



# The Paris Club

HOW SOVEREIGN DEBTS  
ARE RESTRUCTURED, AND WHY  
AN ALTERNATIVE IS NECESSARY



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The statistical data in this guide are, unless otherwise stated, taken from the World Bank's online database 'International Debt Statistics' (<https://databank.worldbank.org/source/international-debt-statistics>), as updated on 29 August 2019.

The amounts of debt or debt service that illustrate this point relate exclusively to 'long-term' debt, i.e. debt with a maturity of more than one year. Short-term debt, in contrast, is generally treated on a specific basis by governments and financial institutions. Similarly, unless otherwise noted, this guide will deal only with external public debt and publicly guaranteed debt contracted by States. The amounts indicated therefore exclude debt contracted by States from their domestic market and unsecured claims contracted from private entities. Amounts in 'dollars' are to be understood as United States dollars.

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# INTRODUCTION

**For** about 60 years, the world's major creditors have been coming together to form a 'Club' of rich countries. It operates in the background of the G7 and has become a key player in international financial relations. Ninety developing countries have been forced to turn to it, sometimes repeatedly, to seek external debt restructuring. More than 400 agreements, covering a total of \$583 billion in bilateral debt, have been negotiated within this informal body.

This guide is intended for civil society organisations and activists from Paris Club member countries and from the developing countries forced to turn to the Club. It provides information and analysis needed to better understanding the Paris Club, how it operates, and what its role is in the landscape of sovereign debt restructuring. Its goal is to encourage involvement by civil society organisations in monitoring this forum which is crucial in the current discussions on debt crisis resolution.

This 'Paris Club' – for that is its name – has an official purpose: 'to find coordinated, orderly and sustainable solutions to debt sustainability challenges in developing countries'. But negotiations tend to be one-sided, with the debtor country in an isolated position faced with this cartel of its creditors. The Paris Club imposes its own financial approach, whose overriding priority is to recover the debts owed to its members. Against this backdrop, it does not take into account the basic needs of the people of the indebted countries.

The first part of this document explains the background of the Club – notably the way in which it has established itself as an inescapable player in debt restructuring – and presents its guiding principles. It sums up the different stages of a negotiation and presents a synthesis of the range of forms for treating debt (the 'terms') that may apply to the claims of a State requesting its intervention.

The second part takes a more critical look at the Paris Club. Indeed, underlying the promises of ‘coordinated and sustainable solutions’ to debt distress, we can see that the conditions inevitably imposed on the debtor countries in fact defend the specific interests of the creditors. The Paris Club acts as a judge in its own case. It operates in utmost opacity, and its members deny that they share responsibility with the debtors in the process of debt accumulation. Over the past four decades, the members have failed to resolve debt distress, and done even worse to prevent crises. Despite mobilisation by civil society and appeals by many United Nations bodies, the Paris Club and the international financial institutions still refuse to put human rights above the rights of creditors.

The third part raises the question of the future of the Paris Club, in a new context of international debt. Indeed, its ability to coordinate major creditors is being undermined by the emergence of new bilateral lenders which are not members of the Club, as well as by an unprecedented increase in bond indebtedness on the capital markets. The Paris Club is multiplying initiatives to maintain its influence, while the risks of a new debt crisis in developing countries increase bit by bit each day. Through this guide, the French Debt and Development Platform shows that the Paris Club is definitely not the right body to deal with this new situation. The creation of a multilateral mechanism for sovereign debt restructuring is more necessary than ever.

# THE PARIS CLUB

## IN FIGURES (2019)

**22** member countries

**90** debtor countries having requested negotiation

**63** years old

**433** debt restructuring agreements

**14** Up to 14 restructuring agreements  
negotiated successively with a single country

**\$583** billion of restructured debt

**\$314.7** billion in claims from  
138 countries (as of 31 December 2018)

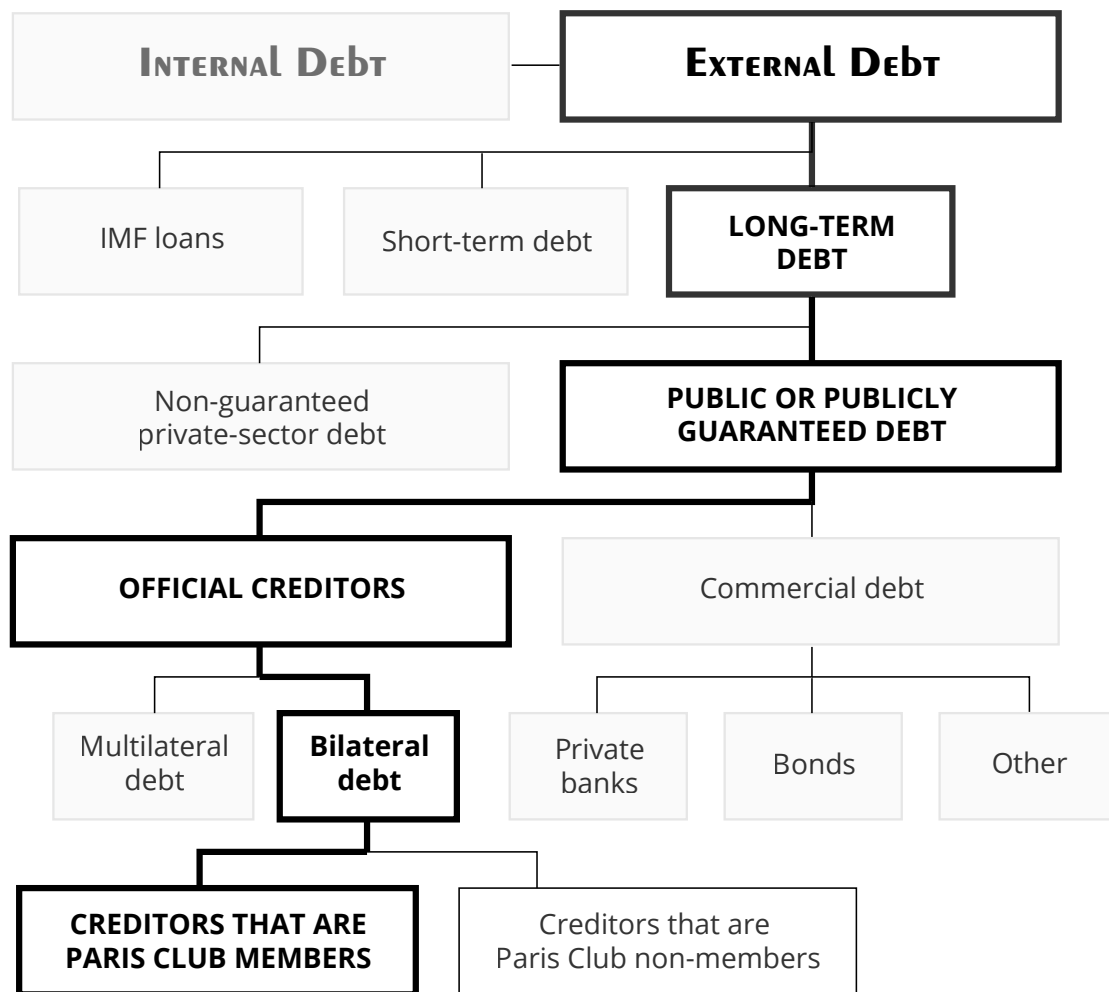


Figure 1 - Composition of the external public or publicly guaranteed debt

## Sovereign debt: who borrows, from whom and how?

Loans can be contracted by individuals, businesses and States. The purpose of the loans may be to finance their projects, to invest in infrastructure, sometimes to ensure daily household or administrative expenses, and even – when their incomes are insufficient – to be able to repay credits that have reached maturity.

This guide will focus **on public and publicly guaranteed debt**, i.e. debt contracted by a State or a public enterprise, or by a private enterprise when it has received a guarantee from the State (in which case the State must step in for the private enterprise if the latter is unable to fulfil its repayment obligations). A State or public enterprise may borrow from several sources. If from other States, the amount borrowed is called **bilateral debt**. If from international financial institutions such as the International Monetary Fund (IMF), the World Bank or regional development banks, it is **multilateral debt**. They may also borrow from private banks or issue bonds on capital markets (i.e. sell debt securities that can be purchased and resold by any public or private investor): this is **commercial debt**.

Public debt is governed by special rules. When a company or household is unable to repay its creditors (which

leads to what is called **suspension** of payment), either one is subject to the decisions (such as bankruptcy, liquidation, seizure of property, etc.) of the competent court. But this is not the case for a State, since there is no international court that can impose its decisions. In theory, a country can unilaterally decide to **repudiate** its debt, as Soviet Russia did in 1917. But in this case the country must be prepared to face possible retaliatory actions or measures by its creditors and their allies (possible military operations, economic sanctions, closing of access to new financing, etc.). This fundamental specificity of State indebtedness is usually summed up by the term **sovereign debt**.

In reality, debt repudiation is exceptional<sup>1</sup>. When faced with a risk of suspension of payment, debtors and creditors usually choose to negotiate, the former to avoid retaliation and the latter with the hope of recovering all or part of their claims. Such debt restructuring may take the form of **rescheduling**, i.e. an agreement to spread or defer the debtor's obligations, a **reduction in contractual interest rates**, a partial or total **cancellation** of the debt stock (in which the creditor waives repayment of all or part of the loan capital), or **debt swapping** agreements.

<sup>1</sup> E. Toussaint, *The Debt System, A History of Sovereign Debts and their Repudiation*, Haymarket Books, London, 2019.



# 1 THE PARIS • Club: A HOW-TO GUIDE

It all started out in 1956.

Several months earlier, the military had seized power in Argentina, after overthrowing the elected president, Juan Domingo Perón. The country was on the brink of suspension of payment, and the new government was trying hard to start up discussion again with its creditors. France offered to act as facilitator and to host the negotiations. Representatives of a dozen Western European countries met in Paris from 14 to 16 May and reached a rescheduling agreement with Argentina, covering \$500 million in claims. Five years later, when Brazil approached the same creditors, the negotiators naturally met in Paris again. And thus the Paris Club was born – almost accidentally – and named after the first place where it met.

## 1.1. How the Paris Club made itself a key player in debt restructuring for developing countries

Between 1956 and 1980, some 30 agreements were negotiated between debtor countries in difficulty and the creditor countries that had come together in the newly established Paris Club. But it was really from the early 1980s, with the debt crisis in developing countries, that the institution became a key player in sovereign debt restructuring.

The debt of developing countries had accumulated massively in the 1970s, in an international context favourable to borrowing. At that time, Western banks had large amounts of cash (petrodollars), interest rates were low, and industrialised countries pursued stimulus policies through export credit to Southern countries. For the international financial institutions, the objective was to use large amounts of credit to enable developing countries to 'catch up' their economic backwardness. And the Cold War prompted both sides to up the ante for more funding. This abundant supply of loans was often accompanied by large-scale corruption, massive embezzlement and loads of 'white elephants'. Between 1970 and 1980, the external debt of these States increased eightfold, from \$40 billion to \$292 billion.

A sudden reversal occurred in 1979, when the United States decided on a radical change in economic policy and was soon followed by many industrialised countries. To fight inflation, the US central bank (the Federal Reserve) raised its key interest rates, which in turn led to a very large increase in the interest rates on loans to the countries of the South. And because those loans were often denominated in US currency, the value of the debts increased along with the increase in the value of the dollar. At the same time, falling commodity prices reduced the repayment capacity of many countries, which found themselves caught in the grip of crisis. In August 1982, the Mexican Government announced that it was no longer in a position to repay its debt. It was soon followed by other Latin American, Asian and African countries. Because European and American banks were heavily involved in these countries, the entire global banking system found itself threatened with a chain of bankruptcies<sup>1</sup>. Western governments, backed by international financial institutions, then had to restructure the debts of their commercial banks, which carried out massive withdrawal throughout the 1980s<sup>2</sup>.

1 In December 1982, the exposure suffered by the nine largest US banks in terms of their claims in all developing countries reached 284% of their capital, including 45% just for Mexico and 49% for Brazil. According to UNCTAD, *Trade and Development Report*, 1986, United Nations, New York, Geneva, 1989, Table, Annex 22, p. 170.

2 At various levels (Baker Plan, 1985; Plan Brady, 1989, etc.), which enabled commercial banks to overcome the crisis. See in particular V. Kessler, 'La dette du Tiers Monde : 1970-1990', *Revue d'économie financière*, 14, 1990, p. 157-199 and D. Carreau, M.N. Shaw (Ed.), *La dette extérieure / The External Debt*, Hague Academy of International Law, Martinus Nijhoff Publishers, Dordrecht/Boston/London, 1995.

## [ FOCUS #1 ]

### Sovereign debt, a long history of crises

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The debt crisis of the 1980s was unprecedented in scale, but suspension of payment by a country or group of countries was not a new phenomenon. A total of 127 suspensions of payment have been recorded between 1800 and 1945<sup>1</sup>, a period during which Latin America went through three major debt crises<sup>2</sup>. In the absence of an institutional coordination mechanism, debt restructuring that ensued from these suspensions of payment have been negotiated only bilaterally, most often at the cost of heavy concessions by the debtor (signing of commercial treaties, port or territorial concessions, etc.). In the absence of an agreement, the major Western powers, which were engaged in expansionary or imperialist policies, did not hesitate to use force to make the defaulting country honour its commitments. So-called gunboat diplomacy, for example, led France and Great Britain to send an expeditionary force to Egypt (1882) and Germany, Great Britain and Italy to organise a naval blockade of Venezuela (1902) when these countries defaulted on repayment of certain debts.

In order to put an end to such acts of debt recovery, the Drago-Porter Convention was adopted in 1907 at the Hague Conference. It was the first time that the principle of international arbitration was introduced

in order to resolve this type of financial conflict. From that time the question of creating a specific international body was raised regularly. In 1939, the League of Nations, the precursor to the United Nations, unsuccessfully tried to establish an International Loan Tribunal. The subject was once again on the agenda in the discussions preceding the establishment of the International Monetary Fund in 1944, with the proposal to make management of sovereign debt restructuring one of the missions of the new international financial institution. This option was ruled out by creditors, on the grounds that a multilateral institution might impede their ability to renegotiate freely and informally.

