How the G20 debt suspension initiative benefits private lenders

October 2021

1. Summary

In April 2020 the G20 launched a debt service suspension scheme for lower income countries, one of the main tools the international community created to help countries have the resources to fight the pandemic. This briefing shows that the 46 countries which applied for the scheme had just 23% of their external debt payments suspended between May 2020 and June 2021, with 77% continuing to be paid. $10.3 billion of payments were suspended and $0.6 billion cancelled, while $36.4 billion continued to be paid.

Private creditors received $14.9 billion in debt payments from the 46 countries since the pandemic began, the largest amounts of any creditor grouping, and suspended just 0.2% of payments. This stands in stark contrast to the statements from the G20, IMF and World Bank who continually called on private creditors to participate, though without compelling them to do so.

Because private lenders were not included in the debt suspension initiative, debt payments have drained lower income countries of resources during the pandemic, hindering their ability to tackle Covid and rebuild. Furthermore, private lenders have been one of the main beneficiaries of the debt suspension. Suspending payments to other governments has enabled private lenders to keep being paid – meaning that public money intended to help lower income countries has instead gone to banks, hedge funds and oil traders.

The 46 lower income countries made $10.4 billion in debt payments to multilateral creditors, who cancelled 5% of payments, and $11 billion to other governments, although they did suspend 48% of payments. The suspended payments are due to be paid from the mid-2020s, which will push up debt payments and further intensify the debt crisis.

There has been huge variation between countries in what proportion of debt payments has been suspended. The Caribbean islands of Dominica and Grenada, which are among the most indebted and climate-vulnerable countries in the world, had 1% or less of their payments suspended.[1] Sixteen of the 46 countries had 10% or less of payments suspended, and over half had 20% or less. At the other end of the scale, three countries had more than 70% of their debt payments suspended: Central African Republic, Mauritania and Liberia.

These huge variations are due to which lenders countries happened to have as creditors. Dominica and Grenada's debt payments are overwhelmingly to multilateral and private creditors, so they received little benefit once these two groups refused to take part in the suspension.

China was the absolute largest giver of debt relief, suspending $5.7 billion of debt payments, over half the global total that was suspended. In contrast, UK based commercial lenders suspended no payments at all, and received $3.2 billion in debt payments from countries applying for the debt suspension initiative.

[1] The IMF document says Dominica had 0.0% of GDP in debt payments suspended, and it is considered 'too rich' to qualify for IMF debt cancellation. It may be that it did have a small amount of debt suspended, but this was rounded down to 0.0% of GDP.

China only suspended 45% of debt payments to it from the 46 countries which applied for the scheme, around average for bilateral creditors. While this falls far short of what was promised by the G20, it is also far more than multilateral and private creditors have done. The failure of multilateral and private creditors to suspend debts has now left China unwilling to do more.

All debt relief initiatives need to be comprehensive across creditors to be effective in tackling the debt crisis, and so that all creditors continue to be willing to participate. Otherwise, creditors who grant relief have legitimate concerns that their actions will only benefit other creditors.

The G20 is replacing the suspension initiative with a Common Framework for Debt Treatments – a debt restructuring scheme. The G20 say debtors applying for the Common Framework need to get private creditors to take part in any debt reduction on the same terms as bilateral creditors. However, they offered no new tools to help compel private creditors to take part in necessary debt reductions.

The lesson from the debt suspension initiative is that private creditors must be compelled to take part in debt cancellation.

2. The failure of the G20 debt suspension initiative to suspend debt payments

In April 2020 in response to the Covid pandemic, G20 Finance Ministers created a Debt Service Suspension Initiative (DSSI). The aim of the scheme was to help lower income countries tackle the Covid pandemic by suspending external debt payments from May to December 2020, freeing up money to spend on more immediate needs, though at the cost of higher debt payments in the mid-2020s.

