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Integrating China into Multilateral Debt Relief: Progress and Problems in the G20 DSSI

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ABSTRACT

SAIS-CARI BRIEFING PAPER NO. 9 | APR 2023:

"Integrating China into Multilateral Debt Relief: Progress and Problems in the G20 DSSI"
by Deborah Brautigam and Yufan Huang

THIS PAPER PROVIDES AN EVALUATION of China's participation in the G20's COVID-19 Debt Service Suspension Initiative (DSSI). Through analysis of available data, more than 100 interviews, and fieldwork in Angola, Kenya, and Zambia, we argue, with some caveats, that the DSSI was a success.

First, the existing architecture for sovereign debt relief was badly in need of reform. The old system was based on the G7 negotiating rules for relief, which were carried out by the informal Paris Club and the IMF. With the G20 emerging as the premier forum for global economic coordination, and the rise of major new creditors like China and bondholders, new institutions, and new rules, were in order. The DSSI succeeded in providing a pathway for China, the world's largest bilateral creditor, to negotiate debt treatments together with the Paris Club in the context of IMF balance of payments assistance. Getting Chinese commitment to join was "miraculous" as one G20 participant put it. Yet much remains to be done.

Second, China fulfilled its role fairly well as a responsible G20 stakeholder implementing the DSSI in the challenging circumstances of the COVID-19 pandemic. In the 46 countries that participated in the DSSI, Chinese creditors accounted for 30 percent of all claims, and contributed 63 percent of debt service suspensions. The perception that other creditors – private and multilateral banks -- were free-riding on Chinese suspensions reinforced Chinese banks' later resistance to providing debt reductions in the Common Framework. On the other hand, Chinese disbursements dropped significantly in countries requesting DSSI relief, but remained steady for other creditors. The terms of the moratorium did not include instructions on how creditors should act in a situation that closely resembled a default.

Third, the DSSI prompted China and other G20 creditors to take steps to classify their banks into "official" and "commercial" categories, a necessary distinction for member countries participating in the IMF's financing assurances requirement. It pushed the Chinese government to align interests among fragmented banks and bureaucracies with conflicting goals. It started an internal learning process about how debt restructuring has been done historically, and how China might safeguard its interests by participating with others in a multilateral forum.

Finally, geopolitical tensions affected negotiations over debt relief and allowed Chinese stakeholders facing losses to argue that pressure from the United States was an effort to "take advantage of China".

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PART 1. INTRODUCTION & BACKGROUND

A. Introduction

On March 25, 2020, as the COVID-19 pandemic swept across the world, the heads of the International Monetary Fund (IMF) and the World Bank proposed that the leaders of the world's 20 largest economies, the Group of 20 (G20), provide breathing space by suspending the collection of debt service on official loans to 73 of the world's poorest countries. The G20 quickly launched the Debt Service Suspension Initiative (DSSI) on April 15, 2020.

The moratorium marked the first time that Beijing participated in a multilateral sovereign debt relief effort. It thus has implications for a deeper understanding of China's rise in an important area of global economic governance. Our analysis sheds light on decision-making in China's government regarding overseas lending, provides a window into ongoing debates at the G20, and clarifies some of the evolving relationships between Chinese institutions and borrower governments. We show how unsolved challenges arising from the DSSI would play out in the Common Framework, launched by the G20 and the Paris Club (an informal group of mainly wealthy creditor countries that has traditionally organized official bilateral debt restructuring) on November 13, 2020 to treat cases of insolvency in the same group of countries.

The DSSI was the first big test of the G20's global economic coordination leadership regarding low and middle-income country sovereign debt. Chinese officials stated regularly that "China is fully implementing" the DSSI.[1] Yet unlike the Paris Club, Beijing failed to provide country-by-country evidence of this implementation.[2] The Trump and Biden administrations regularly accused China of being predatory rather than cooperative, shirking responsibility instead of embracing it. For example, David Malpass, the Trump administration's appointee to head the World Bank, told an audience that all during the pandemic, "China has taken full payments."[3]

How should the DSSI be evaluated? Data on payment suspensions and assistance with liquidity during the pandemic provides one kind of evidence. The process of implementation provides another set of data points, although the guidelines were not always clear or mutually agreed, which resulted in less relief than originally anticipated. A third perspective focuses on the intentions some held for the DSSI process: putting in place a ramp for China to enter a multilateral system of mitigating debt distress. Through analysis of available data, process-tracing through over 100 interviews with G20 participants and borrowers, and case studies, we argue, with some caveats, that China fulfilled its role fairly well as a responsible G20 stakeholder implementing the DSSI.

The changing pattern of global credit demanded a new architecture for solving debt crises. Historically, the US played the leading gatekeeper role in accepting or rejecting renovations of the club-based financial architecture, acting in concert with the G7. Through the decades, the Paris Club, where China is not a member, implemented G7 decisions in its treatments for official bilateral debt, and as a "representative creditor committee" working with the IMF. Since 2008, the G20 has been the premier forum for international economic coordination, but the G20 had not previously worked with the Paris Club. The DSSI was intended by some of its designers to bring China into a well-oiled system for global sovereign debt governance, with the Common Framework as the scaffold upon which a new architecture would be built.

Our research illustrates four challenges that would spill over from the temporary DSSI to the Common Framework.

1. **Fair Burden-Sharing**. In the 73 countries that were eligible for DSSI relief, Chinese creditors accounted for 25 percent of debt service originally due in 2020 and 2021, multilaterals 22 percent, and non-China private creditors and bondholders, 40 percent. The Paris Club was due to collect only nine percent. As the DSSI was taking shape, calls for fair burden sharing among all three creditor groups (bilateral, multilateral, and commercial) were strong in Europe, Africa, and even in the US private sector. Ultimately, World Bank and IMF data show that, while multilateral banks helped by providing liquidity, Chinese creditors contributed more than their share of suspensions. **In the 46 countries that participated in the DSSI relief, China contributed 63 percent of debt service suspensions, while holding only 30 percent of all claims.** Perceptions of unfairness reinforced Chinese demands for full creditor participation.

2. **Common Understandings.** Through decades of experience with debt relief, the G20's eleven Paris Club members enjoyed norms and a common vocabulary. For many in the G20, "private" and "commercial" were synonyms, yet China regarded its state-owned policy bank, China Development Bank (CDB) as a commercial lender (as did Germany its state-owned commercial lender KfW-IPEX). The Paris Club normally included all debts owed by central governments, their state-owned enterprises, or private firms with a government guarantee (when these were included in the IMF's analysis), while some non-Paris Club creditors believed the moratorium should only extend to central government debts. Other issues arose: the Paris Club made it clear that funding agencies should continue to disburse during the moratorium, China Eximbank officials scaled back disbursements. As the focus shifted from liquidity to insolvency, China–and private creditors–contested the IMF's effort to calculate debt sustainability "scientifically" and separately from creditors, while the Paris Club accepted the IMF's recommendations.

3. **Chinese Characteristics.** Across most G20 members, understanding of China's fragmented creditor and institutional landscape was weak. Gradualism, experimentalism, and policy entrepreneurship characterize the Chinese model of reform. In China, banks do not write down loans; they adjust the terms. Loan cancellations for foreign governments require approval from the State Council. Regulations and systems of compensation for foreign debt forgiveness do not exist. Furthermore, policy banks in China are more independent than similar agencies in other G20 countries. China, as a major creditor new to the idea of multilateral debt relief, needed time not only to "learn" different rules and norms accepted by other creditors, but also to align interests at home among banks and bureaucracies with conflicting interests. China Eximbank was given (and still has) the authority to lead what "China" did at the DSSI and in the Common Framework. Their single-minded focus on, and

natural aversion to, financial loss is handicapping the multilateral cooperation that fits in with China's overall interests.

4. **Geopolitics and the "Discourse Trap".** Fully integrating China into multilateral debt relief will require skilled diplomacy on all sides, a sense of history, and proper analysis of the facts. The DSSI was launched in a period of high geopolitical tensions, where the Trump administration and other G7 members regularly made unfounded accusations that China was using debt to entrap countries for strategic leverage. The Biden administration has refrained from "debt trap diplomacy" claims, but US officials and others in the G7 still regularly make headlines by singling out China as the problem, and the Chinese push back with their own heated responses. This rhetoric could well backfire. The DSSI and the birth pangs of the Common Framework show that the debt relief problem is multifaceted. Building new group institutions typically entails "forming, storming, and norming" before the new institutions start to perform. The "storming" part of this is unavoidable, but it needs patience, persuasion, and ideally, privacy. Scoring points in the short-term may deflect the process altogether. Geopolitics should not contaminate the space needed for patient rule-making.

The Background section of the paper provides brief introductions to orient readers who may be coming from different backgrounds. We explain China's global creditor role and introduce the main creditors and government institutions concerned with overseas debt. We then explain our methodology for the research, define some terms, and introduce the DSSI, and explore why China joined. Part two summarizes the data analysis. The third section of the paper provides a deep dive into the DSSI, highlighting the issues that arose. Part four provides four case studies (Angola, Kenya, Maldives, and Zambia) that illustrate and provide examples of the issues. A Data Appendix provides more detail on the DSSI data.

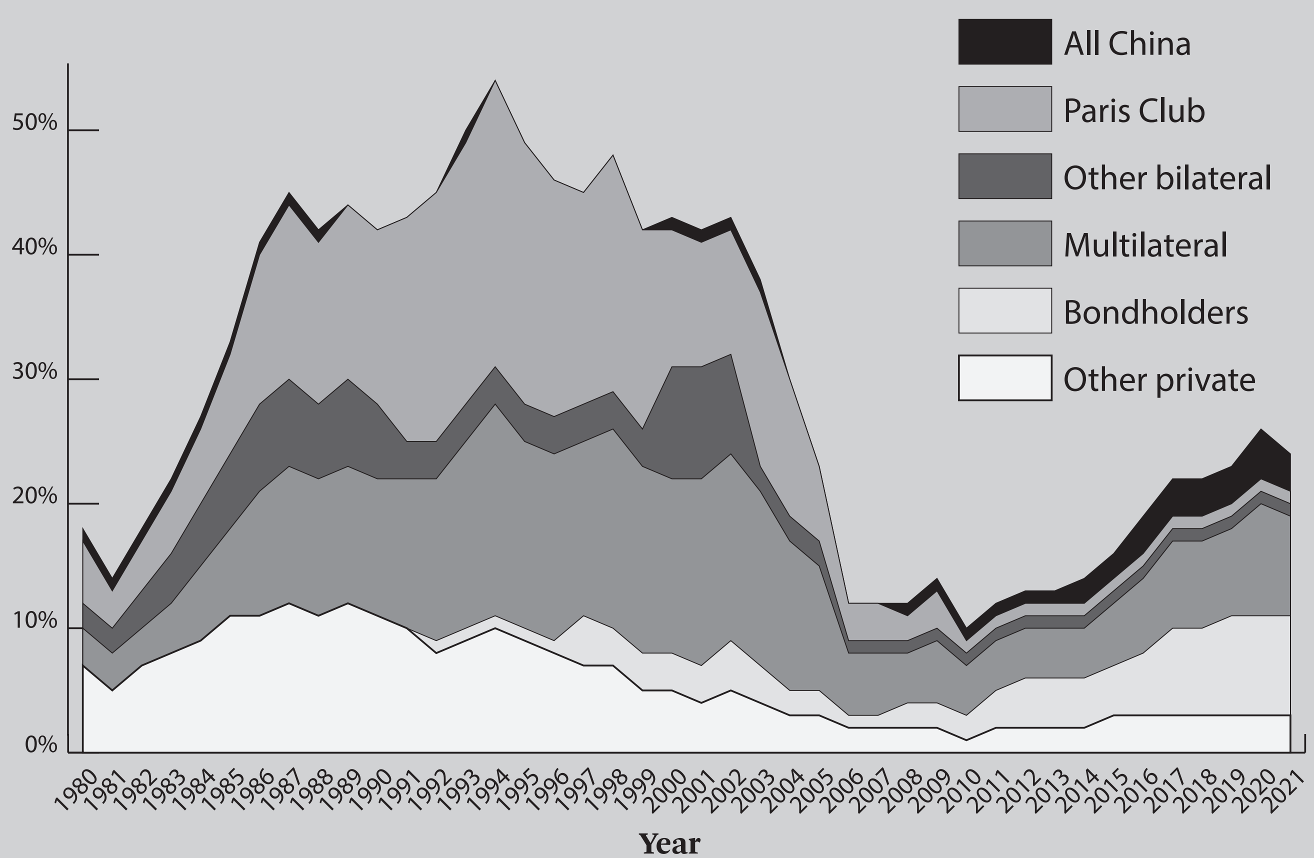
B. Background

1. China's Global Creditor Role

The last debt crisis stretched between 1980 and 2005 in the world's poorest countries. During this era, Paris Club official creditors and multilateral lenders held the vast majority of low income countries' debt, as Figure 1 shows, with data from Africa. From 1956 until 1988, the Paris Club allowed countries additional time to repay, but insisted on full repayment. The first debt reductions in real terms – one third, in net present value (NPV) terms, were allowed for the poorest countries in October 1988. This was increased to two-thirds in 1994 (Naples Terms), and in the 1996 Highly Indebted Poor Countries (HIPC) program, the G7 agreed to fund progressive reductions of debt owed by HIPC countries to multilateral institutions like the World Bank. These accelerated in the Multilateral Debt Reduction Initiative (MDRI). For middle-income countries, the Paris Club adopted the "Evian Approach" in 2003, which allowed a menu of options including rescheduling and NPV reductions.

These debt write-offs allowed poor countries to borrow again. As debt rose over the course of the past decade, Chinese creditors (Box 1) became increasingly visible, as did bondholders.

Figure 1: Sub-Saharan African Countries' Public External Debt Stock as % of GNI (1980-2021)



Sources: World Bank International Debt Statisitics; World Bank National Accounts Data; CARI Analysis.

Today, across all low and middle-income countries, China's share remains small.[4] In 2021, Chinese creditors accounted for only five percent of public and publicly guaranteed (PPG) debt for all low- and middle-income countries (Table 1), Paris Club creditors held seven percent, bondholders 49 percent, non-Chinese private creditors 14 percent, and multilateral lenders 23 percent.

Yet China's heft as a creditor is greater in the low-income countries eligible for the DSSI and the Common Framework, and when one focuses on debt service (Table 2). Here, Chinese creditors currently (end-2021) account for 21 percent of debt stock, Paris Club 11

Table 1: Selected Creditors' Share in PPG External Debt - 2021

	All China	Paris Club	Multilateral	Non-China Private
Low- and Middle-Income	5%	7%	23%	63%
IDA Countries	18%	12%	42%	22%
Of Which: High-Risk and In-Distress	22%	8%	37%	26%
Sub-Saharan Africa	17%	6%	32%	41%

Source: World Bank International Debt Statistics (IDS) database 2022.
Note: "All China" includes creditors in the IDS "official" and "private" categories. Countries are labeled as "high risk" or "in-distressed" based on the IMF, "List of LIC DSAs for PRGT-Eligible Countries," February 28, 2023

percent, multilaterals 41 percent, and non-Chinese private creditors and bonds 23 percent. Between 2020 and 2021, debt service on Chinese loans (pre-DSSI) would have accounted for 25 percent of all debt service in DSSI-eligible countries, with multilateral lenders accounting for 22 percent, and non-Chinese private lenders 40 percent. The data illustrates the challenges to the pre-pandemic debt management architecture for achieving a cooperative outcome for countries facing debt distress.

Table 2: DSSI-Eligible Countries' PPG External Debt

Creditors	Debt Service Due: 2020 and 2021		Debt Stock: 2021	
	US$ billions	Percentage	US$ billions	Percentage
All China	27	25%	130	21%
Non-China Bilateral	14	13%	97	15%
Of Which: Paris Club	9	9%	67	11%
Multilateral	23	22%	259	41%
Of Which: World Bank	8	8%	142	23%
Non-China Private	42	40%	141	23%
Of Which: Bondholders	17	16%	88	14%
Total	106	100%	627	100%

Source: World Bank IDS 2022, IMF Article IV for Angola-China reprofiling data.
Note: "All China" includes creditors in the IDS "official" and "private" categories. Data includes 68 of the DSSI-eligible countries with data available. We calculated the original debt service due by summing up the debt service paid, and the interest and principal rescheduled.

The DSSI was not the first time China had provided debt relief. In earlier research, we analyzed multiple instances of Chinese debt cancellations for interest-free loans from 2000 onward, as well as the far smaller number of cases where Chinese creditors provided significant face value reductions to troubled borrowers, such as Iraq.[5] While a process existed to coordinate interest-free loan cancellations from the central government, there was no government coordination of Chinese banks. "There is no 'China, Inc.' when it comes to debt relief," we argued. We found that Chinese creditors sometimes negotiated restructuring for particular loans, but not the entire portfolio. Chinese debt relief followed no strong pattern, although there was a clear preference for retaining the principal loan value, responding to debt distress by providing a grace period/moratorium, lengthening the repayment period, or lowering the interest rate.

Chinese domestic management of debt is distinctive. According to our interviews, Chinese banks can write down loans for foreign governments, but they generally prefer to adjust the terms, since reductions in loan principal require approval from the State Council.[6] Regulations and laws for foreign debt forgiveness in default situations do not exist, and there is no mechanism for compensating policy banks for write-downs.[7] Interest-free loans can be easily canceled, however, as China's annual budget provides for the full value of these loans, meaning that no new budgetary allocation is necessary. Chinese loan officers in policy and commercial banks all said in interviews that write-down of their commercial loans would tarnish their personnel records and hurt their future careers. For China Eximbank, the loan officers would have more opportunity to pass on the blame when they have to write down Concessional Loans or the Preferential Export Buyer's Credits, because China Eximbank jointly manages these loans with the Chinese government. But for the commercial loans, China Eximbank, CDB, and commercial banks like the Industrial and Commercial Bank of China (ICBC) manage them largely independently from the Chinese government and the loan officers would be held accountable for their decisions to lend.

The Paris Club has developed useful procedures for solving official bilateral creditor collective action problems, avoiding fears of free riding through its expectation that borrowers will seek "comparable treatment" from all other creditors (except multilaterals). China had come close to joining the Paris Club in 2016, but for various reasons, backed away. Bondholders are increasingly forced to work together in a default situation under collective action clauses (CACs) in bond contracts, but they are not formally linked to the Paris Club. Commodity traders with resource-secured loans loom large in particular countries, like Chad, but have been outside all of these rooms. The IMF and World Bank are usually insiders but claim "preferred creditor" status. Yet this norm, strong as it is, is not enshrined in law. Low income borrowers have little voice in any of these fora. As the pandemic hit, conditions were ripe for a rethinking of the architecture of sovereign debt relief.

2. Methodology and Terms

Over the course of the pandemic, the G20 released very little information about the ongoing debt moratorium. Our multi-method analysis proceeded inductively, carefully reconstructing the timeline of major events during the DSSI. We reviewed official documents, held over 100 interviews with creditor and borrower governments and other stakeholders, collected statements by participants as reflected in media reports, and analyzed data from the World Bank's latest International Debt Statistics, published on December 6, 2022.[8] We also include four brief analytical narrative case studies, three based on fieldwork in the summer of 2022. Due to the confidential nature of the interviews, we do not provide citations.

In doing this research, we learned that the very vocabulary of debt distress is a work in progress.[9] We use "debt relief" as a general term implying any change that gives more fiscal breathing space to a borrower. We use "reprofiling" and "rescheduling" as synonyms. Both indicate changes in debt terms, for example, providing more time for repayment, or a grace period. We use "restructuring" to indicate a change in the net present value (NPV) of the debt, for example, through writing off some of the principal or changing the interest rate. Both involve a reduction in the NPV of the debt.

Box 1a: Chinese Financial Institutions and Creditors - A Brief Introduction

Overseas loans come to only about five percent of China's overall bank lending.[10] This overseas finance is governed by a mix of state and market, not unlike other East Asian economies as they emerged out of underdevelopment.[11] The State Council sets policy, and the People's Bank of China (PBOC), China's central bank, regulates and supervises lending institutions.[12] Three policy banks support China's development goals: China Export Import Bank (China Eximbank), China Development Bank (CDB), and Agricultural Development Bank of China. China International Development Cooperation Agency (CIDCA), is China's official aid agency.

Policy banks in China are more independent than similar agencies in other G20 countries. The two policy banks have separate ownership. China Eximbank is owned by the Ministry of Finance (11 percent) and 89 percent by Buttonwood Investment Company (a wholly-owned subsidiary of China's State Administration of Foreign Exchange, SAFE, which is itself a subsidiary of PBOC).[13] CDB's shares are held by the Buttonwood Investment Company (27 percent), Ministry of Finance (37 percent), Central Huijin Investment Company (wholly owned by the Ministry of Finance through China Investment Corporation, 35 percent), and the National Council for Social Security Fund (two percent).[14]

Most Chinese overseas finance is commercial and profit-driven. China only has three types of subsidized loans: interest-free foreign aid loans, concessional foreign aid loans, (*you hui dai kuan* 优惠贷款), and preferential export buyer's credits, PEBC (*you hui mai fang xin dai* 优惠买方信贷). The latter two are spoken of in Chinese as "the two preferentials" (*liang you* 两优), and both are operated by China Eximbank, which is the only bank authorized to provide *liang you*.[15] The *liang you* are jointly managed by CIDCA, the Ministry of Commerce (MOFCOM), the Ministry of Finance, and the Ministry of Foreign Affairs. CIDCA manages the interest-free foreign aid loans, coordinating with the Ministry of Foreign Affairs and MOFCOM.[16]

Subsidized government loans are quite limited in volume. Interest free loans make up about two percent of China's overall loan commitments, at least in Africa.[17] In 2014, China Eximbank concessional loans (CL) made up five percent and preferential export buyer's credits (PEBC) came to nine percent of the bank's US$ 294 billion outstanding balance. That year, newly signed CLs came to US$ 3.4 billion.[18] In early 2023, China Eximbank said that its "policy business" (including on-lending from foreign banks, and loans to Chinese companies in and outside of China) came to 57 percent of its total assets.[19]

Since 2015, the three policy banks have enjoyed an implicit state guarantee from China's central government, giving their bonds a zero-risk weighting.[20] However, only two Chinese creditors receive annual budgetary allocations for their overseas lending operations: China Eximbank (which receives a subsidy only for the CLs that it issues on behalf of the central government) and CIDCA. China Eximbank does not receive subsidies for the PEBC loans, which are subsidized by the bank's profits from its "self-run" (自营) commercial business. While CDB is, like China Eximbank, a policy bank, it raises its funds from deposits and bond issues, and does not receive budgetary subsidies from the government.[21] Data at Boston University suggests that CDB and China Eximbank together account for more than 80 percent of Chinese lending, at least in Africa.[22] All other Chinese overseas lending is done on a commercial basis, although banks are "guided" by central government campaigns like the Belt and Road Initiative (BRI).

