members’ holdings of developing country debt not being publicly transparent. Furthermore, only two IIF member banks have disclosed loans to the OECD registry.

The G20 action on debt has far from addressed the urgency for broad debt restructuring and cancellation for various low- and middle-income countries, and contrasts with recommendations made by civil society. The G20 did not enforce the private creditors’ participation in a context of increasing private debt holdings and high interconnectedness within the financial sector. This can have long lasting effects, amplified by increasing commodity prices, particularly for food and energy, higher inflation, economic effects of the pandemic, tightening monetary policies, geopolitical tensions and the urgent need to finance a climate friendly just transition.

We, the undersigned, therefore recommend that the G20 governments:

➔ Support and promote an open-ended intergovernmental discussion about the Common Framework and further reforms needed in the international debt architecture. We believe that the design of debt treatments and the discussions around Common Framework improvements should take place in a democratic, multilateral and inclusive institutional space, such as the UN, to include the debtor countries and avoid exclusive forums with the predominance of creditors and privileged influence by the private sector.

➔ Support immediate short-term improvements of the Common Framework, including by:

➔ expanding access to additional heavily indebted vulnerable countries,
➔ providing debt standstills throughout debt restructuring negotiations for private as well as bilateral and multilateral creditors,
➔ clarifying and enforcing comparability of treatment by private creditors,
➔ committing legislative protection and financial support to debtor countries who need to default on recalcitrant creditors, while debt cancellation and restructuring from other creditors should go ahead. Such commitments should be provided by the G20, Paris Club governments and multilateral development banks, as well as the IMF through its lending into arrears policy.

➔ Make sure that the G20 finance track, the G7 working group on private sector and other similar forums do not provide privileged access to the IIF and private creditors or financial sector representatives to their working groups, meetings and policy makers; rather all stakeholders, especially countries and

---

7 World Bank, World Development Report, February 2022, p. 211.  
10 See World Bank, World Development Report, February 2022, p. 212, figures 5.4 and 5.5.
representatives of those affected by the debt crisis need to have access and be consulted. The C20 recommendations (2021)\(^1\) on resolving the emerging debt crisis are recommendations by debt expert CSOs from around the world.

➔ Make sure that the G20 finance track provides public information about all interaction with various stakeholders, including letters and attendance at G20 finance meetings or events.

➔ Promote a more effective approach to ensure private creditors participation in debt relief and enforce comparability of treatment. This should involve a review of the international debt architecture in which the UN agencies play an important role (e.g. UNCTAD).

➔ Agree on an assessment of whether excessive high debt levels by low- and middle-income countries are a risk for (financial) instability and how financial authorities can intervene with private creditors to restructure and cancel such debt and assume the risks they took. The inclusive assessment should be done by UNCTAD, regional UN economic organisations, IMF and the FSB Financial Stability Surveillance Framework, as well as by indebted countries, independent academics and civil society.

➔ Do not endorse the updated IIF sponsored Principles for Stable Capital Flows and Fair Debt Restructuring (expected completion by the 2022 Spring World Bank/IMF and G20 finance meetings mid-April 2022) since we recommend you to align with our above recommendations.

We would welcome your response to our concerns and recommendations. We look forward to your actions and broad consultations for ways to urgently address the debt emergency, especially related to private debt holders which are headquartered in G20 countries.

Yours faithfully,

The undersigned organisations:

SOMO, The Netherlands
Eurodad, Regional network
Latindadd, Regional network
Southern Africa People’s Solidarity Network (SAPSN), Regional network
Plateforme Française Dette et Développement - PFDD, France
Erlassjahr.de - Entwicklung braucht Entschuldung e.V., Germany
Estonian Roundtable for Development Cooperation (AKÜ), Estonia
Jubilee Scotland, Scotland
Global Social Justice, Switzerland
Debt Justice Norway (SLUG), Norway
Jubilee Debt Campaign UK, United Kingdom
Christian Aid, United Kingdom
CAFOD, United Kingdom
Bond, United Kingdom
Growthwatch, India
Indian Social Action Forum, India
Zambia Social Forum (ZAMSOF), Zambia
Zimbabwe Coalition on Debt and Development (ZIMCODD), Zimbabwe

Indonesia for Global Justice, Indonesia
Monitoring Sustainability of Globalisation (MSN), Malaysia
Perkumpulan INISIATIF Indonesia (PI), Indonesia
Madhyam, India
SEKNAS FITRA, Indonesia
Aksi! for gender, social and ecological justice, Indonesia
Jubileo 2000 Red Ecuador, Ecuador
Forum Solidaridad Perú (FSP), Peru
Instituto Popular de Capacitación (IPC), Colombia
Fundación SES, Argentina
Centro de los Derechos del Campesinado (CEDECAM), Nicaragua
INESC, Brazil
Foro Social de la Deuda externa y Desarrollo de Honduras (FOSDEH), Honduras
Red Nicaragüense de Comercio Comunitario (RENNIC), Nicaragua
Instituto Justiça Fiscal, Brazil
Jubilee Australia, Australia