



**TERMS OF REFERENCE FOR
VOLUNTARY PRIVATE SECTOR PARTICIPATION IN
THE G20/PARIS CLUB DEBT SERVICE SUSPENSION INITIATIVE ("DSSI")**

May 28, 2020

Scope of potential eligible countries mirrors the beneficiary countries in the DSSI, namely:

- All IDA-countries, that are current on any debt service to the IMF and the World Bank.
- All least developed countries as defined by the United Nations, that are current on any debt service to the IMF and the World Bank.
- Countries which have made a formal request for debt service suspension under the DSSI and agreed to commit to the DSSI requirements reflected in the DSSI Term Sheet¹, as supplemented.
- To the extent any such country has made a formal request for debt service suspension of relevant private sector firms.

Participation of private creditors

- Participation by each private creditor in the initiative will be on a voluntary basis.
- Private creditors who participate in the initiative will seek to do so on terms² in line with those of official bilateral creditors as described in the DSSI Term Sheet and in these Terms of Reference and as measured by the relevant private creditor(s). It being understood that private sector firms will be subject to any contractual, or other legal obligations applicable to any in scope debt.
- Private sector firms call upon any state owned firms which extend loans or other credit as commercial creditors to participate in the debt service suspension initiative on the basis of these Terms of Reference to the extent not participating in the DSSI.

¹ Set out at Annex II of the Communiqué of the G20 Ministers and Central Bank Governors Meeting of April 15, 2020. Any eligible country requesting private sector participation will confirm to the relevant private sector firms that it has made a formal request for debt service supervision under the DSSI also and whether through the Paris Club and/or any non-Paris Club members and if so which such parties.

² It being understood that the comparability of treatment mechanism used by the Paris Club customarily will not apply to the private sector response to the DSSI.

- Private creditors may elect to participate by way of suspending or deferring applicable amounts owed to them ("deferred amounts") or by making a new advance in respect of each deferred amount. Each new advance would be used solely to pay on its due date each amount which would otherwise be a deferred amount. All references to suspension, deferral and similar terms in these Terms of Reference extend also to a refinancing through any such new advance on the basis that those new advances have the same terms for repayment and the payment of interest as the corresponding deferred amounts.

Perimeters of debt service suspension

- Subject to agreement of the relevant creditor(s) and eligible country:
 - The debt service suspension period will start as close to May 1st, 2020 as possible, as each beneficiary country and its respective private creditors shall agree in respect of any in-scope debt and the start date may be set retrospectively to this date.
 - The debt service suspension will last until end-2020.
 - Both principal repayments and interest payments falling due in the debt service suspension period will constitute deferred amounts and will be suspended.
 - Unpaid interest will be capitalized and accrue interest at an appropriate rate to be agreed by the parties.
 - The repayment period for the deferred amounts will be over 3 years from 2022 following a one year grace period.
 - Principles of NPV neutrality will be taken into account as they pertain to the context of the specific types of debt arrangement.

Scope of debt

Subject to out of scope debt and in each case subject to a request for debt service suspension by an eligible country:

- International debt securities (foreign currency and/or foreign governing laws).
- Loans of central governments (foreign currency and/or foreign governing law).
- Guarantees by central government (where governed by foreign law or in respect of a foreign currency obligation).
- Other transactions by the sovereign having the economic effect of a borrowing (foreign governing law).

Out of scope debt

- ECA covered financings.
- Local currency debt.

- Transactions with Central Banks.
- Financial market transactions (including derivatives/FX/securities lending arrangements/repos).
- Debt which is trade finance linked.
- Debt with an original maturity of less than one year.
- Debt incurred by SOEs without a guarantee referred to under "Scope of debt" above from the applicable beneficiary country.
- Contingent debt (other than guarantees referred to under scope of debt).

Modality of potential execution

- Each eligible country may approach its private creditors as applicable, but shall not be obliged to, and such creditors will consider the requested debt service suspension on the basis of the underlying legal documentation in the most appropriate way.
- Where an eligible country approaches its private creditors, it is understood that it will be seeking broad participation among such creditors to support fair burden sharing (eg. through use of minimum participation thresholds in any debt operation in respect of debt instruments or other market standards).
- It is understood that in order to give effect to any debt service suspension, private creditors will decide either to refinance the deferred amounts through extending a new advance or amend the existing legal documentation and/or grant waivers in relation thereto, for example in respect of the relevant payment obligations in accordance with the terms of the original contracts. This could, for example, involve undertaking consent solicitations/exchange offers in respect of debt securities or agreeing amendment agreements or granting waivers in respect of loans and other financing documents, which will typically contain pre-existing consent and waiver thresholds for amendments to the terms of the relevant debt, which in the case of some finance documentation such as loan agreements could require unanimity.
- In some instances, the beneficial holders of the relevant payment obligations, whose consent to participation in any debt service suspension being sought will be required, will be third parties³.
- The modality of execution of any debt service suspension would therefore need to be agreed by each beneficiary country and its creditors as appropriate⁴.
- Private creditors will work with eligible countries that request debt service suspension towards it whilst seeking to address any concerns about loss of market access

³ This may be through sub-participations, repackagings, or as a result of hedging, credit insurance cover or similar.

⁴ It being understood that this shall not preclude private sector firms, the official sector and beneficiary countries from developing industry wide initiatives in parallel to give effect or complement the private sector support for the DSSI.

internationally or domestically, risk of contractual defaults (including cross-defaults), difficulty of execution and other legal, accounting or regulatory constraints that may need to be taken into account in deciding whether and how to proceed.

- To the extent possible, the implementation of any debt service suspension would not lead to a default in the beneficiary country's financing arrangements. This would be important both to each beneficiary country and its private creditors as well as other stakeholders for a number of reasons, including: to reduce the risk of default ratings, especially prolonged ones, loss of market access and spillovers and, in the case of creditors, to comply with fiduciary duties and regulatory oversight.

Freed up payment capacity

- Private creditors will not have monitoring obligations in respect of any payment capacity freed up as a result of their support for the DSSI. Private creditors who support the DSSI do so on the understanding that the relevant international financial institutions will monitor that appropriate measures are taken by beneficiary countries to lessen the impact of the COVID-19 pandemic and that redirected payments are used to this end and no other.

Voluntary support

- Support by private sector firms is voluntary and will not affect the enforceability of obligations owed to such providers of finance by beneficiary countries.

New financing

- Notwithstanding the DSSI and any potential private sector support of the initiative, it is understood that sovereigns with access to capital markets and other sources of financing at appropriate cost will consider any such funding on its own merits regardless. To the extent that any beneficiary countries request new financing from private sector firms, such request shall be made for new financing which is consistent with applicable IMF and World Bank guidelines.

Timing

- In view of the severity of the COVID-19 pandemic and its economic consequences, private creditors will respond to any request from eligible countries to support the DSSI in a timely manner and will endeavour to move to implementation, where feasible, at the earliest possible opportunity.

Debt transparency and debtor/creditor engagement

- Private creditors support debt transparency by beneficiary countries, which is particularly applicable in the DSSI context as transparency in respect of official bilateral creditor claims, multilateral claims and private sector claims should benefit all stakeholders, and remain committed to the implementation of the IIF Debt Transparency Principles.
- Eligible countries and private creditors will also have regard to the IIF Principles for Stable Capital Flows and Fair Debt Restructuring including Annex VI thereof which were endorsed by the G20 in 2004.