In 2015, the PBOC tapped into China's foreign reserves and injected US$ 45 billion into China Eximbank and another US$ 48 billion to CDB. The injection increased CDB's registered capital by 37 percent and China Eximbank by 290 percent.[23] This came only after years of complaints from the two banks, especially the China Eximbank, that their capital was too small compared to other foreign policy banks or Chinese commercial banks. A China Eximbank official wrote in 2014 that the bank didn't even have enough money to fulfill the PBOC's requirement for risk provision.[24] The 2015 capital injection allowed the banks to borrow and lend more.[25] Both CDB and China Eximbank have received RMB funding from the PBOC over the years but mostly to support their policy lending within China.[26] This funding from the Chinese state doesn't change that most of the two bank's funding comes from bond issuance and that the banks do not receive regular budgetary support for their overseas lending (except China Eximbank for the CLs).[27]

Box 1b: Chinese Financial Institutions and Creditors - A Brief Introduction

Over 30 other commercial Chinese creditors provide overseas loans. Chinese state-owned commercial banks like Bank of China (BoC) and China Construction Bank (CCB), began lending to South Africa in 2001, joining large international syndicated loans to South Africa's central bank. Since then, Industrial and Commercial Bank of China (ICBC), Bank of Communications (BoCom), Agricultural Bank of China (AgBank), Ping An Bank, CITIC, and provincial, municipal, and private banks like Minsheng Bank have also grown their overseas portfolios. At least 25 Chinese companies have provided medium to long term suppliers' credits.[28]

Finally, Sinosure, China's export credit insurance agency, established in 2001, has become an important creditor in some countries like Zambia, Ethiopia, and Zimbabwe. Sinosure does not itself provide finance to borrowers. Yet most Chinese banks require borrowers in riskier countries to take out insurance on their commercial loans (insurance is not required for CIDCA's zero-interest loans, China Eximbank's concessional aid loans, and preferential export buyer's credits). When projects face payment defaults, banks can claim payments from Sinosure, and the debt, or a portion of it, is transferred to Sinosure's portfolio. Sinosure may directly pursue repayment from the borrower or let the banks act on its behalf. Central Huijin is also an investor in Sinosure.[29]

C. The DSSI

The G20's DSSI was launched in April 2020 during a chaotic period when the COVID-19 virus was spreading rapidly, and the US-China relationship had fallen to a particularly low point. World Bank president David Malpass convinced the IMF to join him in calling publicly for debt suspension. This happened without first running the idea by either organization's Executive Board, surprising many G20 members. All negotiations took place online. Here, we briefly describe the initiative, and explore why China decided to join.

1. April 2020: The DSSI in Brief

The initial DSSI term sheet (Box 2) outlining how the initiative would work was a page and a half in length. Debt suspensions would be "net present value (NPV) neutral", i.e. borrowers would be expected to fully repay the suspended amounts. Creditors could choose to reschedule or refinance their loans. The "scope of creditors" included all official bilateral creditors (not just those in the G20), while private creditors would be publicly asked to participate on comparable terms. Multilateral development banks "would be asked to further explore the options" for joining the moratorium. Out of urgency and disagreement among G20 creditors, the term sheet left out many key details. Building new group institutions typically entails "forming, storming, and norming" before the new institutions start to perform.[31] We see this happening through the DSSI and into the Common Framework. Box 3 provides a timeline of key DSSI and Common Framework milestones.

2. Why Did China Join the DSSI and the Common Framework?

As a member of the G20, China could have resisted the call for joint debt service suspensions. It is still not entirely clear at this point why it didn't due to the limited window into the thinking of key decision makers. After all, China's policy banks in recent years have appeared highly reluctant to join a multilateral debt relief effort, going so far as to insert "no Paris Club" clauses in their loan agreements asking borrowers to agree not to ask Chinese lenders for "comparable terms and conditions" in a debt relief situation.[32] But Chinese officials and non-China G20 participants involved in the process offered some suggestions in interviews with us.

Box 2: G20 DSSI Term Sheet and Addenda

The G20 DSSI Term Sheet published in April 2020 (Phase I), specified that only the least developed countries (as defined by the United Nations) and the low income countries (as defined by the World Bank) that were not in arrears to the IMF and the World Bank would be allowed to participate.[33] The "scope of creditors" included all official bilateral creditors (not just those in the G20), while private creditors would be publicly asked to participate on comparable terms. Multilateral development banks "would be asked to further explore the options" for joining the moratorium. The suspension would only apply to debt incurred before March 24, 2020. It would be net-present-value (NPV) neutral, meaning there would be no "haircut" i.e. lenders would be fully repaid and countries had to pay interest on the deferred debt. Creditors could choose whether to refinance debt or reschedule it. For Phase I, borrowers would have a one-year grace period for the amount suspended, then three years to repay the suspended amounts (principal and interest).

In Phase II, announced on October 14, 2020, the repayment period was extended to five years.[34] The terms clarified that creditors would apply the moratorium on the date that the borrower sent a formal request, and that countries would not have to pay penalties, late interest charges, or additional fees. There was still no agreement on several issues, for example, how to treat arrears that fell during the moratorium and how to treat syndicated loans involving multiple banks, when one bank was participating and others were not. Angola's enormous Caculo Cabaça hydropower project financed by a US$ 4.1 billion syndicated loan from a group of Chinese banks: ICBC, China Eximbank, Bank of China, China Construction Bank, China Minsheng Bank, and Ping An Bank, is an extreme example, but illustrates the challenge.[35] Finally, borrowers were reminded that they "must" request the moratorium from all of their official bilateral creditors.

A second addendum to the April Term Sheet was announced on November 13, 2020, clarifying that official creditors participating in syndicated loans should allow the borrower to suspend payments on the syndicated loans, as long as the other parties were not affected.[36] This would be unlikely, as a partial suspension of payments was likely to affect other parties. Creditors should not require countries to repay any accumulated arrears on those loans until after the moratorium was over.

First, China was likely concerned about its reputation given its previous commitment to the G20. Since the first G20 meeting in 2008, China has actively participated in G20 Working Groups, advocating for quota reforms in the World Bank and the IMF. China was able to increase its shares in the IMF in 2010, becoming the Fund's third largest shareholder. The PBOC, Ministry of Foreign Affairs, and the Ministry of Finance co-wrote a 130-page research report laying out China's strategy to gain more say in international finance through the G20.[37] During its G20 presidency in 2016, Beijing relaunched the International Financial Architecture Working Group (IFAWG) that was disbanded earlier, and it asked the French to co-chair the Group, in a bid to push for more reform of the international monetary system. With Trump's election, the Chinese government and its leaders portrayed China as the new champion of multilateralism, while the US was withdrawing from commitments and promoting "America First".[38] Given this strong allegiance to the G20, the reputational risk for China staying out would have been too high. Chinese President Xi Jinping had indirectly critiqued the US before, saying that countries must not "use [multilateral institutions] when they fit into one's self interest and abandon them when they don't."[39] When David Malpass proposed the suspension as a G20 initiative, Chinese decision makers felt somewhat locked in. "That was smart. He knew China attaches importance to the G20. He knew we attached importance to international reputation," said a Chinese official.

Second, China may have had concern for its reputation due to COVID-19. Even though the Chinese government had been pushing strongly against the idea that COVID-19 originated in China, the outbreak clearly started in Wuhan after the government's initial cover-up.[40] In March, when the DSSI was first discussed, many were blaming the Chinese government for the pandemic, and lawsuits had been filed internationally against China for the economic losses caused by COVID-19.[41] At least in terms of optics, Beijing was under pressure to shore up its image as "a responsible major power" and to help out countries hurt by the pandemic. Failure to join an initiative like the DSSI could have further tarnished its reputation.

Third, the Chinese Ministry of Finance officials attending the G20 may not have had enough time to process all the information, consult with different ministries and banks at home, and fully understand what the initiative entailed legally, financially, and politically when they signed on to the DSSI. To begin with, the IFAWG does not consist of sovereign debt experts. Its traditional focus

Box 3: Timeline

Date	Event
March 25, 2020	World Bank and IMF Call for Suspensions
April 19, 2020	G20 Announces Debt Service Suspension Initiative (DSSI)
May 1, 2020	DSSI Phase I Begins (May 1 - December 31, 2020)
June 17, 2020	Xi Jinping Encourages Voluntary DSSI Participation by Chinese Banks
October 14, 2020	G20 Announces DSSI Extension (January 1, 2021 to May 31, 2021)
November 13, 2020	G20-Paris Club Common Framework Announced
January 27, 2021	Chad Becomes First Country to Request Common Framework
February 3, 2021	Ethiopia Requests Common Framework
February 5, 2021	Zambia Requests Common Framework
April 7, 2021	G20 Announces Final DSSI Extension (June 1, 2021 to December 31, 2021)
April 15, 2021	Chad Official Creditor Committee (OCC) Formed
June 16, 2021	Chad OCC Provides Financing Assurances
September 16, 2021	Ethiopia Creditor Committee Formed
June 16, 2022	Zambia Creditor Committee Formed
July 18, 2022	Zambia OCC Provides Financing Assurances
November 13, 2022	Chad Common Framework Treatment Finalized
January 10, 2023	Ghana Requests Common Framework

is to come up with rapid response solutions for financial crises. These issues relating to global financial safety nets are often agreed upon unanimously in a short period of time at the group given the sense of urgency.[42] The topic of debt was only added to the IFAWG agenda when the group discussed and adopted the Operational Guidelines for Sustainable Financing in 2016/2017. "The amount of knowledge you need to have in this working group is very wide and very deep, and you just cover a lot of different things," said one non-Chinese participant. "[Most of the IFAWG participants] are not really experts on debt," said another, "their core business is IMF, capital flows. It's macroeconomics, it's not debt, honestly."

Finally, some of the Chinese officials in charge believed that the time was ripe for China to engage in multilateral debt coordination. "Before the DSSI, the whole debt restructuring process [of Chinese creditors] was haphazard and had no guiding principles. This may be okay when our debt portfolio is still small. But now our portfolio is huge and so is the risk. We must learn how to do this. Doing this multilaterally is also to safeguard our interests. Asking all creditors to cut debt with us and to share the burden equally with us is not necessarily a bad thing," said a Chinese official. These experienced officials were able to convince leaders at home that participation in the Common Framework appeared to be in China's interest for the long term despite the near term financial loss, as long as restructuring involved "joint actions and fair burden sharing."[43]

Equally if not more important, with China's past success in pushing through the IMF quota reform using the G20, these globalist officials may have developed enough trust and a sense of ownership toward the G20 platform, which they believed was not dominated by the US or the West (unlike the Paris Club). They felt comfortable enough that they could co-write the rules according to China's interests, and eventually, to some extent, they did. Yet the vagueness of the initial terms led to considerable "storming" within the G20 as the DSSI and Common Framework were implemented.

This was presaged on April 17, two days after the announcement of the DSSI, when China's Minister of Finance Liu Kun, outlined China's views on the moratorium.[44] He emphasized joint action by all creditor groups, flagged the difficulty of evaluating debt sustainability properly given the pandemic, and stressed the importance of avoiding moral hazards.

- **Collective action.** The urgency of the pandemic required all creditor stakeholders (official, multilateral, bilateral) to take joint action. "As the world's most influential multilateral development agency, major multilateral creditor, and initiator for suspension of debt service payments, WBG [World Bank Group] should lead by example in suspending debt service payments."

- **Uncertainty.** While some aspects could be implemented quickly, the pandemic was going to introduce considerable uncertainty about debt sustainability for the medium and long term, and this would create difficulties for "scientific and proper debt assessments".

- **Avoid moral hazard through consultations.** Maintaining order in international markets was essential, and so the DSSI should follow "existing legal frameworks and international practices

> …the interests of both creditors and borrowers need to be duly considered through full and in-depth consultations, so as to avoid moral hazards."

The DSSI was born from urgency, but this document spelled out China's view that all three creditor groups should participate in the DSSI, avoiding free riding. No creditor would have to watch borrowers use the fiscal space created by *their* suspension to repay other creditors. It also flagged Chinese concern that the uncertain economic environment would make it even more difficult to assess which countries were truly insolvent. (This would resurface in Chinese resistance to the IMF's debt sustainability analysis in the Common Framework).

Liu Kun emphasized that institutional innovation at this point was risky, and the G20 should proceed cautiously. The last debt crisis had led Western banks and export credit agencies to largely abandon the low-income countries, as shown in Figure 1. External finance for infrastructure and growth-producing investments was desperately needed by these countries. If Chinese banks and other creditors were going to stay in this market, the G20 would need to be cautious about moral hazard risk.[45]

PART II. DATA ON DSSI IMPLEMENTATION

Chinese creditors provided 63 percent of all the suspensions between 2020 and 2021, while holding 30 percent of the claims. This high percentage comes from our inclusion of Chinese suspensions in Angola, where CDB and ICBC provided voluntary loan reprofiling. We also looked more narrowly at China Eximbank's participation in the DSSI as an official bilateral creditor compared with other G20 countries. Using data for 2021 (the only full year), we find that Chinese official creditors (primarily China Eximbank, although the data does not allow us to be sure) only suspended 43 percent of the debt service they were due that year. This is about the same percentage as Germany, lower than other Paris Club members of the G20, but higher than other middle-income creditors like Brazil and Turkiye (Table 4).

Our analysis is based on data published by the World Bank, and available online in the International Debt Statistics (IDS), supplemented by IMF data for Angola. Although the publication of official and private loan data by country of origin is a major step forward in transparency, analyzing the World Bank's IDS data still presented us with some significant challenges (see Data Appendix). We found errors and missing data which affected the G20 comparison, since the amounts for many creditors are relatively small. We have tried to fact check and clean that data. However, the primary challenge was that the IDS does not consistently include CDB as a "private" or an "official" creditor, and so we could not be sure when looking at IDS data on debt from "official" China and "private" Chinese creditors, what we were actually seeing. In most of our calculations, therefore, we group Chinese "official" and Chinese "private" to form one category: "All China".

A. Chinese suspensions as a percent of all debt rescheduling

The 46 DSSI participants received US$ 13.1 billion in debt rescheduling from all creditors in 2020 and 2021. US$ 8.2 billion came from Chinese creditors. This includes US$ 4.1 billion savings for Angola from the debt reprofiling deaIs with CDB and ICBC, which the IMF documents, but which are not fully reflected in the IDS data (discussed further below and in Data Appendix). Therefore, all Chinese creditors (official and private) provided 63 percent of the debt rescheduling, while accounting for 30 percent of the debt service due. Multilateral and non-China private creditors, including bondholders, held 18 percent and 40 percent of the claims and together provided less than two percent of the relief (Table 3).

Table 3: Debt Rescheduled for 46 DSSI Participants in 2020 and 2021 (US$ billions)

Creditors	Debt Rescheduled	Debt Service Paid	Debt Service Due	Debt Service Percentage Suspended	Service Due as Percentage of Total	Rescheduled as Percentage of Total
	A	B	A + B	A / (A+B)		
All China	8.2	14.5	22.8	36%	30%	63%
Other Bilateral	4.7	4.5	9.2	51%	12%	36%
Of Which: Paris Club	3.3	2.3	5.6	59%	7%	25%
Multilateral	0.2	13.1	13.3	1%	18%	1%
Of Which: World Bank	0	4.5	4.5	0%	6%	0%
Other Private	0.01	29.7	29.7	0%	40%	0%
Of Which: Bondholders	0	7.7	7.7	0%	10%	0%
Total	13.1	61.9	75.0	18%	100%	100%

Source: World Bank IDS 2022 and IMF (for Angola).
Note: "All China'' includes both "bilateral" and "private" Chinese creditors. For seven debtor countries participating in only one year, the calculation includes only the participating year. The China data includes debt reprofiling by CDB and ICBC in Angola. The calculation does not include cash-flow relief provided by the IMF through the CCRT fund. "Debt service due" represents the pre-DSSI debt service originally due in 2020 and 2021..

B. Chinese Implementation of the DSSI Compared with Other G20 Members

We also analyze China's implementation of the DSSI by comparing the performance of Chinese official bilateral creditors with other G20 and Paris Club creditors who also pledged to provide DSSI relief in full (Table 4). We use data only from 2021, which is the only full year of DSSI implementation. This data suggests that Chinese official bilateral creditors (presumably China Eximbank) provided 58 percent of all bilateral suspensions, but also that of the nearly US$ 6 billion of debt service that was paid by these countries that were supposed to be getting relief, 67 percent was paid to Chinese bilateral creditors. Overall, Chinese bilateral creditors suspended 43 percent of the debt service due to them, in 2021. Since, as explained earlier, the World Bank data may include debt service paid to CDB, China Eximbank's participation may be higher than appears in Table 4.[46]

Paris Club members like France (65 percent), Japan (89 percent), and the US (73 percent) did somewhat better.[47]

In our interviews, we heard examples of several participating countries that had complained that they had requested DSSI treatment from China Eximbank but the bank had either not responded or actively tried to dissuade the country from pursuing the suspensions. Table 5 shows the wide variation in treatments from China, with some DSSI participant countries receiving a high percentage and some nothing at all. Without additional information it is hard to find commonalities among these countries. We noted that some with low treatments had received debt reprofiling from China Eximbank in the recent past. This would include Cameroon, Chad, Djibouti, Ethiopia, Republic of Congo, Niger, and Mozambique. Yet for others this was not the case: Comoros, Côte d'Ivoire, Guinea, Lesotho, Madagascar, and Senegal paid all debt service due to China Eximbank during their DSSI participation in 2021, while receiving suspensions from the Paris Club (except Lesotho; see Table 12 in the Appendix).

We also noticed that 27 eligible debtor countries did not participate in the DSSI, and three joined in 2020 but didn't ask for extension in 2021. As discussed below, these countries may have had concerns for their credit ratings and future borrowing. It is hard to tell whether their concerns are related to China Eximbank or the private creditors (including the bondholders). In eight of the 30 countries, debt held by China bilateral creditor(s) – mainly China Eximbank – is larger than the private debt.[48] The eight countries are Cambodia, Guyana, Laos, Liberia, Malawi, Tajikistan, Uganda, and Vanuatu.[49] Malawi is now in debt distress, while Laos and Tajikistan are at high risk of distress.[50] It is not clear if China Eximbank dissuaded them from participating in the DSSI. One interviewee told us that Laos had a recent bilateral debt restructuring with China Eximbank prior to the DSSI, but this has not been reported elsewhere.

Overall, the World Bank debt statistics are not clean enough for a definitive analysis of Chinese "bilateral creditors" implementation of the DSSI compared with other G20 members. The mixed classification of CDB payments is one issue, but more importantly, these numbers do not necessarily reflect the willingness or unwillingness of G20 creditors to comply fully with the DSSI program. For example, India's low compliance reflects a payment of US$ 435 million from the Maldives in 2021 which is likely related to a credit swap rather than a debt repayment (see Data Appendix). Some debtor countries (Myanmar, for example) received relief from China in 2021 but not the Paris Club, suggesting that they did not request relief from all their creditors.[51] It is also possible that the IDS numbers on debt service paid are overcounting actual payments. As the World Bank reported, "some countries reported debt service potentially subject to deferral as paid to avoid any unintended consequences of payment arrears, in the expectation of reimbursement upon signature of the deferral agreement."[52] If these reimbursements were made later, they may not have been recorded in the data. The IDS also seems to have undercounted the actual debt rescheduling amounts. For example, the Paris Club said it suspended nearly 40 percent more debts than what the DSSI participants told the World Bank (see Data Appendix). If we trust the Paris Club more than we trust the debtors in their capacities in compiling these numbers, then it indicates that the actual debt suspension is larger than the IDS suggested, and this would apply to the

Chinese figures as well. In November 2021, the Chinese government stated that it had "signed debt service suspension agreements or reached consensus with 19 African countries" although the IDS only has data on Chinese suspensions in 15 African countries (Table 5).[53]

Table 4: Debt Rescheduled by G20 Bilateral Creditors for DSSI Participants, 2021 (US$ millions)

	Rescheduled (A)	Debt Service Paid (B)	Debt Service Due (C)	Percentage Suspended (D)
			C = A + B	D = A / C
Total	5,091	5,935	11,026	46%
China*	2,956	3,960	6,916	43%
France	666	355	1,022	65%
Japan	493	61	554	89%
Saudi Arabia	453	33	486	93%
United States	135	49	184	73%
Germany	128	159	286	45%
South Korea	71	38	110	65%
Russia	47	40	87	54%
Turkiye	37	123	160	23%
India	33	711	743	4%
Canada	32	206	238	13%
Italy	30	0	30	100%
United Kingdom	6	3	9	68%
Brazil	5	87	92	5%
Argentina	0	0	0	0%
Australia	0	0	0	0%
European Union	0	0	0	0%
Indonesia	0	0	0	0%
Mexico	0	0	0	0%
South Africa	0	119	119	0%

Source: World Bank IDS 2022.
Note: The World Bank IDS dataset includes China Exim and part of CDB's loans as "bilateral" but the classification is inconsistent. This data presented here does not include CDB's rescheduling or debt service in Angola. We have adjusted the UK numbers to reflect conversations with the UK officials regarding a suspected data error in Myanmar repayments (see Data Appendix). The India figure also includes a mysterious payment made by the Maldives in 2021 which is unrelated to the debt stock. We have not been able to determine the actual payments in that year.

