SciencesPo

An Open Letter to
Managing Director Kristalina Georgieva (IMF) and
President David Malpass (World Bank Group)

April 10,2020

Re: Debt Relief Guiding Principles

Dear Managing Director Georgieva and President Malpass:

We, the undersigned faculty and associates of the Sciences Po Chair on Sovereign Debt, wish to express our support for your March 25, 2020 Call to Action on Debt of IDA Countries. None of us knows when the Covid-19 crisis will abate to the point that normal economic activity around the globe can resume. Nor do we know how much damage will have been inflicted on national economies and international trading patterns by the time that point arrives. What does seem clear is that many countries will for some period of time need to deploy their available financial resources toward crisis amelioration and economic stimulus measures. For some countries this will inevitably mean redirecting resources away from the other intended purposes, including debt service.

We suggest that the following principles should guide the international financial community as it formulates a collective response to this crisis:

(i) The immediate objective should be to facilitate funding for crisis amelioration measures, particularly by those countries hardest hit by this pandemic. This will require loans/grants from official sector institutions, mechanisms to allow countries to access private capital markets even during this period of great stress in those markets and the redeployment of funds that had been earmarked for other governmental purposes, including debt service.

(ii) It is premature at this stage to ask the IMF to prepare traditional debt sustainability analyses for these countries and equally premature to require those countries to undertake full scale debt restructuring programs as a condition to receiving official sector assistance.

(iii) Your March 25 Joint Statement is directed to the G-20 and encourages official bilateral creditors to suspend normal debt service payments from IDA countries that request forbearance. As helpful as this step will be, it will not by itself be sufficient. Some middle income (non-IDA) countries will also be affected by these events. Moreover, official bilateral creditors are no longer the principal source of external debt financing for many developing countries. The call for forbearance must therefore be extended to private sector lenders as well.

(iv) We encourage the World Bank Group, the IMF and other official sector actors actively to assist countries that are in need of temporary debt relief to secure the consent of their commercial creditors to a temporary suspension of normal debt service and an associated standstill on creditor enforcement actions.

27, rue Saint-Guillaume – 75337 Paris Cedex 07
T. (33)1 45 49 50 50 – sciencespo.fr

(v) We recommend that the IMF be tasked with analyzing the situation of countries seeking these extraordinary measures to ensure that any requested debt relief is both necessary and proportional to the country's needs.

(vi) When this crisis abates, there will be time enough to assess its longer-term effect on the sustainable debt position of individual countries. We believe that the task now is to secure temporary debt relief in a manner that will not precipitate an irreversible debt crisis for the countries concerned.

Respectfully submitted,

Régis Bismuth	Lee Buchheit	George Chouliarakis
Elena Daly	Nicolas Delalande	Stéphane Guibaud
Anne-Laure Kiechel	Philippe Martin	Rodrigo Olivares-Caminal
Ugo Panizza	Xavier Ragot	Jérôme Sgard
	Christoph Trebesch	

27, rue Saint-Guillaume – 75337 Paris Cedex 07
T. (33)1 45 49 50 50 – sciencespo.fr