In the years following the Second World War, creditor countries formed themselves into groups each time there were suspensions of payments and debt restructuring to be negotiated. Finally, these groups took on a more formal nature with the creation of the Paris Club in 1956 and that of the London Club (the equivalent of the Paris Club for creditor banks) in 1976 (See Focus 2). However, the proposal to create an international arbitration body came up regularly, whenever a new debt crisis demonstrated the limits of the current system.

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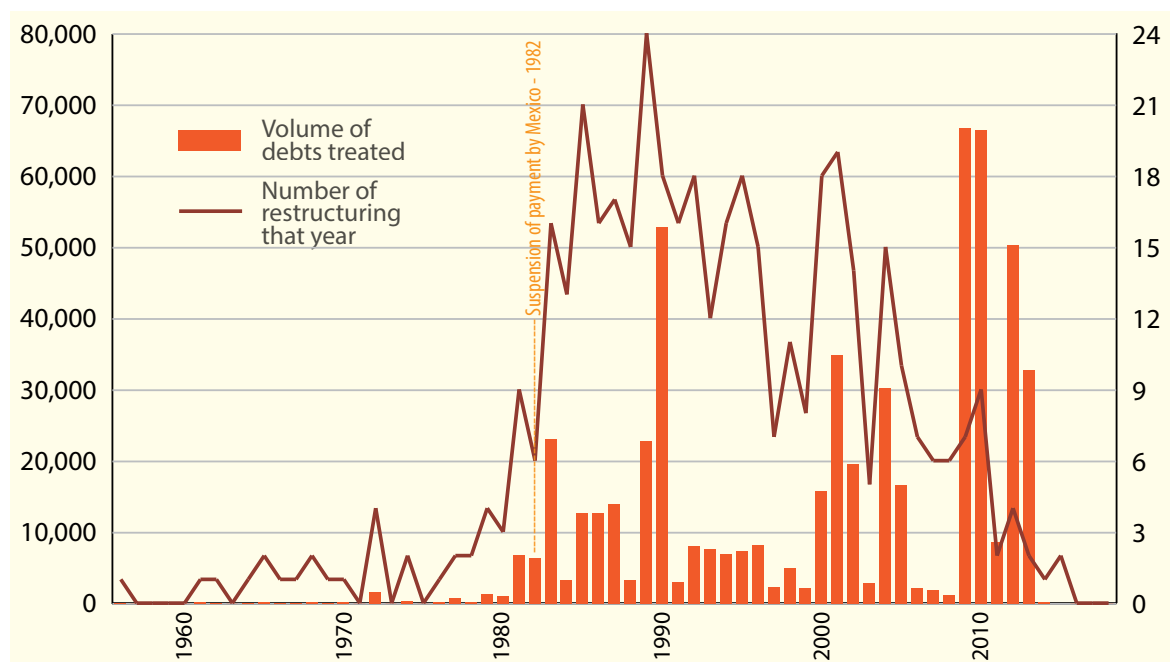
1 M. Reinhart Carmen and S. Rogoff Kenneth, *Cette fois, c'est différent : huit siècles de folie financière*, collection 'Les temps changent', Pearson, Montreuil-sous-Bois, 2010, p. 112, 116-117.

2 E. Toussaint 2017, *op. cit.*, p. 21.

From the start of the crisis, the members of the Paris Club took action to prevent a collapse of the banking system. In ten years, from 1982 to 1991, they negotiated more than 160 restructuring agreements with 54 countries, for a cumulative volume of \$180 billion in treated debt. This amount was eleven times greater than in the previous 25 years (See Fig. 2).

This unprecedented international mobilisation has not resolved the debt distress problems of developing countries. It has, on the other hand, enabled large commercial banks to reduce their exposure to sovereign debt risk (See Fig. 3) and avoid bankruptcy. Through a mechanism of in-

terconnections, international financial institutions and bilateral lenders replaced private lenders to refinance countries in difficulty. The share of official claims of developing countries held by commercial banks thus declined to 12% in 1995, compared to 40% ten years earlier. At the same time, the share held by bilateral creditors increased from 28% to 40%, out of a total outstanding amount multiplied by 2.5. The decline in bank debt and the considerable increase in bilateral debt during this period strengthened the position of the Paris Club as a key player in the sovereign debt crisis. This situation continued throughout the 1990s and 2000s.



**Figure 2 - Volume of restructured debt (left axis, in \$ million) and number of restructured debts negotiated (right axis) by the Paris Club, 1956-2018.**

Data source: Paris Club, [www.clubdeparis.org/en/traitements](http://www.clubdeparis.org/en/traitements)  
(The Paris Club database is incomplete for restructured debt volumes from 1972, 1998, 2001 to 2003, 2005, 2006 and 2010; however, the missing data are unlikely to change the main trends in this graph).

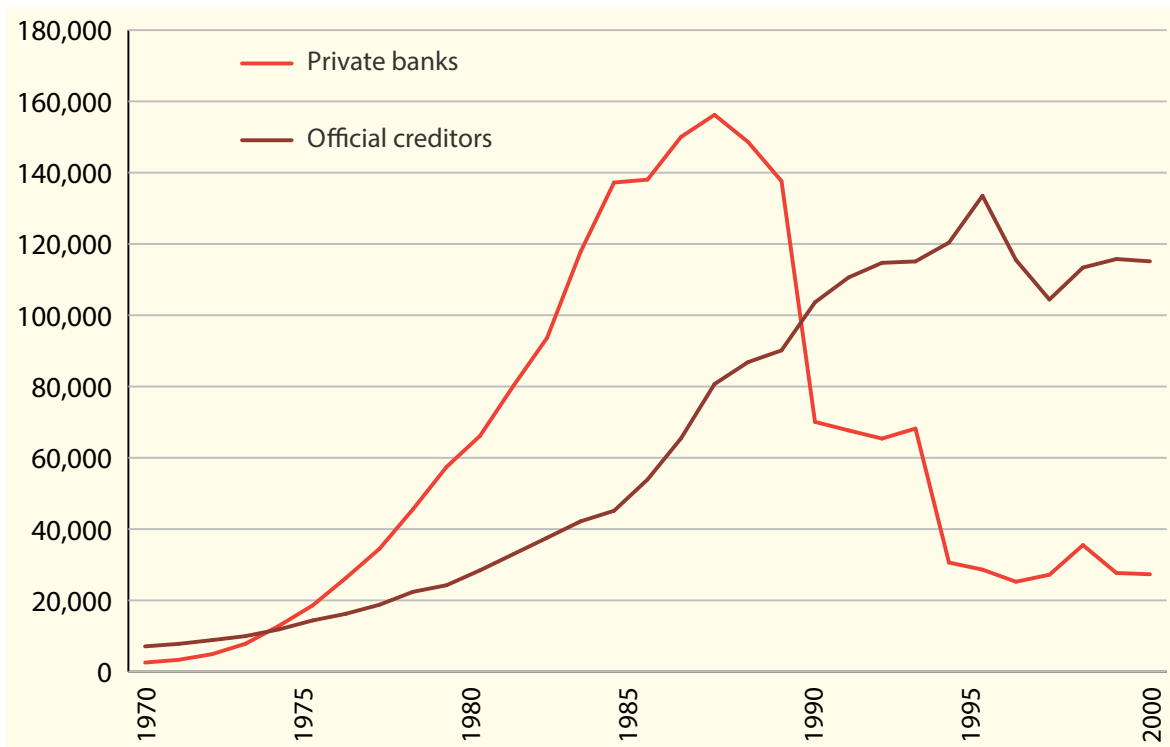


Figure 3 - The withdrawal of private banks to the benefit of official creditors, in Latin America and the Caribbean, 1970-2000.

Stock of public debt held by commercial banks and official creditors (bilateral and multilateral creditors, in current \$ million).

## 1.2. The very exclusive Club of major bilateral creditors

Because the Paris Club was created to meet a need for a one-off negotiation, it remained a very informal forum. As Jean-Claude Trichet, its chair from 1985 to 1993, put it, it is 'a non-institution mixing Latin imagination with Anglo-Saxon pragmatism'<sup>1</sup>. **The Club did not come about as the result of a treaty or charter**; it has no 'legal personality' or legal status and no founding document stating how it is made up or operates. It exists only by the will of the States that decide to become its members. The members meet as often as necessary and have preferred the adoption of a few 'principles' to guide their action (See 1.3) rather than binding statutes. The Paris Club is

not accountable to the United Nations General Assembly, and **its decisions cannot be challenged in any international court of law**. Like the G7 and the G20, it is a regulatory group that works by seeking agreement among its members rather than by relying on rules of law. The major bilateral creditors assert that this great flexibility enables the Paris Club to achieve restructuring that they consider to be quick and efficient.

Since its creation, the Paris Club has been hosted at the Treasury Department of the French Ministry for the Economy and Finance, where it has a secretariat responsible for preparing its work and carrying out logistical tasks. The Club is traditionally chaired by the Director-General of the French Treasury. He or she is assisted by two close colleagues, who act as Co-Chair and Vice-Chair.

<sup>1</sup> Remarks reported by F. Crouigneau in 'Un cénacle de créanciers discrètes, pragmatiques et très actifs', *Le Monde*, 7 January 1986.

It was initially made up of 11 European countries, but it quickly expanded to include all the major Western powers, including the United States and Japan. Russia, a major bilateral lender that was also the beneficiary of several very large debt reschedulings negotiated with the Paris Club in the 1990s, joined the Paris Club in 1997. Today, all G7/G8 countries are members. As the landscape of bilateral creditors has evolved (See 3.2), the Club has gradually opened up to emerging countries such as South Korea and Brazil, which have been members since 2016. Other major bilateral lenders – South Africa, India, Turkey, the Gulf States and China – are the subject of growing interest.

In June 2019, the Paris Club was officially composed of **22 permanent members** (See Fig. 4), all of which are bilateral creditors:

Australia, Austria, Belgium, Brazil,  
Canada, Denmark, Finland, France,  
Germany, Ireland, Israel, Italy, Japan,  
Netherlands, Norway, Russia, South Korea,  
Spain, Sweden, Switzerland,  
United Kingdom, United States.

These permanent members are invited to participate in all meetings and negotiations of the Club,

but their status is that of a simple observer when they have no – or very low – claims on the country under discussion.

In addition, **observers** attend the plenary discussions of the Paris Club and can present their views on the economic and financial situation of the debtor country, but they cannot participate in the negotiations themselves or sign the concluding agreement. These observers are representatives of the major international financial institutions (IMF, World Bank and regional development banks), the European Commission, the Organisation for Economic Co-operation and Development (OECD) and the United Nations Conference on Trade and Development (UNCTAD). Representatives of bilateral lenders that are not members of the Paris Club and that have claims on the debtor country concerned may also be observers without the possibility of signing the negotiating agreement.

The Paris Club members generally meet for a monthly review called the *tour d'horizon*, during which they exchange information on the situation of certain debtor States or on more general, topical or methodological issues relating to international indebtedness. Specific negotiation sessions are organised when a borrowing country requests debt treatment (See 1.4).

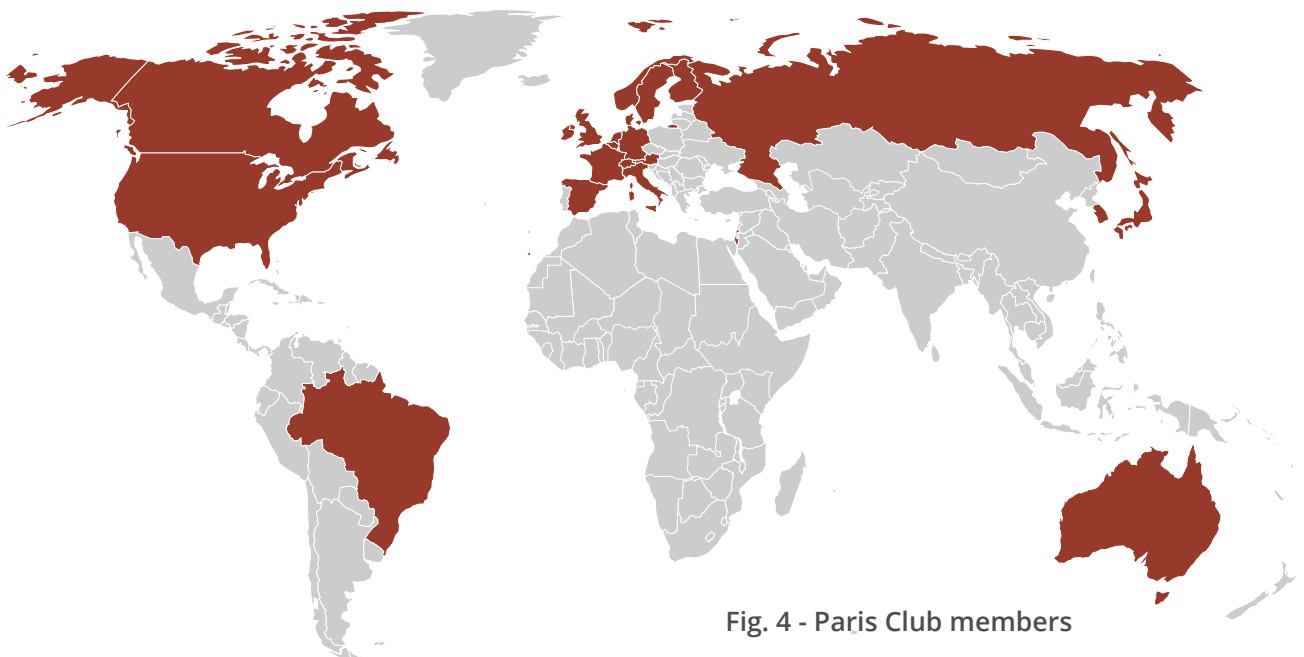


Fig. 4 - Paris Club members

## [ FOCUS #2 ]

### The London Club: like the Paris Club, but for private banks

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Like its Paris counterpart, the London Club is an informal group of creditors. Its members are not States, but rather the private banks involved in restructuring the debts of a debtor country in difficulty. The first of these ad hoc 'banking advisory committees' met in 1976 at the request of the former Zaire; it swiftly adopted the name 'London Club' to distinguish itself from the Paris Club. It has no formal members and no permanent secretariat: it simply brings together, when needed, the creditor banks of a borrowing country whose debts need to be restructured.

Like the Paris Club, it has no legal status or rules of procedure, and it examines requests on a case-by-case basis. It does not

necessarily meet in London, but more often in New York or Frankfurt. The host is usually the bank most exposed to the debts of the country concerned by the negotiation. The creditors meet as many times as necessary, and discussions can be spread out over several years. Decisions are taken by attenuated consensus, with a quorum of 90% of the creditors represented<sup>1</sup>.

