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2 THE WORLD'S POOR ARE DROWNING IN DEBT. HERE'S HOW TO HELP THEM.

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The coronavirus is spurring the worst downturn since the Great Depression, warns the International Monetary Fund. The U.N. World Food Programme says 265 million more people now face famine.

The pandemic forces work stoppages, shuts factories, and eliminates tourism and travel. The International Labor Organization projects more than 195 million jobs lost. While governments lose revenue, they must increase spending to protect the poor and businesses.

High debts for many countries make it impossible to negotiate the corona crisis. The IMF and World Bank reported, prior to the virus, that 40% of low-income countries were already in debt crisis or held worrisome debt levels. Unsustainable debt leaves little space for countries that need to enact stimulus packages like the U.S. passed. Treasuries already lacked billions because of corruption, tax evasion, and tax avoidance.

More than 100 countries now request emergency IMF financing to deal with virus health and economic impacts.

Before Covid-19, too many health care systems were weak because of austerity policies in place to pay debt. In fact, most of the 76 poorest countries have fewer than 50 critical care units for millions of people. Some have none. Two-thirds of the world's people who live in extreme poverty call these 76 countries home.

What are the short-term solutions to bolster global health care and survive a possible economic collapse?

The IMF, World Bank, G7, G20, and U.N. are debating solutions. While the IMF provides rapid, below market-rate loans to a growing number of countries, more resources will be needed.

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One answer is found in our response to the 2008 financial crisis. We accessed \$250 billion in global reserves, also known as the special drawing rights or SDRs.

There are growing calls for the IMF and G20 to allocate a trillion in new SDRs to low-income and middle-income countries. This is doable and could provide immediate resources to developing countries to strengthen health care and to pass the bridge financing needed to support workers and the poor. With few short-term options, this proved effective before and we should do it again.

We've seen other powerful short-term actions led by the U.S. Treasury, G20, IMF, and World Bank on debt relief. In April, the IMF cancelled six months of debt payments for the world's 25 poorest countries, and G20 countries agreed to stop collecting debt for 73 countries through 2020. Countries that count their budgets in the tens of millions now have \$22 billion to confront the coronavirus.

Is it enough?

African finance ministers are calling for \$44 billion in debt relief. The United Nations Conference on Trade and Development calls for a trillion dollars in debt cancellation for countries to survive.

In the absence of an actual system to globally adjudicate all types of debt, like the bankruptcy processes we have in our own domestic economies, moving forward debt restructuring in the best interest of both the lender and borrower seems challenging.

Still, in the short term there are signs that political will is growing to relieve more debt. The IMF and World Bank closed their April meetings with a historical bang, committing to look at debt relief for middle-income countries and other countries that might need it as the crisis deepens. The G20 and IMF called all other types of creditors (banks, private and commercial) to negotiate debt payment suspensions.

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Again, the challenge is that without the formal bankruptcy that we have in our home countries, you can't make sure every debt holder comes to the party.

However, in the short term, the IMF, G7, and G20 can make decisions that move us toward more predictable bankruptcy-like processes. The G7 countries house the financial jurisdictions that arbitrate most of the world's private sovereign debt. Changes to laws in New York and London can ensure private creditors accept invitations to debt-settlement soirees.

If we treat the 2020 debt-payment moratorium for 73 countries like the first phase of bankruptcy, we have breathing space to figure out if it's possible to pay debts, strengthen health care, and reduce child poverty. The IMF committed to review debt problems. June and July G7 and G20 meetings can set the stage to relieve and restructure debt. These meetings are the opportunity to review the need for further debt relief for the developing middle-income countries as well.

After past crises, we've flirted with global, comprehensive bankruptcy processes.

In the aftermath of the Asian financial crisis in the early 2000s, the U.S. Treasury and IMF supported a bankruptcy process known as the Sovereign Debt Resolution Mechanism that failed to be implemented. As we recovered from the 2008 financial crisis and wrestled with financial crises in Argentina and Greece, world leaders briefly again entertained a process. The United Nations General Assembly even passed a bankruptcy process in 2014, but it wasn't binding.

The father of modern economics, Adam Smith, advocated for such a process. Pope Francis supports this arbitration mechanism.

There were moments when we learned the lesson of exporting bankruptcy beyond our domestic borders.

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The 1953 London Accord brought all stakeholders together to restructure Germany's debt in a process fair to creditors and debtors, a process creating the path for one of the strongest economies that ever existed. While never adequately used, super bankruptcy measures were passed for Puerto Rico by the Republican-led Congress in 2016.

My organization, Jubilee USA Network, has won more than \$130 billion of debt relief for developing economies since the early 2000s to increase social spending on health and education. Many of those same countries were again in debt crisis before this pandemic hit. Our name, Jubilee, comes from scripture sacred to Jews and Christians about a continual promised process, beyond debt relief to ensure that in times of peace or crisis, we all are protected from having too little or too much.

As we plan to emerge from this crisis, with wisdom to prevent the next crisis, will we move beyond debt relief and accept the promise of Jubilee?

Read online: https://www.jubileeusa.org/eric_oped_barrons_debt_relief_2020

