Economic and Financial Imperatives for "Leaving Noone Behind": Roles for Religious Communities
A G20 Interfaith Forum Policy Brief
August 1, 2024

> *The G20 is largely responsible for setting the targets and raising the money we need to address climate change and poverty; We need better global debt, tax and aid policies to end global poverty and heal our planet*. Eric LeCompte, Jubilee USA

Looking to G20 Leadership

The 2024 G20 agenda focuses sharply on wide-ranging global issues of inequality and social progress, and their economic and financial implications. The G20 Interfaith Forum highlights diverse ways in which networks of religious communities engage on these topics, with a view to enriching action proposals and enhancing direct engagement. Several networks that are part of the IF20, notably Jubilee USA, ACT Alliance, and the Justice and Ecology Office of the Jesuit Conference of Africa and Madagascar, are actively engaged on these issues, and this note draws on their work.

Three topics have central importance on the IF20 and G20 2024 agendas: (a) G20 action on unsustainable debt burdens; (b) Assuring appropriate and sufficient finance for priority climate actions, and (c) Pressing for reforms in global tax regimes. Religious perspectives on other pertinent topics include global governance reforms, notably of key multilateral institutions (IMF and development banks).

Unsustainable debt burdens

Two observations reflect the urgency and relevance of the topic: first, unsustainable debt burdens facing a large group of countries[1] may, according to some commentators, be at their worst point ever; and second, the G20 "common framework" developed to address debt burdens "is not working" as intended, and needs to be revamped.

Inspired by the example of the year 2000 Jubilee Movement, a coalition of religiously inspired communities and organizations that called for urgent action to address debt burdens of poorer countries, contemporary allies are now calling for bold and urgent G20 action. With 2025, another "Jubilee" year, the moral call for justice and action on debt from religious communities represents a powerful voice and a common cause. Religious communities have distinctive strengths to serve as a motivating force, to lobby across national and international platforms, building on shared religious values. Religious actors can bring their insights on impact at community level and can organize networks, The opportunity cost of not including them in the complex dialogue processes around global and country debt burdens can be substantial.

[1] "A World of Debt 2024," UNCTAD, June 4, 2024, https://unctad.org/publication/world-of-debt.

The challenge of debt burdens, especially on the world's poorest nations, are complex but clearly mapped. A recent report[2] observes that, when measured by the burden of debt service on budgets, this is the worst global debt crisis **ever**. "In 2024, debt service is absorbing 41.5% of budget revenues, 41.6% of spending, and 8.4% of GDP on average across 144 developing countries: figures much higher than those before relief was provided to Latin America in the 1980s, and to HIPCs from 1996." Service exceeds all social spending, and is 2.7 times education spending, 4.2 times health, 11 times social protection, and 54 times climate adaptation. The crisis affects many countries (118 is one estimate). The situation is not a short term crisis with short term fixes. The IMF forecasts that high debt service and stock burdens will persist into the mid-2030s.

Solutions are not straightforward, as there are substantial differences in debt structures, on reasons for indebtedness, and moral hazards involved where, for example, large debts can be plausibly linked to high corruption. Most countries aspire to creditworthiness to support many programs. Temporary postponement of service will not solve the problem. The creditors who lent funds are so diversified that meaningful debt relief will require external, domestic, and multilateral bondholders. World Bank Chief Economist Indermit Gill commented starkly that: "The common framework is not working. If the money from debt relief was coming in dribs and drabs, I would say OK, but there hasn't been a single dollar of debt relief from the common framework." The framework, elaborated during the COVID-19 crisis, has diverse weaknesses. It has moved at glacial speed, in part because the holders of debt have changed, with large parts held by private creditors and China. Gill concluded that failure to come up with a workable debt framework is putting back development by years.

This is not the first time this central challenge of unsustainably high debt has threatened development. In 1999, the IMF introduced the Heavily Indebted Poor Countries (HIPC) Initiative as a way to tackle crippling debt in 23 counties. Debt service relief amounted to about $34 billion, but it was a part of a comprehensive approach. This aimed first, to remove debt as a constraint in poor countries' struggle against poverty, then to set the stage for determined countries, supported by the international community, to overcome other constraints to exiting from poverty. Multilateral banks disbursed rapid COVID-19 relief but these funds are quickly approaching maturing repayment deadlines in ways local economic growth cannot catch up. IMF Managing director Kristalina Georgieva said that "there is no better time to act, to reach sustainable debt levels and build stronger buffers to cope with the shocks that will come in the future."[3] Religious communities offer insights on both the nature of debt burdens and their practical impact on people. Effective advocacy at country and global levels has a proven track record, both framing technical financial matters in ethical terms and bringing both voice and experience of poorer communities into the discussion.

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Climate finance:

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[2] Matthew Martin with David Waddock, *Resolving the Worst Ever Global Debt Crisis: Time for A Nordic Initiative?* June 2024.

[3] Katherine Walla, "IMF Head Kristalina Georgieva on How to Avoid 'the Tepid Twenties' for the Global Economy," Atlantic Council, June 28, 2024.