Over time, the proportion of bank debt in the stock of sovereign debt of developing countries has diminished, and with it the influence of the London Club. In fact, it has not met for several years, and other bodies, such as the International Institute of Finance (IIF), have taken over defending the interests of private creditors.

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1 A comparative presentation of the Paris Club and the London Club is provided in S. Béranger-Lachand and C. Eugène, 'Le Club de Paris : instrument stratégique au sein de la communauté financière internationale', *Bulletin de la Banque de France*, 81, 2000, p. 75-76.



## 1.3. Addressing the concerns of bilateral creditors

The Paris Club celebrated its sixtieth anniversary in May 2016, without much fanfare. If the Paris Club has been around for so long, it is largely due to the responses it has been able to provide to the problems encountered by bilateral donors. Its main objective, by no means philanthropic, is ‘**to ensure the recovery of official claims**’<sup>1</sup> and to **minimise the cost to its members of restructuring or debt relief that has become unavoidable**.

By coordinating lenders, it avoids competition or outbidding among creditors<sup>2</sup> and helps reduce the risks that lenders face in their dealings with a borrower. The ‘six principles’ the Paris Club has adopted (See Focus 3) thus offer a response to the different concerns of creditors<sup>3</sup> but ignore those of debtor countries and their civil societies.

The first problem faced by a lender is that of so-called **asymmetry of information**, which assumes that the debtor has information about its situation which it does not necessarily share – or totally share – with its creditors. This problem exists, in principle, from the beginning of the relationship between a creditor and its debtor, when negotiating the loan contract.

Asymmetry of information becomes stronger over time, since the creditor is not necessarily aware of:

- any new loans that its debtor contracts from other lenders;
- the terms of these new loans, which may compromise the ability to repay all claims;
- the efforts the indebted country is actually willing to make to ensure repayment of its debts; or
- its real economic situation or the state of its public finances, etc.

All this information is essential for a creditor to determine the minimum level of concessions that it is likely to grant to a debtor in difficulty. The principle of **sharing information** among Paris Club members, as well as the key role played by the IMF in the debtor country review process (See 1.3) ensue from this need to minimise asymmetry of information.

The second problem facing a lender is **creditor coordination**. There are often multiple creditors for the same debtor, with different statuses and sometimes divergent economic or geopolitical interests. Lack of upstream coordination among all the potential lenders prevents the establishment of mechanisms that ensure a country’s sustainable repayment capacity, such as an overall limitation on the volume of loans. The same applies downstream, for coordinated implementation of a restructuring plan, or even for the adoption of sanctions, such as the cessation of international financing in the event of a suspension of payment by a debtor that may have refused to negotiate.

Above all, for a creditor forced to provide debt relief, the danger is that another creditor that has not made the same efforts may indirectly benefit from the debt treatment granted. In short, if the risk faced by the creditor from the debtor’s suspension of payments is reduced following debt restructuring negotiated by a creditor or group of creditors, the foremost beneficiary of that new capacity for debt repayment will be the creditor that has not made a concession. In economic literature, such a beneficiary is known as a ‘**free rider**’.

To reduce these coordination and ‘free rider’ problems, the Paris Club has adopted the principles of **solidarity** among creditors, **consensus** in decision-making and, above all, **comparable treatment**. They result in binding clauses included in the agreements signed with the debtor country, which in principle require the debtor country to refuse other lenders treatment of its debt that would be less favourable to the borrower than that granted by the Paris Club members. In practice, because of the diversity of creditors and their own constraints, this comparable treatment clause is very difficult to implement.

1 Paris Club *Annual Report*, 2017, p. 2 - [http://www.club-deparis.org/sites/default/files/ra-club-de-paris-2017\\_web2.pdf](http://www.club-deparis.org/sites/default/files/ra-club-de-paris-2017_web2.pdf).

2 S. Béranger-Lachand, C. Eugene, 2000, *op. cit.*, p. 69.

3 These concerns have given rise to a wealth of academic literature. See for example L. Buchheit, G. Chabert, C. DeLong and J. Ettelmeyer, ‘The Sovereign Debt Restructuring Process’, *Peterson Institute for International Economic Working Paper*, May 2019. <https://piie.com/system/files/documents/wp19-8.pdf>.



## [ FOCUS #3 ]

### The 'six principles' of the Paris Club

The Paris Club has officially adopted six principles that act as guidelines for its actions and operations.

**Solidarity:** all members of the Paris Club agree to act as a group in their dealings with a given debtor country and to be sensitive to the effect that the management of their particular claims may have on the claims of other members. They undertake to transpose the decision they take into bilateral agreements. This principle applies both to debt restructuring operations and to prepayments, so that the possible offer of a debtor country is made on the same terms to all members.

**Consensus:** Paris Club decisions cannot be taken without a consensus among the participating creditor countries. This principle seeks to ensure that the members agree to and adopt the decisions taken. It also gives each of them a de facto form of veto.

**Information sharing:** In the name of reciprocity, Paris Club members regularly share views and information with each other on the situation of debtor countries, as well as data on their claims. However, this principle of information sharing is limited to the forum for discussion: each participant is required to respect the confidentiality of discussions, negotiations and deliberations (See 2.5).

**Case-by-case decisions:** the Paris Club makes its decisions on a case-by-case basis, so that the creditors can adapt to the particular situation of each debtor country. The members of the Club thus share the

idea that there is no single model of debt treatment. They have defined, over time, a series of standard restructuring models, called treatment 'terms' (See 1.5); however, they can choose whether to make use of those terms or not, and to determine which of the 'terms' they consider most appropriate. This principle also protects the interests of creditors, since no precedent can be invoked by the debtor.

**Conditionality:** the debtor must implement reforms to restore its economic and financial situation. In practice, it must have previously signed an agreement with the International Monetary Fund. There have been a few rare exceptions in which this principle of conditionality has been applied to non-IMF members (Poland before 1986, Cuba, etc.), but it has been applied systematically since the early 1990s<sup>1</sup>.

**Comparability of treatment:** A debtor country that signs an agreement with the Paris Club creditors undertakes to not accept, from other bilateral or commercial creditors, debt treatment whose terms are less favourable to it than those agreed with the Paris Club. With this clause, the Paris Club seeks to unilaterally impose the terms of the agreement on public or private creditors that are non-members and that have therefore not participated in the negotiations. In theory, non-compliance with this commitment is sanctioned by a suspension of the agreement. It is very difficult to implement in practice, and no sanctions have ever been applied.

<sup>1</sup> S. Béranger-Lachand, C. Eugene, 2000, *op. cit.*, p. 70. For non-IMF members, experts have been mandated to determine a reform programme for the debtor country based on IMF approaches.

A third category of risk that is generally of concern to creditors is covered by the term **moral hazard**. For critics of debt restructuring, the total or partial cancellation of a country's debt or even an overly favourable rescheduling could lead to negative incentives. Waiving a borrower's repayment obligation could, for example, encourage it to engage in irresponsible borrowing behaviour in the belief that further cancellations will be granted. Similarly, lenders are concerned that a country in difficulty may be tempted to postpone economic reforms needed to restore its repayment capacity, in the hope that it will be granted further debt relief. Eventually, all of these types of behaviour may increase the risk of suspension of payment. This major concern of Paris Club creditors – which in this respect ignore their own responsibility in how the debt has accumulated – is reflected in the principle of **conditionality**. In conditionality, any debt res-

tructuring negotiated in the Paris Club framework is conditional on the beneficiary country adopting economic reforms and, in practice, on signing an agreement beforehand with the IMF, which is responsible for monitoring the implementation of those reforms. (See Focus 4 and 7).

## 1.4. Four-stage negotiations

Negotiating sessions between the Club and a debtor country are by definition held in Paris, usually on the premises of the Ministry for the Economy and Finance, and take place over one or two days. These sessions are held with the Paris Club members, any possible ad hoc participants with claims on the country concerned (See 1.2), countries and institutions with observer status and representatives of the debtor. The number of cre-

### [ FOCUS #4 ]

#### The IMF: an observer with big influence

Of all the observers invited to participate in the Paris Club negotiations, the IMF is by far the most influential institution. It is, for example, **the only observer that participates in the deliberations of the creditor countries**.

The IMF primarily plays the **role of expert**, expected by the Paris Club creditors to 'vouchsafe (implicitly) that the amount of debt relief being requested from them is sufficient to achieve sustainability but not more than is [strictly] necessary to reach that point'<sup>1</sup>. It also and above all plays a **role of guarantor and 'watchdog'** for the implementation of the economic adjustment programme to which the debtor country has committed itself. From the point of view of creditors, which adhere to the highly contested bases of these adjustment policies (see below), the IMF provides credibility

and thus ensures the implementation of the 'conditionality' principle. For the French authorities, 'this link [between the IMF and the Paris Club] has, until now, been the guarantee of the coherence of the action of the international financial community vis-à-vis the debtor country'<sup>2</sup>.

**Policy coordination between the IMF and the Paris Club** has strengthened considerably since the mid-1990s, along with the adoption of the 'Heavily Indebted Poor Countries' (HIPC) Initiative (See 1.5). The Club's action thus falls within the multilateral framework set by international financial institutions for debt treatment of the countries eligible for this initiative. The outcome of the negotiations among the members is largely subject to the decisions taken within the Boards of the IMF and the World Bank. The debt restructuring

1 L. Buchheit, G. Chabert, C. DeLong and J. Zetelmeyer, 'The Sovereign Debt Restructuring Process', *Peterson Institute for International Economic Working Paper*, May 2019, p. 10. <https://piie.com/system/files/documents/wp19-8.pdf>.

2 S. Béranger-Lachand, C. Eugene, 2000, *op. cit.*, p. 71.

ditor States represented is extremely variable and depends on the range of lenders to the country under discussion. The composition of delegations differs from country to country. They usually include senior officials from the Ministry of Finance and/or the Ministry of Foreign Affairs. The delegation of the debtor country is usually chaired by its Minister of Finance or by the governor of its central bank.

The negotiation follows a formal four-step process<sup>4</sup>:

**1. Negotiation preparations** – It is the debtor in difficulty that makes an official request to the Chair of the Paris Club to open up negotiations. To back up its request, it provides a *memorandum* detailing its financial situation and need for debt restructu-

ring. The Paris Club responds to the request only if the debtor country concludes, prior to the negotiation, an agreement with the IMF for a programme of economic reforms. Once this condition has been met, the Club Secretariat carries out a certain number of preparatory tasks to clarify the debtor's request, identify its claims and, in conjunction with the IMF, prepare balance-of-payments forecasts and quantify the financing needs. This phase allows the secretariat to draw up a restructuring solution in conjunction with the member countries. The negotiating session is usually convened within two to three months of the request by the country in difficulty.

**2. Plenary discussions** – The Chair of the Paris Club opens the plenary session with a few words before giving the floor to the head of the delegation of the debtor country, who sets out the situation of their country, details the measures taken to remedy it and presents the country's request. It is then the turn of the representatives of other bodies to speak. From among the international institutions, the IMF details the balance-of-pay-

4 See the Paris Club website ([www.clubdeparis.org/en/communications/page/steps-in-a-negotiation-meeting](http://www.clubdeparis.org/en/communications/page/steps-in-a-negotiation-meeting), French version accessed 22 August 2019), S. Béran-ger-Lachand, C. Eugène, 2000, *op. cit.*, pp. 71-72 and D. Lawson, *Le Club de Paris, Sortir de l'engrenage de la dette*, L'Harmattan, Paris, 2004, pp. 39-68.

schedule, the macroeconomic forecasts of sustainability, and the amount of cancellations resulting from the negotiations are in fact determined by the international financial institutions. They are 'vital' to the Paris Club members, which are themselves very influential members of these institutions<sup>3</sup>. Beyond debt restructuring, the Paris Club members now make their policies for new lending align with the 'Debt Sustainability Framework (DSF)', a joint initiative of the IMF and the World Bank aimed at preventing suspensions of payment by low-income countries (See Focus 9).

The key role and **growing influence of the IMF in the restructuring processes** naturally raise the issue of the neoliberal orien-

tation of economic policies advocated by the financial institution and its quasi-monopoly (shared with the World Bank), on the analysis of the sustainability of a debt situation. This situation is all the more worrying given that, in such debt restructuring, the IMF and the World Bank act as judges in their own case, since they are themselves creditors – and sometimes significant ones – of the countries at risk of suspension of payment. Numerous studies show that this potential conflict of interest has led to biased analyses, insufficient debt relief and inequitable burden-sharing among creditors in restructuring processes<sup>4</sup>.

3 The group of permanent members of the Paris Club make up 60% of the voting rights at the IMF (16.5% for the United States alone and 41% for the members of the G7). Calculations based on IMF, 'IMF Members' Quotas and Voting Power, and IMF Board of Governors', <https://www.imf.org/external/np/sec/memdir/members.aspx#3>, accessed 11 September 2019.

4 J. Kaiser, *Résoudre les crises de la dette souveraine, Vers un cadre international de désendettement équitable et transparent*, Friedrich Ebert Stiftung, 2011, p. 15-16. [http://bibliotheque.pssfp.net/livres/RESOUDRE\\_LES\\_CRISES\\_DE\\_LA\\_DETTE\\_SOVERAINE.pdf](http://bibliotheque.pssfp.net/livres/RESOUDRE_LES_CRISES_DE_LA_DETTE_SOVERAINE.pdf).

ments problems faced by the debtor and the reforms planned in the agreement signed with the debtor, and the World Bank sets out longer-term economic projections. Then UNCTAD sums up the issues relating to the development economy. Other observers (regional development banks, the European Union or the OECD) may take the floor as need be. The session concludes with possible questions from the creditor countries to the debtor country or international institutions. After the plenary discussion, the debtor delegation and the observers – with the exception of the IMF – leave the room.

**3. Drafting the terms of the agreement** – Next, the creditors go behind closed doors to discuss the restructuring they are considering. When a common position emerges, generally aligned with that of the largest creditor, the Chair of the Paris Club submits the proposal to the delegation of the debtor country, located in a nearby room. The debtor country can request amendments, which are forwarded to the creditor countries by the Chair of the Club. The Chair acts as the go-between between delegations until an agreement is reached. The debtor country is, in principle, free to accept or reject the creditors' offer, but in practice its negotiating margin is very limited (See 2.1).

