



PRESS RELEASE: Paris Club looks to the future

As the Heavily Indebted Poor Countries (HIPC) initiative draws to a close, the Paris Club will refocus its activities on its core function as a club of creditors, aimed primarily at coordinating the orderly resolution of sovereign debt crises.

The Club's unique experience and track record of 429 successful negotiations with 90 countries will allow it to continue playing a pivotal role in the international financial system, by providing an effective forum for debt restructuring. Its well-established practices allow for an efficient and timely resumption of debt service payments to creditors and continued access to credit financing for economic development.

As such, the Paris Club provides benefits to both debtors and creditors:

- For creditors, the Club is an efficient and coordinated forum for the recovery of claims and acts as a leveraging force through its longstanding expertise in terms of debt restructuring and debt collection. A coordinated creditor voice also helps to promote respect for debtors' payment obligations in the long run.
- For debtors, avoiding protracted periods of default and arrears helps promote access to new lending from private and official sources and contributes to achieving the ultimate goal of sustainable economic development.

As a pivotal actor in the international financial community, the Paris Club contributed within the HIPC framework, launched in 1996 by the IMF and World Bank and enhanced in 1999 at the Cologne G7 summit, to reduce the external debt burdens of the most heavily indebted poor countries to sustainable levels. Out of 39 eligible countries, the Paris Club notes with satisfaction that 35 have reached the completion point, restoring their financial soundness, debt sustainability, and, in some cases, access to capital markets. Through their considerable and exceptional effort, Paris Club members contributed more than a third of the cost of this successful initiative.

Since 2003, alongside the HIPC initiative, the Paris Club has successfully implemented, with 15 countries, the "Evian approach" which allows for flexible, orderly, timely and predictable crisis resolutions. This approach ensures that debt restructuring is granted only in exceptional circumstances of imminent default, and is not considered by debtor countries as an alternative to more expensive sources of financing. Debt relief will only be made when no other alternative is available to restore debt sustainability, in order for creditors to recover the remaining amount. All the while, the Evian approach provides debtor countries with a debt treatment that closely reflects their financial needs and the objective of ensuring long lasting debt sustainability.

Finally, Paris Club members have engaged in 13 early repayment operations since 1997. This dynamic management scheme allows debtors to buy back their debt ahead of schedule to take advantage of strong economic performance.

Looking to the future, the Paris Club will step up its efforts to respond effectively to the challenges of the global financial situation and to enhance its capacity to provide the most suitable debt treatment for creditors and debtors.