Statement

Extraordinary G20 Finance Ministers and Central Bank Governors' Meeting
13 November 2020 [Virtual]

Given the scale of the COVID-19 crisis, the significant debt vulnerabilities and deteriorating outlook in many low-income countries, we recognize that debt treatments beyond the Debt Service Suspension Initiative (DSSI) may be required on a case-by-case basis. In this context, we endorse the "Common Framework for Debt Treatments beyond the DSSI" (Annex I), which is also endorsed by the Paris Club.

We remain committed to implementing the DSSI, in close coordination, to provide maximum support to DSSI-eligible countries. All official bilateral creditors should implement this initiative fully and in a transparent manner. We also discussed outstanding issues related to the DSSI and agreed on the extended version of the addendum to the April 2020 DSSI Term Sheet as set forth in Annex II, which is also agreed by the Paris Club.

Annex I: Common Framework for Debt Treatments beyond the DSSI Recognizing that efficiently addressing ongoing debt vulnerabilities will require a case-by-case approach, but also strong creditors' coordination, the present document sets out a common framework for the G20, which is also agreed by the Paris Club, to facilitate timely and orderly debt treatment for DSSI-eligible countries, with broad creditors' participation including the private sector.

Need for Debt Treatment and Debt eligible to the Treatment

The process will be initiated at the request of a debtor country. The need for debt treatment, and the restructuring envelope that is required, will be based on an IMF-WBG Debt Sustainability Analysis (DSA) and the participating official creditors' collective assessment, and will be consistent with the parameters of an upper credit tranche (UCT) IMF-supported program.

Debt eligible to the treatment will include all public and publicly guaranteed debts which have an original maturity of more than one year. The treatment necessary to achieve sustainability will take into account the cut-off date in the 2020 DSSI term sheet that protects new financing provided after 24 March 2020.

The debtor country requesting a debt treatment will provide to the IMF, the WBG as well as creditors participating in the debt treatment, the necessary information regarding all public sector financial commitments (debt), while respecting commercially sensitive information.

Coordination among Official Bilateral Creditors

All official bilateral creditors with claims on a debtor country will participate in the debt treatment of that country.

All G20 and Paris Club creditors with claims on the debtor country, as well as any other willing official bilateral creditor with claims on the country, will coordinate their engagement with the debtor country and finalize jointly the key parameters of the debt treatment, consistent with their national laws and internal procedures. The joint creditors negotiation shall be held in an open and transparent manner and before finalization of the key parameters, due consideration shall be given to the specific concerns, if any, of all participant creditors and the debtor country.

The key parameters will include at least (i) the changes in nominal debt service over the IMF program period; (ii) where applicable, the debt reduction in net present value terms; and (iii) the extension of the duration of the treated claims. In principle, debt treatments will not be conducted in the form of debt write-off or cancellation. If, in the most difficult cases, debt write-off or cancellation is necessary as a consequence of the IMF-WBG DSA and the participating official creditors' collective assessment, specific consideration will be given to the fact that each participating creditor shall fulfill its domestic approval procedures in a timely manner while keeping other creditors informed of progress. The key parameters will be established so as to ensure fair burden sharing among all official bilateral creditors, and debt treatment by private creditors at least as favorable as that provided by official bilateral creditors.

The key parameters will be recorded in a legally non-binding document, named "Memorandum of Understanding" (MoU), to be signed by all participating creditors and by the debtor country. Creditors will implement the MoU through bilateral agreements signed with the debtor country. They will continue to closely coordinate and share information on the status of implementation of the MoU.

Comparability of Treatment with Other Creditors

A debtor country that signs an MoU with participating creditors will be required to seek from all its other official bilateral creditors and private creditors a treatment at least as favorable as the one agreed in the MoU. Debtor countries will be required to provide regularly to signatories of the MoU updates on the progress of their negotiations with their other creditors, including through face-to-face meetings if needed.

Assessment of comparable efforts will be based on changes in nominal debt service, debt stock in net present value terms and duration of the treated claims.

Multilateral Development Banks will develop options for how best to help meet the longer term financing needs of developing countries, including by drawing on past experiences to deal with debt vulnerabilities such as domestic adjustment, net positive financial flows and debt relief[1], while protecting their current ratings and low cost of funding.

Annex II: Addendum to the April 2020 Term Sheet

With the view to extend the debt service suspension initiative (DSSI) beyond 2020, the DSSI Term-Sheet of April 15, 2020, is complemented as set forth below. All other elements of the April 2020 DSSI Term Sheet remain applicable.

Duration of, and eligibility to the DSSI extension

All countries that were eligible to participate in the DSSI on the basis of the April 2020 DSSI Term Sheet remain eligible to participate in the DSSI extension, except those who failed to comply with the requirements set forth in the April 2020 Term Sheet. We will extend the DSSI to June 30, 2021 for these eligible countries. We will also examine by the time of the 2021 IMF/WBG Spring meetings if the economic and financial situation requires to extend further the DSSI by another 6 months.

Modalities of repayment of the maturities falling due during the DSSI extension

The repayment period will be 5 years, with a one-year grace period (6 years total).

Other complements to the April 2020 Term Sheet

[1] Different options were used in the past to deal with debt vulnerabilities, including domestic adjustment, increased net positive inflows or debt relief including through schemes such as the Heavily Indebted Poor Countries (HIPC) initiative and the Multilateral Debt Relief Initiative (MDRI). There is currently no consensus on how these previous options might apply to current circumstances.

Under the DSSI and its extension, each beneficiary country is required to commit to fully comply with the limits on non-concessional debt agreed under the IMF Debt Limit Policy (DLP) or the WBG Sustainable Development Financing Policy, but not more.

Each creditor country intends to apply the suspension of debt service from the date each beneficiary country sends a formal request to its creditor(s), in anticipation of implementation of the extension and consistent with the goals of the DSSI to avoid any penalty, late interest, or additional fee. A formal agreement will be signed between the beneficiary country and each creditor country as soon as all the internal procedures are fulfilled. If a beneficiary country has made a payment on any debts which are DSSI-eligible, the official bilateral creditor may offer a return of that payment, under DSSI terms. Beneficiary countries must request the DSSI from all their official bilateral creditors and not only a subset of them.

Without affecting third parties, the debt service to be suspended under the DSSI also includes payments due where official bilateral creditors are participants on syndicated loans.

The repayment of arrears can be required only after the end of the suspension period and according to a repayment schedule to be decided on a bilateral basis between each creditor and the beneficiary country, taking into consideration the need to avoid bunching effects in the debt service.

While protecting their current ratings and low cost of funding, MDBs are encouraged to go further on their collective efforts in supporting the DSSI, including through providing net-positive flows to DSSI-eligible countries during the suspension period, including the extension period. We ask the MDBs to provide further details on the new resources provided to each eligible country.