**4. Making the agreement official** – When the parties have reached an agreement, its terms are transcribed by the Club Secretariat in 'Agreed Minutes', in English and in French. The delegation of the debtor country then comes back to the plenary session for signing of the agreement

by the Chair of the Paris Club, the Minister of the debtor country and the head of the delegation of each participating creditor country. But for this agreement to be effectively implemented, it must be retranscribed into binding bilateral agreements between each creditor country and the debtor country. It can sometimes take several months for all the bilateral agreements to be concluded.

## 1.5. The scope of debts to renegotiate

When a debtor country negotiates its first debt treatment with the Paris Club, a **cut-off date** is defined; in principle, this date is not modified in subsequent treatments. Credits granted after that date are theoretically not eligible for debt restructuring. The restructuring applies to commitments signed before the cut-off date, even though the disbursement of the loan or the delivery of the products, in the case of export credits, take place after the cut-off date. Adoption of this cut-off date is intended to 'protect' any credits granted by Paris Club creditors after the signing of an agreement and to reassure the markets that any new loans granted will be repaid. Its main goal is therefore to facilitate the debtor country's access to new financing.

Similarly, the Paris Club deals only with **medium- and long-term debt**, whose repayment date when the contract is signed is greater than one year. This policy has been adopted to limit the impact of restructuring on the debtor's access to current trade finance instruments.

**Table 1 - Eligibility and forms of debt restructuring according to the different treatment 'terms' (ODA: official development assistance)**

- (a) Characterised by meeting at least two of the following three criteria: ratio of debt to GDP above 50%, ratio of debt to exports above 275% and ratio of debt service due to exports above 30%
- (b) Up to 20% of outstanding balance on a set date or 15-30 million in Special Drawing Rights (SDRs).
- (c) In the past, some non-ODA debt rescheduling has been carried out over 15 years with an 8-year grace period and continuous annual payments.
- (d) Debt stock (NPV - Net present value) / Exports < 200-250 %;  
Debt service / Exports < 20-25%; Debt stock (NPV) / Budgetary revenue < 280%. €.  
Debt stock (NPV) / Exports < 150%; Debt service / Exports < 15%;  
Debt stock (NPV) / Budgetary revenue < 250%.

| Terms                          | Dates                                    | Eligibility criteria  | Loans contracted under ODA conditions (concessional loans)                        |                    |                            |                     |              | Loans not contracted under ODA conditions (non-concessional loans)                           |                    |                |                     |                |
|--------------------------------|--|---|---|--------------------|----------------------------|---------------------|--------------|--|--------------------|----------------|---------------------|----------------|
|                                |  |   | Forms of restructuring  | Stock cancellation | Interest rates             | Reim-burment period | Grace period | Forms of restructuring   | Stock cancellation | Interest rates | Reim-burment period | Grace period   |
| <b>Classic</b>                 | Since 1956                               | By default until 1988, then for countries not eligible under the terms below  | Rescheduling  | No                 | Initial or more favourable | Case-by-case        | Case-by-case | Rescheduling   | No                 | Market         | Case-by-case        | Case-by-case   |
| <b>Toronto</b>                 | 1988 to 1991 (replaced by London Terms)  | Poor countries (LDCs) with a debt service of at least 30% of their export earnings  | Rescheduling  | No                 | Initial or more favourable | 25 yrs              | 14 yrs       | Option 1: debt reduction and balance rescheduling  | 33.33%             | Market         | 14 yrs              | 8 yrs          |
|                                |  |   |   |                    |                            |                     |              | Option 2: rescheduling and reduction of rates  |                    |                |                     |                |
|                                |  |   |   |                    |                            |                     |              | Option 3: rescheduling   |                    |                |                     |                |
| <b>Houston</b>                 | Since 1990                               | Meets at least 2 of the following 3 criteria (a): (i) low income, (ii) high debt; (iii) a stock of bilateral debt > 150% of private debt  | Rescheduling and, on a voluntary and bilateral basis, the possibility of swapping | No                 | Initial or more favourable | 20 yrs              | 10 yrs max   | Rescheduling and possibility of capped swapping (b)  | No                 | Market         | 15 yrs              | 2 or 3 yrs (c) |
| <b>London</b>                  | 1991 to 1994 (replaced by Naples Terms)  | Heavily Indebted Poor Countries   | Rescheduling and, on a voluntary and bilateral basis, the possibility of swapping | No                 | Initial or more favourable | 30 yrs              | 12 yrs       | Option 1: debt reduction and balance rescheduling, possibility of capped swapping (b)        | 50%                | Market         | 23 yrs              | 6 yrs          |
|                                |  |   |   |                    |                            |                     |              | Option 2: rescheduling and reduction of rates, possibility of capped swapping (b)            |                    |                |                     |                |
|                                |  |   |   |                    |                            |                     |              | Option 3: capitalisation of moratorium interest (idem 3 with different rescheduling profile) |                    |                |                     |                |
|                                |  |   |   |                    |                            |                     |              | Option 4: rescheduling, possibility of capped swapping (b)                                   |                    |                |                     |                |
| <b>Naples</b>                  | Since 1994                               | Poor countries (GDP per capita ≤ \$755) eligible for IDA funding only, 'for which there is sufficient confidence in their ability to respect the debt agreement' with the IMF and the Paris Club. | Rescheduling and, on a voluntary and bilateral basis, the possibility of swapping | No                 | Initial or more favourable | 40 yrs              | 16 yrs       | Option 1: debt reduction and balance rescheduling, possibility of capped swapping (b)        | 67%                | Market         | 23 yrs              | 6 yrs          |
|                                |  |   |   |                    |                            |                     |              | Option 2: rescheduling and reduction of rates, possibility of capped swapping (b)            |                    |                |                     |                |
|                                |  |   |   |                    |                            |                     |              | Option 3: capitalisation of moratorium interest (idem 3 with different rescheduling profile) |                    |                |                     |                |
|                                |  |   |   |                    |                            |                     |              | Option 4: rescheduling, possibility of capped swapping (b)                                   |                    |                |                     |                |
| <b>Lyon (HIPC)</b>             | 1996 to 1999 (replaced by Cologne Terms) | The poorest countries (eligible to borrow from the World Bank's IDA) whose debt is considered unsustainable (d), subject to the drafting and implementation of a Poverty Reduction Strategy Paper | Rescheduling and, on a voluntary and bilateral basis, the possibility of swapping | No                 | Initial or more favourable | 40 yrs              | 16 yrs       | Option 1: debt reduction and balance rescheduling, possibility of capped swapping (b)        | 80%                | Market         | 23 yrs              | 6 yrs          |
|                                |  |   |   |                    |                            |                     |              | Option 2: rescheduling and reduction of rates, possibility of capped swapping (b)            |                    |                |                     |                |
|                                |  |   |   |                    |                            |                     |              | Option 3: capitalisation of moratorium interest (idem 3 with different rescheduling profile) |                    |                |                     |                |
| <b>Cologne (enhanced HIPC)</b> | Since 1999                               | The poorest countries (eligible to borrow from the World Bank's IDA) whose debt is considered unsustainable (e), subject to the drafting and implementation of a Poverty Reduction Strategy Paper | Rescheduling and, on a voluntary and bilateral basis, the possibility of swapping | No                 | Initial or more favourable | 40 yrs              | 16 yrs       | Debt reduction and balance rescheduling, possibility of capped swapping (b).                 | 90% or more        | Market         | 23 yrs              | 6 yrs          |
| <b>Evian Approach</b>          | Since 2003                               | Countries not eligible for the HIPC initiative and facing imminent suspension of payment  | Case-by-case  |                    |                            |                     |              | Case-by-case   |                    |                |                     |                |

## 1.6. A range of 'terms', and restructuring on a case-by-case basis

Debt maturities previously rescheduled under the Paris Club are, in principle, not renegotiable. The same is true for payment arrears, which may be larger than the outstanding debt itself<sup>5</sup>. Repayment of arrears to IFIs is a precondition for any start of negotiations with the Club. Under a *de minimis* rule, whose amount is determined on a case-by-case basis to limit the number of bilateral proceedings, the smallest claims are also excluded from the negotiations and their maturities must be honoured by the debtor. Yet, excluding arrears and short-term debts, as well imposing a cut-off date have the effect of significantly reducing the volume of renegotiated debts.

In exceptional situations, in particular when the cut-off date is too far away and/or when the volume of eligible debts is too small to consider crisis recovery, Paris Club member countries have departed from these principles of non-treatment of post-cut-off-date debts and/or exclusion of previously rescheduled maturities, or have included short-term debt arrears in the negotiation<sup>6</sup>.

The principle of debt restructuring on a case-by-case basis means that Paris Club member countries adapt to the particular situation of each debtor country. In practice, they can effectively implement **ad hoc restructuring**, either on a country-specific basis, or on a pre-defined basis, in accordance with the '**treatment terms**' developed over the history of the Paris Club. The choice of 'tailor-made' restructuring or of using particular terms is entirely up to the Paris Club members, without the debtor's situation or its classification according to the World Bank indicators ('low income country' or 'middle income country', etc.) being applied.

Table 1 summarises the various terms that Paris Club members can use. It shows the evolution of concessions made by these members over time and the changes in their perception of the debt crisis. For example, the so-called Toronto, London and Lyon terms (named after the host cities of the G7 summits that proposed this restructuring framework) were replaced by the Naples Terms for the first two and Cologne for the third. These terms may be **non-concessional**, i.e. they allow a simple rescheduling and/or a delay in the amounts to be repaid, or **concessional**, with a decrease in the 'net present value' of the claims (see Table 1.2).

5 For Somalia, for example, of the \$4.7 billion in stock of public external debt, arrears represented \$4.5 billion. See IMF, *Somalia, Staff report for the 2019 Article IV consultation, second review under the staff-monitored programme, and request for new staff-monitored programme*, June 2019, p. 42. <https://www.imf.org/~media/Files/Publications/CR/2019/ISOMEA2019003.ashx>.

6 L. Grard, 'Le Club de Paris et les dettes publiques des États', in D. Carreau, and M.N. Shaw, *La dette extérieure / The External Debt*, The Hague Academy of International Law, Martinus Nijhoff Publishers, Dordrecht/Boston/London, 1995, p. 231-233.



| Type of treatment       | Forms  | Consequences for the debtor country  |
|-------------------------|--|--|
| <b>Non-concessional</b> | Extension of repayment period (rescheduling) | Debt service reduction, i.e., amounts paid annually by the debtor to its creditors. The amount of money owed is consequently increased by interest due over a longer period.                                   |
|                         | Deferral (grace period)                      | Suspension of repayment for a period, to enable the debtor country to improve its financial situation. Once this period has passed, the repayments resume and the total amount of money owed remains the same. |
| <b>Concessional</b>     | Reduced interest rate                        | Reduction in debt service and in total amount of debt owed over the entire repayment period.   |
|                         | Cancellation of all or part of the claims*   | Reduction in the debt stock and therefore in the total amount of debt owed.  |

Table 2 - Main forms of concessional and non-concessional treatment of a country's debt.

\* Total cancellation of claims has never been implemented.

The purpose of **flow treatments** is to provide simple relief for repayment maturities when it is necessary to cover a financing need for a given period, known as the '**consolidation period**'; this is usually the time of the structural adjustment programme agreed with the IMF. In this case, the scope of the negotiation is usually limited to just the maturities that occur during this period, possibly extended to accumulated arrears. As for **stock treatments**, they apply not only to payments due over the consolidation period, but to all or part of the debt stock. The term '**exit rescheduling**' is used, as the objective in this case is for the Paris Club to negotiate a definitive treatment with the debtor concerning the latter's problems of over-indebtedness.

Debt contracted as official development assistance (**ODA credits**) is credit with concessional interest rates (lower than capital market rates). Its

treatment is different from that applied to debt at market rates (**non-ODA credits**), for example as part of export credits. ODA credits are generally not affected by stock cancellations and are merely subject to rescheduling measures.

It took the Paris Club member countries decades to understand the seriousness of debt distress and to accept the principle of nominal debt relief. From 1956 to 1987, all the agreements were signed according to the **classic terms** or with **ad hoc treatment**, with just rescheduling of repayments, without even partial cancelling of the debtor country's debt stock. In 1988, the **Toronto Terms** provided for nominal debt relief for the first time, but only for the heavily indebted poor countries. Cancellation was initially limited to 33.33% of the stock of non-ODA claims, before rising to 50% in 1991 (**London Terms**) and then to 67% in 1994 (**Naples Terms**).

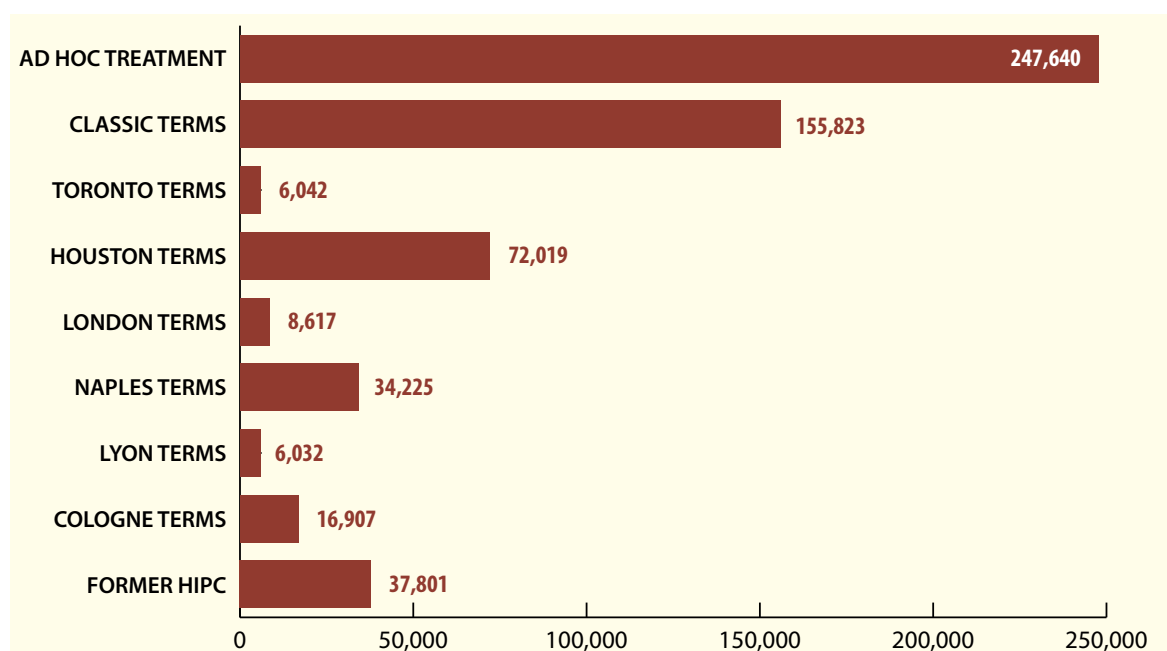


Figure 5 - Volume of debts restructured by the Paris Club according to the forms of treatment applied, 1956-2018 (in \$ million and in number of transactions).