Table 5a: Debt Rescheduled by Chinese Official Creditor for DSSI Participants in 2021 (US$ millions)

	Rescheduled by China	Debt Service Collected by China	Debt Service Originally Due to China	Percentage of Debt Suspended	Year of Recent Debt Treatment by China Eximbank
	A	B	A + B	A / (A+B)	
Total (5a + 5b)	2,956	3,960	6,916	43%	
Afghanistan	0	0	0	0%	
Angola	757	208	965	78%	
Burkina Faso	0	6	6	0%	
Burundi	0	1	1	33%	
Cabo Verde	3	0	3	98.%	
Cameroon	94	210	304	31%	2019
Central African Republic	0	0	0	0%	
Chad	0	41	41	0%	2017
Comoros	0	3	3	0%	
Congo, Dem. Rep.	14	16	30	47%	
Congo, Rep.	174	144	318	55%	2019
Côte d'Ivoire	0	85	85	0%	
Djibouti	0	9	9	0%	2019*
Dominica	3	0	3	99%	
Ethiopia	64	401	464	14%	2018
Fiji	22	0	23	98%	
Gambia, The	0	1	1	0%	
Guinea	0	40	40	0%	
Guinea-Bissau	0	0	0	0%	
Kenya	260	388	648	40%	
Kyrgyz Republic	51	37	88	58%	
Lesotho	0	6	6	0%	
Madagascar	0	8	8	0%	
Maldives	30	24	54	56%	

Table 5b: Debt Rescheduled by Chinese Official Creditor for DSSI Participants in 2021 (US$ millions)

	Rescheduled by China	Debt Service Collected by China	Debt Service Originally Due to China	Percentage of Debt Suspended	Year of Recent Debt Treatment by China Eximbank
	A	B	A + B	A / (A+B)	
Total (5a+5b)	2,956	3,960	6,916	43%	
Mali	16	44	61	27%	
Mauritania	35	0	35	99%	
Mozambique	44	181	225	19%	2017
Myanmar	76	149	225	34%	
Nepal	22	4	26	84%	
Niger	11	23	33	32%	2018
Pakistan	779	1,547	2,326	34%	
Papua New Guinea	27	33	61	45%	
Samoa	16	0	17	99%	
Sao Tome and Principe	0	0	0	0%	
Senegal	0	121	121	0%	
Sierra Leone	4	0	5	95%	
St. Lucia	0	0	0	0%	
St. Vincent & the Grenadines	0	3	3	0%	
Tanzania	91	191	283	32%	
Togo	20	26	46	44%	
Tonga	6	0	7	98%	
Yemen, Rep.	0	0	0	0%	
Zambia	334	10	345	97%	

Source: The rescheduling data source is World Bank IDS 2022, for the China Exim restructuring/reprofiling event, the source is CARI.
Note: According to the IMF, Djibouti reached a tentative agreement with China Exim to restructure the Djibouti-Addis Ababa railway loan, but the actual signing of the agreement has not been confirmed.

Despite problems with the data, we can see that the amount China suspended, and the work associated with these suspensions, far exceeded the rest of the G20. This is hardly surprising given that China held the lion's share of bilateral creditor debt. Our interviews suggest that China received little positive feedback for suspensions reported to the IFAWG, which focused more on China's decision to designate CDB as a commercial creditor, participating voluntarily.[54] At one of the IFAWG meetings, again being pressed by the Americans to bring CDB into the DSSI, "the Chinese official basically said, 'Just look at the Excel sheet! Just look at how much we suspended! Stop pushing us!'"

PART III. THE DSSI AND ITS DILEMMAS

A. Introduction

Through decades of experience with debt relief, the G20's 11 Paris Club members enjoyed common vocabulary and norms. For many in the G20, "private" and "commercial" were synonyms, yet China regarded its state-owned policy bank, CDB, as a commercial lender (as did Germany its state-owned commercial lender KfW-IPEX). The Paris Club normally included all debts owed by central governments, their state-owned enterprises (SOEs), or private firms with a government guarantee (when these were included in the IMF's analysis), while some non-Paris Club creditors believed the moratorium should only extend to central government debts. Other issues arose: the Paris Club made it clear that funding agencies should continue to disburse during the moratorium, China Eximbank officials scaled back disbursements. As the focus shifted from liquidity to insolvency, China–and private creditors–contested the IMF's effort to calculate debt sustainability "scientifically" and separately from creditors, while the Paris Club accepted the IMF's conclusions.

As noted above, institution-building typically starts with the formation of a group, then "storming" over rules and processes, before these become norms, and the institution performs. The "storming" part of this is unavoidable, but it needs patience, persuasion, and ideally, privacy. Many G7 members of the G20 assumed that Paris Club norms would be followed by other G20 creditors, while the Chinese assumed that new rules would be developed. Some of the tensions in the DSSI implementation would spill over into the Common Framework, including China's concern for "joint actions and fair burden sharing," which pointed to their expectation that private and multilateral creditors would participate.

Finally, throughout the pandemic, participants worked across multiple time zones to hammer out simple terms. As noted above, G20 participants were not specialists on debt, and the IFAWG meetings could last well over five hours, often late into the night for Asian participants. Capacity constraints were exacerbated by the long hours and pressure of the pandemic. Geopolitics also played a role.

B. Geopolitics

The DSSI was launched in a period of high geopolitical tensions, some centered on the topic of debt. Between 2018 and 2020, the Trump administration and some other G7 members regularly made unfounded accusations that China was deliberately using debt for strategic leverage. Before he became head of the World Bank, David Malpass had joined in these accusations. One media source called Malpass "a key architect of the administration's ongoing feud with China".[55] Interviewees repeatedly pointed to these tensions as a factor in the negotiations. "A lot of the rhetoric from the president of the World Bank looked hostile, targeted," one person recalled, saying "if the president of the Bank has basically gone to war with you," there isn't going to be any trust.

C. Disagreements Among Creditors

These negotiations were not always smooth, but they resulted in a well-oiled system that had not been significantly revised since the HIPC and MDRI period. Part of the "storming" of the DSSI involved Chinese questioning of, or resistance to, the Paris Club's customary practices. Yet other aspects of the existing system struck Chinese observers as unfair.

1. Unequal Burden Sharing

In the first year of the pandemic, debt in the 73 countries eligible for the DSSI was fairly evenly distributed among creditor groups: bilateral (32 percent), multilateral (42 percent), and commercial (26 percent).[56] As the moratorium was being negotiated, many voices from across the spectrum pushed for multilateral creditors to join. On April 3, Akinwumi Adesina, president of the African Development Bank, wrote: "What's good for bilateral and commercial debt must be good for multilateral debt. That way, we will avoid moral hazards."[57] On April 9, Timothy Adams, president of the Institute of International Finance (IIF), an influential Washington DC-based trade group of commercial banks, advised that debt restructuring, if required, be coordinated along the lines of the HIPC and MDRI initiatives, including "multilateral, bilateral and commercial creditors... No creditor or creditor group should be excluded ex ante from participating in debt restructuring."[58]

A letter signed by 18 prominent European and African leaders and published on April 14 in the *Financial Times*, called for "an immediate moratorium on all bilateral and multilateral debt payments."[59] Among the signers were G20 members: French president Emmanuel Macron, German chancellor Angela Merkel, and Guiseppe Conte, prime minister of Italy. A number of NGOs, including Jubilee (Debt Justice), and Bono's One, also pressed for multilateral banks to join the debt relief effort.[60]

The DSSI term sheet was published on April 15. It showed clearly that there was no consensus among G20 members.[61] The two-page term sheet called on private creditors to participate without providing any incentives, and asked multilateral development banks to "explore options" for joining the moratorium while preserving their AAA credit ratings. Two days later, China's Minister of Finance, Liu Kun, issued a blunt statement:" If the WGB fails to join, "its role as a global leader in multilateral development will be seriously weakened, and the effectiveness of the initiative will be undermined."[62]

A German analyst sketched out the geopolitics of the debate several days later:

> The G20 deal only concerns bilateral debt, a sign that the US got its way: China is the Global South's largest bilateral creditor by far. But in order to effectively release funds, short-term debt moratoriums and long-term debt relief also have to apply to multilateral loans, like those of the US-dominated World Bank, and especially loans from private banks and low-income countries' government bonds. The latter are mostly held by big mutual funds based in the US and Europe.[63]

The DSSI term sheet pledged that "private creditors will be called upon publicly to participate in the initiative on comparable terms." The IIF voiced its support for private creditor participation, on a voluntary basis, on April 30.[64] Three countries, including Zambia, asked private creditors for DSSI suspensions.[65] None were forthcoming.[66]

On June 20, 2020, following the G20 pledge to call publicly on commercial creditors to participate in the moratorium, Chinese President Xi Jinping gave a keynote speech at a virtual China-Africa Summit on Solidarity Against COVID-19: "We encourage Chinese financial institutions to respond to the G20's Debt Service Suspension Initiative and to hold friendly consultations with African countries according to market principles to work out arrangements for commercial loans with sovereign guarantees."[67] As the Maldives case below suggests, there are indications that this encouragement extended outside of Africa.[68]

In July 2020, a joint study sponsored by 10 multilateral development banks (MDBs) led by the World Bank argued that the benefits of MDBs joining the DSSI would be outweighed by the costs.[69] The paper argued that MDBs were already providing significant net positive financing flows. Most significantly, the World Bank's International Development Association (IDA) was a new issuer of bonds, through which it was able to leverage significantly larger resources, and its credit rating, based on its preferred creditor status, could be at stake. China's Minister of Finance pushed for the World Bank to set up a fund like the IMF's Catastrophe Containment and Relief Trust (CCRT), which the IMF was using to help poor countries pay IMF debt service: "If the World Bank takes part in debt treatment through setting up a multilateral debt relief facility, China will positively consider contributing."[70] This did not happen.[71]

Frustration over the lack of participation from multilateral and private creditors and worries that other creditors were free-riding on China's debt suspensions became more palpable among Chinese officials after the launch of the Common Framework in November 2020.[72] At a high-level panel at the April 2021 Boao Asia Forum, an annual Davos-like meeting, Hu Xiaolian, head of China Eximbank, said that although her bank had participated in the DSSI, the world should not expect them now to write off debt. Others, she warned, "must not seize this opportunity... to take advantage of China."[73]

In that same panel, Zhou Xiaochuan, former head of China's central bank, critiqued the World Bank's reasoning for not taking part in the G20 debt initiative – that providing suspensions would have led to a downgrading of the World Bank's credit rating, which could undermine its capacity to continue to lend. "This reasoning might sound right at first ... but isn't this the same for China Eximbank and CDB?"[74] As discussed above (Box 1 Chinese Creditors), both of the Chinese policy banks also raised most of their funding from the bond market, rather than government budgetary allocations. Yet this equating of Chinese policy banks with a bank established by the global community would not find much support outside of China.

We show below in Section III that multilateral and private creditors' participation would have made an important contribution to the DSSI effort. In the only full year of the DSSI, 2021, the 43 countries participating in the DSSI originally owed US$ 41 billion in debt service for that year. During 2021, they paid non-Chinese private creditors US$ 18 billion, and multilateral creditors US$ 7 billion.[75]

2. Lack of Common Understandings

The G20 IFAWG attendees were under pressure to deliver results within a limited time frame often through hours-long late night meetings. Not all of the IFAWG participants were well versed in the norms of the Paris Club-based system of sovereign debt relief. Overall, these factors contributed to the confusion and misunderstandings of the G20 attendees in their discussions about debt given their contrasting understandings of what DSSI entailed. This is especially the case for Chinese officials, because they had much more at stake given the size of their debt, and they did not always understand or want to be bound by rules written by the Paris Club, seeing it as an informal institution, not something global or formal.

a. Creditors: Official vs. Private vs. Commercial

The G20 pledged that "all official bilateral creditors," would participate in the DSSI (Box 2). Yet it soon became clear inside the meetings of the G20's IFAWG that G20 members had never clearly defined what they meant by "official creditor". These and other differences, which seem semantic, soon became the stuff of geopolitics.[76]

The definitional dilemmas began almost immediately. Just a few days after the launch of the DSSI, two analysts at the Council on Foreign Relations charged that China was going to keep China Eximbank from participating. While this turned out to be a false alarm (Box 4: The Myth of China Eximbank's Non-Participation in the DSSI), in July 2020, another Chinese policy bank came under scrutiny. World Bank president David Malpass publicly called Beijing to task for excluding CDB as an official creditor: "Full participation of the China Development Bank as an official bilateral creditor is important to make the initiative work, especially since it has played such an important role in providing development assistance to Africa."[77]

We dug into this gnarly issue to try to determine whether there were global rules on this definition. The Paris Club website stated simply that official bilateral creditors were "governments or their appropriate institutions, especially export credit agencies."[78] The World Bank's Debtor Reporting System guidelines specified that official lending comprised "lending by sovereign governments and all public institutions in which the government share is 50 percent or above."[79] Yet a few paragraphs later, the guidelines stated that creditor institutions "engaged in commercial banking activities" were to be classified as private, not official, "whether the ownership of the bank is public or private". The World Bank's website observed that its definition of "official" was "based on the profile of the creditor entity and the profile of subsidy."[80] Germany's KfW-IPEX, a wholly state-owned international project and export finance bank, also declined to participate in the DSSI. A KfW official noted to us: "The G-20 DSSI is aimed at public bilateral donors. IPEX-Bank as a bank in private legal form is currently not yet affected."[81]

Box 4: The Myth of China Eximbank's Non-Participation in the DSSI

With little information on how China was going to implement the DSSI, several reporters and analysts turned to an op-ed published in the *Global Times* on April 16 by Song Wei, a Chinese scholar, to argue that China was not going to include China Eximbank in the debt moratorium.[82]

Song Wei, now a professor at Beijing Foreign Studies University, was, at the time, a senior researcher and deputy director at the Chinese Academy of International Trade and Economic Cooperation, a government think-tank. A frequent commentator on African issues, she had written her article to address African calls for debt cancellations due to the pandemic, and she focused on foreign aid loans.

China could only write off interest free loans, she explained. Interest free loans were fully funded from the government's budget. Preferential loans from China Eximbank could be restructured: "If any debtors encounter difficulties to pay on time, there may be tailored plans including rescheduling". But write-offs were not possible for these loans: "Due to the commercial character of projects behind preferential loans, it has never been applicable for debt relief." Song Wei later clarified to the authors that she was using "debt relief" to refer to actual debt reductions.[83] The Chinese term "*zhaiwu jianmian* 债务减免" (debt reduction and cancellation) is often mistranslated into English as "debt relief".

Yet writing in *Foreign Affairs* on April 27, Council on Foreign Relations economists Benn Steil and Benjamin Della Rocca pointed to Song Wei's article to charge that China planned to renege on its G20 pledge: "China signed on to the G-20 pledge but added caveats that make a mockery of it. China is effectively excluding hundreds of large loans extended through its Belt and Road Initiative for infrastructure development."[84]

Although Song Wei had said that China Eximbank's loans could be rescheduled (as was happening in the DSSI), Steil and Della Rocca's argument that China was excluding all loans from China Eximbank from the DSSI was repeated by pundits at the Atlantic Council ("if you are one of the 67-plus countries who have taken financing for more than 1,800 BRI projects–totaling an estimated $135 billion–you need not apply") and South Africa's Brenthurst Foundation.[85] A September 2020 Asia Society report, *Weaponizing the Belt and Road Initiative*, wrote that "China later qualified its pledge to exclude loans made by the Export-Import Bank of China."[86] China Eximbank did participate in the DSSI as an official bilateral creditor, and its preferential loans were never an issue. Yet later it also became clear that intense discussions were happening in Beijing over the terms on which China Eximbank would participate.

Our own research at the time weighed in on this issue. While we argued that CDB was a policy bank and should participate in the DSSI, given the spirit of the initiative, we also showed that aside from Angola, CDB only accounted for five percent of Chinese loan commitments in the African DSSI-eligible countries, which suggested that the issue was potentially a red herring.[87] As we note below, CDB did provide debt suspension in Angola, separate from the DSSI terms, and Zambia also received a deferral from CDB that was not identical to the DSSI terms.[88] Following the "encouragement" of President Xi, CDB reported that it had "actively responded" to the DSSI initiative, providing at least US$ 1.9 billion in debt service suspension to DSSI participants as of September 2021.[89]

Although clearly the issue was being debated within the G20, Beijing did not clarify its position publicly for many months. The first public statement on the official bilateral creditor issue came only on November 20, 2020, in an interview with China's Minister of Finance Liu Kun posted on the Ministry's website.[90] CIDCA and the Export-Import Bank of China were participating as official creditors, he said, while CDB was participating as a commercial creditor. Angola saw the banks the same way. “We never classified CDB as a bilateral creditor,” an Angolan official told us. “Our bilateral creditor partner is Eximbank. It is state-to-state. CDB and ICBC ... always present themselves as commercial banks. They never present themselves as bilateral.”

In May 2021, a PBOC official gave further insights into Chinese internal politics. “We have persuaded CDB to participate voluntarily in DSSI. Even for Eximbank there was internal debate in China about whether we should categorize them as a pure official creditor. The majority of their lending is autonomous, the projects are selected by the bank themselves and the financial model is completely market oriented.”[91]

Furthermore, it emerged later that although some Executive Directors felt that the IMF should use the same classifications as the World Bank and the Paris Club, the majority endorsed a different classification.[92] In a paper completed in February 2022 and approved by the IMF’s Executive Board in May, IMF staff recommended that in general, “official” creditors should be direct budgetary units of the central government, or entities that regularly received direct budget support.[93] In cases where there was no budgetary support, a creditor could still be viewed as “official” if there was “unambiguous documentary evidence” that the creditor acted at the behest of the government. At the IMF, the determination of “official” would henceforth be done on a claim-by-claim basis, not institution-by-institution.

This perspective was echoed by the PBOC’s Jin Zhongxia in a May 2021 virtual “fireside chat” at the Official Monetary and Financial Institutions Forum while he was still China’s Executive Director at the IMF.[94] Jin spoke frankly about the debates going on inside China: “The difficulty in involving CDB and Eximbank into this debt restructuring effort is that there is a great loophole on the MDBs being excluded and the private creditors. If we can involve all the creditors, including the commercial and private ones, there will be no controversy about CDB and Eximbank, **for all their projects** [emphasis added], being included in this framework.” The comment “for all their projects” suggests that some projects, from both banks, would meet the IMF’s definition of “official” i.e. there would be a paper trail documenting a government request that the bank make a particular loan.[95]

As the DSSI wore on, Chinese officials made more efforts to try to explain their system and why the language of “official” and “private” did not work in the case of China, where the policy banks’ lending was primarily commercial. For example, in the virtual “fireside chat” with Jin Zhongxia, a former US Treasury official commented “China Development Bank and China Eximbank view themselves as private ... Outside of China, people don’t accept that CDB and Eximbank are considered private lenders.” Jin interrupted him heatedly the second time he said “private” and said “Commercial! Commercial!”[96]

In the Boao Forum panel in April 2021, China’s former central bank governor Zhou Xiaochuan spent nearly 20 minutes explaining why most of Chinese lending in the BRI is “commercial” and “bottom-up”, and therefore should be classified as such in debt treatments. A vast majority of these loans and projects were initiated by Chinese contractors looking for business overseas, Zhou explained.[97] Even though some of these projects were signed during Chinese leaders' visits, it doesn't mean they are initiated by the Chinese state.

> When the timing coincides with the leaders' visits, when there are such opportunities ... they [the companies and banks] certainly want the leaders to show up for support, to give it a boost. Then people outside started to interpret this as planned, top-down. But why do I say these are in fact bottom-up? Because for these commercial banks, as well as our export credit agency China Eximbank, most of their business is based on the banks' independent decisions, and they are not directed by the state.[98]

In a book published in 2022, the PBOC International Affairs Department tried to address the controversy over the CDB.[99] The book again argued that even though CDB as a policy bank was given the "zero-risk weighting" by the Chinese government and as a result the bank enjoys a lower cost of raising capital, CDB and other Chinese commercial banks do not provide concessional loans on behalf of the Chinese government (see Box 1) and therefore should not be considered official bilateral creditors in the DSSI and Common Framework.

Separately, the book argued that it was "unreasonable" to demand that China Eximbank's commercial loans should be included in the DSSI, citing the example of KfW-IPEX. For this part of the Eximbank portfolio, "the bank does not have any preferential treatment [from the Chinese state], and its interest rates are set according to market principles."[100] Our research and interviews suggest this may have been one of China's talking points at the G20 rather than a reflection of Chinese actions in the DSSI. China Eximbank had pushed to exclude the commercial loans from the G20 debt initiative in their internal negotiations with Chinese decision makers. It is possible that the bank did exclude these loans in some instances, yet our fieldwork research shows that China Eximbank clearly included the commercial loans in its DSSI treatments to Kenya and Angola.[101] When asked about the official versus commercial distinction, a PBOC official commented that "the entire lending of Eximbank was put into the DSSI".[102] In the Common Framework, all of China Eximbank's loans are considered as bilateral official debt.

B. Coverage of Debt to Be Treated

Two issues arose over the coverage of debt to be treated: which borrowers should be eligible, and which debts? All sovereign borrowers are eligible to come to the Paris Club for treatments of their official debt, yet the DSSI included only countries eligible for the World Bank's concessional IDA loan window, and the UN's list of Least Developed Countries (which added Angola).[103] Speculation abounded that China was the country resisting the inclusion of middle income borrowers in the DSSI, but our interviews suggest that a number of G20 members resisted including middle-income countries at that point. This changed as the Common Framework was being negotiated, where European countries, in particular, pressed for vulnerable lower middle income countries to be included. The Chinese were "very vocal" in rejecting the extension of eligibility, according to a G20 participant.

Another G20 controversy concerned the coverage of public and publicly-guaranteed debt to be treated under the DSSI, including loans made to SOEs with or without government guarantees.[104] In his July 2020 speech, World Bank president David Malpass warned that some G20 creditors were resisting applying the DSSI to SOE debts: "We should resist efforts to narrow the scope of debt covered by the G20 debt service suspension initiative—it should cover all external long-term public and publicly guaranteed debt, not just government and explicitly guaranteed government debt. This should include external debts of SOEs with implicit government guarantees."[105]

Our interviews confirm that indeed, during G20 negotiations Chinese officials strongly resisted including loans to SOEs in the DSSI. This happened in Ethiopia, whose government continued to service Chinese loans to SOEs.[106] The experience of the Maldives also supports this exclusion of SOE loans. Yet it is not clear that this is an aberration of global rules and norms. In sovereign debt restructuring, this issue is hotly debated.[107]

The World Bank's Debtor Reporting System includes SOE debt in its definition of public debt: as long as the enterprise has over 50 percent of its shares owned by the government, its debts are part of the public debt.[108] However, as the bank realizes, although they are required to use the World Bank's definitions in their reporting, many borrowers have different definitions.[109] Companies – whether state-owned or not – who take out debt with sovereign guarantees create a contingent liability for the government, which will only "owe" that debt if the company itself cannot pay. Indeed, as the World Bank notes elsewhere, "Most accounting and reporting standards do not require governments to recognize contingent liabilities".[110]

These debates affect the treatment of debt in a debt relief scenario. As two prominent scholars on debt restructuring, Lee Buchheit and Mitu Gulati, point out: "whether and how to restructure contingent liabilities [is] not obvious."[111] One reason for this is that even with a central government default, some of its companies may be financially healthy. For example, a state-owned power company might have contracts to sell some of its power to neighboring countries and be able to service its debt, or a state-owned mobile phone operator may be run on a profitable basis. As one interviewee said to us: "if they [i.e. the borrowing entity or SOE] still have the capacity to service, why should we give them debt service suspension?"