The G20 scheme offered to suspend external debt payments to other governments (known as bilateral debt) for 73 countries. The G20 April 2020 statement said: “We call on private creditors, working through the Institute of International Finance, to participate in the initiative on comparable terms.” The G20 also said “We ask multilateral development banks to further explore the options for the suspension of debt service payments over the suspension period.”[2]

At the time of the announcement the G20 said it would lead to more than $20 billion of debt payments being suspended and freed up to spend on health systems and fighting the pandemic.[3] The G20 expected that $12 billion to $14 billion of bilateral debt payments would be suspended in 2020, and a further $8 billion of debt payments to external private creditors.[4] Prior to the G20 meeting, private lenders through the Institute of International Finance said that they would take part in the suspension.[5]

In subsequent meetings the G20 extended the scheme to run until the end of 2021. On a pro rata basis, this means the original aim of $20 billion of debt payments being suspended should have expanded to $35 billion by June 2021, and $50 billion by the end of 2021.[6]

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[2] G20 Finance Ministers communique April 2020 http://www.g20.utoronto.ca/2020/2020-g20-finance-0415.html

[3] https://www.reuters.com/article/us-health-coronavirus-g20-statement-idUSKCN21X29A

[4] https://www.reuters.com/article/us-health-coronavirus-g20-statement-idUSKCN21X29A

[5] https://www.reuters.com/article/uk-health-coronavirus-debt-iif/pandemic-debt-relief-needs-private-sector-involvement-iif-idUKKCN21R39E

[6] The original suspension was for eight months, from May to December 2020. $20 billion is therefore $2.5 billion a month.

However, in September 2021 the IMF reported that the DSSI has led to just $10.3 billion of debt payments being suspended between start of May 2020 and end of June 2021.[7] This is less than one-third of the intended amount over this period. The reasons for this include that:

- Most importantly, private creditors have not suspended debt payments but have continued to be paid in full throughout the pandemic
- 46 of the 73 eligible countries applied for the initiative, rather than all 73
- Multilateral creditors have not suspended debt payments, except for the IMF which cancelled $0.6 billion of debt payments for 24 of the 46 countries (plus a further $0.1 billion for five countries which did not apply for the DSSI)

The G20 has continually called for private creditors to take part in the suspension, but without taking any measures to compel them to do so. The IMF and World Bank have similarly called on private lenders to suspend debt payments, though have not been willing to do so themselves. For example, in August 2020 President of the World Bank David Malpass said *"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"*.[8]

In September 2020, he added that *"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."*[9]

In June 2020, the Financial Times reported that Managing Director of the IMF 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.[10]

This briefing uses the IMF September 2021 report and World Bank DSSI database to investigate which debt payments have been suspended. It finds that:

- **Just 23% of external debt payments have been suspended for lower income countries applying for the DSSI.** $36.4 billion of debt payments left the 46 countries applying for the scheme between May 2020 and June 2021, while they had $10.9 billion of external debt payments suspended.
- **The largest payments were to external private creditors, who suspended just 0.2% of payments owed to them, and received $14.9 billion from countries which applied for the scheme, since the pandemic began.** $10.4 billion went to multilateral creditors, who cancelled 5% of payments, while other governments still received $11 billion, though they did suspend 48% of payments.
- **China was the absolute largest giver of debt relief, suspending $5.7 billion of debt payments to it, over half the global total.** In contrast, UK based commercial lenders continued to receive $3.2 billion in debt payments from countries applying for the debt suspension initiative and suspended no payments at all.

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[7] https://www.imf.org/en/Publications/Policy-Papers/Issues/2021/09/16/Joint-IMF-WG-Staff-Note-DSSI-Fiscal-Monitoring-Update-465864
[8] https://www.theguardian.com/business/2020/aug/19/world-bank-calls-for-greater-debt-relief-for-poorer-countries-in-wake-of-covid-19
[9] https://www.ft.com/content/e57f8164-02fb-46e7-abfb-519ed10cb030
[10] https://www.ft.com/content/8e057a2a-88a2-494f-81b2-a5ec91ebe4d9

- **The proportion of debt payments suspended for each country varies enormously, primarily based on who their creditors happen to be.** For example, climate-vulnerable Caribbean countries Dominica and Grenada had less than 1% of their debt payments suspended because their external creditors are multilateral and private.

Since the launch of the scheme, Jubilee Debt Campaign has warned that just suspending debt payments would create a debt crisis in the mid-2020s when the suspended debts would come due to be paid, on top of high debt payments which are already due to be made then. Instead, cancelling debt payments is needed to properly enable countries to tackle the pandemic and recover afterwards.

In October 2020, the G20 created a Common Framework for Debt Treatments – a scheme that in theory could cancel debt down to a sustainable level, though which set out little detail on how this would be achieved. In agreeing the Common Framework, the G20 said debtors applying for it would need to get private creditors to take part in any debt reduction on the same terms as bilateral creditors. However, they offered no new tools to help compel private creditors to take part in necessary debt reductions.

At the start of 2021 three countries announced they were applying for the Common Framework – Chad, Ethiopia and Zambia. More than six months later, none have received any debt reduction, with all three negotiations held up by the unwillingness of private creditors to take part.

