

## Using Commonwealth Meridian to Record and Manage the Debt Moratorium Initiative offered by G20 and Other Official Creditors

### A. Background

The G20 members and other participating creditors have committed to offering a one-year moratorium of debt payments to the 77 poorest countries as a way of providing liquidity to fight the COVID-19 pandemic.

The moratorium is voluntary and borrowers are required to request the moratorium on an instrument-by-instrument basis. To maximise the benefit from this offer, countries are encouraged to undertake a detailed analysis and identify the 'ideal' instruments to apply for the moratorium. The size and composition of the debt to be restructured through this initiative will vary from country-to-country but it is important that countries should ensure that long-term debt sustainability is maintained after the restructuring.

Before applying for the debt moratorium, countries are encouraged to consider the following:

- a. **Instruments to be considered:** Should the government seek suspension on all eligible instruments or a selected few?
- b. **Future debt service:** What will be the impact on future repayment?
- c. **Debt sustainability plans:** What will be the impact on government debt sustainability plans?
- d. **Monitoring and Reporting:** Once implemented, how to monitor and report on the restructured instruments?
- e. **Implementation of the debt relief instruments:** The debt moratorium offered has an option for extension beyond December 2020. How do we implement these terms in Commonwealth Meridian/CS-DRMS to allow for possible extension?

This paper examines and provides guidance on:

1. How to use the Commonwealth Secretariat debt management systems to identify instruments that could yield maximum benefit from the moratorium offer while ensuring debt sustainability; and
2. How to implement and monitor the debt relief in Commonwealth Meridian.

The proposed terms of the debt relief offered by the G20 countries and supported by other major creditors including the IMF and World Bank have been attached for ease of reference.

### B. Identifying the 'ideal' instruments

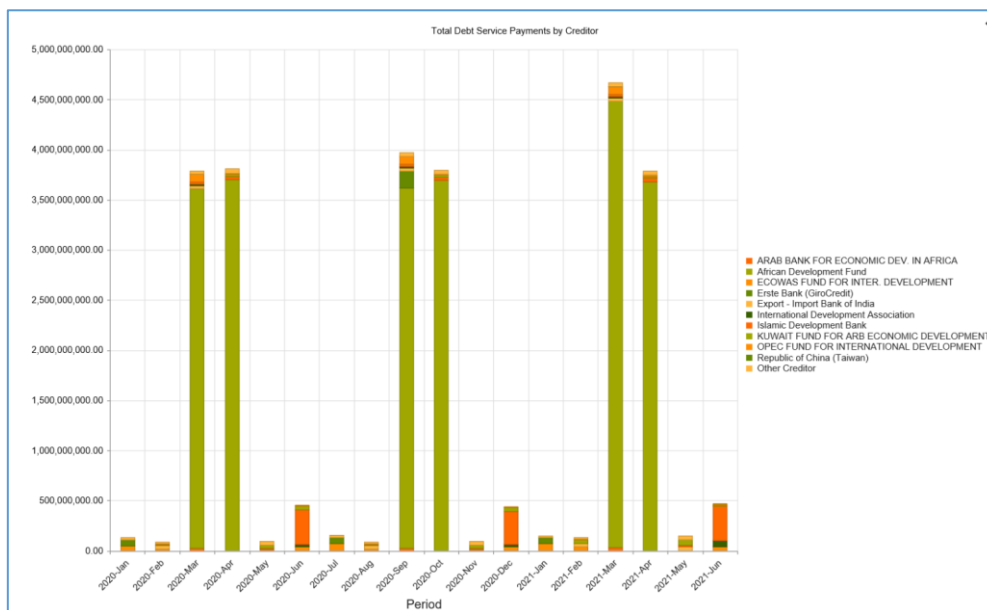
Use the features available in Commonwealth Meridian or CS-DRMS to identify the 'idea;' instruments and make informed decision on which instruments are selected, terms of the new debt relief instrument and whether to proceed with the moratorium application.

The G20 Debt Moratorium initiative on COVID-19 proposes a debt service suspension between May and December 2020. At the end of the debt service moratorium, creditors will have an option to extend the consolidation period after taking into account a report on the liquidity needs of eligible countries by the World Bank and IMF. A cut-off date protecting new financing in case of possible future restructuring has been set as March 24th, 2020.

Both CS-DRMS and Commonwealth Meridian have easy to use features to assist countries identify the instruments that will yield maximum benefit from the debt restructuring offers. Countries are encouraged to use these features and conduct comprehensive analysis be conducted rather than applying a blanket rule on all instruments as it may have a major impact on future debt sustainability. This paper will use the features in Commonwealth Meridian to illustrate the process of identifying these instruments:

1. **Use the ‘Flow Charting Tool’ in the Dashboard** to plot an annual debt service profile by creditor. This chart, as shown below, will show creditors where significant savings would be realised in the consolidation period between June and December 2020.

**Graph 1: Monthly Debt Service Profile by Creditor for Calendar Year 2020**



2. **Analysing the eligible instruments.** After identifying the participating creditors, clicking on any of the bars in the charts shows the individual instruments’ debt service and the total debt service in the month selected as shown below.