Buchheit and Gulati's review suggests that in past restructurings, the treatment of contingent liabilities has differed from case to case. However, in the HIPC Initiative launched in 1996, with the Paris Club in the lead, "HIPC rules required that all contingent liabilities be brought into the settlement."[112] History and comparative evidence suggest that this is a matter for negotiation and not something on which the rules are agreed.

B. Debtors' Concerns and Challenges

1. Uncertain Consequences: Credit Ratings and Contract Clauses

Countries were deeply concerned about the consequences of suspending payments. If they applied for DSSI relief, and then suspended payments before bilateral legal agreements could be signed, would they be technically in default on these loans?[113] Many debtors who relied on borrowing from private markets to roll over their debts worried that joining the DSSI would send a negative signal to rating agencies, potentially affecting their future borrowing. Indeed, when Ethiopia, Pakistan, Cameroon, Senegal, and Côte d'Ivoire requested DSSI suspensions, Moody's placed them under review for a downgrade, while Fitch did not.[114] On the other hand, we saw no evidence that borrowers were worried about the implications of the "no Paris Club" clause in many of their Chinese loan contracts, which puts into doubt statements that this clause would be "tying borrowing countries' hands" as one US congressman worried.[115]

The rating issue is partly related to the vagueness in the DSSI text, which didn't specify whether DSSI participants would need to ask for comparable treatment from private creditors, a requirement of Paris Club debt treatments. High level officials gave conflicting interpretations of the expectation. For example, on April 17, 2020, the World Bank's president stated: "We will expect IDA governments to seek comparable terms from their commercial creditors".[116] This muddied the water, as there had been no G20 decision that borrowers would be required to ask private creditors for comparable treatment.

Low-income borrowers were also worried about cross-default and acceleration clauses in their loan contracts. As Nicole Kearse, senior legal counsel at the Africa Legal Support Facility, warned:

> "In determining whether to participate in the DSSI, sovereign borrowers *absolutely must* assess all of their underlying credit documentation to understand (i) under which, if any, participation in the DSSI could constitute a default, (ii) which, if any, have cross-default provisions and (iii) what triggers those cross-defaults [emphasis added]."

Nonpayment is a basic event of default in loan contracts. Cross-default clauses allow one creditor to declare its loans in default once the borrower defaults on any of its other loans, or even loans to a different, unrelated creditor. Acceleration provisions can be invoked to require borrowers who are late in their payments to immediately repay all the money they owe to that creditor. These clauses are standard in development finance and sovereign lending.[117] For example, all World Bank loans contain cross-default and acceleration provisions that can be invoked to require its borrowers to immediately repay all of their disbursed loans if borrowers are late in their payments on any World Bank loan (although borrowers have a 30 day grace period).[118] In October 2020 a joint World Bank/IMF paper warned, "Although the precise drafting of cross default clauses varies, **even a voluntary rescheduling of other external debt** may give rise to an event of default [emphasis added]."[119]

We can now see the implications for borrowers when they examined their Chinese loan contracts, which also contained these clauses, and for the Chinese banks and their shareholders, who had to figure out what to do. The IIF had drafted a contract template that would allow borrowers and creditors to avoid complications arising from cross-default clauses in their commercial loan and bond contracts.[120] Here, the G20 could only recommend that countries consult their legal advisers and speak with their creditors.[121]

It is hard to overstate the importance of these issues to debtor countries. One interviewee involved in the process said eligible countries "were terrified" to join the DSSI. Uganda is a good example of how these uncertainties played out. Uganda applied for DSSI treatment with the Paris Club only in the second phase of the DSSI and was expecting to get US$ 14 million in suspensions from South Korea, Japan, France, and the UK.[122] However, the government didn't have enough time to conclude all the talks with individual creditors before the next payments were due. When its Paris Club creditors sent requests for payment, Uganda worried about the consequences of non-payment. As US$ 14 million was not a large amount, Uganda decided to pay. It did not apply to get those payments reimbursed and decided not to apply for the third phase. In its latest note, the World Bank labeled Uganda as "eligible and not participating" in the DSSI.[123] A similar story may have happened in Malawi too, where the World Bank said the government requested DSSI relief but didn't end up participating in the initiative.[124]

As mentioned, we know that 27 eligible countries and regions did not participate in the DSSI at all, and another three participated in 2020 but backed out in 2021.[125] It is not immediately clear whether they decided that the trouble was not worth the benefits (as in the Uganda case) or whether they were worried about default issues or credit downgrading by China Eximbank or by the bond market and commercial banks. In 14 of the 30 countries' debt portfolios, private creditors held more debt than Chinese official creditors; in eight, Chinese official creditors were larger.[126]

The G20 and the Paris Club eventually made it clear that countries would not be considered in default on their official bilateral loans.[127] Yet lack of clarity about credit rating and default consequences in the first year of the DSSI meant that many countries continued to pay their debt service even after applying for relief. The one-page October 14, 2020 addendum to the April 2020 Term Sheet, suggested that official creditors "may offer" a refund, but did not mandate this.[128]

2. Administrative Costs

The pandemic meant lockdowns, closed offices, and officials working at home, those in low-income countries contending with inadequate electricity and internet access. The DSSI involved considerable paperwork, uncertainties, and was very time-consuming.[129] It was "administratively costly," a World Bank report concluded.[130] It involved scarce staff resources. Lawyers needed to sign off on each revised loan contract, for example. Each loan for which debt service was postponed needed to be identified, and amounts reconciled between creditor and borrower. Each loan needed a separate new contract which laid out the revised payment schedule. Pakistan, for example, had signed 93 agreements with 21 bilateral creditors by June 2022.[131]

While fingers were pointed at China for lagging in implementation, it seems there were problems across the board. For example, in many countries, DSSI contracts were still being negotiated and reconciled well after DSSI ended in December 2021. Sierra Leone signed a DSSI contract with the Saudi Fund for Development in June 2022.[132] Pakistan was still signing DSSI contracts with Japan and Switzerland in June 2022, for a total of US$ 3.15 billion in deferments.[133] "Negotiations for the remaining agreements to be signed under the G-20 DSSI are ongoing," a news item reported, noting that Pakistan expected US$ 3.6 billion in total deferments. As of this writing in January 2023, countries are still signing formal DSSI agreements.

China's decision to implement the initiative bilaterally fed some G20 members' mistrust. The Paris Club implemented the DSSI multilaterally, meaning they met together and shared information. Although the Chinese G20 delegation provided the required reports on amounts deferred per country, per creditor entity, to the IFAWG, they did not share any further information, and could not explain why there were no suspensions offered to some participating countries, such as Senegal, or only partial suspensions in countries like Kenya (see below).

Minister of Finance Liu Kun raised the issue of consultation in his April 2020 statement, and again in a statement in November 2020.

> Being professional and responsible, the Chinese official bilateral creditors and commercial creditors have been pressing ahead with the DSSI implementation in an orderly manner by having adequate and thorough consultations with requesting countries to make sure that the countries can truly benefit from the initiative.[134]

These consultations appear to be related to the risk of moral hazard, however, the criteria for deciding if "countries can truly benefit" are unclear, given that the suspensions were designed to be uniform treatments, applied when requested, whether countries "truly needed" them or not.

Whether these consultations took place, and if so, what was discussed, remains an area for further research. As far as we know, these discussions did not take place in Kenya, although consultations of some kind were going on in Angola. We can imagine several areas for discussion. The DSSI was not cost-free for countries, since they would have to pay interest on the amounts deferred. The World Bank estimated that these additional interest charges added up to $US 575 million.[135] Since the deferred amounts all needed to be repaid, adding them on top of payments coming due in future years might lead to unsustainable increases. If global interest rates were to rise (which, unfortunately, they did), this would also mean that payments on variable loans that would have been made with low interest rates became higher by waiting. As we see below, the moratorium also affected China Eximbank disbursements, and this risk may have been laid out for borrowers.

C. China-Specific Issues

1. Disbursement Delays

Most Chinese loan-financed projects are set up to disburse funds from Chinese banks directly to contractors, after receiving an invoice from the borrower. The World Bank data show a clear drop in Chinese loan disbursements during the pandemic, while disbursements from other official creditors increased (Table 6). One popular theory is that China Eximbank used slowdowns in disbursement as leverage to put pressure on countries to withdraw applications for relief. A second explanation is that the moratorium was interpreted as an event of default, leading to automatic suspensions. Another possibility is that the pandemic exacerbated administrative challenges of prompt invoicing, and these were more significant for Chinese invoices than for others. Fourth, it is possible that there was no overall policy, but the Chinese lender was reacting to newly sharpened risks.

Table 6: Loan Disbursement in 46 DSSI-Participating Countries, Selected Creditors (US$ billions)

	Total	Multilateral	All China	Non-China Bilateral	Bonds	Other Private
2018-2019	103	32	30	8	17	15
2020-2021	93	37	15	10	10	22
Change Percentage	-10%	15%	-51%	17%	-45%	41%

Source: World Bank IDS 2022.
Note: "Other private" is heavily affected by the cases of Angola and Pakistan. If these two countries are removed from the data, disbursements from other private creditors declined by 15 percent.

Table 7: Loan Disbursement and Commitment, DSSI-Eligible Countries (US$ billions)

		Disbursement		Commitment	
		China	Non-China	China	Non-China
46 Participating Countries	2018-2019	30	73	21	88
	2020-2021	15	78	10	93
	Change Percentage	-51%	7%	-53%	5%
22 Non-Participating Countries	2018-2019	8	43	9	59
	2020-2021	6	60	4	75
	Change Percentage	-33%	39%	-53%	27%

Source: World Bank IDS 2022.

We see a clear drop in Chinese loan disbursements during the pandemic. In the 46 DSSI participating countries, disbursements from all Chinese creditors dropped 51 percent in 2020- 2021 from the level two years before, while disbursements from other bilateral creditors increased 17 percent and multilateral creditors 15 percent (Table 6).[136] New commitments from Chinese banks also slowed (Table 7). Again, this drop is not limited to countries asking for DSSI relief from China. New loans from China decreased 53 percent in both DSSI-participating countries and in eligible-but-not-participating countries, during the DSSI period.[137]

One interpretation is that disbursement delays constituted threats. The Kenya case (discussed below), where disbursement slowdowns prompted Kenyan officials to withdraw a request for DSSI Phase 3, was regularly used by the media and some G20 interviewees as an example of China Eximbank using leverage to avoid providing debt relief.

Another possibility for disbursement delays might be related to contract clauses and Chinese domestic practices. An African finance official noted that when rescheduling was being negotiated, the loan was non-performing, and "you can't disburse into non-performing loans." Once the new agreements were signed, however, disbursement should have resumed. When it did not, this might have reflected a more general Chinese bank response to the moratorium, reflecting Chinese domestic practice. A Chinese businessman facing payment delays in an African country explained:

> Chinese banks overall do not allow loan disbursements during debt service moratoriums. When the borrower applies to revise the terms, either the interest rate or maturity, that is essentially a request to not follow the original contract. The way I understand it, from the moment you made that request till the end of the moratorium, you are not allowed to withdraw any money. Because making the request suggests you can't afford to repay, and if you can't afford it, why would I continue disbursing?

His project did not receive funds for nearly two years, 2020-2021, but funding resumed in February 2022.

A third possibility is that because Chinese lending was so much greater and more complex than other creditors, processing the DSSI led to delays. IMF reports and interviews in Angola emphasize delays due to the DSSI process: "delays in financing disbursements stemming from the G20 DSSI process explain some of the new [payment] arrears."[138] However, Our interviews in Angola suggest that Angola's revised budgets during COVID created a backlog that slowed Chinese disbursements. Given China's domestic legal requirements and outdated banking systems, administrative challenges could have affected Chinese disbursements more than other funders. For example, for every disbursement, Chinese banks required a paper copy of a disbursement request. "We need to write a letter, an actual letter, signed by the Minister of Finance, then the courier will take it, then to China. Every disbursement!" one African official explained."[139]

A fourth explanation emphasizes fears related to heightened perception of risks. China's disbursements to DSSI-eligible countries that chose not to ask for the moratorium also dropped significantly, although not as much as those that participated (Table 7).[140] Ethiopia's experience after applying for the Common Framework reflects this heightened risk perception. Ethiopia applied to participate in the Common Framework in January 2021. China Eximbank had funded 12 transport and power projects, and in August 2021, nearly US$ 339 million in disbursements were held back "because they said it will create more pressure on our debt stock," a Ministry of Finance official told Reuters in August 2021.[141]

In conclusion, the evidence suggests that the slowdown of disbursements from China in DSSI countries and non-DSSI countries alike was not just about the contract clauses, administrative challenges or threats, but relates to a newly cautious stance by Chinese banks. The DSSI was the first time that China Eximbank faced an across-the-board suspension of debt service. This moment of reckoning sent a chill through the entire system, reflected in the sharp declines in disbursement and similar declines in new loan commitments. The real story is more complicated than the rumors that China Eximbank was privately punishing countries to dissuade them from asking for relief.

2. Chinese Bureaucratic Politics

Our research into China's DSSI implementation suggests that the "fragmented authoritarianism" in Chinese bureaucracy gave China Eximbank exceptional leeway to lead China's policy toward the G20 initiative at the operational level. China's desire to participate in the early stage was due to China's commitment to the G20 as a forum to manage global economic crises. It was also due to the existence of the G20 IFAWG as a platform that had been discussing debt issues since at least 2016, and to certain technocratic politicians in Beijing who were familiar with international finance, and who understood that China's reputation was at risk. However, the ad hoc coordination process in China built by these officials in the early stage of the DSSI turned out to be fragile. Furthermore, these knowledgeable policy entrepreneurs are still rare, and may have become less outspoken as a result of the increasingly negative geopolitical and domestic environment and the potential costs for officials advocating moderation and rapprochement.

As the pandemic wore on, China's willingness to stay engaged was weakened as the cost of the implementation became more apparent, strengthening the resistance of potential short-term losers. The increasingly toxic geopolitics of US-China relations, plus the almost complete absence of in-person interactions, exacerbated suspicions that the Western-led international financial architecture might not work fairly for Chinese interests. We also observed that Chinese officials were learning, most for the first time, about the complicated rules and norms of sovereign debt relief, but that this learning process is fragile and can be easily interrupted by geopolitics.

a. Fragmented Authoritarianism

China scholars have long maintained that despite its centralized, authoritarian system, policy implementation in China is often a chaotic picture with different bureaucracies pushing policy in different directions based on their organizational interests. This is especially likely in a new issue area where there is no clear division of labor, no established policy process, and no involvement of senior leaders.[142] Despite a centralization of power by Xi Jinping in recent years, this characteristic of Chinese politics does not seem to have changed. Multilateral debt relief is such an issue where "fragmented authoritarianism" prevents a top-down policy formulation and implementation surveillance.

Ministry of Finance and People's Bank of China. As of this writing, China's Ministry of Finance (MOF) has been representing China in the G20 IFAWG meetings. It was the MOF that negotiated the text of the DSSI and Common Framework, and made the decision for China to participate. As mentioned earlier, in China the MOF is the key ministry that holds the final say when it comes to sovereign debt and the G20 initiative. Our interviews suggest that the MOF was able to take over the sovereign debt issue from the PBOC after the central bank's failure in 2016 to convince the Chinese leader that China should join the Paris Club, and after the retirement of a more politically powerful PBOC governor in 2018.[143] But even today, according to Chinese officials, the MOF apparently still has difficulties in controlling some of the banks at the operational level, especially China Eximbank. As of this writing, the PBOC is still the regulator of the banks and a major shareholder in China Eximbank, while the MOF holds the majority of shares in CDB and commercial banks like ICBC.[144]

The PBOC plays a rather interesting role because officials there often have more international exposure and education in international finance than other ministries, given their designated role to handle relations with the IMF. Compared to other parts of the Chinese government, the PBOC understands better the importance of global debt governance, why it is in China's best interests to participate given China's outsized role as a creditor, and why China should seize the opportunity to rewrite international rules. The PBOC was able to communicate the IMF's concerns to the Chinese government and push China Eximbank to restructure its debt in the Republic of Congo in 2019 to allow an IMF program to proceed, when China Eximbank initially refused to do so. But for the DSSI and Common Framework discussion, the Chinese central bank played only a supportive role. PBOC staff at the China Executive Director Office in the IMF bring messages back and forth between Beijing and the Fund to facilitate the Common Framework negotiations.

Even though the MOF is supposed to be in charge, it has delegated most of the operational level discussions with debtor countries to China Eximbank, which now represents China in the Common Framework negotiations. In the traditional Paris Club setting, it is often the Treasury (or, in the case of the US, the State Department) that heads up the creditor country delegation, although export credit agencies may also be part of the delegation.[145] Yet in doing the negotiations, the creditor agency itself may abhor financial loss so much that it fails to see the larger picture. In both the DSSI and Common Framework, Chinese banks in theory will implement the instructions from MOF and report back the results, but this new process of coordination appears to be rather ad hoc and weakly institutionalized. The MOF or PBOC is not able to closely monitor everything the banks do or do not do, especially when the text or the initiative is vague, and when there are no accepted norms in China about how these things should be done. This gave a lot of leeway to China Eximbank to implement the DSSI as it saw fit, and there was no incentive for Chinese officials to correct what the bank did afterwards.

China Eximbank. China Eximbank, as the main Chinese institution implementing the DSSI and Common Framework, has been able to interpret the rules based on its own interests. As the case of Kenya discussed below suggests, China Eximbank made the decision to withhold loan disbursements to ongoing projects without thorough consultation with different Chinese ministries. The goal of this China Eximbank decision is not immediately clear. It is possible that the bank was reassessing credit risks, or that they wanted to deter debtor countries from applying for DSSI relief. To be clear, slowing down or stopping disbursements was not violating any DSSI rules because there were no rules on whether the lender should stop disbursements for DSSI participants. But it certainly violated the spirit of the DSSI to help countries in need and it also hurt Chinese companies, who could not be paid for work they had completed on projects.

For China Eximbank, it was always better if borrower countries could keep repaying because the bank did not receive any subsidies or compensation from the Chinese government for its DSSI and Common Framework implementation. At the operational level, a good repayment record also makes it easier for the bank to commit new loans. For China Eximbank loan officers, whose annual bonus is tied to new projects, the DSSI and Common Framework hurt not only the bank but also themselves financially. For the loan officers, a debt write-down or write-off from debt restructuring would also tarnish their personnel record and hurt their career. Overall, they have more at stake than any other Chinese official and are less incentivized to consider long-term debt collectability or China's global reputation.

This leeway given to China Eximbank also has something to do with the commercial nature of most of China Eximbank's loans. Other than the Concessional Loans and Preferential Buyer's Credits, the Chinese state has largely stayed out of the bank's lending decisions, and it is a tall order for the staff in MOF and the PBOC in terms of manpower and knowledge to start exerting control over these loans at the working level.

China's Ministry of Foreign Affairs and Ministry of Commerce. China's Foreign Ministry and MOFCOM do not directly participate in China's debt negotiations, but Chinese embassies have been active in communicating with different players in China about the debtor countries' concerns. An official from the Chinese economic consulate in Angola said, "Our role was merely to convey to Chinese banks Angola's concerns, and push them to communicate better with the Angolan side." In the Maldives, the Chinese ambassador eagerly tweeted about China's implementation of the DSSI, and tried to help the Maldives obtain debt relief for Chinese commercial loans to SOEs (which did not happen). In Zambia, where the Common Framework negotiation is still ongoing, the new Chinese ambassador Du Xiaohui visited the multiple major Chinese banks that held debts in Zambia, trying to push for a solution. "For the banks, profit perhaps is a very important thing in the solution of the debt issue ... but for diplomats, the national interest is more important," the Chinese ambassador in Lusaka, told us. Unlike the US, where the State Department's Office of Monetary Affairs heads the Paris Club delegation, the Foreign Ministry has no direct role in debt negotiations. Yet interviewees told us that the Ministry of Foreign Affairs can play a crucial role in helping to arrange high level phone calls and visits, and in pushing various players to move more quickly.

b. Crossing the River by Feeling the Stones

China's development model has emphasized gradualism driven by experiments: "crossing the river by feeling the stones." These experiments and innovations usually start small, and are driven by individuals and small teams.[146] The DSSI and Common Framework could be seen as an experiment for China's creditor system in managing debt. As discussed earlier, there are different reasons why China's MOF wanted to sign on to the DSSI in the first place. But the people in the driver's seat matter too, because they may have a different understanding of what is best for China. After all, for a large creditor like China, participating in multilateral debt relief is essentially about the tradeoff between taking the financial loss in the short term and improving the overall debt collectability and protecting China's reputation in the long term. Chinese officials and bankers would have different interpretations of this tradeoff depending on their knowledge of international finance, their bureaucratic interests, their time horizons, and whether they see international financial architecture through the darker lens of US-China geopolitics. China's commitment and domestic coordination process is therefore fragile and can break down when key people leave posts.

Our interviews with Chinese officials and non-China G20 participants indicate that Beijing's early commitment to join the G20 initiative was facilitated by a small number of technocratic politicians who understood that it would be good for China to participate and that this could be a good opportunity for China to rewrite the rules in sovereign debt. The MOF foreign affairs team played a key role accompanying the Minister to G20 meetings and negotiating the text of the DSSI. In particular, the MOF team developed a constructive relationship with Guillaume Chabert, the Frenchman who had been co-chair of the IFAWG since 2015. Both the MOF team and the French chair wanted to make the suspension work, and through often contentious negotiations over every word of the DSSI and Common Framework text, both tried to find areas of common ground. This indeed looked like a success for China and for the MOF, at least in the beginning. The Chinese President was able to point to China's DSSI contribution, multiple times, as key evidence of China taking the lead and helping out countries in need during the pandemic.[147]

At home, these Chinese officials were able to build an ad hoc process to coordinate the Chinese banks. The MOF would host meetings to pressure the banks, mostly China Eximbank, to implement the DSSI in the early stage of the initiative. "This is very important to us [China]," the MOF told the banks. However, this coordination process remained tenuous and ad hoc by the time the vice minister of finance in charge left the ministry in 2021 for a promotion. For nearly a year after this departure, the MOF had no vice minister specifically in charge of international relations, and this coordination largely disappeared. This partly explains why China Eximbank was able to drag its feet in forming the Zambia Common Framework official creditor committee. The bank only made the move after the PBOC intervened. Central Bank Governor Yi Gang told the IMF Spring Meeting in April 2022 that China would come to the table, even though PBOC was not really in control of the process.

