

“RELEASE G20”
A FLEXIBLE MECHANISM FOR DEBT CONVERSION, SUSTAINABLE DEVELOPMENT
AND THE RELAUNCH OF INTERNATIONAL COOPERATION

A Proposal for the G20 Under Brazil's Presidency

(Abstract)

Supporting investments in development for the most fragile and indebted countries can be revitalized in alignment with the Sustainable Development Goals (SDGs), **under the initiative of the Brazilian Presidency of the G20**. This initiative can build upon the extension of the Debt Service Suspension Initiative (DSSI1) previously enacted by the G20.

The RELEASE G20 initiative represents a proposal for a flexible, partial, or total sovereign debt conversion through the establishment of a counterpart fund by the debtor country, in local currency, dedicated to sustainable development—an SDG Fund. The fund would be endowed with amounts nominally equivalent to the values of existing debt payments.

The goal is to promote the achievement of SDGs in the most vulnerable countries facing severe economic crises that exacerbate their structural fragilities, encouraging medium- and long-term **sustainable investments** in resilient infrastructure and services. This would involve both public initiatives and incentives for the private sector. Promoting investments, particularly in developing countries with high demographic potential, can stimulate economic growth, foster trade, secure services, and create stable jobs. Therefore, debt reduction and restructuring are crucial to prevent widespread economic defaults and to catalyze SDG-focused recovery investments.

Debt conversion should be gradual to increase its multiplier effect and impact over time, aligning with each country's policy framework. Indebted countries would reduce their public debt service expenses in exchange for **committing to reinvest an equivalent amount in their local economies, according to an agreed-upon timetable**.

The benefits of converting debt into local investment funds are evident. It enables the planning and execution of immediate projects in line with the SDGs, reinforces national ownership and accountability in fund management, strengthens administrative capacity, and encourages creditors to maintain and enhance relationships with these countries.

On a country-by-country basis, all resources generated from the RELEASE G20 decisions, involving entities like the EU, AU, IMF, World Bank, and other international financial institutions, would be channeled into a counterpart **SDG Fund for local currency investments**, aligning with national development plans and creating measurable impacts on specific SDG targets. The Fund would either directly finance these investments or be used as collateral to leverage other funds or investors, primarily private ones, with the overall aim of fostering sustainable development.

The SDG Fund would be managed at the government level, country by country, with oversight from the Ministry of Finance, involvement from relevant ministries, and engagement with civil society organizations. **A monitoring mechanism would be in place to ensure transparency, accountability, and effectiveness**. Negotiations should be based on established practices and coordinated with creditor

¹ G20 Debt Service Suspension Initiative (April 2020): facilitate debt suspension for 76 low-income countries (40 in sub-Saharan Africa) eligible for aid from the World Bank's International Development Agency (IDA).

countries. The G20 could provide governance guidelines, adaptable on a case-by-case basis, taking into account the number of creditor countries participating in each national SDG Fund.

The conditions linked to the financing should be straightforward, transparent, and easy for all involved institutions to monitor. Oversight and **clarity regarding Fund utilization** criteria will be critical to restoring discipline, ensuring effective use of debt conversion, and rebuilding trust and credibility. Creditors may be attracted by the notion of converting non-recoverable amounts into funds that could pave the way for a country's sustainability, under the assurance of monitored management. Arms trade, human rights violations, and similar concerns should preclude debt relief considerations. Additionally, commitments to achieving greater resilience and climate neutrality could serve as an incentive to bolster the essence of RELEASE G20.

In the flexible spirit of RELEASE G20, for particularly fragile, heavily indebted countries with unsustainable debt levels exacerbated by the pandemic, a total or partial debt cancellation remains the most desirable option.

RELEASE G20 could represent a winning proposal from the G20 to the international community, establishing a long-term agreement for debt burden reduction and a systematic, sustainable restructuring process for sovereign debt in the most fragile, heavily indebted countries, coupled with SDG-oriented investments. The initiative would have substantial political impact, as a fundamental step in implementing the "Financing for Development" commitments, while also being operationally transformative in the field of international cooperation. This would ensure a fair, regular, timely, and effective debt restructuring process, enabling countries to invest in the SDGs.

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