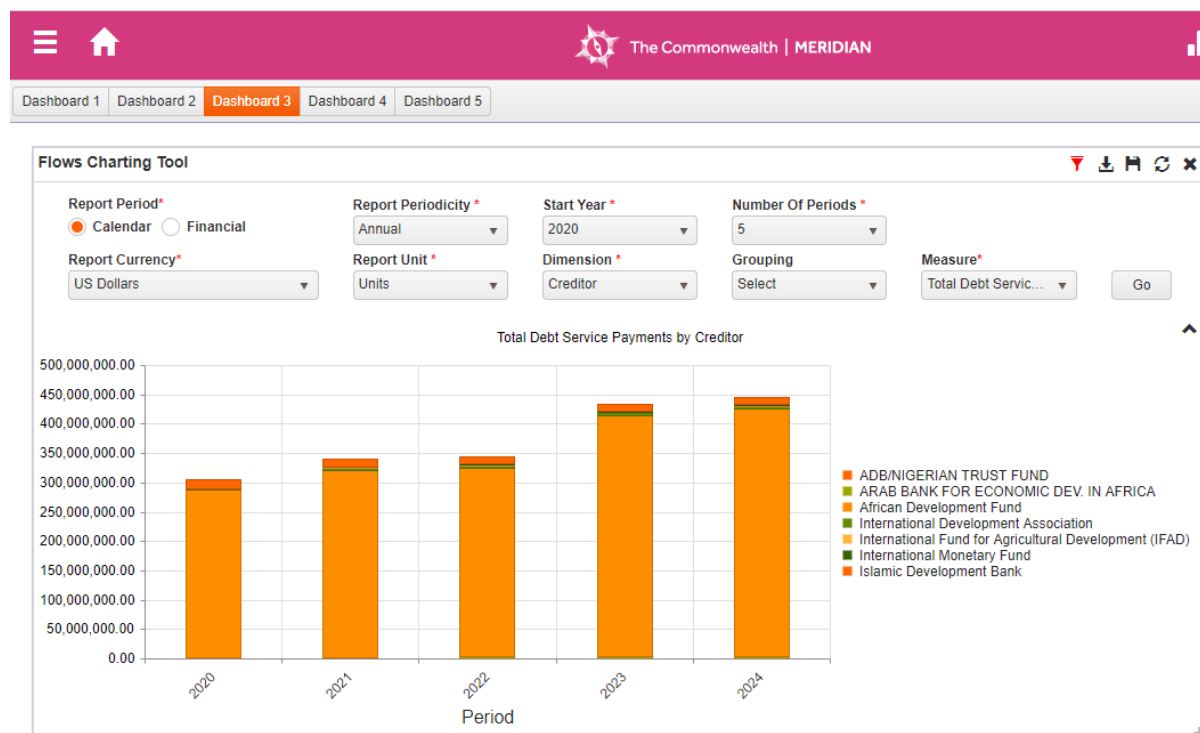
**Figure 1: Instrument List Grid**

Creditor	Instrument	Instrument Title	Instrument Currency	Peric	Total Debt Service Payments
Credit Suisse	2016014001	Credit Suisse US\$500m (Credit Suisse Tranche 1 - US\$200mil)	USD	2020 - AUG	56,018,063.61
Credit Suisse	2016014002	Credit Suisse US\$500m (Credit Suisse Tranche 2 - US\$110mil)	USD	2020 - AUG	30,809,934.99
Credit Suisse	2016014003	Credit Suisse US\$500m (Credit Suisse Tranche 3- US\$190 million)	USD	2020 - AUG	53,217,160.43
Count :3					Total :140,045,159.03

Having identified the eligible instruments, the next step would be to identify instruments to apply for the debt service moratorium based on the liquidity required. If liquidity alone is the overriding factor on the decision to apply for the debt moratorium, then all instruments or the ones with significant debt service amounts may be considered.

3. **Plotting the same graph on yearly** basis for subsequent years beyond 2020 will show the total annual debt service profile and an indication of the government’s ability to absorb the impact of the rescheduled debt service in the future.

**Graph 2: Annual Debt Service Profile by Creditor**



Commonwealth Meridian includes features to export data to Excel for further analysis and enhanced presentation. Simply export the instruments for the identified creditors to Excel using the ‘Export to Excel’ facility of the instrument grid if further analysis is required.

### C. Implementing the debt relief terms in Commonwealth Meridian

The debt reorganisation module in Commonwealth Meridian allows for recording, managing and reporting all the collective actions taken to reorganise a country’s debt by integrating all stages of the reorganization and maintaining a relationship between the restructured debt and the debt relief instruments. The debt reorganization could be through financing, rescheduling, forgiveness, debt conversion and prepayments or buybacks.

Two overriding principles will dictate how restructuring initiative and the subsequent debt relief instruments will be recorded in Commonwealth Meridian:

1. Not all creditors are participating in the G-20 COVID-19 debt relief initiative. Recording of this initiative in Commonwealth Meridian should facilitate ease of identification of such creditors as well as their associated instruments; and
2. Although the moratorium is for a definite consolidation period (ending December 2020), creditors have indicated a possible extension beyond December 2020.