Overall, coordination remains weak. According to a G20 participant who is familiar with the Chinese system:

> "If I list all the reasons why it's not working well in the decision making process [in China], I think the permanent or recurrent segment is the fact that it's scattered. You have pieces; the decisions are in different entities, and no one really has the global vision of what's happening and what would be the best interests of China. It is very difficult from their lens. Because there is no clear incentive to have this aggregated or comprehensive vision and the system itself, in fact, the best incentive is to wait rather than to act rapidly. So it's no one's fault. It's just a system which is organized that way.

Another G20 participant said, "In China leaders just don't care about these things [debt] and the officials don't want to work on these things," because it is about dealing with losses. It is less likely that they will get credit for making it work but more likely that they will be blamed for the losses.

Our conversations with Chinese officials and bankers suggest that at a time of toxic geopolitics and a new low in US-China relations, it took enormous courage for anyone on the Chinese side to "trust" an international process that is led by "the West'', especially on an issue that China would have to incur huge financial loss in the short term. Officials tend to play safe and be extraordinarily cautious when it comes to working with foreigners and nobody wants to look weak when pressured by Americans. Many Chinese – who have much less international exposure than the few who were central to the first stage of the DSSI – have a tendency to over connect the dots and see everything "Western" as a plot by Americans to hurt China. This has been a major obstacle for China to stay engaged with the Common Framework.

3. Learning about the rules

The ranks of high level Chinese officials who have direct experience with the Paris Club or IMF rules in operation, or an understanding of their history, is extraordinarily thin. It is not entirely surprising given that China is still new to the practice of debt relief as it has been practiced in Washington. The result is a lack of ownership of the current international norms governing sovereign debt relief, even when they have been agreed upon by the IMF – a group of 190 countries where China is the third largest shareholder.

This learning and trust building will take time. In an era of limited travel and face-to-face meetings due to COVID-19, and when China and the US seem to be entering a new cold war, this is even more challenging. To address some of the knowledge deficit in sovereign debt among the Chinese bureaucracy, in September 2022 the PBOC International Affairs Department authored a 170-page book in Chinese explaining the evolution of the debt restructuring mechanism, the role of the IMF, private creditors, the Paris Club, and the controversies over Chinese debt.[148]

PART IV. ANALYTICAL NARRATIVE CASE STUDIES: ANGOLA, KENYA, MALDIVES, AND ZAMBIA

As the DSSI was implemented, almost completely online, during the COVID-19 pandemic with severe restrictions on travel for journalists and researchers, little country-specific information has emerged. We were able to conduct fieldwork in Angola, Kenya, and Zambia in the summer of 2022.

The case studies below draw on those interviews, on IMF reports, and occasionally on media sources (when quoting borrower officials). We include the Maldives because its particularly public debates about the process shed light on some of the issues that arose in DSSI implementation.

These case studies show that the decision about which Chinese creditors would participate was not straightforward. CDB provided debt relief in Zambia, and ICBC joined CDB and Eximbank to give Angola respite. All three creditors provided different terms in Angola, and the commercial banks gave deeper relief than the DSSI terms. In Zambia, CDB and Eximbank refused to provide suspensions while Zambia was still paying bondholders, but this did not happen in Angola. The free-rider issue might have influenced China Eximbank's suspension of disbursements in Kenya in the last phase of the DSSI. In the Maldives, we see the clear separation between suspensions for central government loans, and none for loans borrowed directly by revenue-generating SOEs. Several cases shed light on Chinese bureaucratic politics, with China Eximbank operating at cross-purposes from other Chinese interests in Kenya, and the Ministry of Foreign Affairs being unable to convince Chinese banks to provide suspensions for Maldivian SOEs.

A. Angola

Angola is China's largest borrower in Africa, with approximately 30 percent of all China-Africa loan commitments between 2000 and 2019.[149] In 2020, half of Angola's US$ 40 billion debt was held by Chinese creditors, of which CDB held US$ 13.6 billion, China Eximbank and Sinosure, US$ 4.4 billion, and ICBC US $2.9 billion.[150] The Angolan government applied for the DSSI in early June

Table 8: Case Study Countries - External Debt Service Deferred (US$ millions)

	Angola	Kenya	Maldives	Zambia
Data Source	*IMF & World Bank*	*World Bank*	*World Bank*	*World Bank*
Year	2020-2021	2021	2020-2021	2020-2021
Debt Service Due to All Creditors	21,249	2,505	1,064	1,327
Of Which: All China	8,620	648	190	564
All China's Percentage of All Debt Service Due	41%	26%	18%	43%
Payment Deferred by All Creditors	5,405	419	54	516
Of Which: All China	5,230	260	38	498
All China's Percentage of All Debt Service Deferred	97%	62%	70%	97%

Source: World Bank IDS 2022, and IMF Article IV for Angola-China reprofiling data. "Debt service due" represents the debt service originally due before DSSI operations. We calculated the debt service due by summing up the debt service paid, and the interest and principal rescheduled. See also the Data Appendix for the Angola data calculation.
Note: Since Kenya did not join the DSSI in 2020, the data refers only to 2021.

2020, but continued to make bilateral debt service payments until September, with the expectation that those payments would be refunded.[151] Angola's Paris Club MOU was dated August 31, 2020.[152] Angola did not reach out to any other commercial creditors for rescheduling.

Angola finalized its first DSSI agreement with China Eximbank in August 2020 (China Eximbank participated in all three phases of the DSSI).[153] World Bank data suggests that Chinese "bilateral creditors" – in this case mainly China Eximbank, see below – rescheduled US$1.2 billion in 2020 and 2021 for Angola.[154] Serendipitously, Angola had already been in separate discussions with its Chinese creditors in the months before the pandemic hit. Angola was hoping to remove the oil security arrangement for its oil-backed loans.[155] Although the banks proved resistant to this, they could see that Angola had been in recession since 2015, when oil prices fell from US$ 100/bbl to US$ 40/bbl.

Furthermore, Angola had applied to the IMF for an expansion of its Extended Fund Facility, but required specific financing assurances from its major creditors before the revised program could be presented to the IMF Board. A preliminary agreement with CDB was announced in June 2020, and signed formally in December 2020.[156] Before the year was out, Angola had also reached an agreement with ICBC. These reprofilings, most of which had a three year grace period and repayment over seven years, provided considerably longer breathing space than the initial DSSI terms, even though Angola agreed to pay interest during the suspension period.[157] Both the ICBC and CDB agreements contained additional "modest relief" in 2024 and 2025 to smooth Angola's repayment peak.[158] Angolan officials confirmed to us that the restructuring for CDB and ICBC was NPV positive for Angola, while the Eximbank agreement was (as the G20 had mandated) NPV neutral.

The CDB deal also reportedly included an oil price contingency that would cut short the suspension period once the oil price surpassed a certain threshold, said to be US$ 60/bbl.[159] The debt data published by Angola suggests that sometime in late 2021 the contingency was triggered, and Angola started to repay the principal to CDB in the first quarter of 2022.[160] By then, the oil price had jumped to over US$ 90 per barrel from the level of US$ 55, when the debt was reprofiled.[161]

In sum, the ICBC and CDB reprofilings provided Angola US$ 4.1 billion savings in 2020 and 2021, and another US$ 1.4 billion savings from 2022 to 2023, despite the triggered oil price contingency. Overall, three Chinese creditors provided US$ 5.2 billion in savings for Angola during the DSSI period. The Paris Club provided another US$ 175 million.[162] Our analysis of official payments for 2021 suggest that Chinese official creditors – mainly China Eximbank – suspended 78 percent of the expected amount (Table 5).

Angola paid a total of US$ 15.8 billion to creditors over the two years, including US$ 1.4 billion to bondholders, another US$ 10.2 billion to non-China private creditors, and US$ 3.4 billion to Chinese creditors. China provided 97 percent of the relief in Angola while accounting for 41 percent of the debt service due in 2020 and 2021 (Table 8).[163] Patrick Curran, senior economist at emerging markets consultancy firm Tellimer, commented that in Angola, “Chinese debt relief [freed] up space to service commercial obligations”.[164]

Meanwhile, Angola continued to diversify its creditor base with an increase in finance from non-Chinese commercial banks of US$ 7.4 billion between 2020 and 2021 and a successful US$ 1.75 billion bond issue in 2022.[165] This reflected renewed optimism from the rising oil price, successful reforms, and the IMF program. More importantly, it reflected Angola’s decision not to upset Western private creditors and the bond market when it needed relief. It requested debt service suspensions from its biggest Chinese creditors; they complied, and that relief was enough for Angola.

The Angola case shows how each Chinese creditor negotiated separately, and signed agreements at different times – something CARI researchers noted in our research on pre-pandemic Chinese restructuring.[166] Angolan officials emphasized to us how the negotiations begun in 2019 over removing the oil-backing from some lines of credit and reprofiling had built the foundation of confidence and trust that enabled creditor and debtor to move swiftly when the pandemic hit and when Angola had requested an extension of its IMF program. It provides a good example of how one debtor government was able to win tailored agreements from its commercial Chinese creditors, agreements that actually fit their situation better than the “one-size-fits-all” of the DSSI terms. This negotiation took considerable time, however. Finally, it shows how other commercial creditors were able to free ride on Chinese reprofiling.

B. Kenya

According to the IMF, Kenya’s debt to Chinese banks was approximately US$ 7.4 billion in 2021, with China Eximbank holding US$ 7.1 billion and CDB US$ 283 million.[167] World Bank IDS data record that China holds 21 percent of Kenya’s public external debt, with private creditors holding another 24 percent, and the multilaterals 45 percent. Kenya did not participate in the DSSI in the first phase (from May through December 2020). Finance Minister Ukur Yatani explained that the country was being “cautious” and “evaluating the costs and benefits” of the offer.[168] However, Kenya had applied for an IMF program that went to the Board in December 2020.[169] The IMF staff had recommended that DSSI relief would help close the fiscal gap. By then, it was also clear that credit rating agencies were not downgrading countries that applied. On December 18, 2020, Kenya applied for the second phase of the DSSI.[170]

Kenya’s Treasury wrote DSSI requests to different G20 creditors. For official creditors like France, one request was sent directly to the French treasury, but for Chinese creditors, things were more complicated. As a Kenyan official explained, “Chinese development assistance are facilities extended on concessional terms, extended via the Chinese government, so the preferential loans have to go through the Chinese embassy. The commercial loans go to the banks.” China Eximbank agreed to provide DSSI relief, suspending the US$ 260 million in semi-annual payments that came due in January and March 2021 (Table 8). These included payments on both the commercial loans, and the concessional loans the bank provided on behalf of the Chinese government.[171] The country continued to repay CDB and the other Chinese commercial creditors.[172]

When the DSSI was extended in Phase III, Kenya again requested debt relief from all its bilateral creditors, but China Eximbank appeared to be reluctant to provide further relief under the final phase. Kenya had several ongoing projects financed by China Eximbank, and the second DSSI request seems to have triggered a halt in the bank's disbursements to Chinese contractors. "We are told Chinese banks are not settling invoice[s] because of the moratorium," the CEO of a Kenyan state-owned company told a Kenyan reporter.[173]

China Eximbank did not give Kenya a written denial for the third phase of DSSI treatment. Kenyan officials telephoned China Eximbank to ask about the status of the request and were told that the bank was "awaiting further guidance from the ministries at the policy level." Loan disbursements stopped in May. Our interviews suggested that the China Eximbank sovereign client department in charge of disbursements may not have consulted different Chinese ministries when it made the decision some time early in 2021 to withhold disbursements for [some] DSSI participants. "There is absolutely no need for MOF or PBOC approval," for specific business operations, a Chinese official commented. "Eximbank is not really controlled by these two ministries."

In July, as Phase III of the DSSI was starting, Kenya received settlement notes from China Eximbank and decided to resume repayment. The disbursements soon resumed.[174] Publicly, Kenya's position became that they had not requested Phase III from China, despite clear expectations from the G20 that debtor countries should ask all G20 creditors.[175] The Paris Club provided the third phase of DSSI for Kenya, despite concerns that the Chinese bank was no longer participating.[176] Our analysis shows that in 2021, Chinese official creditors suspended only 40 percent of the expected amount (Table 5).

The Kenya case demonstrates how bureaucratic politics in China can be a hurdle to China's implementation of the DSSI and the Common Framework. Although the Chinese central government is obviously powerful, China Eximbank had considerable leeway to implement the moratorium based on its own understanding of what the DSSI meant and its interests. Officials at the MOF and PBOC may only find out about problematic details like the Kenya case through outside complaints. Even if they may disagree with China Eximbank's interpretation of the rules, there is no strong bureaucratic incentive for them to intervene and correct what the bank has done.

C. Maldives

In 2020, Chinese creditors made up 44 percent of external PPG debt in the Maldives, a small island chain in the Indian Ocean: US$ 600 million lent to the central government, and US$ 802 million to SOEs, with sovereign guarantees.[177] In June 2020, the Maldives president announced that the Chinese government would suspend debt service on central government debts (four loans, all made by China Eximbank) and that "Chinese Ambassador Zhang Lizong was prepared to discuss repayment terms" for the SOE loans.[178] The SOE loans were made by a variety of Chinese creditors: US$ 400 million from ICBC; US$ 206 million from CDB, and smaller loans from China Eximbank, Bank of China, and Dongfeng Electric (an equipment supplier).

A previous Maldives government had also provided a government guarantee for a US$ 127.5 million China Eximbank loan taken out by Ahmed Siyam, a private businessman and head of a party that was an important coalition partner of the previous government, to construct a luxury resort.[179] When the businessman missed a payment during the early days of the pandemic, the Chinese bank contacted the Ministry of Finance as the guarantor, a clear indication that commercial loans to private companies were not going to enjoy debt suspensions, even with sovereign guarantees.[180] The China Eximbank apparently exercised the acceleration clause in the loan contract. On August 6, the Ministry of Finance in the Maldives reported that Ahmed Siyam Holdings had repaid the entire outstanding balance of the loan.[181] News reports suggested that he had refinanced the loan with a local bank.

In September 2020, the Chinese ambassador to the Maldives commented that China had completed the first phase of DSSI suspensions in the Maldives "for bilateral, official sovereign loans" and was encouraging Chinese banks to negotiate directly with their clients regarding suspensions for commercial loans with sovereign guarantees.[182] "I believe the ongoing dialogue will bring about good results," he said. In August 2021, Maldives' foreign minister Abdulla Shahid said that although initially China had not applied the moratorium to commercial loans made to state owned companies, these were included later, "after discussion".[183] Yet there is no evidence in documents available on the website of the Maldives' Ministry of Finance that the SOE debts were ever rescheduled.

Our analysis of the World Bank's data shows that the Maldives reported US$ 54 million in rescheduled debt during the DSSI period, with US$ 38 million rescheduled by Chinese official creditors (Table 8). In 2021, when the Maldives was receiving relief from the DSSI, it still paid US$ 24 million to Chinese "bilateral creditor(s)", US$ 30 million to Chinese commercial banks, US$ 150 million to the multilaterals, and US$ 48 million to bondholders.[184] Our analysis (Table 5) shows that Chinese official creditors suspended 56 percent of the expected amount in 2021, although we do not know how the Maldives classified CDB.

The Maldives case and its controversies show several things. First, the separate treatment of debt borrowed by SOEs provides partial confirmation that China Eximbank resisted debt treatments for these contingent liabilities. Second, the discussion of possible suspension of debt service on loans by other Chinese creditors and the involvement of China's embassy in that discussion shows that President Xi Jinping's speech encouraging Chinese banks to participate in the moratorium voluntarily was understood to extend outside of Africa, but also that it truly was voluntary. None of the banks chose to participate in the Maldives, and the Ministry of Foreign Affairs did not have the power to persuade them otherwise.

D. Zambia

At the end of 2021, Chinese creditors held approximately US$ 6 billion, about 35 percent of Zambia's total external public debt.[185] China Eximbank held about US$ 3.5 billion, and CDB about US$ 539 million, with the rest held by up to 16 different Chinese banks and companies.[186] Bondholders held US$ 3.4 billion, or 25 percent. Zambia had been at high risk of debt distress for some years and had gone into arrears to its Chinese creditors in late 2019. When the DSSI was launched, Zambia joined early, and received treatment from the Paris Club on August 10, 2020.

Zambia's Ministry of Finance had told the *Financial Times* in October 2020 that "some official Chinese lenders" would only agree to participate in the DSSI "if their share of some $200m of arrears has been cleared first."[187] Zambia reported that it was insisting that the Chinese official creditors "apply the same DSSI treatment of arrears as is granted by all Paris Club creditors." The story about the arrears is more complicated than this, however. It reflected Chinese concerns about burden-sharing and worries that their debt relief would allow Zambia simply to pay Eurobond holders.

Unusually, Zambia was one of only three countries to ask private creditors (bondholders, in this case) to provide debt service suspensions.[188] Zambia's Minister of Finance explained in October 2020 that Zambia had done this because some "commercial creditors" were concerned that Zambia was continuing to service Eurobond payments, "while allowing the accumulation of arrears on other portfolios."[189] This exclusion of Eurobonds "made some creditors reluctant to grant DSSI as they were concerned that the debt relief they would provide would be used to pay debt service to other creditors." The reluctant creditors were clearly Chinese creditors.

The government requested a six-month standstill from its bondholders in September, which would have allowed the country to suspend just under US$ 200 million in payments. The contracts allowed a 30-day grace period before a default was declared. Zambia's bondholders rejected the request, ironically, because they were concerned that Zambia might use their debt relief to pay Chinese creditors, and they believed the government was not being transparent about its debts to Chinese creditors. Zambia failed to make its October 14th, US$ 42.5 million bond payment, and the clock began ticking on the 30-day grace period.

With a standstill in effect on bond debts, Zambia announced on October 28 that it had signed a debt suspension agreement with CDB.[190] "Under the terms of our agreement with CDB, interest and principal due on October 25, 2020 will be deferred... The deferred interest payment is now payable on April 25, 2021 and the deferred principal rescheduled over the life of the facility."[191] The announcement from the Zambian treasury thanked "CDB's and Sinosure's collaborative and cooperative approach," suggesting that CDB had already called in Sinosure's insurance for the unpaid debt.

Zambia's bond default became official on November 14, 2020. In a Zambia Broadcast Corporation (ZBC) interview on November 15, Finance Minister Bwalya Ng'andu confirmed that CDB had offered a deferment, but, he said, other Chinese lenders were holding back from providing a moratorium while the government was paying bondholders: “The moment I pay [the bondholders], the other creditors are going to put dynamite under my legs and blow off my legs. I’m gone and I can’t walk anymore,” he told the ZBC. “If I don’t pay the bondholders, my legs will remain intact but I’ll probably have a shot in the arm, I’ll bleed from the arm.”[192]

Just 48 hours after the Eurobond default, Zambia’s finance minister announced on November 16, 2020 that the country had reached an agreement with China Eximbank to suspend US$ 110 million.[193] In his briefing to Zambia’s parliament, the minister noted that the government’s decision to treat all creditors uniformly “seems to have already been vindicated” by the message from Beijing announcing the suspension of China Eximbank loans.[194] Data from the IDS show that in Zambia, Chinese bilateral creditors suspended 97 percent of the expected amount (Table 5).

Zambia shows how Chinese concerns about burden-sharing and China Eximbank’s resistance to being the “first mover” in debt suspensions would only deepen. The different terms and dates for the CDB and China Eximbank suspensions also underscore their separate, although possibly coordinated, responses. For at least the CDB suspension, and presumably for China Eximbank as well, Zambia also needed to coordinate with Sinosure, which appears to have paid out when Zambia defaulted. Sinosure’s quiet presence behind the scenes would resurface later when the IMF called for all credits with Sinosure cover to be included as “official bilateral” debt to be treated under the Common Framework.

PART V: CONCLUSION AND IMPLICATIONS FOR THE COMMON FRAMEWORK

Our research documents China’s role in a short but important period of global economic cooperation through the G20’s DSSI and the launch of the Common Framework. As with any new institution, there were growing pains. These were exacerbated by the geopolitics of the time. It was not a propitious time to build trust. Yet contrary to many, we argue that the DSSI was, by and large, a success. It provided some liquidity at an important time of great uncertainty, but more importantly, the DSSI was a success in what some saw as its primary goal: to bring China into a multilateral, G20-supervised forum where Beijing has an equal voice. Our findings emphasize several ways in which the DSSI experience is now shaping the Common Framework.

The Birth of a New Institution

Over time, a new institution with new rules can now be built to cooperatively manage debt defaults in low income and vulnerable middle-income countries. Bringing China into the Common Framework through the DSSI door surprised many G20 members. “What happened was miraculous,” one participant told us. As we have shown, China did implement the minimum steps of the DSSI fairly well, communicating with other players, and following through on pledges. They have stayed on board through the first two years of the Common Framework. Institution-building takes time. The history of the Brady Plan (1988), HIPC (1996), and MDRI (2005), shows us that building political support for debt reductions requires creativity and diplomacy. It cannot be done overnight. Zambia -- where the Common Framework is slowly and painfully building this new institution -- suffered through 22 years of small bites of Paris Club relief before finally getting the write-downs it needed in HIPC and the MDRI.

Fair Burden-Sharing

Second, burden-sharing was anything but fair and equitable in the DSSI. China's former Minister of Finance Liu Kun laid out Beijing's vision publicly on April 17, 2020. Debt suspension and relief should be a collective effort: multilateral, bilateral, commercial. He was far from alone. We show how expectations in April 2020 were high that all three creditor classes would be on board. Chinese banks participated in providing various kinds of reprofiling relief between May 2020 and December 2021, for a total of US$ 8.2 billion. This amounted to 63 percent of all relief provided during the DSSI period, even though Chinese creditors held 30 percent of debt service claims. Chinese concerns about moving first in cases where their debt suspensions would allow countries to repay bondholders were voiced openly in Zambia. Kenya may have faced similar concerns, although we have no public evidence. Yet this burden sharing concern did not show up (at least not publicly) in Angola. There, Chinese creditors moved to create a grace period and reprofile debt without Angola asking private creditors for comparable treatment.

As the Common Framework took over from the DSSI, Chinese president Xi Jinping's speech at the G20 Bali summit in November 2022 left no doubt of China's consistent position: "International financial institutions and commercial creditors, as the main creditors of developing countries, should participate in debt relief actions for developing countries."[195] This is one of the key reasons why the Common Framework has been slow to deliver results. In retrospect, we can also see that just as the DSSI was a ramp that allowed China to join the Common Framework, the World Bank may have stayed out of the DSSI for the same reason.

