

CHAIRMAN'S SUMMARY

6th Conference of the Paris Forum

Addressing debt vulnerabilities by improving debt transparency

46 lending and borrowing countries, 9 international institutions and representatives from civil society gathered on 21 June 2018 at the 6th Conference of the Paris Forum, to discuss how to prevent over-indebtedness of some developing countries.

In a context of growing vulnerabilities, debt sustainability is more than ever at the core of the stability of the international agenda. The 6th Conference of the Paris Forum aimed at identifying rising vulnerabilities in debt sustainability, focusing on the issue of transparency.

The discussion focused on the **new landscape of sovereign debt, highlighting the need for financing for developing countries, notably in terms of infrastructure, but also called for more actions to prevent new risks linked to rising debt levels and changes in its composition.** The increase in debt levels was facilitated by new sources of credit: 1) External borrowing from non-Paris Club bilateral creditors; 2) Non-concessional and diversified financing by commercial creditors; 3) Domestic debt in local currency. Expanded access to financial markets have increased refinancing and interest rate risks. Debt instruments have become more complex - some of them such as collateralized loans being granted under nontransparent financial conditions which could undermine the creditworthiness of the borrower and coordination of creditors during debt restructuring. The new landscape of sovereign debt underlines the need for better cooperation and transparency between official and private creditors and debtors, as the debt environment becomes more complex and risky.

Many participants stressed that transparency on debt data is key to risk prevention. While recognizing that a significant improvement in data quality has been achieved thanks to capacity building, participants agreed on the need to strengthen data reliability and coverage. In particular, significant gaps in debt reporting, monitoring of guarantees and debt management must be tackled.

Participants stressed during the conference that **all stakeholders have a role to play and that borrowers and lenders, official as well as private, share a common responsibility to ensure sustainable financing practices:**

1. **Borrowing countries are responsible for financing their development in a sustainable way, by implementing sustainable borrowing practices in their debt management:** They ought to choose the appropriate debt instruments (loans, bonds, other debt instruments...) that will finance their development needs. In particular, some debt instruments such as public-private partnerships (PPPs) or collateralized loans, bear long-term financial risks that should be carefully analyzed.
2. **Creditors should implement sustainable lending practices.** G20 creditors agreed in 2017 on the Operational Guidelines for Sustainable Financing that sets concrete commitments. In particular, the guidelines provide a useful template to highlight the importance of information-sharing and cooperation among borrowers, lenders, and international financial institutions, and it affirms compliance of lenders to the concessional and non-concessional debt limits set by the IMF and the World Bank for PRGT-eligible and IDA only countries. They also underscore the importance of providing technical assistance to borrowers to help bolster debt sustainability. **While official creditors have engaged in such exercise, it is expected from private creditors to develop similar guidelines.**
3. **International Financial Institutions (IFIs) have a strong role to play to promote and enhance sustainable lending and borrowing practices.** They are responsible for strengthening debt transparency through dissemination on debt data and analysis (DSA), and for setting incentives for sustainable lending and borrowing through their debt policies and lending policies. In particular, the reform of the Debt Sustainability Framework (DSF) for Low-Income Countries, implemented since 1st July 2018, contributes to the debt transparency agenda by improving debt coverage and reporting. IFIs and international organizations are also at the front lines to provide technical assistance in public financial management to borrowing countries, to help them implement sustainable borrowing practices and improve transparency on their debt data.

Sustainable development can be fully achieved if, and only if, all stakeholders take responsibility and implement sustainable financing practices.