

Debt service suspension initiative for the poorest countries

Term sheet

Scope of beneficiary countries

Beneficiary countries will include:

- (i) all IDA-countries, that are current on any debt service to the IMF and the World Bank, and;
- (ii) all least developed countries as defined by the United Nations, that are current on any debt service to the IMF and the World Bank.

Setting the right incentives

Access to the initiative will be limited to countries which:

- (i) have made a formal request for debt service suspension from creditors, and;
- (ii) are benefiting from, or have made a request to IMF Management for, IMF financing including emergency facilities (RFI/RCF).

Each beneficiary country will be required to commit:

- to use the created fiscal space to increase social, health or economic spending in response to the crisis. A monitoring system is expected to be put in place by the IFIs ;
- to disclose all public sector financial commitments (debt)¹, respecting commercially sensitive information. Technical Assistance is expected to be provided by the IFIs as appropriate to achieve this;
- to contract no new non-concessional debt during the suspension period, other than agreements under this initiative or in compliance with limits agreed under the IMF Debt Limit Policy (DLP) or WBG policy on non-concessional borrowing.

Scope of creditors

All official bilateral creditors will participate in the initiative.

Private creditors will be called upon publicly to participate in the initiative on comparable terms.

Multilateral development banks will be asked to further explore options for the suspension of debt service payment over the suspension period, while maintaining their current rating and low cost of funding.

¹ According to *Government Finance Statistics Manual 2014* (GFSM2014) definitions.





Duration of the suspension of payment

The suspension will last until end-2020.

Creditors will consider a possible extension during 2020, taking into account a report on the liquidity needs of eligible countries by the World Bank and IMF.

Perimeter of maturities and cut-off date

The suspension period will start on May 1st, 2020.

Both principal repayments and interest payments will be suspended.

A cut-off date protecting new financing in case of possible future restructuring will be set on March 24th, 2020.

Modalities for the debt service suspension

The suspension of payments will be NPV-neutral.

The repayment period will be 3 years, with a one-year grace period (4 years total).

Treatment will be achieved either through rescheduling or refinancing.

Implementation process

Creditors will implement, consistent with their national laws and internal procedures, the debt service suspension initiative as agreed in this term sheet to all eligible countries that make a request.

Creditors will continue to closely coordinate in the implementation phase of this initiative. If needed, creditors will complement the elements in this term sheet as appropriate.