Because private lenders were not included in the debt suspension initiative, debt payments have drained lower income countries of resources during the pandemic, hindering their ability to tackle Covid and rebuild. In contrast, private lenders have been one of the main beneficiaries of the debt suspension. The suspension of debt payments to other governments has enabled private lenders to keep being paid.

Out of this failure needs to come a recognition that debt relief initiatives must be comprehensive across creditors for them to be effective in tackling the debt crisis, and so that all creditors continue to be willing to participate. For example, China has said it will not extend current initiatives unless private and multilateral creditors participate.[11]

4. Recommendations

Private lenders need to be made to take part in necessary debt cancellation. Options the G20 could use to enable or enforce private lender participation in debt restructuring include:

- Passing legislation in the UK and New York, the two jurisdictions under which external sovereign debt is owed, to require private lenders to abide by internationally agreed debt restructuring, or to empower a vote among creditors to agree a debt restructuring which would be binding on them all
- A UN Security Council resolution to suspend private creditor litigation
- Use of the IMF's lending into arrears policy to enable IMF loans to a country, if that country restructures or defaults on its debt, as a means to put pressure on private creditors to accept a debt restructuring
- Public and financial support towards debtors to default on private creditors if those creditors are not willing to take part in a debt restructuring, as a means to put pressure on private creditors to accept a debt restructuring

[11] https://www.scmp.com/news/china/diplomacy/article/3149314/chinese-lenders-reluctant-offer-african-countries-further-debt

- The creation of a fair, transparent and comprehensive debt restructuring process within the United Nations[12]

5. Who has suspended which debts

In September 2021 the IMF released a report saying that the DSSI has led to $10.3 billion of debt payments being suspended between start May 2020 and end-June 2021.[13] The IMF report includes data on which creditors have suspended payments by country, though in some cases the names of creditors has been withheld. Furthermore, the data is given as a percentage of GDP which makes it susceptible to rounding errors. In some country cases the suspension data includes anticipated amounts until end of 2021.

We have therefore combined the IMF data with the World Bank Debt Service Suspension Initiative database, which provides scheduled debt payments by country and creditor for each month, to investigate which creditors have and have not suspended debt payments.

Doing this has identified $9.9 billion of suspended payments. The missing $400 million is likely to be due to rounding errors as the IMF reported suspended payments for each country by creditor in per cent of GDP, with 0.0% often being given when payments were small.

Of the $9.9 billion, the largest creditors suspending payments are:
1) China: $5.7 billion
2) France: $0.9 billion
3) Saudi Arabia: $0.5 billion
4) Japan: $0.5 billion
5) India: $0.3 billion

China argues that some of its payment suspensions are by commercial banks.

In contrast with the $10.3 billion of payments suspended, for the 46 countries who applied for the debt suspension, their debt payments have been $36.4 billion over the same period.

Of the 46 countries, 24 also had their debt payments to the IMF cancelled for April 2020 to end-2021. This totals $0.6 billion of debt payments cancelled. Five further countries, which did not apply for the suspension, had $0.1 billion of debt payments to the IMF cancelled,[14] taking the total IMF cancellation to $0.7 billion.

In total, $10.9 billion of debt payments have been suspended or cancelled for the 46 countries, with $36.4 billion being made. So, for countries which applied for the suspension, they had just 23% of their debt payments suspended or cancelled, with 77% still being paid.

Of overall creditor groupings, other governments (bilateral creditors) suspended 48% of payments to them during this period, multilateral institutions 5% (almost all of which was debt payment cancellation by the IMF) and private lenders just 0.2% (one Italian bank suspended debt payments by Zambia).

[12] Principles on how a debt restructuring mechanism should work are available here: http://eurodad.org/debtworkout
[13] https://www.imf.org/en/Publications/Policy-Papers/Issues/2021/09/16/Joint-IMF-WG-Staff-Note-DSSI-Fiscal-Monitoring-Update-465864
[14] https://www.imf.org/en/Topics/imf-and-covid19/COVID-Lending-Tracker

Private creditors were the overall largest recipients of debt payments during the crisis, receiving $14.9 billion, compared to bilateral $11 billion and multilateral $10.4 billion.

