

Statement of the G7 Finance Ministers on Debt Transparency and Sustainability



June 3, 2020

WASHINGTON – We continue to work together to advance the international economic response to the COVID-19 pandemic, with a focus on the poorest and most vulnerable countries. COVID-19 has exacerbated existing debt vulnerabilities in many low-income countries, highlighting the importance of debt sustainability and transparency to long-term financing for development. We welcome efforts of the international financial institutions (IFIs) to amplify their support for the most vulnerable countries.

In this context, we are committed to implementing the Debt Service Suspension Initiative (DSSI) agreed by the G20 and the Paris Club, by suspending official bilateral debt payments for the poorest countries to year-end 2020 and possibly longer, providing those countries fiscal space to fund social, health, and other measures to respond to the pandemic. In line with the G20 and Paris Club DSSI agreements, we will implement the DSSI across our export credit agencies and other public lending agencies, and call on all official creditors to do so, too. Given the importance of private financing for sustainable development, we welcome leadership by the Institute of International Finance (IIF) in coordinating private sector participation, and look forward to follow-up. We look forward to multilateral development banks providing further details on how they will support DSSI beneficiary countries.

We welcome the focus on debt transparency in the DSSI, as essential to debt sustainability and economic growth. We strongly support the commitment by DSSI beneficiary countries to strengthen debt reporting, which facilitates better-informed investment decisions, enhances public accountability, and supports long-term sustainable development. We welcome that the International Monetary Fund (IMF) and the World Bank Group will monitor creditor participation, public debt disclosure, and use of additional fiscal space, and we look forward to public reporting of these results.

Beyond the DSSI, the IFIs have an important role to play in helping borrowing countries improve practices to promote debt transparency and sustainability, as outlined in the framework of the IMF and World Bank's multipronged approach for addressing emerging debt vulnerabilities. We call on the IFIs, borrowers, and creditors to work together on strengthening public reporting of debt data used in debt sustainability analyses, including a breakout by external creditor and more thorough coverage of contingent liabilities, state-owned enterprise debt, and collateralized financing. The IFIs can encourage and support borrowing countries' efforts to enhance public debt disclosure, limit non-concessional borrowing when necessary, and reduce debt vulnerabilities.

We also look to the IFIs to step up efforts to provide technical assistance to reduce public debt vulnerabilities, strengthen debt management capacity, and enhance debt reporting practices. In this regard, we welcome renewed support for the World Bank and IMF's Debt Management Facility III and the IMF's Data for Decisions Fund.

Creditors also bear responsibility for their lending decisions and must rise to the occasion. We strongly endorse the G20 Operational Guidelines for Sustainable Financing (the Guidelines) and call on all creditors to take lending decisions consistent with the borrower's debt sustainability. Official creditors should implement these guidelines, drawing on best practices provided by the IMF and the World Bank. We urge creditors to disclose fully the terms of public debt in line with the Guidelines, while refraining from collateralized transactions that use assets or revenues unrelated to projects. Creditors should also limit the use of confidentiality clauses, including for state-owned enterprises. We welcome the IIF's Voluntary Principles for Debt Transparency and urge quick progress on creating a repository to host data on private sector loans to low-income countries.

We remain committed to assisting low-income countries in their responses to the COVID-19 pandemic. We will continue to work with the G20, Paris Club partners, the IMF, the World Bank, and other creditors to secure debt sustainability and transparency, including promoting timely creditor coordination and fair burden sharing.

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