Climate action depends heavily on financial resources: their level, allocation, and effective implementation, Elaborate negotiations on different aspects of climate finance across different platforms are taking place, but the G20 processes are central to them. Further, Brazil has a central role in shaping global climate action as the G20 2024 host and, later, holding the 2025 BRICS and COP30 presidencies. Countries are to submit new Nationally Determined Contributions (NDCs) at COP20 in Belem. Further, as it has become increasingly clear that climate and development are intrinsically linked, climate finance has assumed a more prominent place on G20 agendas. Both the sherpa and finance tracks, (Task Force for the Global Mobilization against Climate Change) focus on aspects of climate finance. The hoped for outcome is a more holistic approach alongside clearer responsibilities among different partners.

Religious networks and coalitions engage on a diverse range of climate finance topics, with varying degrees of impact. This takes place at different levels, from local to global, and in the context of different platforms. Within the G20 context, recent advocacy for action by civil society groups has focused particularly on establishment of the Loss and Damage fund, but also on across the board resource allocations. G20 Interfaith networks are engaged in a multiple ways in this effort; Encouraging governments to act on a basis consistent with the climate crisis and holding governments to account, enhancing public and religious community awareness of climate issues, and modeling positive behavior (for example science based emission targets applied to religious institutions). Goals include building trust in both institutions and goals which, in turn, can support action and the allocation of additional resources.

Partnership and effective collaboration are keys to success and are areas where religious communities have a potential to support progress. Advancing sustainable finance goals within the G20 necessitates coordinated action from a multitude of actors spanning finance ministries, central banks, MDBs, Public Development Banks (PDBs), and non-state actors and civil society. Collaboration is crucial to align incentives, drive innovation towards sustainable economic growth and development, and ultimately increase pressure for concrete action that addresses pressing environmental and social challenges.

Taxation

In recent decades, large inequalities between the richest individuals and companies and the poorest citizens and legal entities have drawn increasing attention. Issues of inequality need to be addressed by each country, but given wide disparities among countries, multinational approaches are also needed. Individual income taxes are often the main source of government revenue. Yet, in countries including Brazil, France, Italy, the UK, and the US, the ultra-high-net-worth individuals pay an effective tax rate lower than the average worker. That fact contributes to a proportionally lower ability for governments to repay debt and provide essential services.

Faith communities include people across tax brackets who, may, through shared convictions, advocate for financial equity. Through a moral lens of empathy, giving, and shared prosperity, faith actors can have significant roles to play in shifting the public opinion of the most privileged.

Tax-related Illicit Financial Flows (IF Fs) and international tax competition compound inequalities. Taxation is an essential instrument to wealth redistribution among citizens to ensure their wellbeing. In line with the UN Sustainable Development Goals (SDGs), it can promote human dignity, equality, and prosperity, protect the planet from degradation, and foster peaceful, just, and inclusive societies, focused on the needs of the poorest and most vulnerable. ACT Alliance is leading a “Conversation on Inequality”, where practitioners, civil society, and representatives from the UN and states will explore the landscape of international tax abuses and opportunities ahead, including negotiation of a UN Framework Convention on Tax Cooperation.

At a meeting in Rio de Janeiro in July 2024, finance ministers from G20 countries agreed on the need to work together on taxing the world's richest individuals. The world's approximately 3,000 richest billionaires would have a minimum of 2 percent tax levy which could unlock approximately $250 billion globally per year. French G20 adviser Gabriel Zucman proposed the idea while re-emphasizing respect for tax sovereignty each country exercises. Brazil had previously highlighted the need for such income re-distribution. This remains a controversial topic.[4]

Annex: Climate Finance

In 2009, developed countries agreed that by 2020, they would collectively mobilize $100 billion per year to support developing countries' climate action. OECD reports that this goal was met for the first time in 2022 — two years after the initial deadline.

Negotiators are working on developing a new goal, setting their sights higher.

With the 2015 Paris Agreement, countries set a "new collective quantified goal on climate finance" (NCQG) to replace the existing goal of $100 billion per year. The NCQG is meant to be adopted at COP29 in Azerbaijan.

The new finance goal will channel greater funds toward urgently needed climate action in developing countries. It will support implementation of low-carbon, climate resilient solutions in energy, transport, agriculture and other vital systems. By increasing financial support, it should enable developing countries to step up their climate ambitions in the next round of national climate plans (NDCs), which are due in 2025.

Deliberations on the new goal have been slow to date. Negotiators have yet to reach consensus on foundational questions, from the dollar amount of the goal to which countries should contribute.

The $100 billion goal covers climate-related activities under two categories: mitigation (efforts to reduce greenhouse emissions) and adaptation (efforts to build resilience to climate impacts). Countries will continue to face losses and damages from climate impacts that are already here. "Loss and damage" refers to the impacts that go beyond what communities can adapt to, such as the loss of homes and lives during severe storms.

[4] 1. Giorgio Leali, "G20 Countries Agree on Need to Tax the Super-Rich - but Later," POLITICO, July 26, 2024, https://www.politico.eu/article/g20-countries-agree-on-need-to-tax-the-super-rich-but-later/.