ऑक्सफैम इंडिया
OXFAM
India

15 July 2020

Smt. Nirmala Sitharaman
Honorable Minister of Finance
Room no. 134, North Block
New Delhi
India – 110001

Dear Smt. Nirmala Sitharaman Ji,

I write to you on behalf of Oxfam India which is part of the Oxfam confederation working in over 90 countries to fight inequality to end poverty and injustice.

I write to you in advance of next week's G20 Finance Ministers meeting, to request a meeting and to urge you to raise the G20's ambition to unlock revenues that developing countries urgently need – now more than ever – to save lives and livelihoods.

The greatest priority is for the G20 Finance Ministers to urgently expand and extend the Debt Service Suspension Initiative (DSSI). In agreeing the DSSI in April, you and other Finance Ministers made a vital multilateral intervention. But months on, it is clear that the DSSI in its terms and in its coverage is falling far short of what this crisis demands.

Globally, Oxfam's report estimates that 122 million more people could be pushed to starvation this year. As the pandemic unfolds, the Indian economy will experience severe contraction as already forecasted by the Asian Development Bank and OECD. In India, the Centre and States are looking at a major revenue loss, a direct consequence of the lockdown, which probably was an essential to at least partially contain spread of the virus. States are more at the receiving end since the expenses associated with the pandemic are borne by them. This has created a heavy stress on the economy as many additional investments are required to streamline the lives of people, and likewise the economy from the effects the pandemic. Furthermore, migrants, informal workers and other vulnerable communities in India are severely affected due to social and economic fallout.

Oxfam India urges you and other Finance Ministers to expand the DSSI to be a legally binding initiative that ensures the cancelation of bilateral as well as multilateral and private debt payments for the 2020-2022 period. Developing countries are continuing to service high interest bonds and loans to private lenders, which are acting irresponsibly. The World Bank, the poorest countries' largest multilateral creditor, continues to step aside from debt relief.

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Moreover, the G20 can protect DSSI countries from downgrade threats by credit rating agencies, which is preventing a number of eligible countries from joining. Crucially, the DSSI must expand its scope to all middle income countries, which are facing similar crises to LICs. The need for India to become a beneficiary of the DSSI stands justified by the fact that its external debt witnessed an increase of 1.2 percent towards the end of December 2019, and stands at USD 563.9 billion; which is an increase of USD 6.5 billion over its level at end September 2019. This is indicative of the rising debts which are bound to be compounded by the pandemic.

In addition to debt cancelation, the G20 must break the deadlock and agree on a general allocation of up to $3 trillion in Special Drawing Rights by the IMF, which is a crucial mechanism to fill countries' urgent financing gaps and engage in international trade. You are aware that in the last G20 meeting and IMF spring meeting, the proposal to create and distribute an additional 500 billion worth of SDRs was mooted. But it did not take off because it was vetoed by two countries: The United States and India. Advanced economies like United States with international reserve currencies are much less likely to need to use them, but they can be a lifeline for emerging markets and developing economies. Since, Allocations in SDR can provide additional resources to fight both the pandemic and the economic disaster of the developing counties like India. While a reallocation of existing SDRs targeting low-income countries could provide them with a similar level of support *if it takes the form of grants/donations,* this comes with costs, could take more time and would provide no help to middle-income countries. A reallocation scheme that effectively takes the form of additional loans should be ruled out as many recipients' debts are already unsustainable.

There is significant scope for the G20 to scale up aid budgets in additional funding as grants. The G20 can also commit to fairer taxation; those who have been harmed less can contribute more, from individual wealth taxes to increasing taxation on corporations that are making excessive profits amid the pandemic. Global corporate taxation can be shaped to respond to developing nations' needs, starting with an agreement on a reasonable minimum tax rate.

We continue to call upon governments around the world to spend revenues strategically to save lives and livelihoods – including in the provision of healthcare free of charge for all and a huge increase in universal social protection including with cash grants. This is pressing to avert a deepening of the current health, economic and social crises before us.

With the global economic crisis growing, we look to the G20 Finance Ministers to avert impending catastrophe to hundreds of millions of people. The history books will be written about this moment. We urge you to act, and I would be grateful for an opportunity to discuss these actions with you further.

Yours sincerely,

Amitabh Behar
Chief Executive Officer

Cc: Shri Anurag Singh Thakur, MoS Finance