

# Debt Service Suspension Initiative

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In news

G20 Finance Ministers & Central Bank Governors agreed to extend the Debt Service Suspension Initiative

What is the Debt Service Suspension Initiative(DSSI)?

- DSSI means that bilateral official creditors will, during a limited period, suspend debt service payments from the poorest countries (73 low- and lower middle-income countries) that request the suspension.
- It is a way to temporarily ease the financing constraints for these countries and free up scarce money that they can instead use to mitigate the human and economic impact of the COVID-19 crisis.
- The DSSI helps address immediate liquidity needs but does not mean that existing debt sustainability problems in some of these countries will be resolved.
- **The main goal of the DSSI is to allow poor countries** to concentrate their resources on fighting the pandemic and safeguarding the lives and livelihoods of millions of the most vulnerable people
- A key objective of the DSSI is to enable an effective crisis response.
- Borrowers, therefore, commit to use freed-up resources to increase social, health, or economic spending in response to the crisis.
- Beneficiaries also commit to disclose all public sector financial commitments (involving debt and debt-like instruments)
- Under the DSSI, countries also commit to limit their non-concessional borrowing as supported by ceilings

under IMF programs and the World Bank's non-concessional borrowing policies.

### Who endorsed it?

- DSSI was **endorsed by World Bank's Development Committee and the G20 Finance Ministers in response to a call by the World Bank and the IMF to grant debt-service suspension to the poorest countries** to help them manage the severe impact of the COVID-19 pandemic
- The IMF and the World Bank are supporting the implementation of the DSSI—by monitoring spending, enhancing public debt transparency, and ensuring prudent borrowing.

### Do countries need to qualify for IMF financing in order to have access to the G20 debt service suspension initiative (DSSI)?

- In order to apply for the DSSI, a country either needs to be in an IMF financing arrangement, or it needs to have requested financing (including emergency financing) from the IMF.
- However, a request is enough. This means that even countries that could not have access to IMF financing because their debts are not sustainable can still benefit from the DSSI.
- A country that is already participating in the DSSI and would like an extension into 2021 could continue to participate. There is no need for the country to make another request for IMF financing.