



## **Creditor and debtor countries discuss the future of sovereign debt at the “Paris Forum”**

### **Press release of the Paris Club Chairman and of the Australian Presidency of the G20**

Paris, November 20<sup>th</sup> 2014 – Today, the Paris Club and the Australian Presidency of the G20 jointly organized the second edition of the “Paris Forum”, a meeting of sovereign creditors and debtors, gathering the members of the Paris Club<sup>1</sup>, its ad-hoc participants (Brazil, Korea and the People’s Bank of China), and other members of the G20 (Argentina, Mexico, Saudi Arabia, South Africa, Turkey and the EU representatives), members of the European Union (Czech Republic, Poland)), and representatives of emerging and developing countries (Mozambique, Seychelles). International Organizations (International Monetary Fund, World Bank, OECD, the G-24 Secretariat and the Bank for International Settlements) also participated in the conference on “emerging trends and challenges in official financing”.

Mr. Angel Gurría, Secretary General of the OECD, stressed the importance of getting the contractual framework for sovereign debt right, allowing for the use of market mechanisms, to help ensure sufficient availability of sovereign financing and facilitate dealing with situations of sovereign debt distress. He emphasized that the annual Paris Forum fosters an open and inclusive dialogue on debt issues among an increasingly representative number of creditors and debtors, which is the cornerstone of an efficient international system of orderly and timely sovereign debt crisis prevention and resolution.

Recent events bear witness to the persistence and increasing complexity of debt crisis situations. Given the challenges litigation poses, G20 leaders in Brisbane welcomed the progress made to strengthen the orderliness and predictability of the sovereign debt restructuring process. They also welcomed the international work on strengthening collective action and *pari passu* clauses. They called for the inclusion of these clauses in international sovereign bonds, and encouraged the international community and private sector to actively promote their use. G20 leaders requested that their Finance Ministers and Central Bank Governors discuss the progress achieved on this and related issues. The participants in the Paris Forum agreed that it would be useful to regularly share technical expertise on approaches to the collective resolution of sovereign debt crises.

Participants also agreed that the Paris Club and Paris Forum continue to play a key positive coordination role among sovereigns and discussed how they could be strengthened by complementing the annual conference with another more technical meeting. The People’s Bank of China and Brazil described the benefits of their regular participation in the Paris Club’s monthly Tours d’Horizon, in an ad-hoc, flexible manner, and described the advantages of an increased exchange of information, and of regular and good-faith discussions among creditors, which enable a more efficient and effective resolution of debt crises in debtor countries, which is to the advantage of both creditors and debtors.

Finally, participants agreed that the diversification of financing sources, including via international bond issuances, carries benefits for developing and emerging countries, particularly to finance productive public investment. But it also carries risks to debt sustainability and in terms of exposure to exchange rates and refinancing risks. Policy actions should thus be focused on sustainable development, public investment and debt management capacity building.

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<sup>1</sup> The 20 members of the Paris Club, an informal group of official creditors whose role is to find coordinated and sustainable solutions to the payment difficulties experienced by debtor countries, are Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Ireland, Israel, Italy, Japan, the Netherlands, Norway, the Russian Federation, Spain, Sweden, Switzerland, the United Kingdom and the United States of America.