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G30 Calls for Urgent Actions to Enable Sovereign Debt Sustainability and Recovery

WASHINGTON—October 14, 2020: The Group of Thirty (G30) today published its preliminary report and recommendations in *Sovereign Debt and Financing for the Recovery After the COVID-19 Shock*. The report emphasizes the prospect of a lost decade of global growth without urgent, concerted and sustained policy responses. The international response to COVID-19 in middle- and low-income countries to date has paled in comparison to the domestic policy response in advanced economies, and has been **unambitious, uncoordinated, and uneven**. The G30 preliminary report makes recommendations in seven areas, to strengthen the response of IMF members, multilateral development banks, official and private-sector lenders, and sovereign borrowers, to mitigate the current crisis and ward off future debt troubles.

With the emergence of major new lenders including those from China, it is more important than ever for all official, commercial, and hybrid creditors to join in coordinated efforts to ensure sovereign debt sustainability and transparent and equitable burden sharing. At the same time, there is a rare opportunity now to experiment with new market and policy tools to meet upcoming challenges and serve the collective global interest.

Guillermo Ortiz, Co-Chair of the G30 Working Group on COVID-19 and Sovereign Debt, and former Governor of the Bank of Mexico stated, “The World Bank Group and the growing array of regional development banks can help prevent the COVID-19 shock from turning into a global humanitarian crisis. Just as the pandemic had increased inequality inside most advanced economies, it is also increasing inequality inside most emerging markets. The World Bank needs to find creative ways to maximize its concessional “surge” capacity to allow countries to fight inequality and avoid social strife.”

Dr. Ortiz made clear that all actors must be part of a solution, “Failure to secure the participation of all creditors, including private, commercial, hybrid, and state-owned policy lenders, would undermine political support for a concerted global response to the crisis.”

“We reject the view that the worst of the crisis has passed – to do so would be a failure to recognize continuing public health, economic, and political risks, and undermine the global response. Uncertainty must not become an excuse for inaction,” said **Lawrence H. Summers**, Co-Chair of the G30 Working Group on COVID-19 and Sovereign Debt, and former Secretary of the US Treasury. **Dr. Summers** continued, “We call on the IMF to double its concessional lending as a matter of urgency. This alone will not be enough. IMF members should rapidly move forward and agree two new \$500bn SDR allocations, to ensure the funds are available for this crisis and future crises.”

Dr. Summers stressed, “The crisis response effort – which must stretch across a multi-year period, spanning large parts of the globe – will fail if people think that scarce resources are subsidizing repayments to banks and other creditors instead of urgent pandemic response and recovery. While judgments about appropriate debt relief should be made case by case, the presumption now should be in favor of more relief given the scale of the shock and the low cost of debt relief in the current economic environment.”

The authors highlight the need for major new creditors, including China, to fully engage and take a greater role in planning for dealing with the debt crisis when it occurs. China is today a major source of loans for many lower income and middle income states that face increasing debt distress.

Dr. Ortiz continued, “China is a major creditor and we believe it should take a more active dynamic role in multilateral crisis resolution. We call on China to join the Paris Club, and engage with other forums to ensure all creditors, public and private, play their part in getting to a workable solution.” **Dr. Summers** added, “We believe Chinese lenders must take a collaborative stance commensurate with the scale of their past lending. This remains an opportunity for China to display global leadership, by stepping up and making a clear commitment to restructure the debts of all Chinese state and hybrid lenders transparently and on terms comparable to the terms provided by Paris Club creditors. While the debt architecture needs to evolve to reflect the presence of new lenders, the needed response to the pandemic is urgent and cannot wait for this process to run its course -- all official, commercial, and hybrid creditors, public and private need to agree to participate equitably in current efforts to mitigate the impact of the pandemic on developing countries.”

The G30 thanks Project Directors **Anna Gelpern**, Professor of Law and Agnes N. Williams Research Professor, Georgetown Law; and **Brad W. Setser**, Steven A. Tananbaum Senior Fellow for International Economics, at the Council on Foreign Relations, for their work on this report.

To receive a copy of the *Sovereign Debt and Financing for the Recovery After the COVID-19 Shock* preliminary report, contact G30 Press Officer Melissa Golding, +1 571-236-2820, pressoffice@group30.org.

On October 14, 2020, at 9:30am EDT, the G30 hosted a live webinar launch of Sovereign Debt and Financing for the Recovery After the COVID-19 Shock with Lawrence Summers and Guillermo Ortiz. A link to the webinar recording is available on the G30 website, www.group30.org.

The Group of Thirty is an independent global body comprised of senior representatives of the public and private sectors and academia. The Group aims to deepen understanding of international economic and financial issues, to explore the international repercussions of decisions taken in the public and private sectors, and to examine the choices available to market practitioners and to policymakers. The Group was established in 1978, and is led by Jacob A. Frenkel, Chairman of the Board of Trustees, and Tharman Shanmugaratnam, Chairman of the Group.

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