Data source: Paris Club, [www.clubdeparis.org/en/traitements](http://www.clubdeparis.org/en/traitements)  
(The Paris Club database is incomplete for restructured debt volumes from 1972, 1998, 2001 to 2003, 2005, 2006 and 2010).

In 1996, the deepening crisis and increasing pressure from public opinion<sup>7</sup> led the IMF and the World Bank to launch the so-called '**Heavily Indebted Poor Countries**' (HIPC) initiative. It opened up the possibility for the poorest and most heavily indebted countries (41 countries initially, 39 today<sup>8</sup>) to have a large share of their debts cancelled, so that they can regain a level of debt deemed 'sustainable' by international financial institutions. For Paris Club members, this initiative took on concrete form through the **Lyon Terms**, which provided for cancellation of up to 80% of non-ODA bilateral debts, and

through the adoption of new conditionalities and a restructuring schedule specific to the HIPC initiative<sup>9</sup>. From 1999, the international 'Jubilee 2000' campaign led to an unprecedented mobilisation of public opinion; this along with the disappointing results of the HIPC initiative led to overhaul of the latter and adoption of less restrictive **sustainability criteria**. The implementation of the 'enhanced HIPC' initiative led to the Paris Club adopting the **Cologne Terms**. These allow for the cancellation of 90% of non-ODA loans, or

7 See in particular J. Somers, *Transnationalism, Power and Change: Three Decades of Debt Campaigning*, PhD thesis, Dublin City University, 2014, Chapter 5 - [http://doras.dcu.ie/19752/1/Somers\\_thesis\\_Jan\\_2014-1.pdf](http://doras.dcu.ie/19752/1/Somers_thesis_Jan_2014-1.pdf).

8 Afghanistan, Benin, Bolivia, Burkina Faso, Burundi, Cameroon, Central African Republic, Comoros, Congo, Côte d'Ivoire, Democratic Republic of Congo, Eritrea, Ethiopia, Gambia, Ghana, Guinea, Guinea-Bissau, Guyana, Haiti, Honduras, Liberia, Madagascar, Malawi, Mali, Mauritania, Mozambique, Nicaragua, Niger, Rwanda, São Tomé and Príncipe, Senegal, Sierra Leone, Somalia, Sudan, Tanzania, Togo, Uganda, Zambia. In May 2019, however, Eritrea, Somalia and Sudan were temporarily excluded for not having reached the 'decision point'.

9 The indebted country must among other things prepare a Poverty Reduction Strategy Paper (See Focus 7), which must be endorsed by the IMF, and implement an economic adjustment programme for a 'preliminary' period of at least three years. When a country is declared eligible for the HIPC initiative, it receives preliminary debt relief from the Paris Club according to the Naples Terms. If the country has fulfilled its commitments during the preliminary period and its debt level is considered 'unsustainable', it reaches the 'decision point' at which bilateral and multi-lateral creditors commit to the level of relief to be granted after a new period of economic adjustment, known as the 'interim' or 'transitional' period. The Paris Club can then decide on interim relief under the Lyon or Cologne Terms. All debt cancellations by bilateral and multilateral lenders occur at the 'completion point', which marks the end of this transitional period.



more if necessary, to achieve a level of sustainability. Most Paris Club member countries have moreover decided to enact additional cancellations for the remaining 10% of non-ODA debt and/or for ODA debt, which are not affected by the cancellations. The HIPC initiative is unprecedented in its scale, but its scope has been considerably reduced by the multiple conditionalities imposed on debtors, the extremely slow pace of implementation, the inadequacy of sustainability criteria and the exclusion of many highly indebted countries. For most of the beneficiary countries, the reprieve was of very short duration<sup>10</sup>.

In October 2003, the Paris Club extended this approach to help provide debt sustainability for countries not eligible for the HIPC initiative but in a situation of imminent suspension of payment. The **Evian Approach** thus favours a 'tailor-made' but 'overall' treatment, with the entire range of tools available to creditors (rescheduling; lowering rates; reprofiling of stock; and, more exceptionally, debt cancellation) to facilitate the return to sustainable debt over the long term. The debtor country undergoes a process in which its economic adjustment commitments are monitored, initially with a simple treatment of its repayment flows (see above), and then by

stock treatment adjusted for sustainability needs, the implementation of which is phased in over two successive adjustment programmes signed with the IMF.

For HIPC-eligible countries, which are generally not overly indebted to banks or capital markets, problems of creditor coordination are mainly limited to non-Paris Club bilateral lenders, which the IMF strives to include in the process<sup>11</sup>. This is not the case for countries benefiting from the Evian Approach, which face significant problems of coordination with private creditors that potentially reduce the scope of the sustainability objective. Moreover, while the Evian Approach is a step forward for countries that could not previously justify debt cancellation, the very great flexibility of the mechanism is in fact a clear departure from the implicit principle of comparable treatment of the debt of countries in a similar situation<sup>12</sup>.

10 On the HIPC initiative, see in particular J. Merckaert, 'Dix ans après le lancement de l'initiative PPTE. Évaluation critique du traitement de la dette par le G8', November 2006 (<https://ccfd-terresolidaire.org/IMG/pdf/10ansppte.pdf>) and the French Debt and Development Platform, *La loi des créanciers contre les droits des citoyens*. Rapport 2005-2006, June 2006 ([https://ccfd-terresolidaire.org/IMG/pdf/rapport\\_2005-2006\\_pffd-6.pdf](https://ccfd-terresolidaire.org/IMG/pdf/rapport_2005-2006_pffd-6.pdf)).

11 The track record of the HIPC initiative shows that, even in this situation that is in principle favourable to creditor coordination, significant problems of comparability of treatment remain: less than 50% of the non-Paris Club public creditors and less than 20% of the commercial creditors concerned have finally aligned themselves with the relief offered by the international financial institutions. See J. Kaiser, 2011, *op. cit.*, p. 13.

12 *Ibid*, p. 9.

## [ FOCUS #5 ]

### Debt swapping

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Since the early 1990s, the Paris Club agreements include the possibility of converting part of the debt into 'investment'. This option is negotiated on an exclusively bilateral basis between the debtor and a Paris Club creditor. It can in principle cover up to all ODA credit, but only part of non-ODA debt.

Creditor and debtor must first sign a bilateral agreement defining the terms of the swap (transferable debts, debt repurchase rate, investor eligibility criteria, etc.). The creditor then transfers, possibly at a discount, its debt securities to investors (companies, civil society organisations, etc.) that have projects in the debtor country. These investors then turn to the government of the debtor country to obtain the repayment of the debt in local currency, the amount of which is then invested in an economic project (buying into the capital of a public enterprise, equity investment in a local company, establishment of a business, etc.) or a project related to development or environmental protection.

With this mechanism, the investor sees its investment projects facilitated and receives a 'bonus' in the form of the difference between the purchase price of the debt and the actual amount of the repayment. The creditor obtains immediate repayment of its claim, albeit with a valuation haircut, but it is no longer exposed to the risk of suspension of payment or the need to cancel all or part of an irrecoverable debt. For the debtor country, debt swaps allow debt to be repaid in local rather than in foreign currency and, generally, provide relief for the debt in question. Nevertheless, immediate disbursement, which is similar to early repayment, incurs significant budgetary cost. Above all, debt swaps pose serious questions of sovereignty, as they give the creditor direct influence over the allocation of funds and facilitate the entry of its businesses into the debtor's market.

# 2 THE PARIS Club: A CRITICAL ASSESSMENT

27

The Paris Club actively asserts its ‘responsibility’ toward and ‘commitment’ to the poorest countries. But reality is often something to be less proud of. Behind the rhetoric lies the very concrete defence of the interests of the Paris Club members. Aiming the spotlight on how the Paris Club operates reveals how, in practice, the power relationship between creditors and debtors is constructed, and how bilateral lenders shirk their responsibility. Revisiting the history of the Paris Club gives us a clear idea of its ambiguity, its failures and its inability to prevent crises. And looking at its practices shows how the Paris Club still refuses to place the defence of human rights at the heart of restructuring policies.

## 2.1. A cartel of creditors that denies its responsibilities

The Paris Club is a ‘negotiation’ forum, an ‘informal’ body’ and a ‘pragmatic’ tool, but it is above all **a place where balance of power is played out between creditor and debtor countries**. In this negotiation with the collective group of its creditors, the debtor country is deeply isolated. Apart from UNCTAD, none of the negotiating stakeholders has the objective of defending the interests of the borrowing countries. Their requests are dealt with individually, country by country, without the possibility of submitting requests for restructuring on the basis of joint analyses or proposals.

**The Paris Club is therefore and above all a negotiating forum among creditors.** They unilaterally assess the debtor’s economic situation with the assistance of the IMF; determine the level of its debt sustainability; decide on conditionalities; and select, from a range of tools, the forms of restructuring that it grants. From the preparation phase to the deliberation phase itself strictly speaking (and from which the debtor is strictly excluded), the room for manoeuvre and the procedures are designed to allow creditors to adopt a common position that will then be imposed on the borrower. The borrower can then accept the proposal or request improvements, but to attain the latter the creditors have to be willing to amend it. In general, the final agreement differs very little from the original position that the creditors take together.

### [ FOCUS #6 ]

#### The odious debt of the Democratic Republic of the Congo

Much of the debt of the countries of the South has not served the populations of the debtor countries but has **financed authoritarian or corrupt regimes**, such as the Marcos regime in the Philippines, military juntas in Latin America, and the apartheid regime in South Africa. It is estimated, for example, that the regime of the Indonesian dictator Suharto, who remained in power at the cost of bloody repression and hundreds of thousands of victims, contracted \$126 billion in new loans with the complicity of major international donors<sup>1</sup>. Brazil’s debt increased by \$100 billion during the 20 years of the military junta, and Argentina’s debt, which has experienced successive suspensions of payment since the 1950s, rose from \$8 billion to \$46 billion during the seven years

of the military dictatorship. **Is it fair that the people of these countries pay the debt incurred by their torturers?**

The Democratic Republic of the Congo (DRC, formerly Zaire) is almost a caricature of odious debt<sup>2</sup> because it is linked to the history of the reign of ‘Marshal-President’ Mobutu, who came to power by force in 1965, with the support of Western powers. The new ruler of Kinshasa built a system of government based on plunder of the country’s resources, cronyism, violence and fear. Civil and political freedoms were violated, and democratic processes banned. It was not until 2006 that the country enjoyed democratic elections, the first since those that had brought Patrice Lumumba to power in 1960.

1 J. Hanlon, *Defining legitimate debt and linking its cancellation to economic justice*, Open University for Norwegian Church Aid, 2002. <https://dette-developpement.org/IMG/pdf/illegitimated681.pdf>.

2 French Debt and Development Platform, *Dette odieuse, à qui a profité la dette des pays du Sud ?*, 2007, <http://dette-developpement.org/IMG/pdf/detteodieuse3327.pdf>.

**This method of ‘negotiation’ places the responsibility for over-indebtedness on the borrower alone.** It thereby allows Paris Club lenders to shirk off any challenge to their own responsibility for the debt accumulation or the way a crisis has unfolded. Yet, in 1979 for example, it was a unilateral decision by the US Federal Reserve to raise its interest rate that was key in triggering a succession of suspensions of payments. Similarly, both in the 1970s, after the first oil shock, and in the 1980s-1990s, after the onset of the debt crisis, a significant portion of the debt of the countries of the South was the result of a policy of support for exports from the industrialised countries carried out with a great deal of credit or credit guarantee granted by their export credit agencies.

The principle of co-responsibility was finally officially recognised in 2002 by the international community, at the United Nations International Conference on Financing for Development, whose *Monterrey Consensus* recalls that ‘Debtors and creditors must share the responsibility for preventing and resolving unsustainable debt situations’.<sup>1</sup> It was also highlighted by UNCTAD in

1 United Nations Conference on Financing for Development, *Monterrey Consensus*, Paragraph 47, March 2002. [https://www.un.org/en/development/desa/population/migration/generalassembly/docs/globalcompact/A\\_CONF.198\\_11.pdf](https://www.un.org/en/development/desa/population/migration/generalassembly/docs/globalcompact/A_CONF.198_11.pdf).

its *Principles on Promoting Responsible Sovereign Lending and Borrowing*.<sup>2</sup> And it was in the name of this co-responsibility that Norway, in 2006, recognised the ‘illegitimate’ nature of the claims it held on five developing countries (Ecuador, Egypt, Jamaica, Peru, Sierra Leone) and cancelled 62 million euros of claims.

This unilateral and unconditional decision by Norway, a permanent member of the Paris Club, was the result of a broad campaign conducted by Norwegian civil society on the consequences of the ‘Ship Export Campaign’ policy of the country’s shipbuilding industry<sup>3</sup>. The cancellation of these claims had the effect of undermining the Club’s consensus that any debt problem is the borrower’s sole responsibility. It also broke with the practice of large bilateral lenders granting cancellation only on the basis of a macroeconomic debt sustainability analysis. By forgoing the repayment of these claims, Norway knowingly violated the principle of solidarity which theoretically prohibits a Paris Club member from taking unilateral

2 UNCTAD, *Principles on Promoting Responsible Sovereign Lending and Borrowing*, 2012. [https://unctad.org/en/PublicationsLibrary/gdsddf2012misc1\\_en.pdf](https://unctad.org/en/PublicationsLibrary/gdsddf2012misc1_en.pdf).

3 K.G. Abildsnes, *Pourquoi la Norvège prend ses responsabilités de créancier – l’affaire de la campagne d’exportation de navires*, ForUM / SLUG, 2007. [http://dette-developpement.org/IMG/pdf/pq\\_la\\_norvegfd1c.pdf](http://dette-developpement.org/IMG/pdf/pq_la_norvegfd1c.pdf).

