Weekly Edition

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G.20 STILL HAS OPPORTUNITY TO DELIVER DEBT RELIEF FOR LICS

1. INTRODUCTION

Uganda Debt Work has been among the voices highlighting the need to cancel debt repayment of low income countries (Lics). In April 2020, 25 poorest countries won 6 months of debt cancellation by IMF and the Group of 20 (G.20) leading economies finance ministers also agreed to a "time-bound suspension of debt service payments" to 76 low-income developing countries eligible to the World Bank's International Development Association (IDA).

So far, according to the G20 around USD 5.3bn worth of debt payments from 42 countries has been suspended under the Debt Service Suspension Initiative (DSSI), amounting to 1.68% of all the debt service payments to be made in 2020 by low and middle income countries (excluding China). While the G-20 debt decision may provide some temporary respite, it does not address longer-term problems. Instead of cancelling repayments outright, it merely pushes the can down the road; countries will just owe the money later, and will continue to pay interest. Moreover, it only applies to a limited number of countries.

2. G20 DEBT RELIEF FOR DEVELOPING COUNTRIES—LESS SIMPLE

We awaited good news at the G.20 Ministers meeting in July but in vain, the actions will not suffice to avoid defaults by LICs since the move does not impact private lenders. An Oxfam report shows that all of the countries that are eligible for the G20 initiative are still required to pay a minimum of US$33.7 billion to service their debts this year. The LICs are now at high risk of debt distress or already in distress. The amount that is being required of them is US$2.8 billion per month, which is double the amount Uganda, Malawi and Zambia combined spent on their annual health budgets.

LICs have very limited fiscal capacity to respond to the COVID-19 pandemic - both for immediate relief measures and long-term reconstruction of their economies. The impacts of Covid-19 are exacerbating existing economic, social and gender inequalities. Yet we are still facing growing infection rates and famine because of COVID-19 - some of these countries have zero critical care units for their population.

3. LICS ANXIOUSLY WAITING FOR DEBT RELIEF ACTION FROM G-20

If the G20 does not want to see another 'lost decade' for development, then they must prepare for more ambitious and systemic solutions when they meet in the coming months as we look forward to better pronouncement come November at the G.20 Heads of state, also at the UN Assembly and Annual meetings of IMF-WB .

Discussions must result in the scaling up of the DSSI, and an urgent shift in approaches to financing. But they must also result in action on agreeing a post-Covid-19 debt relief and sustainability initiative under UN auspices to bring developing country debts down to sustainable levels and which considers countries' long-term financing needs to meet the ongoing and urgent health, education and social protection expenditure needs, climate goals, human rights and gender equality commitments.

4. RECOMMENDATIONS TO CREDITORS AND GOVERNMENTS

1) UDN and other Civil Society Organizations (CSOs), therefore, entreat you to support the cause for economic recovery of the LICs including Uganda, through no-interest on new debts for 10 years commencing 2020; and total Debt cancellation of outstanding debt, by the G.20, IMF, World Bank, regional banks, as well as bilateral creditors (e.g. under Paris Club). Then the LICs can invest the Debt cancellation resources into better healthcare, livelihood systems and other equitable economic development areas.
2) UDN and other Civil Society Organizations (CSOs), seek your renewed support to ensure that Governments of LICs including Uganda rebuild domestic revenue bases, exercise greater public accountability and outcomes from debt-funded programs; towards equitable and sustainable development.

To watch the UDN Health sector advocacy message, please click on the link below:

https://youtu.be/1ELke5I22LY

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CANCEL THE DEBT

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