Debt payments and suspension by creditor group for the 46 countries applying

Creditor grouping	Payments suspended	Payments made	% of payments suspended
Bilateral	$10.3 billion	$11 billion	48%
Multilateral	$0.6 billion [Cancelled]	$10.4 billion	5%
Private	$0.024 billion	$14.9 billion	0.2%
Total	$10.9 billion	$36.4 billion	23%

Below are the figures for a select group of individual creditors. UK private lenders, bondholders and the World Bank have all failed to suspend any debt payments. While the IMF cancelled $0.6 billion of payments by 24 countries, another 22 paid them $1.9 billion. Suspension by major bilateral creditors ranges from 71% of payments in the case of Saudi Arabia, to 45% for China, which is close to the average for all bilateral creditors together.

Debt payments and suspension by selected creditors for the 46 countries applying

Creditor	Payments suspended	Payments made	% of payments suspended
UK-based private lenders[15]	$0 billion	$3.2 billion	0%
Bondholders	$0 billion	$5.3 billion	0%
World Bank	$0 billion	$3.2 billion	0%
IMF	$0.6 billion[16]	$1.9 billion	24%
China	$5.7 billion	$6.9 billion	45%
Japan	$0.5 billion	$0.4 billion	56%
India	$0.3 billion	$0.2 billion	60%
France	$0.9 billion	$0.5 billion	64%
Saudi Arabia	$0.5 billion	$0.2 billion	71%

6. Data by debtor

Below is the percentage of debt payments suspended[17] for the 46 countries who applied for the Debt Service Suspension Initiative. The Caribbean islands of Dominica and Grenada had 1% or less of their payments suspended.[18] Sixteen of the 46 countries had 10% or less of payments suspended, and over half 20% or less. At the other end of the scale, three countries had more than 70% of their debt payments suspended: Central African Republic, Mauritania and Liberia.

These huge variations are due to which lenders countries happened to have as creditors. Dominica and Grenada's debt payments are overwhelmingly to multilateral and private creditors, so they had little ability to benefit once these two groups refused to take part in the suspension.

[15] This is direct loans only, does not include bonds

[16] Payments were cancelled, not just suspended

[17] Includes IMF cancellation

[18] The IMF document says Dominica had 0.0% of GDP in debt payments suspended, and it is considered 'too rich' to qualify for IMF debt cancellation. It may be that it did have a small amount of debt suspended, but this was rounded down to 0.0% of GDP.

Liberia and Central African Republic’s largest creditor is the IMF, so their qualification for the IMF cancellation led to a large debt payment reduction in 2020 and 2021.

Most of Mauritania’s debt is owed to other governments, particularly Saudi Arabia, China, France and Germany, all of which suspended debt payments in its case. However, these suspended debts will all come due to be paid from the mid-2020s. In September 2020 the IMF predicted that Mauritania’s external debt payments would increase from $175 million in 2020 to $385 million in 2024,[19] and this does not include payments on debt suspended in 2021.

	Country	**Percentage of debt payments suspended**
1	Dominica	0%
2	Cote d’Ivoire	1%
3	Grenada	1%
4	Papua New Guinea	2%
5	Fiji	3%
6	St Lucia	3%
7	Tanzania	3%
8	Lesotho	5%
9	Maldives	6%
10	Ethiopia	8%
11	Pakistan	9%
12	Afghanistan	10%
13	Chad	10%
14	Kenya	10%
15	Mozambique	10%
16	Yemen	10%
17	Senegal	11%
18	Madagascar	16%
19	Nepal	16%
20	Guinea-Bissau	17%
21	Gambia	18%
22	Myanmar	19%
23	Congo, DR	20%
24	Mali	20%
25	Tajikistan	21%
26	Djibouti	25%
27	Malawi	25%
28	Uganda	27%
29	Zambia	27%
30	Cabo Verde	28%
31	Cameroon	30%
32	Niger	36%
33	Tonga	39%
34	Burundi	42%
35	Sao Tome and Principe	44%
36	Burkina Faso	49%

[19] https://www.imf.org/en/Publications/CR/Issues/2020/09/16/Islamic-Republic-of-Mauritania-Fifth-Review-Under-the-Extended-Credit-Facility-Arrangement-49745

37	Samoa	50%
38	Togo	50%
39	Angola	52%
40	Guinea	52%
41	Sierra Leone	57%
42	Comoros	59%
43	Congo, Rep	65%
44	Central African Republic	74%
45	Mauritania	74%
46	Liberia	78%

All the data by country and creditor is available in a spreadsheet here:
https://jubileedebt.org.uk/wp-content/uploads/2021/10/Debt-service-suspension_Public_10.21.xlsx