Common Understandings

Third, the DSSI was a mutual learning opportunity. In building a joint vocabulary for negotiations, and shared rules, it was partially successful. As every lawyer knows, at the start of any negotiation, terms must be defined, and fair rules agreed for how conflicts will be addressed. The Paris Club, as a club institution, has club rules, not global rules. In debt restructuring, only the IMF's rules are truly global. From this perspective, what looks like China breaking the rules turns into: what should global rules be, who should be making them, how, and where? The classification of CDB is a good example. The World Bank and many in the G20 believed CDB should be classified as an official bilateral creditor, while IMF staff saw the issue differently. There was disagreement on both sides of 19th Street as to whether and how contingent liabilities must be treated in a debt relief situation. Rules on standard treatment of arrears, and disbursements during standstills, need to be negotiated. More learning lies ahead for the Common Framework.

Chinese Characteristics

At the same time, the West, and the US in particular, failed to use the opportunity to learn more about China and how Beijing thinks. "China" is not a unitary actor, but a fragmented authoritarian system with multiple interests and stakeholders. The country needed time to align interests and develop new regulations and mechanisms for governing its outward-bound finance. Definitions emerging from the Washington Consensus make clear distinctions between state and market, when for China and most of the world, development finance is hybrid. Chinese resistance to classifying its commercially run, state-owned lending as either "official" or "private" seems reasonable. The DSSI pushed China to distinguish where its state-owned policy banks fell on the "official" and "non-official" spectrum. This was a critical step for aligning with the IMF's rules on when and how to provide emergency finance to a debtor in trouble. The pandemic created space for Chinese reformist technocrats to push for further reforms, as we see from a November 2022 comment by the Director of the International Department of the PBOC, Jin Zhongxia: "it may be necessary for the China Development Bank and the Export-Import Bank to carry out reforms to more clearly distinguish between policy loans and commercial loans."[196]

Geopolitics and the "Narrative Trap"

Finally, geopolitics infected the process, and this continued into the Common Framework. The Trump administration, and even prominent US think tanks, voiced highly visible mistrust of China's DSSI intentions as the process began. On the other hand, Chinese fears that other creditors would "free ride" on their debt relief were fully borne out. This would feed into China's internal politics and debates, exacerbating a sense among some that China was being treated unfairly by the West. Trust is built through repeated face-to-face interactions, and sometimes even when the stakes are high (nuclear proliferation, climate change), it needs to start with small victories in areas where shared interests are clear.

The DSSI experience suggests that the US and other G7 members need to accept that many of China's concerns about the old architecture are legitimate. It is now clear that the Common Framework cannot simply be "Paris Club rules plus China". It is also wise—if disheartening—to remember that past reforms of the international architecture for sovereign debt relief took time. It took 32 years for the Paris club to give its first net present value debt reductions. After Mexico defaulted on its sovereign debts in August 1982, it took seven years to develop the Brady bonds, 14 years to come up with the HIPC plan, and almost 25 years to get complete debt write offs from the World Bank and the IMF. While a consensus is being built for new procedures on official, private, and perhaps multilateral debt, there is much that can be done in the short term. At a minimum, the US and the G7 could support a CCRT-like trust fund at the World Bank to help poor countries pay World Bank debt service. The financial architecture for debt relief needs new ideas and new rules that work for all creditors—and for the distressed borrowers who urgently need this cooperation. ★

APPENDIX: DATA

In this paper, we analyzed China's DSSI implementation comparatively based on the World Bank IDS 2022 dataset published in December 2022. However, the dataset is problematic for various reasons. This appendix discusses the limitations of the IDS data and our efforts to adjust the data to provide a more accurate analysis.

Problem 1: Is China Development Bank (CDB) an "official bilateral" creditor?

Because China designated China Eximbank as the main Chinese bilateral creditor, we needed to identify how much debt service was due to China Eximbank during the DSSI period for the participating debtor countries, how much of that was suspended by China Eximbank, and how this compared with other G20 and Paris Club bilateral creditors.

Ideally, we would use the IDS dataset that provides the amounts of debt rescheduled by "official" creditors from China and other countries. The Chinese "bilateral" creditors in the IDS from China should have included China's foreign aid agencies CIDCA, the export credit agencies Sinosure, and China Eximbank. But since CIDCA and Sinosure have a rather small role in terms of lending and debt holding, the IDS should be good enough for our analysis of China Eximbank.

However, we cannot do this because we learned that the IDS labels some loans from CDB as "official" and others as "commercial". According to our communications with the World Bank, the IDS system treats the CDB as two separate entities. The IDS labels loans from "China Development Bank Corporation" as "private", and those from "China Development Bank" as "official". The World Bank's decision is based on their theory that the "CDB Corp" is a distinct commercial branch of CDB, just as Germany's KfW-IPEX is a distinct commercial branch of the bilateral creditor KfW.[197] But our interviews with Chinese academics and officials all suggest that CDB Corp and CDB are the same entity. CDB Corp was established in 2008 as part of the bank's commercialization reform, which ended early due to the Global Financial Crisis. CDB *is* CDB Corp.

As a result, whether borrowers reporting to the IDS have reported a CDB loan as "official" really depends on how the debtor country reports the lender's name in the IDS system. It is hard to know which CDB loans have been included in the IDS as "official" and which as "private" because the IDS does not provide loan-level data. For example, in the case of Angola, it appears that all CDB loans have been labeled as "commercial" in the IDS data, while in Kenya, they are all labeled as "official".[198]

For our analysis, we have to accept that the IDS data is not clean enough for a very accurate examination of China Eximbank's implementation of DSSI. On the one hand, we still use the "China official bilateral" data in the IDS when we do the within-G20 comparison to see how much China suspended, with full acknowledgement that this includes some of the CDB loans and does not capture CDB's major debt reprofiling in Angola. We do this because this is the cleanest data we have on China Eximbank, who pledged to join the initiative. The within-G20 comparison is to analyze whether China and other G20 members lived up to their promises. On the other hand, we use "all China" in the rest of the paper when we talk about China's overall contribution to the DSSI, because it is important to include those "voluntary" debt suspensions by CDB and Chinese commercial banks like ICBC, especially when we try to compare China's contribution to creditors that didn't participate in the DSSI.

Problem 2: CDB and ICBC's debt reprofilings for Angola

Our analysis of China's implementation of DSSI takes into account not only the debt suspensions by Chinese bilateral creditors, but also those by CDB and Chinese commercial banks who participated in the relief effort "voluntarily". Our examination of Angola suggests that the IDS failed to capture the US$ 4.1 billion of voluntary debt reprofilings by CDB and ICBC that happened in 2020 and 2021.

As seen in Table 9, the IDS database shows only US$ 1,175 million of debt rescheduled by China in 2020 and 2021 in Angola (418+757=1,175), but the IDS debt service data suggests there is more rescheduling by Chinese creditors. We can see from the data that there is a clear drop in debt service from Angola to China in the DSSI period (US$ 2,178 million in 2020 and US$ 1,212 million in 2021), when we compare them to the debt service paid to China in 2019 (US$ 4,056 million) and the projected debt service to China in 2022 (US$ 3,758 million). If we assume that Angola's original debt service due to China in 2020 and 2021 stayed at the 2019 level, then there is some US$ 3,547 million of debt service unaccounted for (1,460+2,087=3,547). The World Bank data team explained to the authors that they have also noticed this gap and that they are in the process of communicating with Angola to reconcile the difference. But at this point they cannot be certain about the reason for this gap. We believe this gap is due to the ICBC and CDB debt reprofilings that are not properly identified in the IDS data.

Table 9: Missing Rescheduling Data Between Angola and China (US$ millions)

	2019	2020	2021	2022
Debt Service, All China *(A)*	4,056	2,178	1,212	3,759
Debt Rescheduled, All China *(B)*	0	418	757	0
Assumed Debt Service Due *(C)*	-	4,056*	4,056*	-
Missing Rescheduling *(C-A-B)*	-	1,460	2,087	-

Source: World Bank IDS 2022.
*Here the authors assumed the debt services due before any rescheduling stayed at the 2019 level.

The World Bank confirmed to us that the US$ 1,175 million debt rescheduled by China in Angola recorded in their database is from China Eximbank and there is no rescheduling from ICBC and CDB in their data. In our meetings they suggested that the data is missing either because Angola did not report the data properly to the World Bank or the reprofilings did not happen. We confirmed with our interviews in Angola that the ICBC and CDB debt reprofiling did happen, and were properly recorded in IMF documents and reflected in Angola's 2022 bond prospectus.

As seen in Table 10 below, the IMF's Fourth Review of Angola published in January 2021 described the debt reprofiling operations by CDB and ICBC in detail. The two banks agreed to reschedule a total of US$ 6,400 million of debt from 2020 to 2023, including US$ 4,100 million in 2020 and 2021. This, together with the DSSI, brings the total amount of debt rescheduled in Angola to US$ 5,200 million between 2020 and 2021.[199] The number stands in contrast with the IDS, which records only US$ 1,350 million of debt rescheduled by all creditors, largely due to its failure to capture the ICBC and CDB operations.

In its Article IV published in January 2022, the IMF slightly revised the Angola data but still reported US$ 5405 million of "actual" debt rescheduled between 2020 and 2021, and US$ 6830 between 2020 and 2023 (with the 2023 data as projected).[200] This largely stayed the same with the Fourth Review published a year ago. These large rescheduling amounts imply that the ICBC and CDB debt reprofiling did happen.

Similarly, in its bond prospectus published in early 2022 Angola reported a total of US$ 6,400 million of debt rescheduled between 2020 and 2023. The document again confirmed that the rescheduled amount is from the DSSI and the debt reprofiling operations with CDB and ICBC. It didn't give the exact amounts of the debt rescheduled by the two Chinese banks but made clear that the agreements were signed in 2020 and 2021.[201]

Table 10: Angola's Debt Rescheduling According to Different Data Sources (US$ millions)

Data Source	Date	All Debt Rescheduled 2020-2021	All Debt Rescheduled 2020-2023	Rescheduled by China EXIM 2020-2021	Rescheduled by CDB and ICBC 2020-2021	Rescheduled by CDB and ICBC 2020-2023
World Bank IDS	Dec 2022	1,350	N/A	1,175**	No**	No**
IMF Fourth Review	Jan 2021	5,200*	7,500*	Yes	4,100*	6,400*
IMF Article IV	Jan 2022	5,405	6,830	N/A	N/A	N/A
Angola's Bond Prospectus	Feb 2022	N/A	6,400	Yes	Yes	Yes

*Data takes into account the CDB escrow account operation.
**The World Bank confirmed to the authors that the rescheduling by Chinese "bilateral" creditor(s) was by China Eximbank and there is no rescheduling by CDB or ICBC for Angola in 2020 or 2021 in the IDS dataset.

Of course, the IMF documents and the bond prospectus were published earlier than the World Bank's IDS 2022 data, but we still believe that the evidence listed above is strong enough to show that Angola's debt reprofilings with CDB and ICBC did happen. Our interviews with multiple Angolan and Chinese officials also confirmed that the reprofilings took place. It is unclear why Angola didn't report the CDB and ICBC operations to the World Bank while reporting them to the IMF and in their bond prospectus.

After we made the decision to include the CDB and ICBC rescheduling in our analysis of all debt rescheduled during the DSSI period, we moved on to calculate the exact amounts rescheduled by CDB and ICBC. The 2021 IMF Fourth Review gave us the amounts but since the CDB reprofiling deal appears to contain an oil contingency that was apparently triggered sometime in 2021, we cannot use those amounts. We decided to use the IMF Article IV published in early 2022 instead. The document gives us the total amount of debt rescheduled in Angola in 2020 (US$ 2,697 million) and 2021 (US$ 2,708 million) (Table 10). It appears the 2021 number has taken into account the oil contingency because the document said the amount (US$ 2,708 million) is US$ 514 million less than the one projected in June 2021, and it also reported this amount as "actual" rather than projected. We already learned from the sources above and our interviews in Angola that the only debt rescheduling the country received during this period was the DSSI and the operations by ICBC and CDB, and only the CDB contained such an arrangement that could change the IMF numbers during that time.

We then subtracted the non-China rescheduled amounts recorded in the World Bank IDS from the 2020 and 2021 IMF numbers (Table 11). We believe these DSSI operations are accurately recorded in the IDS. This calculation gives us the "all China" rescheduling amount that includes the CDB and ICBC operations. We then subtract the China "bilateral" rescheduling for Angola recorded in the IDS from the "all China" numbers. Since we know that the China "bilateral" here refers to only China Eximbank, this calculation gives us the amount rescheduled by CDB and ICBC in 2020 (US$ 2,183 million) and 2021 (US$ 1,872 million). We adjusted the Angola data based on this calculation and included these CDB and ICBC amounts in all of our analysis.

Table 11: Authors' Calculation of CDB and ICBC Debt Rescheduling for Angola (US$ millions)

Data Source	Date	Creditor	Authors' Calculations	Rescheduled for 2020	Rescheduled for 2021
IMF Article IV	Jan 2022	All Creditors	A	2,697	2,708*
World Bank IDS	Dec 2022	Non-China	B	96	79
Authors' Calculation	-	*All China*	*A-B*	*2,601*	*2,629*
World Bank IDS	Dec 2022	China Bilateral	C	418	757
Authors' Calculations		*CDB and ICBC*	*A-B-C*	*2,183*	*1,872*

*All debt reprofiled in 2021, as estimated by the IMF in Jan 2022. The authors believe this number has taken into account the CDB grace period cut short given the oil contingency.

Even though we managed to get the rescheduled amounts by CDB and ICBC in total during the DSSI period, we don't have enough information to get the separate rescheduling amounts by these two banks. This is another reason why in the paper we prefer to use "all China" instead of "Chinese bilateral" or "Chinese commercial" when we describe Chinese creditors with data. We can't get the exact CDB-Angola rescheduling data and count it to the group of "commercial" or "bilateral" based on a uniform standard.

Problem 3: How to get the rescheduling data from the World Bank IDS?

For our analysis, we need to extract the debt rescheduling data in 2020 and 2021 from the World Bank IDS 2022. A problem we encountered doing this is the data discrepancy among different data series in the dataset.

In the World Bank IDS, there are eight different data series regarding debt rescheduled:

1. Debt stock rescheduled (current US$)(DT.DXR.DPPG.CD)
2. Interest rescheduled (capitalized) (current US$)(DT.IXR.DPPG.CD)
3. Interest rescheduled, official (current US$)(DT.IXR.OFFT.CD)
4. Interest rescheduled, private (current US$)(DT.IXR.PRVT.CD)
5. Principal rescheduled (current US$)(DT.AXR.DPPG.CD)
6. Principal rescheduled, official (current US$)(DT.AXR.OFFT.CD)
7. Principal rescheduled, private (current US$)(DT.AXR.PRVT.CD)
8. Total amount of debt rescheduled (current US$)(DT.TXR.DPPG.CD)

As suggested by the World Bank data team, we use the four data series that give us the interest and principal rescheduled by official and private creditors (data series 3, 4, 6, 7 listed above).[202]

We realized that in some of the countries, the sum of the interest and principal rescheduled (sum of data series 3, 4, 6, 7) does not equal the "total amount of debt rescheduled" (data series 8). For example, in the Republic of Congo, the IDS shows US$ 938 million of "total amount of debt rescheduled" by Netherlands in 2021 and US$ 193 million by the UK in 2020, but there is no record for any official or private principal and interest rescheduled by these two countries in the dataset. There is another US$ 736 million "total amount of debt rescheduled" by Switzerland in Congo in 2021, but the sum of interest and principal rescheduled by official Switzerland creditors is only US$ 9 million, and there is no record of rescheduling by private Switzerland creditors.

According to our conversations with the World Bank, these data series were pulled from different accounts in the IDS. The interest and principal rescheduled data is pulled from the rescheduling operations on the original loans (mother loans), and the "total amount of debt rescheduled" data is pulled from the new loan entries (with new repayment schedule for the amount suspended) corresponding to the rescheduling (baby loans). The amount of the mother loans should be equal to that of the baby loans in most cases. But the ROC is special because according to the World Bank, Congo reported the baby loans information but hasn't reported the mother loans. Apparently, the country repurchased some debt from oil traders and reported the operations to the World Bank, but the country has not yet reported details about original loans that created those debts.[203]

Some of the discrepancies appeared to be mistakes. For instance, the IDS data shows that UK "private" creditors rescheduled US$ 880,000 in principal and interest for Dominica in 2020, and US$ 1.75 million in 2021. The UK official creditors didn't reschedule any. Then "the total amount of debt rescheduled" by the

UK is US$ 1.77 million in 2020, and US$ 871,000 in 2021. It appears that Dominica mixed up the year in their reporting.

In the end we ignored this noise and followed the World Bank guidance, using the interest and principal rescheduled by official and private creditors for our analysis (data series 3, 4, 6, 7 above), believing these series to be the most accurate in picking up the rescheduling operations during the DSSI period.

Problem 4: How to treat the DSSI period in the World Bank data?

The World Bank IDS does not provide monthly breakdown of debt rescheduling or debt service data. Since the DSSI suspension started in only May 2020 and lasted until the end of 2021, there are some trade-offs using the IDS yearly data for our DSSI analysis.

We decided to only use data from 2021 for the within-G20 analysis, to see how much debt service China Eximbank suspended in terms of the debt service due, given its promise to deliver DSSI relief, and how China Eximbank's performance differs from other G20 bilateral creditors. We understand that a big part of the DSSI operations happened in the second half of 2020 but using the two years' data would have included debt serviced in early 2020 before the DSSI started. The comparison of bilateral creditors' performance makes more sense if we focus on only 2021, a full DSSI year.

However, when we discussed the overall DSSI contribution and compared China to other creditors who didn't participate in the relief, we used the two years' data instead because the IDS debt rescheduled data in 2020 and 2021 capture the sum of DSSI savings more accurately. It is unlikely that these creditors had rescheduled debt for the debtor countries before the DSSI began.

Problem 5: Uganda and Malawi's participation in the DSSI

In all of our analysis, we labeled Uganda and Malawi as countries not participating in the DSSI, based on the World Bank document published in December 2022 together with the IDS. The document said the two didn't participate in the initiative despite their eligibility.[204]

Uganda's DSSI status is confusing because the World Bank DSSI webpage listed it as participating because it "has requested participation in 2020 and 2021".[205] The Paris Club (France, Japan, South Korea, and the UK) also said it had provided US$ 14 million in DSSI relief for Uganda in the second phase of the DSSI.[206] But the IDS shows only a small rescheduling by Germany (US$ 21,688) during the DSSI years for Uganda. The World Bank webpage also said Malawi requested DSSI relief but the World Bank IDS data said the country received none.

The World Bank told us that Uganda managed to sign the MoU with the Paris Club, but as discussed above, Uganda did not have enough time to conclude bilateral agreements with Paris Club creditors before the payments fell due. Uganda paid the bills and didn't get any DSSI treatment. Similarly, the World Bank DSSI webpage also listed Malawi as requesting DSSI relief but the IDS said the country didn't end up participating. It is not clear to us yet what happened in Malawi.[207]

Problem 6: Myanmar's US$ 1.45 billion debt service to the UK and the Maldives' US$ 435 million to India

When examining the G20 bilateral creditors' implementation of the DSSI, the authors noticed that the UK bilateral creditor(s) collected US$ 1.45 billion (US$ 1,454,082,709) in 2021 from Myanmar who was participating in the DSSI. Yet UK bilateral debt stock in Myanmar (US$ 34 million as of end-2020) is far too small to produce the US$ 1.45 billion debt service. After consulting with the UK government, we believe that the US$ 1.45 billion debt service must be a mistake and we therefore changed it to US$ 1.45 million (US$ 1,454,082.709).[208]

Similarly, we noticed that the IDS recorded US$ 435 million debt service by the Maldives to Indian bilateral creditor(s) in 2021. That alone accounted for nearly 60 percent of Maldives' debt service that year. The US$ 453 million debt stock in 2020 could not cause such a large debt service payment. One speculation is that the large debt service is due to the US$ 400 million currency swap between the two countries.[209] But for this we haven't been able to communicate with either the Indian or Maldives' government, we therefore left it unadjusted in our data.

The authors did not examine all the debt service entries to see if there are similar discrepancies. It is possible that these mistakes in reporting were present in other parts of the IDS too, but by and large, we believe adjustments like these should be rare.

Problem 7: How accurate is the World Bank data?

Given our previous revisions of the World Bank data on debt rescheduling, one might wonder how reliable is the World Bank data, and whether we can trust the data to analyze China and others' implementation of the DSSI. The authors here cannot give a definitive answer for this question because on the one hand, we do see discrepancies in the IDS data, either when we compare it with information in debtor's bond prospectuses, or data supplied to the IMF, or when we compare the rescheduling data with the corresponding debt service. On the other hand, the IDS data is the only data source where we can get a hold of standardized detailed debt information across debtor countries. We also learned in our research that the World Bank team spent a lot of effort verifying the debtors' reporting with other sources at the loan level. We applaud this effort but it doesn't seem to us that this good work by the World Bank is enough to close all the gaps in the debtors' reporting that are largely due to weak capacity on the debtors' part.

We conducted an additional test, comparing the Paris Club creditor debt rescheduling data for DSSI participants with the World Bank's IDS (Table 12). If we believe the Paris Club's reporting is more accurate than the debtor's reporting to the IDS, then it is clear that the IDS is undercounting the actual amount of relief. Overall, the Paris Club said it suspended US$ 4.6 billion for DSSI participants in 2020 and 2021 but borrowers reported only US$ 3.3 billion to the IDS. Even if we take out Uganda, where the IDS data may have been more accurate, the Paris Club number is still 39 percent larger than that reported in the IDS. This also suggests that our analysis about China's DSSI implementation, which is based on the IDS, might have undercounted China's contribution.