Lenders, including the Paris Club members, actively fuelled this system through official development assistance loans and export credits. They furthered weapons purchases that were as costly for Congolese taxpayers as they were profitable for the Mobutu clan. As early as 1982, E. Blumenthal, dispatched by the IMF to Kinshasa, published a report highlighting the criminal-like and predatory practices of the Zairian elite and warned international lenders about the big risk of non-recovery of debts. The debt at that time amounted to \$5 billion. In the years that followed, however, Western countries lent more than \$8 billion to the Zairian kleptocrat. The country was forced to negotiate restructuring of its bilateral debt with the Paris Club ten times between 1979 and 1995.

Much of this financing found its way back to Western banks. When the dictator was ousted from power in 1997 by Laurent-Désiré Kabila, the fortune of the Mobutu clan, spread out in very numerous tax havens, was valued at 2/3 of Zaire’s total public debt. The country’s economy was devastated, its infrastructure abandoned, and its mining and energy resources plundered. Between 1970 and 1997, however, the stock of public debt increased 28-fold. Over the same period, \$3.7 billion of resources were spent on debt servicing. At the time of Mobutu’s fall, the stock of claims still amounted to more than \$9 billion, including \$2.3 billion owed to international financial institutions and \$6.6 billion to bilateral creditors, nearly all of which were members of the Paris Club.

decisions. Other members criticised Norway, which justified itself by the exceptional nature of the situation and the decision<sup>4</sup>.

## 2.2. Too little too late

In 2006, on the occasion of the fiftieth anniversary of the creation of the Paris Club, a broad coalition of civil society organisations noted the following: ‘For at least the past 30 years much of the developing world has been crushed under a mass of foreign debts that – amongst other injustices and distortions – has put a stranglehold on its growth and poverty-reducing opportunities. This continued crisis, contrary to creditor governments’ overemphasized claims, has never been dealt with systematically. [...] By privileging creditors’ interests it has done little to guarantee a fair and transparent setting or sustainable outcomes for debt crisis resolution.’<sup>5</sup>

The Paris Club’s record is often summed up by the expression ‘too little, too late’<sup>6</sup>; in short, **the cancellations have come too late, with amounts that are too little, thereby preventing debtors from making a ‘fresh start’**. In the absence of sustainable solutions, many countries have been forced to take on more debt simply to ensure repayment of their loans. Repeated rescheduling has led to capitalisation of interests, which in turn has contributed to an increase in the debt stock of the countries concerned. In many situations, the deferral of repayment maturities has simply resulted in the accumulation of future bonds and created new difficulties that are even greater to overcome.

The history of the Paris Club is finally that of an acute denial about of the scale of the crisis. For example, Mexico’s suspension of payment was, in the years just following it, chiefly interpreted as a temporary liquidity problem which could be overcome by just rescheduling or new lending.

But the Paris Club denies the obvious and has long defended a simple principle: all debts owed to its members are due. To avoid resorting to loan cancellations, it has unsuccessfully tried to extend the duration of rescheduling or the grace period, especially for the poorest countries. But this has not met with success.

The Paris Club finally had to face up to the fact that its own policies have helped to worsen a more in-depth solvency crisis. Indeed, a large share of its claims could obviously not be repaid, and stock treatment became essential. But, again, it took a decade of procrastination, from the Toronto Terms to those of Cologne, London, Naples and Lyon, for the major bilateral creditors and international financial institutions to adopt a large-scale initiative – at least for the poorest and most heavily indebted countries. During those ten years, these countries bore the burden of debt servicing: they had to cut budgets that should have been allocated to health care, education, and the fight against poverty.

Similarly, while the principle of cancellation was half-heartedly accepted in 1988 under the Toronto Terms and finally established in the late 1990s under public pressure, it was long reserved for the poorest countries. Still, heavily indebted middle-income countries such as Nigeria and Kenya were excluded from the cancellations until 2003, more than two decades after the crisis erupted. With the Evian Approach, the Paris Club finally accepted the possibility of cancelling part of the debt stock of these countries. But – once again – this option remains exceptional in practice.

The question of the duration of consolidation periods (periods for which debt maturities are effectively rescheduled) is a perfect illustration of the Paris Club’s inability to adopt restructuring policies commensurate with what is at stake. In the second half of the 1980s, for example, the consolidation periods were, on average, less than 18 months. With the exception of Mexico and Mali

4 *Ibid.*, p. 10.

5 See Annex 1: *Civil Society Declaration on the Fiftieth Anniversary of the Paris Club: Neither Legitimate nor Sustainable*.

6 UNCTAD, *Sovereign Debt Workouts: Going Forward - Roadmap and Guide*, 2015, p. 4. [https://unctad.org/en/PublicationsLibrary/gdsddf2015misc1\\_en.pdf](https://unctad.org/en/PublicationsLibrary/gdsddf2015misc1_en.pdf).



Table 3 - Examples of repeated negotiations for several highly indebted African countries: successive dates of debt restructuring agreements with the Paris Club.

Source: Paris Club, [www.clubdeparis.org/en/traitements](http://www.clubdeparis.org/en/traitements).

| Senegal    | DRC        | Togo       | Côte d'Ivoire | Niger      | Madagascar |
|------------|------------|------------|---------------|------------|------------|
| 13-Oct-81  | 16-June-76 | 15-June-79 | 04-May-84     | 14-Nov-83  | 30-Apr-81  |
| 29-Nov-82  | 01-Dec-77  | 20-Feb-81  | 25-June-85    | 30-Nov-84  | 13-July-82 |
| 21-Dec-83  | 11-Dec-79  | 12-Apr-83  | 27-June-86    | 21-Nov-85  | 23-Mar-84  |
| 18-Jan-85  | 09-July-81 | 06-June-84 | 18-Dec-87     | 20-Nov-86  | 22-May-85  |
| 21-Nov-86  | 20-Dec-83  | 24-June-85 | 18-Dec-89     | 21-Apr-88  | 23-Oct-86  |
| 17-Nov-87  | 18-Sept-85 | 22-Mar-88  | 20-Nov-91     | 16-Dec-88  | 28-Oct-88  |
| 24-Jan-89  | 15-May-86  | 20-June-89 | 23-Mar-94     | 18-Sept-90 | 10-July-90 |
| 12-Feb-90  | 18-May-87  | 09-July-90 | 24-Apr-98     | 04-Mar-94  | 26-Mar-97  |
| 21-June-91 | 23-June-89 | 19-June-92 | 10-Apr-02     | 19-Dec-96  | 04-Sept-00 |
| 03-Mar-94  | 13-Sept-02 | 23-Feb-95  | 15-May-09     | 25-Jan-01  | 07-Mar-01  |
| 20-Apr-95  | 22-Nov-03  | 12-June-08 | 15-Nov-11     | 12-May-04  | 16-Nov-04  |
| 17-June-98 | 25-Feb-10  | 22-Jan-09  | 29-June-12    |            |            |
| 24-Oct-00  | 17-Nov-10  | 16-Dec-10  |               |            |            |
| 09-June-04 |            |            |               |            |            |
| <b>14</b>  | <b>13</b>  | <b>13</b>  | <b>12</b>     | <b>11</b>  | <b>11</b>  |

in 1989 and of Mozambique in 1990, the duration of consolidation periods has always been less than two years<sup>7</sup>. Such a time frame is obviously too short to provide any structural response to the debt distress of the countries concerned, and their debt stock has grown steadily (See Fig. 6). The countries had no choice but to submit new requests for negotiations as soon as the consolidation period was completed, or even sometimes before the end of the consolidation period. For the cases of the DRC, Côte d'Ivoire and Madagascar, negotiations between these countries and the Paris Club even coincided with a continuous rise in their public external debt. In the last 20 or so years, Senegal has thus been forced to turn to the Paris Club 14 times (See Table 3). Niger, the DRC, Togo, Côte d'Ivoire

and Madagascar have each signed more than ten successive agreements.

Such **repeated restructuring** also poses a traceability problem. Indeed, it becomes more difficult to identify the origin of the credits when they are consolidated, rescheduled, re-labelled by the signing of bilateral agreements and refinanced, and when the interest is capitalised. How, under these conditions, can citizens and governments of debtor countries challenge the legitimacy of the initial loan or argue that a debt is odious<sup>8</sup>?

8 On the concepts of illegitimate debt and odious debt, see in particular French Debt and Development Platform, 2007, *op. cit.*, <http://dette-developpement.org/IMG/pdf/detteodieuse3327.pdf>; CADTM, *Droits devant ! Plaidoyer contre toutes les dettes illégitimes*, 2013, [www.cadtm.org/IMG/pdf/01.pdf](http://www.cadtm.org/IMG/pdf/01.pdf); R. Howse, The concept of Odious Debt in Public International Law, UNCTAD, *Discussion Papers*, 185, 2007, [https://unctad.org/en/Docs/osgdp20074\\_en.pdf](https://unctad.org/en/Docs/osgdp20074_en.pdf).

7 L. Grard, 1995, *op. cit.*, p. 233-234.

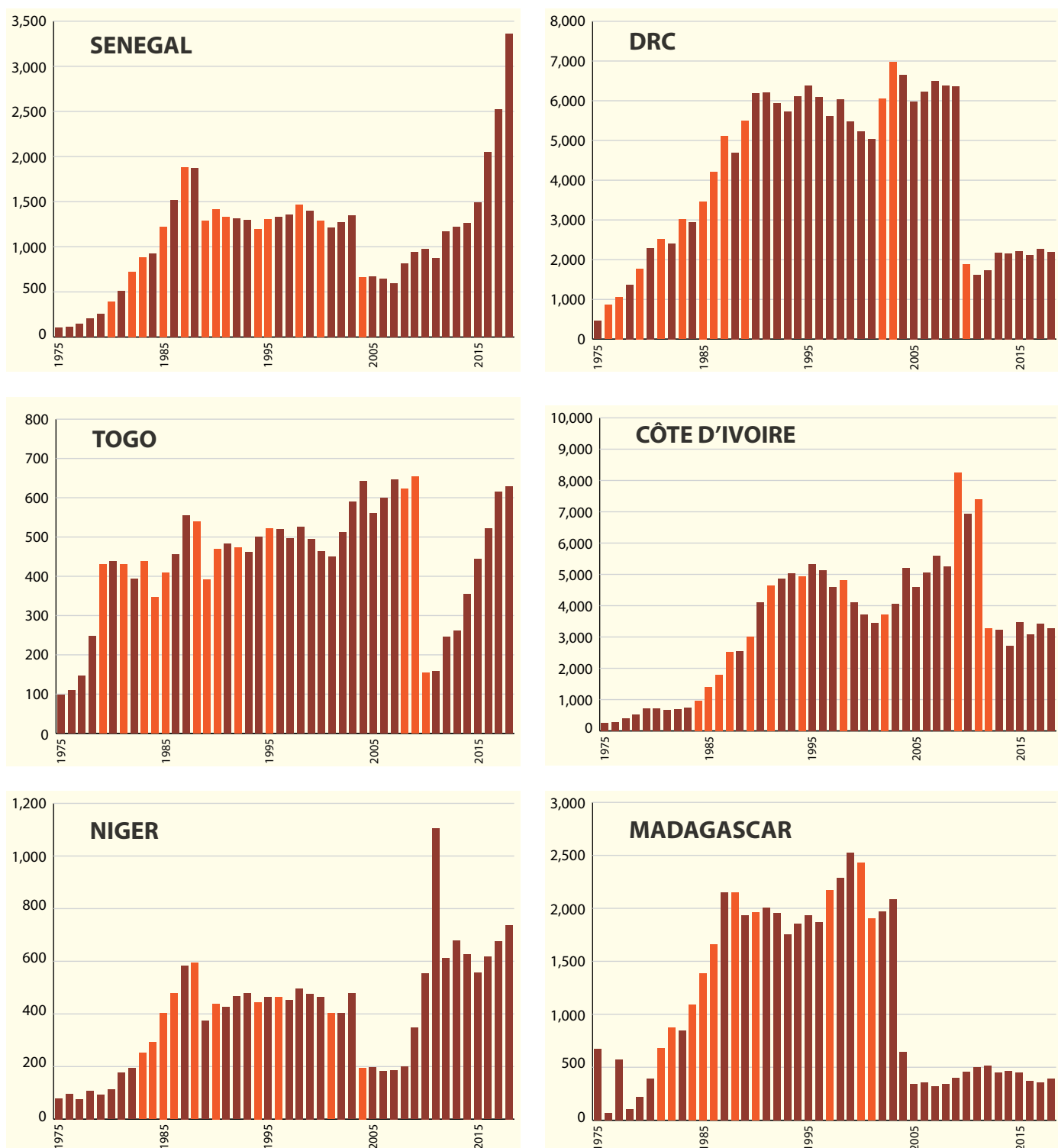


Figure 6 - Trends in stock of bilateral debt (in \$ million) of Senegal, the DRC, Togo, Côte d'Ivoire, Niger and Madagascar, 1975-2018 (year of agreement in orange).

Data source: World Bank and Paris Club, [www.clubdeparis.org/en/traitements](http://www.clubdeparis.org/en/traitements).



## 2.3. Creditors that defend their own interests rather than human rights

As legal expert Loïc Grard points out, Paris Club members '[...] are creditors, not donors. Their presence is not motivated by development assistance but by concern for defending the finances of their State of origin.'<sup>9</sup> Indeed, their stated objective is to secure the recovery of official claims, despite the risks that these same creditors had taken when they granted these loans to heavily indebted countries or corrupt regimes, or when they supported exports by companies in their own country. And these risks are taken knowingly by them and 'paid back' by the interest rates on the loans. Here we can see that human rights principles are hardly a concern of the lenders.

Civil society organisations, on the other hand, believe that **human rights must take precedence over creditor rights**. In poor countries, every dollar or euro used to repay a debt is money diverted from financing basic services, social investment, or productive investment. The United Nations Human Rights Council recalled this in 2012 in its *Guiding Principles on Foreign Debt and Human Rights*<sup>10</sup>: 'Excessive or disproportionate debt servicing that takes away financial resources meant for the realization of human rights should be adjusted or modified accordingly to reflect the primacy of human rights', and, in the event of repayment difficulties, the restructuring agreements should '[enable] the debtor State to service its external debts without compromising its capacity to fulfil its international human rights obligations'. Championing human rights must be at the heart of any process of sovereign debt restructuring. This is, moreover, usually the case in national laws relating to individual insolvency proceedings or the prevention of debt distress.

