G7 Finance Ministers' Statement
on the Debt Service Suspension Initiative and Debt Relief for Vulnerable Countries

September 25, 2020

Washington – We remain committed to working together to support the poorest and most vulnerable countries as they address health and economic challenges associated with COVID-19. The pandemic has significantly disrupted global growth and necessitated extraordinary fiscal policy efforts, exacerbating existing debt vulnerabilities in many low-income countries. We commend the efforts of the international financial institutions (IFIs) to rapidly scale up financial and technical assistance to these countries. We ask the IMF and World Bank to update regularly assessments of the financing needs of low-income countries in response to evolving circumstances with the impact of the pandemic and propose ways for countries to cover expected financing gaps, including through instruments to leverage access to private finance.

To support our efforts to help the most vulnerable countries, we are implementing the G20-Paris Club Debt Service Suspension Initiative (DSSI) to suspend official bilateral debt payments for the poorest countries through end-2020. The DSSI has been fundamental in supporting the 43 countries that have requested the benefits of the initiative by freeing up $5 billion in fiscal space to fund social, health, and economic measures to respond to the pandemic.

G20 and Paris Club official bilateral creditors are continuing to coordinate closely to provide full and transparent relief under the DSSI. Nonetheless, DSSI implementation has faced shortcomings that have prevented the initiative from delivering its full potential. In particular, we strongly regret the decision by some countries to classify large state-owned, government-controlled financial institutions as commercial lenders and not as official bilateral creditors, without providing comparable treatment nor transparency, thus significantly reducing the magnitude of the initiative and the benefits of the DSSI for developing countries. Claims considered as commercial for the purpose of the DSSI will be treated as commercial claims as well in future debt treatments, and for the implementation of IMF policies. We call on non-Paris Club lenders to commit to full and transparent implementation of the DSSI through all government entities going forward. Additionally, voluntary private sector participation has been absent, which has limited the potential benefits for several countries. We reiterate our call for private creditors to implement the DSSI on a voluntary basis when requested by eligible borrowers.

Recognizing the ongoing financial needs of low-income countries, we support extending the DSSI in the context of a request for IMF financing. The modalities of the extension should reflect the G20's commitment to transparency and creditor coordination, including an understanding on key features for debt treatment beyond the DSSI, as well as reflecting the need for fair burden sharing among all creditors. To this end, we strongly urge full and transparent participation by official bilateral creditors, including all state-owned lending institutions, based on an enhanced term sheet and, ideally, a common Memorandum of Understanding that clarifies DSSI implementation.

Going forward, we recognize that some countries will need further debt treatment in addition to the DSSI's liquidity relief to restore debt sustainability. In this context, we support the development of a Common Framework for future debt treatments beyond the DSSI, to be agreed by the G20 and Paris Club by the time of the October G20 Finance Ministers and Central Bank Governors' meeting. The Framework should set out provisions for the scope of creditor participation and transparency, and call for coordinated debt relief on a case-by-case basis in the context of a full-fledged IMF program. The Framework should ensure fair burden sharing among all official bilateral creditors, and debt relief by private creditors at least as favorable as that provided by official bilateral creditors. It should also lay the foundation for sound and robust financing practices in the future, including on transparency and governance. We strongly urge all official bilateral creditors to support and adhere to such a G20-Paris Club Framework to set clear expectations for all. Additionally, G20 and Paris Club creditors should jointly agree on specific terms for country-by-country debt restructurings.

Addressing debt vulnerabilities also requires full transparency by both creditor and borrower countries. We commend the World Bank Group's efforts to compile and publicly disclose creditor-by-creditor information. All creditors should provide complete information to maximize the benefits of the DSSI. We call on the G20 to endorse the full and timely publication of the World Bank and IMF updates on the implementation of the DSSI. We also call on G20 members to endorse the World Bank and IMF's debt data reconciliation and the publication of the results. This exercise is crucial to inform any future debt treatments. More broadly, we strongly support efforts of the IFIs to help their member countries strengthen debt sustainability and transparency practices, including through technical assistance, lending policies, and enhanced public reporting of debt data. We welcome ongoing work by the Institute of International Finance to finalize rapidly a data host for their Voluntary Principles on Debt Transparency.