Table 12a: Debt Rescheduled by the Paris Club in 2020 and 2021 for DSSI Participants (US$ millions)

Debtor	Paris Club Data	World Bank IDS Data
Afghanistan	0	0
Angola	295.27	174.90
Burkina Faso	24.55	18.32
Burundi	0	0
Cabo Verde	31.49	13.94
Cameroon	368.02	363.23
Central African Republic	0	0
Chad	2.19	1.69
Comoros	2.36	2.38
Congo, Dem. Rep.	34.65	33.18
Congo, Rep.	144.69	132.18
Côte d'Ivoire	124.82	128.87
Djibouti	21.13	19.64
Dominica	6.88	4.23
Ethiopia	33.80	34.48
Fiji	0.61	0.58
Gambia, The	0	0
Grenada	1.43	1.45
Guinea	49.56	48.62
Guinea-Bissau	1.94	0
Kenya	208.59	159.48
Kyrgyz Republic	9.23	8.80
Lesotho	0.87	0
Liberia	0	0
Madagascar	4.99	4.62
Maldives	5.38	5.24

Table 12b: Debt Rescheduled by the Paris Club in 2020 and 2021 for DSSI Participants (US$ millions)

Debtor	Paris Club Data	World Bank IDS Data
Mali	15.37	15.07
Mauritania	25.09	22.29
Mozambique	170.76	22.78
Myanmar	98.06	94.19
Nepal	25.84	24.90
Niger	16.29	14.12
Pakistan	1,906.67	1,804.84
Papua New Guinea	320.79	14.51
Samoa	3.07	2.96
Sao Tome and Principe	4.60	0
Senegal	101.80	96.15
Sierra Leone	0.02	0
St. Lucia	1.40	0.93
St. Vincent and the Grenadines	3.85	1.37
Tajikistan	1.90	1.47
Tanzania	85.17	14.38
Togo	0.98	0.23
Tonga	0	0
Uganda*	14.36	0
Yemen, Rep.	428.42	0
Zambia	23.11	17.87
Total (12a + 12b)	**4,620.00**	**3,303.94**

Source: The Paris Club https://clubdeparis.org/en/communications/press-release/the-paris-club-has-fully-and-successfully-implemented-the-dssi-and-its and World Bank IDS 2022.
*For Uganda, we learned that the IDS data is more accurate because the data team was able to confirm with the Uganda authorities that the Paris Club debt rescheduling didn't happen because of the time constraint to finish all the paperwork.

ENDNOTES

1. See, for example, “Ambassador Zhou Pingjian: So-called ‘Debt Trap’ Pure Disinformation,” essay published by Kenyan media, including Kenya Broadcasting Corporation, Capital FM, Business Daily and The Standard, and reprinted on the Chinese embassy website, July 4, 2022 http://ke.china-embassy.gov.cn/eng/zxyw/202207/t20220704_10715198.htm.
2. The Paris Club issued a summary of its members' DSSI suspensions, country by country, in February 2022.
3. Malpass's comments relate to World Bank member countries eligible for the DSSI (low income countries plus Angola). “Transcript: Exceptional Uncertainty and the Global Economy: A Conversation with David Malpass and Adam Posen” (The World Bank, January 19, 2022) https://www.worldbank.org/en/news/speech/2022/01/19/transcript-exceptional-uncertainty-and-the-global-economy-a-conversation-with-david-malpass-and-adam-posen.
4. Unless otherwise stated, data for China includes all Chinese creditors, “official” and “private”. See Data Appendix for a discussion of the World Bank's data. Some have argued that Chinese lending data is “systematically underreported” to the World Bank. See, for example, Malik, A., Parks, B., Russell, B., Lin, J., Walsh, K., Solomon, K., Zhang, S., Elston, T., and S. Goodman. *Banking on the Belt and Road: Insights from a new global dataset of 13,427 Chinese development projects*. (Williamsburg, VA: AidData at William & Mary, 2021). For a critical analysis of this argument, see Deborah Brautigam and Yufan Huang, “What is the Real Story of China's ‘Hidden Debt'?” (Johns Hopkins SAIS China-Africa Research Initiative Briefing Paper 6, June 2021), http://www.sais-cari.org/s/V5-FINAL-10-25-Briefing-Paper-6-Brautigam-and-Huang-AidData.pdf.
5. Deborah Brautigam, Kevin Acker, and Yufan Huang, “Debt Relief with Chinese Characteristics” (Johns Hopkins SAIS China-Africa Research Initiative Working Paper 39, June 2020). http://www.sais-cari.org/s/WP-39-Acker-Brautigam-Huang-Debt-Relief-V5.pdf.
6. Kanyi Lui, Head of China Practice at law firm Pinsent Masons, speaks to REDD Intelligence's Yulianna Vilkos on November 14, 2022. See “Decoding China's approach to sovereign debt workouts: chat with Head of China Practice at law firm Pinsent Masons” (REDD Intelligence, 2021), https://podcasts.apple.com/us/podcast/decoding-chinas-approach-to-sovereign-debt-workouts/id1586202078?i=1000586136434; See also the 1996 General Loan Rules by PBOC, “Without the approval of the State Council, the lender shall not cancel the loan. Except for the approval of the State Council, no unit or individual may force the lender to exempt the loan”, from “General Loan Rules” (People's Bank of China, December 2, 1996), http://www.pbc.gov.cn/eportal/fileDir/rhwg/19961202f.htm.
7. During the last debt crisis, many G7 creditors, including the US, had to involve their parliaments and change laws to allow for some debt treatments. For an example of US laws regulating debt forgiveness, see “U.S. Code § 1736e - Debt forgiveness” (Cornell Law School Legal Information Institute), https://www.law.cornell.edu/uscode/text/7/1736e.
8. “World Bank International Debt Statistics database (IDS) 2022” (World Bank, December 6, 2022), https://databank.worldbank.org/source/international-debt-statistics:-dssi#.
9. Gregory Makoff, “Debt Reprofiling, Debt Restructuring and the Current Situation in Ukraine”, (CIGI Papers No. 63, April 8, 2015), https://www.cigionline.org/publications/debt-reprofiling-debt-restructuring-and-current-situation-ukraine/.
10. Jeffrey B. Dawson, “Liberty Street Economics: A Closer Look at Chinese Overseas Lending” (Federal Reserve Bank of New York, November 9, 2022), https://libertystreeteconomics.newyorkfed.org/2022/11/a-closer-look-at-chinese-overseas-lending.
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14. "China Development Bank" (Devex), https://www.devex.com/organizations/china-development-bank-cdb-75753.

15. "Chinese Government Concessional Loan and Preferential Export Buyer's Credit (Two Concessional Facilities)" (The Export-Import Bank of China, October 2018), http://english.Eximbank.gov.cn/Business/CreditB/SupportingFC/201810/t20181016_6972.html.

16. Before CIDCA was created in April 2018, its duties were largely fulfilled by MOFCOM.

17. "Chinese Loans to Africa (CLA) Database" (Johns Hopkins SAIS China-Africa Research Initiative), http://www.sais-cari.org/data.

18. The data is from "Almanac of China's Finance and Banking 中国金融年鉴". After 2015, the Almanac no longer provides data on China Eximbank's concessional loans.

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27. For CDB's funding structure, see Muyang Chen, "State actors, market games: Credit guarantees and the funding of China Development Bank", *New Political Economy* 25.3 (2020): 453-468. See also Jiajun Xu, Kedi Wang and Xinshun Ru, "Funding Sources of National Development Banks". (Agence française de développement research paper, October 2020), https://www.afd.fr/sites/afd/files/2020-11-11-54-03/funding-sources-national-development-banks.pdf.

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30. International Monetary Fund, "Joint Statement World Bank Group and IMF Call to Action on Debt of IDA Countries" (International Monetary Fund, March 25, 2020), https://www.imf.org/en/News/Articles/2020/03/25/pr20103-joint-statement-world-bank-group-and-imf-call-to-action-on-debt-of-ida-countries.

31. Bruce W. Tuckman, "Developmental sequence in small groups". *Psychological Bulletin*. 63 (6), 1965: 384–399.

32. A typical clause reads: "The Borrower hereby represents, warrants and undertakes that its obligations and liabilities under this Agreement are independent and separate from those stated in agreements with other creditors (whether official creditors, Paris Club creditors, or other creditors), and the borrower shall not seek from the Lender any comparable terms and conditions which are stated or might be stated in agreements with other creditors." See "Government Concessional Loan Agreement on Uganda Upgrading and Expansion of the Entebbe International Airport Project, Between the Government of Uganda, Represented by the Ministry of Finance, Planning and Economic Development of Uganda as Borrower, and the Export Import Bank of China as Lender" (Aiddata, March 31, 2015), p. 14, https://docs.aiddata.org/ad4/pdfs/Uganda_Entebbe_Loan_Agreement.pdf; A. Gelpern, S. Horn, S. Morris, B. Parks, & C. Trebesch (2021). *How China Lends: A Rare Look into 100 Debt Contracts with Foreign Governments*. Peterson Institute for International Economics, Kiel Institute for the World Economy, Center for Global Development, and AidData at William & Mary.

33. International Monetary Fund, "Statement: Extraordinary G20 Finance Ministers and Central Bank Governors' Meeting" (International Monetary Fund, November 13, 2020), https://www.imf.org/-/media/Files/News/news-articles/english-extraordinary-g20-fmcbg-statement-november-13.ashx.

34. Paris Club, "Debt Service Suspension Initiative for the Poorest Countries Addendum to the April 2020 Term Sheet" (Paris Club, April 2020), https://clubdeparis.org/en/file/3389/download?token=jhp-fuUC.

35. The Republic of Angola, "Global Medium Term Note Programme" (The Republic of Angola, March 31, 2022), https://www.rns-pdf.londonstockexchange.com/rns/8185G_1-2022-3-31.pdf.

36. International Monetary Fund, "Statement: Extraordinary G20 Finance Ministers and Central Bank Governors' Meeting".

37. Zhongxia Jin *et al.*, "China's international economic and financial strategy based on the perspective of G20 (基于 G20 视角的我国国际经济金融战略问题研究)" (China Finance 40 Forum, September 2013), http://www.cf40.com/Uploads/upload/PDF/20139163.pdf.

38. For just one example, in a virtual speech to the Asia Society, "Reorient and Steer Clear of Disruptions For a Smooth Sailing of China-U.S. Relations," State Councilor and Minister of Foreign Affairs used the phrase "global challenges require enhanced international coordination and cooperation ... major countries in particular should lead by example". See "Reorient and Steer Clear of Disruptions For a Smooth Sailing of China-U.S. Relations - Address by H.E. Wang Yi State Councilor and Minister of Foreign Affairs at the Special Event Hosted by Asia Society" (China's Ministry of Foreign Affairs, December 18, 2020) https://www.fmprc.gov.cn/mfa_eng/wjdt_665385/zyjh_665391/202012/t20201219_678960.html.

39. *Xinhua*, "Keynote Speech by President Xi Jinping at the APEC CEO Summit (Full Text) (习近平主席在亚太经合组织工商领导人峰会上的主旨演讲（全文）)" (Xinhua News, November 17, 2018), http://www.xinhuanet.com/politics/leaders/2018-11/17/c_1123728402.htm

40. The Associated Press, "China didn't warn public of likely pandemic for 6 key days" (The Associated Press, April 15, 2020), https://apnews.com/article/virus-outbreak-health-ap-top-news-international-news-china-clamps-down-68a9e1b91de4ffc166acd6012d82c2f9.

41. John B. Bellinger III, "Opinion | Suing China over the coronavirus won't help. Here's what can work." (The Washington Post, April 23, 2020), https://www.washingtonpost.com/opinions/2020/04/23/suing-china-over-coronavirus-wont-help-heres-what-can-work/.

42. Gong Cheng, "The Global Financial Safety Net through the Prism of G20 Summits" (European Stability Mechanism Working Paper Series 13, 2016), https://www.esm.europa.eu/system/files/document/wp13complete.pdf.

43. Ministry of Finance of the People's Republic of China, "Written Interview with Finance Minister Liu Kun on G20 Debt Agenda" (Ministry of Finance of the People's Republic of China, November 20, 2020), http://www.mof.gov.cn/en/Cooperation/mulid/202011/t20201120_3626593.htm.

44. Liu Kun, "Statement by H.E. Kun Liu, Minister of Finance, on behalf of The People's Republic of China," Development Committee (Joint Ministerial Committee of the Boards of Governors of the Bank and the Fund on the Transfer of Real Resources to Developing Countries), One hundred and one meeting, Washington DC - April 17, 2020 (Virtual), DC/S/2020-0032, IMF and World Bank, April 17, 2020. See also Ministry of Finance of the People's Republic of China, "Liu Kun Attends the World Bank Spring Meetings Development Committee Ministerial Video Conference (刘昆出席世界银行春季会议发展委员会部长级视频会议)" (Sina Finance, April 20, 2020), https://finance.sina.com.cn/wm/2020-04-20/doc-iirczymi7383146.shtml. All quotations in this section are from this statement.

45. On the moral hazard risk in Zambia, see Deborah Brautigam, "How China and Zambia Co-Created a Debt Tragedy of the Commons," (Johns Hopkins SAIS China-Africa Research Initiative Working Paper 51, September 2022), http://www.sais-cari.org/s/WP-51-Brautigam-Zambia-Tragedy-of-the-Commons.pdf.

46. The analysis here focuses on the year 2021 rather than the whole period of the DSSI (May 2020 to December 2021). Since the World Bank data does not give us a monthly breakdown, including the entire year 2020 would include debt service paid before the DSSI began.

47. It is worth noting that the Paris Club said it suspended nearly 40% more debts than what the debtors reported to the IDS, see Data Appendix.

48. This refers to the end-2021 debt stocks. See World Bank IDS 2022. For Kiribati, Marshall Islands, Micronesia, South Sudan and Tuvalu, who are eligible but didn't participate in the DSSI, data is not available.

49. Liberia and Tajikistan participated in the DSSI in 2020 but not 2021. See The World Bank, "Data Documentation: DSSI-eligible countries", (The World Bank, December 2022). https://thedocs.worldbank.org/en/doc/6e72b0ded996306fa01f5db7a0c38b19-0050052021/related/DSSI-eligible-country-notes-IDR2022.pdf.

50. The International Monetary Fund, "List of LIC DSAs for PRGT-Eligible Countries As of February 28, 2023", (The IMF, 2023). https://www.imf.org/external/pubs/ft/dsa/dsalist.pdf.

51. The Paris Club website shows that the Paris Club didn't implement any DSSI suspension with Myanmar for the year 2021, implying that the country didn't ask for DSSI relief. But the IDS data shows that Myanmar was still receiving debt suspensions from other creditors, including China and Saudi Arabia, in 2021.

52. The World Bank, "International Debt Report 2022" (The World Bank, 2022), p.18, https://openknowledge.worldbank.org/bitstream/handle/10986/38045/9781464819025.pdf?sequence=5&isAllowed=y.

53. Xinhua, "Full Text: China and Africa in the New Era: A Partnership of Equals". (*Xinhua*, November 26, 2021) http://www.news.cn/english/2021-11/26/c_1310333813.htm. It is possible that "reaching agreement" meant agreement that the country would withdraw its request. This requires further research.

54. As noted, China did "convince" CDB to participate voluntarily, and our interviews confirm that Chinese delegates reported CDB's voluntary debt suspensions to the G20 IFAWG.

55. Michael Igoe, "Q&A: Former World Bank China director on David Malpass," (*Devex News*, February 14, 2019), https://www.devex.com/news/q-a-former-world-bank-china-director-on-david-malpass-94306.

56. The numbers refer to the end-2020 debt stock, the source is World Bank IDS 2022.

57. Akinwumi Adesina, "Opinion: The pandemic is no time for fiscal distancing" (CNN April 6, 2020), https://edition.cnn.com/2020/04/03/africa/adesina-fiscal-distancing-opinion/index.html.

58. Timothy Adams, "IIF letter to IMF, World Bank, OECD and Paris Club on Debt of LICs" (Institute of International Finance, April 09, 2020), https://www.iif.com/Publications/ID/3849/IIF-letter-to-IMF-World-Bank-OECD-and-Paris-Club-on-Debt-of-LICs.

59. France's Finance Minister Bruno Le Maire also urged multilateral banks to participate. See "Only victory in Africa can end the pandemic everywhere" (*Financial Times*, April 14, 2020), https://www.ft.com/content/8f76a4c6-7d7a-11ea-82f6-150830b3b99a.

60. Lucy Lamble, "Africa leads calls for debt relief in face of coronavirus crisis" (*The Guardian*, March 25 2020), https://www.theguardian.com/global-development/2020/mar/25/africa-leads-calls-for-debt-relief-in-face-of-coronavirus-crisis; "Debt Justice, Formerly Jubilee Debt Campaign" (Debt Justice), https://debtjustice.org.uk/.; Jorge Rivera and Sara Harcourt, "Where do we go from here on COVID-19 debt relief?" (ONE Campaign, May 11 2020), https://www.one.org/us/blog/covid-19-debt-relief-next-steps/; Andrea Shalal, Leigh Thomas, "Global creditors agree on debt relief for poor countries hit by pandemic" (Reuters, April 14, 2020), https://www.reuters.com/article/us-imf-worldbank-debt/global-creditors-agree-on-debt-relief-for-poor-countries-hit-by-pandemic-idUSKCN21W2HE.

61. G20 Research Group, "Communiqué: Virtual meeting of the G20 finance ministers and central bank governors Riyadh, Saudi Arabia" (G20 Information Centre, April 15, 2020), http://www.g20.utoronto.ca/2020/2020-g20-finance-0415.html.

62. Chinese officials continued to call on the World Bank to join the DSSI. On November 20, 2020 for example, China's Ministry of Finance posted, in English, an interview with Liu Kun in which he continued to push for multilateral creditors to participate in the debt relief: "multilateral creditors account for almost half of DSSI-eligible countries' total public and publicly guaranteed debt... the World Bank, as a major multilateral creditor, should take part in debt treatments and explore various options to provide more support to the poorest countries in alleviating their debt burden. If the World Bank takes part in debt treatment through setting up a multilateral debt relief facility, China will positively consider contributing to the facility as such to help ease the debt burden on the poorest countries." See Ministry of Finance of the People's Republic of China, "Written Interview with Finance Minister Liu Kun on G20 Debt Agenda".

63. Bodo Ellmers, "The Global South needs debt relief" (International Politics and Society Journal, April 21, 2020), https://www.ips-journal.eu/regions/global/the-global-south-needs-debt-relief-4286/.

64. "Paris Club and the IIF: Official and Private Creditors Work Collaboratively to Support the Debt Service Suspension Initiative" (The Institute of International Finance, April 30, 2020), https://www.iif.com/About-Us/Press/View/ID/3878/Paris-Club-and-the-IIF-Official-and-Private-Creditors-Work-Collaboratively-to-Support-the-Debt-Service-Suspension-Initiative.

65. World Bank Group and International Monetary Fund, "Joint IMF-World Bank Staff Note: Implementation and Extension of the Debt Service Suspension Initiative, prepared for the Development Committee Meeting virtual meeting on October 16, 2020" (World Bank and IMF, October 16, 2020) https://www.devcommittee.org/sites/dc/files/download/Documents/2020-10/Final%20DC2020-0007%20DSSI.pdf.

66. Although they are not "private" creditors, CDB and ICBC did provide debt reprofiling, as we discuss below.

67. Xinhua, "Full text: Keynote speech by President Xi Jinping at Extraordinary China-Africa Summit on Solidarity Against COVID-19" (*Xinhua News*, June 18, 2022), http://www.xinhuanet.com/english/2020-06/18/c_139147084.htm. Also in this speech, Xi said China will work with the international community to further extend the debt service moratorium, making China the first G20 member to make this public commitment.

68. According to World Bank IDS data, Chinese "private" creditor(s) also provided relief in Myanmar.

69. World Bank, "Protecting the Poorest Countries: Role of the Multilateral Development Banks in Times of Crisis" (World Bank Explanatory Note, Juy 7, 2020), https://thedocs.worldbank.org/en/doc/976541595021399817-0090022020/original/DSSIExplanatoryNote.pdf; See also Chris Humphrey and Shakira Mustapha, "Lend or suspend? Maximising the impact of multilateral bank financing in the Covid-19 crisis" (ODI, July 2020), https://cdn.odi.org/media/documents/Lend_or_suspend_Maximising_the_impact_of_multilateral_bank_financing_in_the_Covid.pdf; World Bank Group and International Monetary Fund, "Joint IMF-World Bank Staff Note: Implementation and Extension of the Debt Service Suspension Initiative, prepared for the Development Committee Meeting virtual meeting on October 16, 2020". China's former ED at the IMF, Jin Zhongxia, would later allude to this in a speech in which he accused the MDBs of "crowding out other creditors with new loans," instead of joining the Common Framework. See Jin Zhongxia, "The debt handling of developing countries needs to strengthen the coordination of various creditors (Jin Zhongxia: *Fazhan zhong guojia de zhaiwu chuli xu jiaqiang gege zhaiquanren de xietiao)*," keynote speech at the 9th CF40-PIIE China-US Youth Roundtable "Debt Sustainability of Developing Countries in the Post-pandemic Era," China Finance 40 Forum, September, 2022.

70. Ministry of Finance of the People's Republic of China, "Written Interview with Finance Minister Liu Kun on G20 Debt Agenda".

71. Personal communication, 2023_0202.

72. G20 Research Group, "Communiqué: Virtual meeting of the G20 finance ministers and central bank governors Riyadh, Saudi Arabia".

73. Hu Xiaolian, Comments at Boao Asia Forum 2021 Roundtable. See Hainan Broadcasting Group, "Boao Asia Forum 2021 Roundtable: The Role of Sustainable Finance in High-Quality Development of Belt and Road" (Sina, April 19, 2021), https://zhibo.sina.com.cn/mt/126908.

74. Hainan Broadcasting Group, "Boao Asia Forum 2021 Roundtable: The Role of Sustainable Finance in High-Quality Development of Belt and Road" (Sina, April 19, 2021) https://zhibo.sina.com.cn/mt/126908. Zhou was talking about World Bank's non-participation of the G20 Common Framework program that would come after the DSSI, but the World Bank had applied the same logic in not participating in the DSSI.

75. Data is from World Bank IDS 2022. These findings are discussed further in Part III: Data.

76. Deborah Brautigam, "China, the World Bank, and African Debt: A War of Words" (*The Diplomat*, August 17, 2020) https://thediplomat.com/2020/08/china-the-world-bank-and-african-debt-a-war-of-words/.

77. The World Bank, "World Bank Group President David Malpass: Remarks at the High-Level Ministerial Conference on Debt" (The World Bank, July 8, 2020), https://www.worldbank.org/en/news/statement/2020/07/08/world-bank-group-president-david-malpass-remarks-at-the-high-level-ministerial-conference-on-debt.

78. Paris Club, "Classification" (Paris Club), https://clubdeparis.org/en/communications/page/classification.

79. World Bank Development Data Group, Debt Statistics Team, "Debtor Reporting System Manual" (The World Bank) p.10, https://databankfiles.worldbank.org/public/ddpext_download/site-content/kb/debt/DRS_Manual_English.pdf.

80. The World Bank, "Debt Statistics: Frequently Asked Questions (FAQ)" (The World Bank), https://www.worldbank.org/en/programs/debt-statistics/faq#16 [accessed January 27, 2023].

81. Personal email communication with a KfW-IPEX official (September 2020).

82. Song Wei, "African debt to China may be solved through bilateral talks on the basis of equality" (*Global Times*, April 16, 2020), https://www.globaltimes.cn/page/202004/1185860.shtml.