Yet, there is nothing about this in either the Paris Club procedures or in the IMF's assessments to determine the level of sustainability and financing needs of countries in suspension of payment. On the contrary, **the conditionalities imposed on debtors by the Paris Club lead to fiscal austerity policies and social catastrophe** (See Focus 7). **The criteria used to determine the level of relief are based on thresholds** (of 'debt stock / GDP', 'debt service / exports', balance of payments, etc.), which do not take into account people's basic needs and the necessity of financing basic services. The economist Jeffrey Sachs, a professor at Columbia University, mentioned the following about the debt sustainability criteria of the HIPC initiative: 'It is perfectly possible, and indeed is currently the case, for a country or region to have a "sustainable" debt (and significant debt servicing) under these formal definitions while millions of its people are dying of hunger or disease'<sup>11</sup>. And this critical remark also applies to the World Bank and IMF Debt Sustainability Framework (DSF) (See Focus 9).

The Paris Club's response to the tsunami that devastated Indonesia, Sri Lanka, India and Thailand on 26 December 2004 provides an unfortunate example of its failure to address people's basic needs. The tsunami took a terrible toll: nearly 300,000 people dead or disappeared and millions of people displaced or homeless. The tsunami devastated thousands of miles of coastline, destroying infrastructure, schools and health facilities. Public opinion was quick to respond internationally, and attention turned naturally to the Paris Club. Within about two weeks of the disaster, the Paris Club announced that the tsunami-affected countries would, upon request, see their debt repayments suspended 'until the World Bank and the IMF have made a full assessment of their reconstruction and financing needs'<sup>12</sup>.

<sup>9</sup> L. Grard, 1995, *op. cit.* p. 214.

<sup>10</sup> United Nations Human Rights Council, *Guiding Principles on Foreign Debt and Human Rights*, Paragraphs 49 and 53. <https://documents-dds-ny.un.org/doc/UNDOC/GEN/G12/128/80/PDF/G1212880.pdf?OpenElement>.

<sup>11</sup> J. Sachs, 'Resolving the Debt Crisis of Low-Income Countries', *Brookings Papers on Economic Activity*, 2002-1, 2002, p. 276.

<sup>12</sup> 'Paris Club Communiqué on Tsunami Affected Countries', 12 January 2005. <http://www.clubdeparis.org/en/file/470/download?token=BIW5gtb2>.

The creditors made their objective clear: 'to allow these countries to dedicate all available resources to address humanitarian and reconstruction needs'. Exceptional measures for exceptional circumstances... that in the end produced precious little. Three months later, the Paris Club confirmed that it was suspending the payment of debt service, but only until the end of 2005<sup>13</sup>. Finally, no cancellation was granted, and the amounts due in 2005 were merely rescheduled over five years (with one year of grace). Moratorium interest accrued in 2005 was even capitalised and

had to be repaid as deferred amounts<sup>14</sup>. Together, Indonesia, Sri Lanka, India, and Thailand at that time had more than 70 billion in bilateral debt, a very large share of which was owed to Paris Club members. In the five years following the tsunami, the public debt service of these four countries

13 'Paris Club Communiqué on Tsunami Affected Countries', 10 March 2005. <http://www.clubdeparis.org/en/file/471/download?token=2HPxoHDX>.

14 Out of fear of a cut in its access to credit and/or an increase in borrowing conditions on capital markets, several countries sought discussions on the duration of the moratorium. Indonesia did not wish to see the moratorium extended beyond 2005. Thailand, for its part, opposed its application. W. Arnold, 'Does Indonesia need a debt moratorium?', *New York Times*, 14 January 2005. <https://www.nytimes.com/2005/01/14/business/worldbusiness/does-indonesia-need-a-debt-moratorium.html> (accessed 6 December 2019).

## [ FOCUS #7 ]

### Conditionalities vs. human rights

**The signing of an agreement with the International Monetary Fund is a prerequisite for any negotiation with the Paris Club.** With this agreement, the country in difficulty undertakes a number of structural economic reforms, aimed at restoring equilibrium of balance of payments and thus, in theory, guaranteeing future debt repayments. Officially, it is the debtor that is officially the initiator of these reforms, but in reality they are imposed on it by the IMF, which draws on a body of liberal-inspired measures that go under the term of **structural adjustment**. These programmes generally have two components. The first is a so-called stabilisation phase, which gives priority to consolidation and reduction of deficits via reduction of public spending, control of money supply and domestic credit, and devaluation. It is followed by a phase of longer-term reforms of structural adjustment strictly speaking: liberalisation of domestic markets, tax reforms, privatisation of public enterprises,

restructuring of the banking sector and liberalisation of foreign trade, opening up to international investment, etc.

These programmes have been applied intransigently for almost two decades, without succeeding in stemming the rise in external debt. They have been widely criticised, both in the academic world and by civil society and some international institutions<sup>1</sup>. The fiscal austerity policies and privatisations resulting from the programmes have had serious consequences on health and education, on people's access to basic services and on employment. The end of public subsidies has restricted access by the poorest to essential goods.

1 For example: J. Stiglitz (Nobel Prize in Economics), *La Grande désillusion*, Paris, Fayard, 2002; United Nations, *Accelerating the Development Process, Challenges for national and international policy in the 1990s*, Report of the Secretary-General of UNCTAD to the Eighth Session of the United Nations Conference on Trade and Development, 1991 ([https://unctad.org/en/Docs/td354rev1\\_en.pdf](https://unctad.org/en/Docs/td354rev1_en.pdf)); French Debt and Development Platform, 'La dette face à la démocratie, Rapport 2003', March 2004, p. 17-22.

absorbed \$116 billion in resources – including \$47 billion just for Indonesia, the most affected country – which could not be spent on reconstruction. This amount is equivalent to nearly 15 times the total international official aid raised after the tsunami<sup>15</sup>.

15 J. Telford and J. Cosgrave, *Joint Evaluation of the International Response to the Indian Ocean Tsunami: Synthesis Report*, Tsunami Evaluation Coalition, June 2006, p. 81. <http://www.tsunami-evaluation.org/NR/rdon-lyres/2E8A3262-0320-4656-BC81-EE0B46B54CAA/0/SynthRep.pdf>.

Trade liberalisation has weakened national industries and agricultural production for food. While financial liberalisation has sometimes attracted foreign investment, it has also increased the volatility of financial flows and the frequency of crises. As a whole, these reforms have helped inequalities to grow.

Faced with mounting criticism and opposition, the IMF and the World Bank changed their programmes in the late 1990s. For countries eligible for the enhanced HIPC initiative, debt relief is now conditional on the debtor country drawing up a **Poverty Reduction Strategy Paper (PRSP)**. These poverty reduction strategies 'provide an overview of poverty-related issues; describe how macroeconomic, structural and social policies and programmes can promote growth and reduce poverty; and describe external financing needs and related sources'.<sup>2</sup> In official speech, this poli-

cy represents a clean break, as it positions poverty reduction at the heart of concerns of the IMF and thus of the Paris Club's creditors. But in practice there is hardly any change in the paradigm: despite some reorientation (social safety nets, targeted spending programmes, the role of the State, etc.), **the reforms supported by the IMF continue as a form of structural adjustment**<sup>3</sup>. Finally, the Paris Club's debt relief through the HIPC initiative or for middle-income countries remains conditional on fiscal austerity, the liberalisation of debtor economies, and their in-depth integration into the global market.<sup>4</sup>

3 See, for example, UNCTAD, *Development in Africa, from Adjustment to Poverty Reduction: what is new?* TD/B/49/8, July 2002, <https://unctad.org/en/docs/tb49d8.en.pdf>; or A.E. Kentikelenis, T.H. Stubbs and L.P. King, 'IMF Conditionality and Development Policy Space, 1985-2014', *Review of International Political Economy*, 2016, 23.4, p. 543-582.

4 G. Brunswijck, *Unhealthy conditions: IMF loan conditionality and its impact on health financing*, Eurodad, 2018. <https://eurodad.org/files/pdf/1546978.pdf>.

2 IMF, 'Stratégies de réduction de la pauvreté dans les programmes appuyés par le FMI' 2016, <https://www.imf.org/external/np/exr/facts/fre/prspf.htm>, French version accessed 11 September 2019.

## 2.4. Principles and conditions but no rules of law

The debtor's position of inferiority goes far beyond just the weakness of a poor country facing a cartel of rich countries. It results in the acceptance of a 'natural' right by the creditors to interfere in the debtor's domestic policy issues and to demand 'good conduct' in return for their concessions. In the past, it has resulted in the borrower accepting conditionalities that had nothing to do with improving its ability to repay claims, such as requirements to open markets to exporters and investors from creditor countries.<sup>16</sup> Such conditionalities, which the debtor would probably have refused in a bilateral relationship, are all the easier to impose when they come under the cover of the multilateral framework of the Paris Club.

All the restructuring 'terms' and the 'principles' that guide the Paris Club's actions have been determined by the member creditors, at the instigation of the largest ones, which are members of the G7, and in close coordination with the IMF and the World Bank. The debtor countries are the foremost parties affected by the debt restructuring arrangements. Yet, they and the other bilateral or private creditors have practically no influence on the decisions. Nor does the international community as a whole have a say, via the United Nations General Assembly, even though the problem concerns the economic and financial stability of all countries.

The case-by-case principle, which the Evian Approach has established as the dominant principle, is supposed to provide flexibility and enable the Paris Club creditors 'to tailor its action to each debtor country's individual situation'.<sup>17</sup> As discussed above (See 2.3.), it does not guarantee the effectiveness of the decisions taken, and above all acts as an obstacle to building a body of rules that provide debtor countries a form of legal certainty and predictability. The Evian Approach implicitly renders another principle inoperative: that of

comparability of treatment. In this way, no debtor country can be guaranteed debt treatment that is comparable to that of another country in the same economic situation. This lack of rules has numerous consequences, including on deciding which creditors are to be consulted in negotiations. Indeed, the Paris Club alone determines, on the basis of a case-by-case assessment, the list of non-member bilateral creditors it considers relevant to invite to the discussion.<sup>18</sup> Yet, the absence of some major lenders may have consequences on the scale of debt restructuring from which the debtor country may finally benefit.

While the Paris Club principles are applied strictly to almost all debtor countries, the Paris Club member countries – made up mostly of the major Western powers – can also make some concessions when their geopolitical interests justify them. As early as 1991, for example, Poland, which had recently broken free from the Soviet bloc, benefited from partial debt cancellations, even though stock treatments were at the time reserved for only the poorest countries. Also in 1991, Egypt's commitment to the international coalition in its war against Iraq was rewarded by the equally 'exceptional' cancellation of some of its claims. In the same year, other middle-income countries such as Argentina, Bulgaria and Peru applied to the Paris Club for the restructuring of their public debts, but they did not benefit from the same indulgence.

Other examples of such exceptional treatment based on **political criteria** can be found throughout the history of the Paris Club. For instance, in November 2001, after the fall of the Milosevic regime, the new pro-Western government of Serbia and that of Montenegro benefited from debt cancellations under conditions normally reserved for low-income countries.

<sup>16</sup> J. Kaiser, 2011, *op. cit.*, p. 17.

<sup>17</sup> Paris Club, <http://www.clubdeparis.org/en/communications/page/six-principles>. Accessed 9 September 2019.

<sup>18</sup> J. Kaiser, 'Debt management à la Louis XVI – A short Promenade through the Programme and Practice of the Paris Club', <https://erlassjahr.de/wordpress/wp-content/uploads/2017/05/1999-Paris-Club-Debt-management-a-la-Louis-XVI.pdf>.

## 2.5. Lack of clarity in negotiations and agreements

The case of Iraqi debt is probably the most emblematic in terms of the volumes involved. In 2003, Iraq was devastated by the Second Gulf War and by military occupation. The United States, at the forefront of the conflict, engaged in ‘rebuilding’ the country. But the debt burden (\$120 billion, including \$37 billion to the Paris Club) was blotting out any prospect of recovery. Washington put pressure on the Paris Club members to cancel this ‘odious debt’ – this was the term used by the US administration – inherited from Saddam Hussein’s regime. Russia, France and Germany, which had been opposed to the war, were reluctant to write off the debt of Iraq, which was not ranked among the poorest countries. They did not want to go beyond cancellation of 50%, while the United States demanded up to 95%. On 21 November 2004, after four days of negotiations, the members of the Paris Club reached a compromise on cancellation of 80% of the debt, an amount much more favourable than all previous agreements to a country in Iraq’s category. The amount of cancelled debt was nearly \$30 billion, in addition to \$7 billion in rescheduled debt, and was the largest ever granted by the Club.<sup>19</sup>

One of the implicit rules governing the way in which the Paris Club operates is that its **deliberations are confidential**. Following these deliberations, an official communiqué is released, summarising the main conclusions of the negotiation. However, all other information concerning such matters as statements by specific parties or the positions they took during the negotiations remains confidential. The ‘Agreed Minutes’, which include the assessment made by the Paris Club, the conditions set for the restructuring and the details of the measures adopted, cannot be published without the prior agreement of all the signatories – which is to say never. In general, Paris Club members refrain from disclosing any information relating to ongoing or future discussions and negotiations. The agendas and minutes of the meetings, including the ‘*tour d’horizon*’ review remain confidential. Similarly, it is up to the signatories to decide whether or not to publish the bilateral agreements concluded between creditors and debtors after negotiation.

Under pressure from civil society organisations, some progress has been made by the Paris Club Secretariat. Since 2009, it has created a website, uploaded a restructuring database (which is unfortunately incomplete), and been publishing annual activity reports. Exchanges between the secretariat and civil society organisations have become more regular, and some associations have been invited to participate in the Paris Forum, an annual meeting organised by the Paris Club on key issues relating to sovereign debt (See 3.3). However, transparency quickly finds its limits when it comes to looking ahead to a negotiation (regarding the creditors concerned, the nature of the request, amounts and period of the debt to be renegotiated, the terms envisaged) or making public the details of the agreement and its motivations. Without access to this information, civil societies in creditor and debtor countries have little opportunity to make their voices heard or to influence discussions. **The Paris Club continues to avoid public discussion about the cases it treats.**

<sup>19</sup> Regarding the conditionalities included in this agreement and on the cancellation phasing (30% of the stock as of the date of signature of the agreement, additional cancellations of 30% in December 2005 upon signing an agreement with the IMF and 20% in December 2008 when the last review of the agreement with the IMF was approved), see <http://www.clubdeparis.org/en/traitements/iraq-21-11-2004/en> (accessed 6 September 2019).



