Covid-19 (World): The G20 continues to ignore calls to cancel the debts of the world's poorest countries and stop funding fossil fuels

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When the World Health Organisation (WHO) declared Covid-19 a global pandemic in March, it meant understanding that no one is safe unless everyone is safe. To fight against its spread, it's in everyone's interest to bring the pandemic under control. The reality though is that there is a huge gap in capacity and resources between developed, developing, and least developed countries (LDCs) to address it in their respective societies. Different people and sectors are also differently impacted by the pandemic.

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The economic impacts of this health crisis are already deep and will become unprecedented. As far back as April, the World Bank estimated that it will push between 40 to 60 million people into extreme poverty. The looming economic crisis was the main focus of that month's online summit of finance ministers and central bank governors of the Group of Twenty (G20), the premier forum for international economic cooperation. The G20's April Communique supported a temporary suspension of the poorest countries' debt payments. This agreement, known as the Debt Service Suspension Initiative (DSSI), should only be the first step towards an adequate solution to the crisis.

They backtracked on this in their meeting over the weekend. The expected extension of the suspension period was not announced, and private and multilateral lenders have refused to suspend debt payments as requested by the Finance Ministers in April. There are no mechanisms to make private lenders comply. G20 is also banking on fossil fuel-based recovery as a response to the COVID-19 pandemic.

The need for deep and broad debt relief has been acknowledged by G20 country leaders, international financial institutions (IFIs), and the United Nations. Debt and economic justice campaigners, however, argue that debt relief will not be enough to help poor countries face the huge challenges brought by Covid-19. The health systems in the global south, already debilitated by decades of resource transfer to northern countries through debt repayments, will need substantial improvement. It is a great injustice that poor countries lose a big chunk of their budgets to external debt repayments instead of boosting their healthcare systems and other basic services in response to the pandemic's onslaught. Sixty-four countries spend more on external debt payments than on public healthcare.

The massive challenge caused by Covid-19 also comes on top of the planetary climate emergency that is already causing ecological collapse, massive loss of livelihoods and territories, and large-scale deaths in poor countries. The Intergovernmental Panel on Climate Change (IPCC) already identified fossil fuels emissions as the dominant cause of global warming. In 2018, 89% of global CO_2 emissions came from fossil-fuels and industries. For many years climate justice campaigners have demanded that the G20 shifts finance from fossil fuels to renewable energy.

Corporations receive the biggest slice of government support

On the eve of the 18-19 July G20 Finance Ministers and Central Banks' preparatory ministerial meetings in the lead up to the G20 Leaders' Summit in Saudi Arabia in November 2020, the Asian Peoples Movement on Debt and Development (APMDD), Asia-Europe Peoples Forum (AEPF), Fight Inequality Alliance Asia, and Action Aid International organised the public webinar "Follow the (Peoples') Money: How the Governments of the World's Biggest Economies are Spending their Public Funds in Response to Multiple Crises: COVID19, Economic Crisis, Climate Crisis.

The webinar discussed the need for the cancellation of debts of poor countries and the ending of G20 fossil fuel subsidies. In her overview presentation, Lidy Nacpil of APMDD said that even with the suspension of debt services from May to December 2020, LDC countries will still spend $11 billion servicing debts to official bilateral lenders. On the climate front, the grouping still only pays lip-service to its green rhetoric as they still spend $444 billion on annual subsidies to fossil fuel industry, with only $89 billion for renewables. The grouping is also reneging on their pledge of $19.9 billion for the Global Climate Fund.

Rich countries' governments could increase spending to address the crisis, because their central banks are able to print money in order to offer reduced interest loans. To encourage investors to buy up government loans, they are also given loans at very low interest rates. Tim Jones of Jubilee Debt Campaign UK said that this spending by governments is actually benefiting rich corporations, which receive disproportionate support compared to health sectors. Of the UK's $175 million increased spending, 35% directly supported companies and only 15% supported public services. Likewise, more than half of the US' $2.7 trillion stimulus package was for corporate support.

Jones argued that the recent rise in the price of corporate stocks is not due to improvement in the economy, but rather due to governments' support of corporate assets. Like in the 2008 crisis, the public have little or no say on current corporate bailouts, despite many campaigns to include criteria for environmental, social, and labour protections. In the UK, corporations were offered $400 billion in cheap loans irrespective of their needs. At the same time, policy makers fail to nationalise strategic corporations that are facing difficulties in order to save them and their workers.

Iolanda Fresnillo from Eurodad alluded to 'draining the Titanic with a bucket' in describing the G20's efforts to help sinking countries in the global south. Before the pandemic, these countries already experienced difficulties from the automatic allocation of their revenues for debt repayments. In 2018, these were 13% of annual earnings. The economic losses from the lockdowns, increased health needs of the population and increased amount of external debt service from currency differentials are triple whammies against southern countries.

Of 77 LDC countries, 44 have already applied for debt payment postponement. However, some of the poorest countries, like Sudan, Eritrea and Zimbabwe, are ineligible under the scheme, while a further 12 countries at risk of debt distress did not apply. Both Nacpil and Fresnillo stressed that debt postponement will not make creditor countries experience financial loss. Indebted countries will still need to pay $155 billion after postponement, regardless of the state of their economy. Fresnillo also pointed at the holes in the IFI's Building Back Better rhetoric, as their lending and investment policies remain unchanged. Nacpil concurred, highlighting the $47 billion increase in fossil-fuel investments.

Unfulfilled climate finance promises to developing countries

Climate finance is supposed to fund mitigation and adaptation needs of developing countries and was often referred to as new and additional funding under the Common But Differentiated Responsibilities principle of the UN Framework Convention on Climate Change (UNFCCC). The 2015 Paris Agreement reiterated this, as did the 2018 Buenos Aires G20 Communique. Claire Miranda from APMDD explained the 5 kinds of climate finance from 39 contributing countries mentioned in the UNFCCC. These are the Global Environment Facility, Least Developed Country, Special Climate Change, Adaptation, and Green Climate Funds.

The total amount pledged in the climate negotiations is $19.9 billion, but only $12 billion has materialised. Only Germany has honoured its pledge. It is worth noting that contributing countries are more interested on the GEF. Miranda clarified that its appeal is due to the inclusion of carbon credit and carbon capture and storage mechanisms, both of which are viewed by climate justice groups as false solutions which will merely create profits for investors without reducing emissions.

Alex Doukas from Oil Change International wryly highlighted the G20's continuing priority for fossil fuels by pouring $77 billion annually into them while investing pittances into climate financing for renewable energy. Even the public money earmarked for energy in their recovery packages was skewed, with $151 billion allocated to fossil fuels. He also debunked the lie of scarcity of funds. The money exists, but it is not going to support the commons. ActionAid's Joy Mabenge's closing remarks summed-up the hard campaigning that lies ahead for climate and social justice campaigners– demand a new deal and push strongly on (a) tax reform; (b) debt cancellation to address Covid-19; and (c) climate financing for recovery, as well as that it must be a feminist new deal.

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P.S.

• Global Justice Now. 22 July 2020
https://www.globaljustice.org.uk/blog/2020/jul/22/g20-continues-ignore-calls-cancel-debts-worlds-poorest-countries-and-stop-funding

• Global Justice Now is a member of the International Organising Committee and Climate Cluster of the Asia Europe People's Forum