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.

[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.