83. Personal email communication (July 21, 2020).

84. Benn Steil and Benjamin Della Rocca, "Chinese Debt Could Cause Emerging Markets to Implode" (*Foreign Affairs*, April 27, 2020), https://www.foreignaffairs.com/articles/east-asia/2020-04-27/chinese-debt-could-cause-emerging-markets-implode.

85. Frederick Kempe, "COVID-19 provides China a historic chance to tilt the world in its favor, but it may not last long" (Atlantic Council, May 2, 2020), https://www.atlanticcouncil.org/content-series/inflection-points/covid-19-provides-china-a-historic-chance-to-tilt-the-world-in-its-favor-but-it-may-not-last-long/; Greg Mills and Emily van der Merwe, "Will we see a post-Covid China-Africa reset?" (The Brenthurst Foundation, April 30, 2020), https://www.thebrenthurstfoundation.org/news/will-we-see-a-post-covid-china-africa-reset/.

86. Daniel R. Russel and Blake H. Berger, "Weaponizing the Belt and Road Initiative" (Asia Society Policy Institute, September 2020), https://asiasociety.org/sites/default/files/2020-09/Weaponizing%20the%20Belt%20and%20Road%20Initiative_0.pdf. It is a curious reflection of the groupthink of the time that China experts at the Asia Society and International Economy experts at the Council on Foreign Relations would not only misread an op-ed by an Africanist researcher at a Chinese think-tank, but see it as equivalent to an official statement by the Chinese government.

87. Deborah Brautigam, "China, the World Bank, and African Debt: A War of Words" (*The Diplomat*, August 17, 2020), https://thediplomat.com/2020/08/china-the-world-bank-and-african-debt-a-war-of-words/.

88. In October 2020, the World Bank/IMF Development Committee noted that as of then, five countries had requested DSSI treatment from "a national policy bank which is participating as a commercial creditor" [i.e. China Development Bank], and the creditor had completed processing of two requests. See World Bank Group and International Monetary Fund, "Joint IMF-World Bank Staff Note: Implementation and Extension of the Debt Service Suspension Initiative, prepared for the Development Committee Meeting virtual meeting on October 16, 2020". Official sources confirm that CDB provided relief to Zambia and Angola. We have not identified the other three.

89. The bank said it provided US$ 748 million in relief to DSSI participants from May to September 2020, and US$ 1.168 billion in the first six months of 2021. "China Development Bank signs debt relief agreement with G20 debt relief initiative beneficiaries (国开行与G20缓债倡议受惠国签订缓债协议)" (China Development Bank, October 30, 2020), https://www.cdb.com.cn/xwzx/khdt/202010/t20201030_7879.html; "Update on the progress of CDB's debt relief agreements with G20 debt relief initiative beneficiaries (国开行与G20缓债倡议受惠国签订缓债协议最新进展情况)" (China Development Bank, July 1, 2021), https://www.cdb.com.cn/xwzx/khdt/202107/t20210701_8774.html.

90. Xinhua, "China ranks first in debt deferrals to poorest countries" (*Xinhua News*, November 20, 2020), http://www.xinhuanet.com/english/2020-11/20/c_139531384.htm.

91. Official Monetary and Financial Institutions Forum, "Virtual fireside conversation with Zhongxia Jin, Executive Director for China, International Monetary Fund" (Official Monetary and Financial Institutions Forum, May 10, 2021), https://www.omfif.org/videos/virtual-fireside-conversation-with-zhongxia-jin-executive-director-for-china-international-monetary-fund/.

92. "... some Directors emphasiz[ed] that the Fund's definition should aim to align with the classifications of the World Bank and Paris Club." See International Monetary Fund, "IMF Executive Board Completes Review of the Fund's Policies on Sovereign Arrears and Related Perimeter Issues" (International Monetary Fund Press release, May 18, 2022), https://www.imf.org/en/News/Articles/2022/05/17/pr22156-imf-completes-review-of-the-fund-policies-on-sovereign-arrears-and-related-perimeter-issues.

93. International Monetary Fund, "IMF Policy Paper: Reviews of the Fund's Sovereign Arrears Policies and Perimeter" (International Monetary Fund, May 18, 2022), https://www.imf.org/-/media/Files/Publications/PP/2022/English/PPEA2022023.ashx.

94. Official Monetary and Financial Institutions Forum, "Virtual fireside conversation with Zhongxia Jin, Executive Director for China, International Monetary Fund".

95. Some have suggested that case of Indonesia's high speed rail project, supported by CDB with a fixed rate loan of 2 percent, involved active participation of China's National Development and Reform Commission (NDRC) and would seem to qualify as "official" but as far as we know, there is no "unambiguous documentary evidence" to support this aside from the presence of NDRC.

96. Official Monetary and Financial Institutions Forum, "Virtual fireside conversation with Zhongxia Jin, Executive Director for China, International Monetary Fund".

97. Hong Zhang, "Chinese International Contractors in Africa: Structure and Agency" (Johns Hopkins SAIS China-Africa Research Initiative Working Paper 47, May 2021), http://www.sais-cari.org/s/WP-47-ZHANG-Hong-Chinese-Intl-Contractors-Market-Power-Africa.pdf.

98. Hainan Broadcasting Group, "Boao Asia Forum 2021 Roundtable: The Role of Sustainable Finance in High-Quality Development of Belt and Road".

99. People's Bank of China International Affairs Department, "Study on Sovereign Debt Restructuring Mechanism (主权债务重组机制)". (China Financial Publishing House, October 2022).

100. People's Bank of China International Affairs Department, "Study on Sovereign Debt Restructuring Mechanism (主权债务重组机制)". (China Financial Publishing House, October 2022).

101. Debt statistics published by Kenya's Ministry of Finance shows that the commercial "Buyer's Credit" by China Eximbank were rescheduled as part of the DSSI. See the National Treasury Public Debt Management Office of Kenya, "Summary Statement of Public Debt For 2020/2021 FY In Foreign Currency" (The National Treasury Public Debt Management Office of Kenya, June 2021), https://www.treasury.go.ke/wp-content/uploads/2022/06/External-Public-Debt-Register-as-at-End-June-2021.pdf. For Angola, loan commitment data collected by CARI shows that almost all of China Eximbank's loans from 2000 to 2020 in Angola are commercial, and the World Bank IDS 2020 shows that Chinese bilateral creditors suspended nearly US$1.2 billion for Angola in 2020 and 2021. One China Eximbank officer who handled some other DSSI countries also said the bank suspended both the concessional and commercial loan payments.

102. Jin Zhongxia in conversation with Deborah Brautigam, China Development Finance Conference, Finance for Development Lab, March 27, 2023.

103. The World Bank explains that "Eligibility for IDA support depends first and foremost on a country's relative poverty, defined as GNI per capita below an established threshold and updated annually (US$ 1,255 in the fiscal year 2023). IDA also supports some countries, including several small island economies, that are above the operational cutoff but lack the creditworthiness needed to borrow from the International Bank for Reconstruction and Development (IBRD). Some countries, such as Nigeria and Pakistan, are IDA-eligible based on per capita income levels and are also creditworthy for some IBRD borrowing. They are referred to as "blend" countries. A total of 75 countries are currently eligible to receive IDA resources." See "Borrowing Countries" (World Bank International Development Association, January 30, 2023), https://ida.worldbank.org/en/about/borrowing-countries.

104. Loans to developing countries can be made to the central government (sovereign debt, clearly covered under DSSI) or to private enterprises (private debt, clearly not covered). State-owned enterprises (SOEs) and public-private business partnerships to deliver public services (PPPs) occupy a middle category.

105. The World Bank, "World Bank Group President David Malpass: Remarks at the High-Level Ministerial Conference on Debt".

106. Vivien Foster, Roumeen Islam, Guangzhe Chen, Aditi Raina and Se Ra Yun, "China's Role as Financier for African Infrastructure," in Shuilin Wang and Albert Zeufack, eds. *Africa – China Economic Engagement in the 21st Century: Experiences and Opportunities* (in press). Confirmed through personal communication with a World Bank staff member in Ethiopia (February 2023).

107. For a discussion of these contentious issues see Lee C. Buchheit and Mitu Gulati, "Restructuring a Sovereign Debtor's Contingent Liabilities" (Duke Law School, December 26, 2012) https://scholarship.law.duke.edu/cgi/viewcontent.cgi?article=5453&context=faculty_scholarship. This excellent paper clearly spells out the pros and cons of including contingent liabilities in a sovereign debt restructuring.

108. "[t]he DRS measure of external public debt is defined to encompass all external borrowing by a public entity, with or without a guarantee from the sovereign government or other public sector entity and any external borrowing by a private entity that has a guarantee from the sovereign or other public sector entity. This underscores the DRS requirement to report the debt of all public corporations and mixed enterprises in which the public sector has more than 50 percent share — irrespective of whether such borrowing has a guarantee of the sovereign government…" See Development Economics Data Group Debt Team, "Debtor Reporting System (DRS): What it Measures" (The World Bank, April 2020), https://pubdocs.worldbank.org/en/951771586884732835/pdf/DRS-What-it-Measures.pdf.

109. "[m]any DRS reporters use a narrower definition of external public debt: typically one that includes only borrowing by the central government or by public and private entities that benefits from an explicit guarantee in the measure of external public debt." See Development Economics Data Group Debt Team, "Debtor Reporting System (DRS): What it Measures".

110. The World Bank, "Fiscal Accounting and Reporting for PPPs" (World Bank Public-Private Partnership Legal Resource Center, June 23, 2022), https://ppp.worldbank.org/public-private-partnership/fiscal-accounting-and-reporting-ppps.

111. Lee C. Buchheit and Mitu Gulati, "Restructuring a Sovereign Debtor's Contingent Liabilities".

112. Lee C. Buchheit and Mitu Gulati, "Restructuring a Sovereign Debtor's Contingent Liabilities".

113. For an excellent overview of these issues, see Nicole Kearse, "The DSSI, Defaults and Credit Ratings: A Primer" (ALSF Academy, Jun 26, 2020), https://alsf.academy/blog/dssi-defaults-and-credit-ratings-primer.

114. World Bank Group and International Monetary Fund, "Joint IMF-WBG Staff Note: Implementation and Extension of the Debt Service Suspension Initiative (prepared for the virtual October 16, 2020 Development Committee Meeting)" https://www.devcommittee.org/sites/dc/files/download/Documents/2020-10/Final%20DC2020-0007%20DSSI.pdf.

115. Comment by Jim A. Hines, Chairman at hearing on "Examining Belt and Road: The Lending Practices of The People's Republic Of China and Impact on the International Debt Architecture," Virtual Hearing Before The Subcommittee On National Security, International Development and Monetary Policy of The Committee on Financial Services U.S. House of Representatives One Hundred Seventeenth Congress, First Session, May 18, 2021, Serial No. 117-24.

116. "World Bank Group and International Monetary Fund, "Joint IMF-WBG Staff Note: Implementation and Extension of the Debt Service Suspension Initiative (prepared for the virtual October 16, 2020 Development Committee Meeting)".

117. Julianne Ams, Reza Baqir, Anna Gelpern and Christoph Trebesch, "Chapter 7 Sovereign Default" (International Monetary Fund, September 13, 2018), https://www.imf.org/-/media/Files/News/Seminars/2018/091318SovDebt-conference/chapter-7-sovereign-default.ashx#:~:text=The%20World%20Bank%20can%20demand,a%2060%2Dday%20grace%20period.

118. Cornell Law School Legal Information Institute, "Acceleration clause" (Cornell Law School Legal Information Institute), https://www.law.cornell.edu/wex/acceleration_clause#:~:text=An%20accelerated%20clause%20is%20a,materially%20breaches%20the%20loan%20agreement.

119. World Bank Group and International Monetary Fund, "Joint IMF-WBG Staff Note: Implementation and Extension of the Debt Service Suspension Initiative (prepared for the virtual October 16, 2020 Development Committee Meeting)".

120. Institute of International Finance (IIF), "G20 DSSI Template Waiver Letter Agreement" (IIF, July 10, 2020), https://www.iif.com/Publications/ID/3993/G20-DSSI-Template-Waiver-Letter-Agreement.

121. The World Bank, "Debt Service Suspension Initiative: Q&As" (The World Bank, March 10, 2022), https://www.worldbank.org/en/topic/debt/brief/debt-service-suspension-initiative-qas.

122. Paris Club, "The Paris Club has fully and successfully implemented the DSSI and its extensions" (Paris Club Press Release, February 23, 2022) https://clubdeparis.org/en/communications/press-release/the-paris-club-has-fully-and-successfully-implemented-the-dssi-and-its; and see also,"UGANDA, Debt treatment - January 28, 2021" ((Paris Club), https://clubdeparis.org/en/traitements/uganda-28-01-2021/en.

123. The World Bank, "Data Documentation: DSSI-eligible countries", (The World Bank, December 2022). https://thedocs.worldbank.org/en/doc/6e72b0ded996306fa01f5db7a0c38b19-0050052021/related/DSSI-eligible-country-notes-IDR2022.pdf. It is not clear whether Uganda ever asked China Eximbank for DSSI treatment. According to World Bank IDS 2022 data, Uganda paid Chinese bilateral creditors US$396 million in 2020 and 2021.

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126. The data here refers to the 2021 Debt Stocks. The source is World Bank IDS 2022. For the other eight countries, either the debt data is not available in the World Bank IDS or they don't have any borrowing from private or Chinese creditors; they borrowed only from multilateral lenders.

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131. Ministry of Economic Affairs of the Government of Pakistan, "Government of Pakistan Signs Agreement with the French Republic under the G-20 Debt Service Suspension Initiative on 27th June, 2022" (Ministry of Economic Affairs, Economic Affairs Division, Government of Pakistan), https://www.ead.gov.pk/NewsDetail/OTk1Y2E4YjUtMGNiNy00YTY0LWFkZjctNDFmNzk5ZTY3ZWM2.

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134. Ministry of Finance of the People's Republic of China, "Written Interview with Finance Minister Liu Kun on G20 Debt Agenda".

135. The World Bank, "International Debt Report 2022" p. 18.

136. World Bank IDS 2022.

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138. International Monetary Fund, "Angola: 2021 Article IV Consultation and Six Review under the Extended Arrangement of the Extended Fund Facility and Request for a Waiver of Nonobservance of a Performance Criterion; Press Release; Staff Report; and Statement by the Executive Director for Angola" (IMF Country Report No. 2022/011, January 18, 2022), p. 9, https://www.imf.org/en/Publications/CR/Issues/2022/01/18/Angola-2021-Article-IV-Consultation-and-Six-Review-under-the-Extended-Arrangement-of-the-512004.

139. One African official noted that these weaknesses were not only on the African side: Chinese loan procedures were significantly more old-fashioned than other creditors.

140. World Bank IDS 2022.

141. The Ethiopians were told that the Chinese bank would wait until the Common Framework negotiations were finalized before disbursing new funds. Ethiopia's creditor committee, headed by France and China, met for the first time in September 2021. See Reuters Staff, "China's Eximbank withholds $339 mln in funds to Ethiopia, cites debt repayment pressures" (Reuters, August 16, 2021), https://www.reuters.com/article/ethiopia-debt-idAFL8N2PN47O.

142. Kenneth G. Lieberthal and David M. Lampton, editors, *Bureaucracy, Politics, and Decision Making in Post-Mao China*. (Berkeley: University of California Press, 1992).

143. Zhou Xiaochuan, who was the PBOC governor from 2013 to 2018, was China's longest serving central banker. He was also the vice chairman of China's consultative body CPPCC. That made him a sub-national leader, one notch above the Minister of Finance. But Zhou's successor Yi Gang does not hold that seat at CPPCC.

144. The PBOC's role as the banking regulator may have changed in 2023, when the Chinese government set up a new financial regulator. See Reuters, "China to set up new financial regulator in sweeping reform" (*Reuters*, March 7, 2023). https://www.reuters.com/world/china/china-set-up-new-financial-regulator-major-supervisory-overhaul-2023-03-07/.

145. United Nations Conference on Trade and Development, "The Emerging of A Multilateral Forum For Debt Restructuring: The Paris Club" (United Nations Discussion Paper No.192 November 2008), https://unctad.org/system/files/official-document/osgdp20087_en.pdf.

146. See, for example, Yapeng Zhu and Diwan Xiao, "Policy entrepreneur and social policy innovation in China" (*The Journal of Chinese Sociology* v2, n:10, 2015); Chunyu Shi and Emilie Frenkiel, "Policy entrepreneurship under hierarchy: how state actors change policies in China" (*Journal of Chinese Governance*, 6:3, 2021) p. 351-374.

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148. People's Bank of China International Affairs Department, "Study on Sovereign Debt Restructuring Mechanism (主权债务重组机制)", (China Financial Publishing House, September 2022).

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150. International Monetary Fund, "Angola: Fourth Review Under the Extended Arrangement Under the Extended Fund Facility and Requests for Modifications of Performance Criteria and Waivers for Performance Criteria Applicability and Nonobservance—Press Release; Staff Report; and Statement by the Executive Director for Angola" (International Monetary Fund, January 19, 2021), https://www.imf.org/en/Publications/CR/Issues/2021/01/19/Angola-Fourth-Review-Under-the-Extended-Arrangement-Under-the-Extended-Fund-Facility-and-50024. Comparing the IMF (Eximbank and Sinosure US$ 4.4 billion) numbers with the Angola MOF debt bulletin (Eximbank US$ 2.7 billion) suggests that Sinosure held $1.7 bln. See Republic of Angola Ministry of Finance, "Statistical Bulletin 2010-2013", https://ugd.minfin.gov.ao/PortalUGD/#!/publicacoes/boletim-da-divida-publica. We do not know when these guarantees were triggered.

151. See Reuters Staff, "Angola applied for G20 debt relief - finance ministry" (Reuters, June 2, 2020), https://www.reuters.com/article/ozabs-uk-health-coronavirus-angola-debt-idAFKBN2391L9-OZABS; International Monetary Fund, "Angola: Fourth Review Under the Extended Arrangement Under the Extended Fund Facility and Requests for Modifications of Performance Criteria and Waivers for Performance Criteria Applicability and Nonobservance". We do not know if any of the payments were in fact refunded.

152. Paris Club, "Angola: Debt treatment" (Paris Club, August 31, 2020), https://clubdeparis.org/en/traitements/angola-31-08-2020/en; The percentage of Paris Club debt refers to 2021. Authors' calculations based on World Bank IDS 2022.

153. As in other countries, each loan agreement stemming from large lines of credit needed to be separately revised, an onerous task. CARI data show that Angola had signed over 240 loan contracts with CDB and China Eximbank between 2000 and 2019.

154. The World Bank confirmed to the authors that the US$ 1.2 billion in the World Bank IDS 2022 dataset did not include the amount rescheduled by CDB.

155. Further Africa Staff, "Angola negotiates the end of oil-backed debt with China" (Further Africa, January 24, 2020), https://furtherafrica.com/2020/01/24/angola-negotiates-the-end-of-oil-backed-debt-with-china/.

156. Karin Strohecker and Joe Bavier, "Angola negotiates $6.2 billion debt relief from creditors: IMF" (*Reuters*, September 21, 2020), https://www.reuters.com/article/us-angola-imf/angola-negotiates-6-2-billion-debt-relief-from-creditors-imf-idUKKCN26C2CP.

157. CDB agreed to defer principal payments for a three-year period for their largest line of credit (US$ 15 billion, signed in December 2015, with a 12-year term, according to CARI data) with repayment over seven subsequent years. Two smaller facilities had their principal repayment period lengthened by three years. No penalties would be applied. ICBC agreed to extend the maturities of loans that fell due over a three-year period, between the second half of 2020 and the first half of 2023, with the principal payments spread out over seven subsequent years. However, Angola would still need to pay interest during the suspension. Angola agreed to pay interest during the three-year moratorium, and CDB would lower the minimum saving requirement in the related debt service escrow account, allowing Angola to draw all the US$1.5 billion from the account to cover most of their interest payment during the grace period. Angola agreed to replenish the account after the grace period. This is similar to the DSSI debt service moratorium in a sense that the debt repayment reserve escrow account was already established (these accounts normally contain enough funds for 1.5 debt service payments). Angola did not need to mobilize additional resources for any payments to CDB during the grace period. At that point, the DSSI moratorium had been extended a further six months, to the middle of June 2021, with the suspensions followed by a one-year grace period, with repayment made over three to five subsequent years). Angola signed the reprofiling agreement with CDB in December 2020, and multiple reprofiling agreements with ICBC "during 2020 and 2021". See the Republic of Angola, "Global Medium Term Note Programme", and International Monetary Fund, "Angola: Third Review Under The Extended Arrangement Under The Extended Fund Facility, Requests For Augmentation and Rephasing Of Access, Waivers Of Nonobservance Of Performance Criterion and Applicability of Performance Criterion, Modifications Of Performance Criteria, and Completion Of Financing Assurances Review - Press Release; Staff Report; and Statement by the Executive Director For Angola" (IMF Country Report No. 20/281, September 2020), https://www.imf.org/-/media/Files/Publications/CR/2020/English/1AGOEA2020001.ashx.

158. International Monetary Fund, "Angola: Third Review Under The Extended Arrangement Under The Extended Fund Facility, Requests For Augmentation and Rephasing Of Access, Waivers Of Nonobservance Of Performance Criterion and Applicability of Performance Criterion, Modifications Of Performance Criteria, and Completion Of Financing Assurances Review".

159. Jevans Nyabiage, "Higher oil prices help Luanda pay off its debts to China" (*South China Morning Post*, June 27, 2022: A6). The ICBC reprofiling contained no such contingency.

160. See Republic of Angola Ministry of Finance, "Statistical Bulletin 2010-2013". We know that the contingency was triggered sometime in the second half of 2021 because the IMF Article IV published in January 2022 shows that the amount of debt reprofiled in 2021 was US$ 514 million less than it was last estimated six months ago.

161. Fitch Ratings, the country had also replenished the escrow account. See "Fitch Affirms Angola at 'B-'; Outlook Positive" (Fitch Ratings, January 13, 2023), https://www.fitchratings.com/research/sovereigns/fitch-affirms-angola-at-b-outlook-positive-13-01-2023.

162. World Bank IDS 2022. These Chinese payments would include payments made before the moratorium began in May 2020, and those made after May but before the agreements had been signed. It is unclear how much, if any, of these payments were reimbursed.

163. World Bank IDS 2022.

164. Elliot Smith, "Africa could be about to see its first post-Covid default after Zambia skips interest payment" (CNBC, October 26, 2020), https://www.cnbc.com/2020/10/26/africa-could-be-about-to-see-its-first-post-covid-default-.html.

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182. Sun Siyam Media, "Maldives, China engaged in discussions on deferment of commercial loans" (Sun Siyam Media, September 20, 2020), https://en.sun.mv/63028.

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