The steps below illustrate the recommended procedure for recoding the G-20 debt initiative on COVID-19 pandemic in Commonwealth Meridian.

## 1. Step One: Create the Aid Group

Create a participant group for all creditors that are participating in the G20 initiative. Creating the Aid Group will facilitate collective reporting on the relief.

**Figure 2: Aid Group Details**

The screenshot shows the 'Create Participant Group' interface. At the top, there's a navigation bar with a home icon and the text 'The Commonwealth | MERIDIAN'. Below the header, the title 'Create Participant Group' is displayed. The form contains three main input fields: 'Name' with the value 'G20 Covid-19', 'Participant Group Type' with a dropdown menu showing 'Restructuring Forums', and 'Sequence Number' with a dropdown menu. Underneath, there's a section titled 'Participants' which is a table with columns for 'Participant Name', 'Participant Group Role', and 'Delete'. The table lists several international organizations as members, including the International Development Association, European Development Fund, EUROPEAN INVESTMENT BANK, International Bank for Reconstruction and Development (IBRD), and International Monetary Fund. Each row has a 'Delete' button. At the bottom left of the table, there is an 'Add' button.

## 2. Step Two: Create and manage Aid Group Terms

Creditors have agreed general terms on which the relief will be offered to borrowers. To ensure that these terms are applied consistently across all instruments and also to keep record of the original terms, create an Aid Group and record the terms (or minutes) against that group. The general terms are as follows:

1. Initial consolidation period is May to December 2020.
2. Debt service period will be suspended during this period.
3. A cut-off date protecting new financing in case of possible future restructuring will be set on March 24th, 2020.

**Figure 3: Aid Group Restructuring Terms**

The screenshot displays the 'Restructuring - Aid Group Terms' configuration page. It features a top navigation bar with a home icon and 'The Commonwealth | MERIDIAN' logo. The main content area is divided into several sections. On the left, the 'Minutes Capture' section includes fields for 'Agreement Title' (G20 Debt Initiative on COVID-19 - April 2020), 'Lending Club' (G20 Covid-19), and 'Date of Minutes' (01/04/2020). Below this is a 'Creditors' list with checkboxes for 'International Development Association', 'EUROPEAN INVESTMENT BANK', and 'International Bank for Reconstruction and Development (IBRD)'. The 'Amounts' section on the right contains fields for 'De Minimis Threshold' (100.00), 'Currency' (US Dollars), 'Date of Agreed Minutes' (01/04/2020), 'Cut Off Date' (24/03/2020), 'Implementation Date' (01/05/2020), 'Consolidation Period Start Date' (01/05/2020), 'Consolidation Period End Date' (31/12/2020), and 'Bilateral Agreements Deadline' (30/04/2020). An 'Instruments' list is also present. The 'Agreed Terms' section at the bottom is a table with columns for 'Term Type', 'Implementation Date', 'Consolidation Start', and 'Consolidation End'. It shows a 'Refinancing' term with an implementation date of 01/05/2020 and a consolidation period from 01/05/2020 to 31/12/2020. At the very bottom, there are 'Add Term' and 'Minute Notes' sections, with a note stating: 'The suspension will last until end-2020. Creditors will consider a possible extension during 2020, taking into account a report on the liquidity needs of eligible countries by the World Bank and IMF.'

Suspension of interest payments means interest will still accrue as normal but not paid in the consolidation period. To record these terms correctly, use one of the following:

1. **Current refinancing:** In cases where the borrower will pay the suspended debt service using a new instrument;
2. **Current restructuring:** In cases where the payments will simply move to a new period.

The flexibility provided by the terms above will provide sufficient room to any changes to the terms at the bilateral discussions as well as at the end of the consolidation period.

### 3. Step Three: Create Instrument Restructuring/Refinancing Terms

Once the bilateral restructuring terms have been completed with the respective creditors, the terms should be recorded at the instrument level using the link to the Aid Group terms recorded in Step 2 above.

**Figure 4: Bilateral Restructuring Terms**

The screenshot shows the 'Restructuring - Instrument Agreed Terms' page in the MERIDIAN system. The page is divided into several sections:

- Summary:** Contains fields for 'Title', 'Creditor' (a dropdown menu), 'Agreement Date', 'Implementation Date', 'Consolidation Period' (with 'Start Date' and 'End Date' sub-fields), 'Linked to Aid Group' (radio buttons for 'Yes' and 'No'), and 'Aid Group' (a dropdown menu).
- Instruments:** A search field with a magnifying glass icon.
- Target Instrument:** A search field with a magnifying glass icon.
- Terms:** A table with columns: 'Term Type', 'Target Instrument', 'Implementation Date', 'Consolidation Start', and 'Consolidation End'. Below the table is an 'Add Term' button.

## D. Support

The Secretariat's Debt Management Unit can be contacted through [csdms@commonwealth.int](mailto:csdms@commonwealth.int) for any additional support required in recording these terms in Commonwealth Meridian or CS-DRMS.

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