

**Timothy Adams**  
*President and CEO*

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His Excellency Mohammed bin Abdullah Al-Jadaan  
Minister of Finance  
Ministry of Finance, Kingdom of Saudi Arabia  
King Abdulaziz Road  
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Riyadh 11177  
Saudi Arabia



Dear Minister Al-Jadaan,

In the wake of the extension of the G20 Debt Service Suspension Initiative (DSSI), as well as recent thoughtful proposals for reforming the international sovereign debt architecture, we would like to offer private sector perspectives that build on our September 22 [letter](#) to the G20. These perspectives are informed by discussions with the IIF Committee for Sovereign Risk Management (CSRM), and by the October meeting of the Group of Trustees of the *Principles for Stable Capital Flows and Fair Debt Restructuring*.

### **Private sector perspectives on the DSSI and its extension**

While there have been very few requests from DSSI-eligible countries for forbearance to date from the private sector that we are aware of, consent solicitations have been sent to and approved by bondholders for three non-DSSI countries during the COVID crisis (including in the context of debt restructuring). Many of our CSRM members report that they are actively engaged in discussions of new financing arrangements. However, in a recent CSRM survey, respondents noted that extension of the DSSI, while useful, may not be sufficient to address liquidity shortage problems—highlighting the need for ongoing support from the international financial institutions as well as the importance of market access. Care should also be taken to distinguish countries facing genuine liquidity constraints from countries that have solvency concerns and need debt restructuring.

Private creditors remain ready to take part in the extended DSSI upon request from eligible countries; to support the DSSI extension, we will be publishing an Addendum that extends and updates our original [Terms of Reference](#). We have also developed a Framework Agreement to help streamline and speed up requests for debt service suspension with respect to loans, and Technical Guidance on Consent Solicitations to assist sovereign issuers in reaching out to their bondholders. We anticipate releasing these two documents in the coming weeks.

### **Improving the sovereign debt architecture—a shared responsibility**

Clearly, the rapid rise in government debt—from 35% to over 55% as a share of the GDP of DSSI-eligible countries over the past decade—has left many vulnerable countries at greater risk of debt distress and restructuring. At the same time, the growing diversity in the overall creditor base, greater complexity of debt instruments and lack of transparency have made it more difficult for all creditors to coordinate and for inter-creditor equity to be achieved. Our CSRM members

appreciate the analysis set out in the September 2020 IMF paper on incremental reforms to the international architecture for resolving sovereign debt crises involving private creditors. In particular, we see broad support for promoting the use of enhanced CACs, for greater debt transparency and debt management capacity, and for the referenced additional restructuring instruments including IFI financing or credit enhancements—which would be very helpful in expediting sovereign debt restructuring.

However, in taking this analysis forward we would urge careful differentiation with respect to the circumstances of individual countries, appropriate policy conditionality and due consideration to environmental, social and governance (ESG) factors (see below). It is clear that the pandemic has increased the risk of debt distress; in such cases **private creditors stand ready to engage in good faith on debt treatments that restore long-term debt sustainability, in the context of an IMF-supported policy program, with comparability of treatment for all creditors.** Dialogue with the private sector is essential as proposals for any reforms to the international sovereign debt architecture take shape. Indeed, the *Principles for Stable Capital Flows and Fair Debt Restructuring*, endorsed by the G20 in 2004, are an integral part of this architecture, and the Group of Trustees will be reviewing the *Principles* to determine what updates and enhancements may be needed given ongoing changes in the landscape for sovereign debt markets.

Looking ahead, we understand that the “Common Framework for Debt Treatments Beyond the DSSI” is intended to provide a more streamlined approach between Paris Club and non-Paris Club official creditors to the restructuring that may be needed for the growing number of low-income countries facing debt distress. Developing a shared understanding between Paris Club and non-Paris Club official creditors will be a positive step. Private creditors will be concerned about the comparability of treatment principles applied. With this in mind, we would emphasize the importance of a case-by-case approach, triggered by country requests for a full-fledged IMF program; more broadly, **borrowing countries should be fully engaged and represented throughout the process.**

In addition, the Common Framework should ensure transparency to address persistent information asymmetry problems and provide for appropriate burden-sharing, bearing in mind the importance of continued access to non-concessional financing. Given the significant implications of comparability of treatment for private sector creditors, we strongly urge that **development and application of the Common Framework be a consultative process including the private sector.** Towards this end, the IIF would be pleased to help convene a public-private sector group of experts and provide a forum for regular consultation—in the context of the Common Framework and more broadly as incremental reforms to the sovereign debt architecture are considered.

With the goal of greater transparency in sovereign debt markets, private creditors have continued to advance the G20-supported [Voluntary Principles for Debt Transparency](#), which reference private sector lending transactions with countries eligible for concessional financing under the IMF’s Poverty Reduction and Growth Trust (PRGT). We have made substantial progress, and building on the very welcome OECD proposal to host the required repository for disclosures, we continue to work towards implementation. We are most grateful to the UK Foreign, Commonwealth & Development Office and to our private sector donors for their generous support for the repository.

## Looking ahead—supporting innovative solutions

There are important tools that could be used to support DSSI countries – such as voluntary liability management or new money options that assist with positive net capital flows. However, throughout our discussions in recent months, a key theme has been the need to find new, market-enabled solutions for liquidity and solvency challenges for emerging and developing economies. These solutions fall broadly into three categories:

- **Short-term solutions for liquidity strains:** these include the use of SDRs, whether by transfer or new allocation; vehicles like the Liquidity and Stability Facility proposed by UNECA; and fuller development of domestic local currency bond markets including repo and other short-term instruments.
- **Recovery-oriented solutions to solvency problems:** these include potential reforms and the Common Framework described above, which should aim to expedite debt restructuring on a case-by-case basis where needed (thus supporting recovery), as well as the use of collateral or partial guarantees backed by an international financial institution (IFI) or new bonds issued during a restructuring.
- **Solutions to promote the sustainable development goals (SDGs):** we believe that public-private sector partnerships are core to promoting the SDGs, including blended finance for sustainable infrastructure, development of SDG-linked bond markets, including credit-enhanced green/SDG bonds, partial guarantees, and vehicles such as debt-for-nature and debt-for-climate swaps. Many of these solutions can be instrumental in insuring that debt treatments such as restructuring are conducted with due consideration of sustainable development goals. Greater integration of ESG factors in sovereign credit ratings—already in progress—could provide strong support to the development of climate and SDG bond markets.

We hope you find these private sector perspectives helpful. Private finance is essential to ensuring flows of investment capital to low-income and developing economies to support sustainable development goals. We firmly believe that collaborative, market-supported solutions—bringing together policymakers, development finance experts and debt market practitioners—offer the best chance of successful long-term outcomes to the challenging problems ahead. We look forward to exploring ways to support these solutions, and to continued productive dialogue.

Sincerely,



CC:

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Roberto Gualtieri, Finance Minister, Italy  
Kristalina Georgieva, Managing Director, IMF  
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