## [ FOCUS #8 ]

### When Paris Club members oppose an independent restructuring mechanism

On 9 September 2014, the UN General Assembly adopted a landmark resolution for the establishment of 'a multilateral legal framework for sovereign debt restructuring processes'.<sup>1</sup> This non-binding resolution, initiated by the G77 (a group of 134 developing countries) and China, noted that 'sovereign debt crises are a recurring problem that involves very serious political, economic and social consequences'. It pointed out that 'the international financial system does not have a sound legal framework for the orderly and predictable restructuring of sovereign debt', against a backdrop of an increasing number of creditors that are difficult to coordinate (See 3.2). Finally, the General Assembly recognised the need to create 'a legal framework that facilitates the orderly restructuring of sovereign debts' to ensure that 'they do not adversely affect economic growth and the fulfilment of the unfinished business of the Millennium Development Goals'. In December 2014, it decided to establish a

Special Committee to develop this legal framework. In September 2015, it adopted the basic principles that could guide sovereign debt restructuring. Since then, the process has become bogged down faced with opposition from the major industrialised countries and the most influential Paris Club creditors, which boycotted the meetings of the Special Committee<sup>2</sup>.

Despite this opposition, the resolution of September 2014 was adopted by a very large majority, with 124 votes in favour, 11 against and 41 abstentions. However, nearly all the Paris Club members opposed it<sup>3</sup> or abstained. The exceptions were Brazil, which was not a Paris Club member at the time, and Russia. The representative of Canada asserted that his country had a 'strong view that the General Assembly is not the appropriate venue for discussions about sovereign debt restructuring' and asserted that the IMF (where the major bilateral creditors have stronger influence) and the G20 (which represent only the

1 Resolution A-RES-68-304 (<https://undocs.org/en/A/RES/68/304>), A-RES-69-247 (<https://undocs.org/en/A/RES/69/247>) and Resolution A-RES-69-319 (<https://undocs.org/en/A/RES/69/319>).

2 B. Ellmers, 'The UN's Work towards Faster and Better Resolution of Debt Crises: A Tale of Legal Frameworks and Basic Principles for Debt Restructurings', Dec. 2015, <https://eurodad.org/UNandDebtCrises> (consulted 1 October 2019).

3 Australia, Canada, Finland, Germany, Ireland, Israel, Japan, United Kingdom, United States.

richest countries) were 'better venues for such discussions'.<sup>4</sup> The Member States of the European Union, through the representative of Luxembourg, also supported the Paris Club, the Paris Forum and the IMF, 'the [most] appropriate institution to host global discussions on this subject'.<sup>5</sup> The United States, for its part, opposed any recognition of an international law on sovereign debt restructuring. As for the private creditors grouped within the Institute of International Finance (IIF, See 3.3), their view was that such a mechanism would 'severely undermine creditor property rights and market confidence'.<sup>6</sup>

This is not the first time that major bilateral creditors opposed the creation of a 'multi-lateral framework' for sovereign debt restructuring. Even in 2001, when Argentina

was in suspension of repayment, the IMF's deputy managing director, Anne Krueger, proposed the creation of a 'Sovereign Debt Restructuring Mechanism (SDRM)', based on bankruptcy law for private debtors. Civil society organisations quickly pointed out the many limitations to the proposal, which nonetheless had the merit of affirming the need for an independent judicial mechanism. But the principle was opposed by the United States, the private sector, and the major lenders, which arranged for the project to be buried quickly. In both 2001 and 2014, the Paris Club's previous experience and 'know-how' were put forward to block any political progress towards an independent mechanism.

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4 Minutes of the proceedings of the UN General Assembly plenary meeting of 9 September 2014 (<https://undocs.org/en/A/68/PV.107>).

5 Minutes of the proceedings of the UN General Assembly plenary meeting of 15 September 2015 (<https://undocs.org/en/A/69/PV.102>).

6 O. Lienau, 'Legitimacy and Impartiality in a Sovereign Debt Workout Mechanism', *Cornell Law Faculty Publications*, Paper 1110, 2014, p. 40. [https://debt-and-finance.unctad.org/Documents/Legitimacy\\_and\\_Impartiality\\_in\\_a\\_Sovereign\\_Debt\\_Workout\\_Mechanism.pdf](https://debt-and-finance.unctad.org/Documents/Legitimacy_and_Impartiality_in_a_Sovereign_Debt_Workout_Mechanism.pdf)

# 3 WHAT • FUTURE FOR THE PARIS CLUB?

A more favourable international economic environment has, for a while, swept away the spectre of a new sovereign debt crisis in developing countries. But there are now increasing warning signs that once again raise fears of a spate of suspensions of payment. How will Paris Club members respond to that situation? Over the past decade, changes in the international debt structure have significantly reduced their capacity for action and coordination. They are multiplying initiatives to keep the Paris Club a core player at a time when what is needed more than ever is an independent, fair and transparent international mechanism.



## 3.1. A new debt crisis on the horizon?

The problem of public debt in developing countries is far from being solved. **After a decade of relative stability, the debt stock started rising again in the mid-2000s.** Between 2007 and 2017, the total debt of developing countries more than doubled, rising from \$1.244 trillion to \$2.630 trillion. This increase affects all categories of developing countries (low- and middle-income countries), involves all categories of creditors (bilateral – See Fig. 7; multilateral; private) and covers all regions of the world. In a single decade, sub-Saharan Africa's debt rose from \$132 billion to \$342 billion, while that of developing countries in Latin America and the Caribbean grew from \$327 billion to \$722 billion.

**The annual debt service of developing countries has itself increased** since 2009, surpassing \$270 billion in 2017, representing a 50% increase over the previous five years (2012-2017). The 'debt service / exports' ratio thus rose from 8.7% in 2011 to 15.4% in 2016 for all developing countries.<sup>1</sup> Domestic public debt and private sector debt in developing countries are also reaching historically high levels, leading to fears of a crisis in the system.<sup>2</sup>

This debt surge was driven by favourable conditions for growth in emerging economies and, until 2011, by the rise in commodity prices. The financial crisis of 2007-2008 led to a historic decline in interest rates in Europe and the United States, while banks and investors looking for higher-yielding investments made massive purchases of the sovereign debt securities of developing countries.

Since then, the **warning signals have multiplied, recalling the situation that preceded the crisis of the early 1980s.** The slowdown in global growth, which rapidly spread to emerging countries and especially China, led to a fall in demand, and hence a drop in mineral and agricultural raw material prices, as early as 2011. Oil barrel prices in turn collapsed in 2014, depriving exporters of significant resources to repay their debts. The least-developed countries tend to have economies that are less diversified. They are therefore dependent on the prices of a few commodities that remain at a very low level, with no prospect of recovery in the short term.

The situation is more unsure when it comes to interest rates. In late 2015, the United States Federal Reserve started a slow increase in its key interest rates, which had remained close to zero since the late 2000s, before changing its mind in July 2019 when the US economy showed signs of slowing down again. In Europe, rates are also falling, reaching historically low levels at the time of writing. But how will they be in a year or two? A significant rise in the interest rates would have an immediate impact on the creditworthiness of many States, given that more than 60% of the total external debt of developing countries is composed of floating rate loans<sup>3</sup> and that a significant proportion of it is still denominated in dollars.

1 UNCTAD, *Debt Vulnerabilities in Developing Countries: A New Debt Trap?*, 2018, p. 7. [https://unctad.org/en/PublicationsLibrary/gdsmdp2017d4v1\\_en.pdf](https://unctad.org/en/PublicationsLibrary/gdsmdp2017d4v1_en.pdf).

2 B. Ellmers, *The Evolving Nature of Developing Countries' Debt and Solutions for Change*, Eurodad, July 2016. <https://eurodad.org/files/pdf/1546625-the-evolving-nature-of-developing-country-debt-and-solutions-for-change-1474374793.pdf>.

3 United Nations, *Financing for Sustainable Development Report 2019*, Report of the Inter-agency Task Force on Financing for Development, 2019 p. 119, Fig 3. <https://developmentfinance.un.org/sites/developmentfinance.un.org/files/FSDR2019.pdf>.

## [ FOCUS #9 ]

### The Debt Sustainability Framework (DSF): the illusion of a crisis-prevention mechanism

The DSF, a joint initiative of the IMF and the World Bank, was created in 2005. Its aim was to prevent new debt distress situations for countries that had previously benefited from the HIPC initiative. The idea was to avoid having a country whose debt had just been partially cancelled take out new loans that it would be unable to repay.

Under the DSF, the international financial institutions determine a maximum debt ceiling that they consider sustainable for each debtor country, taking into account its prospects for economic development and the 'quality of its governance' – in other words its willingness to implement the adjustment policies prescribed by these same institutions. Unlike the sustainability analyses produced up until then by the international financial institutions, the DSF has immediate consequences for the debtor that might borrow above its sustainability threshold, because it would accordingly be denied access to the highly concessional loans granted by the World Bank through its specialised window, the International Development Association (IDA). Periodic assessments of the debtor's debt sustainability are conducted by the IMF on the basis of different economic projection scenarios over 20 years. Countries are then classified into four categories, according to the degree of risk of over-indebtedness (low, moderate, high and in debt distress – See Fig. 8).<sup>1</sup>

The main criticisms voiced by civil society organisations<sup>2</sup> relate to the bias of the institutions in charge of the evaluation – the IMF and the World Bank themselves being major creditors – and to a system that focuses more on the volume of new borrowing than on its relevance to national development programmes. Furthermore, the DSF puts pressure on the borrower without taking into account human rights or the policies of the lenders. By imposing limits on external indebtedness, the DSF can also encourage strategies to bypass debt, such as the use of public-private partnerships (PPPs) to finance new infrastructure. Such strategies accumulate 'off-balance sheet' liabilities and conceal the true extent of sovereign debt.<sup>3</sup>

On a more basic note, the history of debt crises shows that simple borrowing ceilings are insufficient to prevent all situations of debt distress. They may occur for multiple reasons unrelated to the debtor's policy. However unrealistic it may be, this ambition of the DSF has destroyed all political determination to work towards an independent, fair and transparent mechanism to restructure sovereign debts.

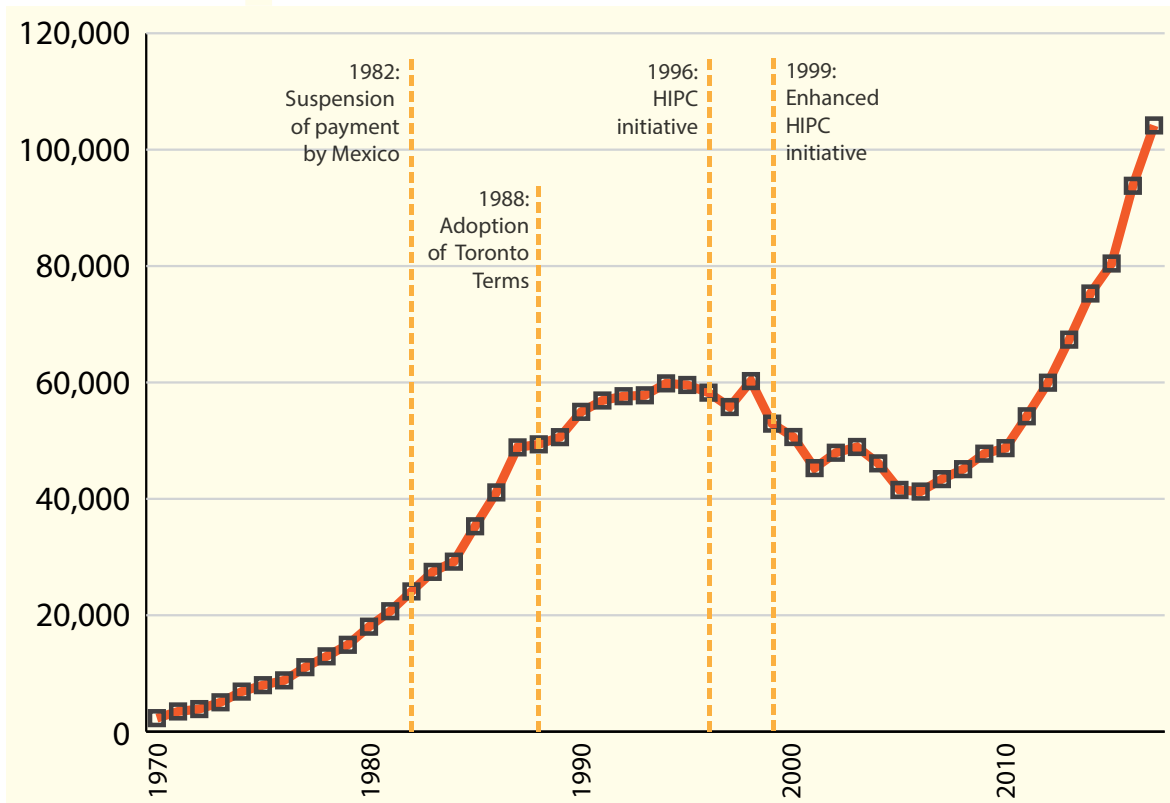
1 <https://www.imf.org/en/About/Factsheets/Sheets/2016/08/01/16/39/Debt-Sustainability-Framework-for-Low-Income-Countries>, French version accessed 10 September 2019.

2 M. Perera, and T. Jones, 'Debt Sustainability Review: Tinkering around the edges while crises loom', December 2017. <https://www.brettonwoodsproject.org/2017/12/debt-sustainability-review-tinkering-around-edges-crises-loom/> (accessed 11 October 2019).

3 B. Ellmers, July 2016, *op. cit.*, p. 13.

Figure 7 - Public external indebtedness of the so-called least-developed countries to bilateral creditors, 1970-2017.

Bilateral debt stock of LDCs in millions of current \$.



Investor's concerns about the repayment capacity of certain developing countries have immediate consequences on the most vulnerable countries: the interest rates on new loans they take out are already rising. Zambia, for example, was hit hard by the fall in prices of copper, of which it is a major exporter, and it also saw its bond issue yields double in just three years, from 5.63% in 2012 to 11.4% in 2015.<sup>4</sup> Under these conditions, refinancing debt with new credits plunges the country into an unavoidable spiral of over-indebtedness.

The 'debt trap'<sup>5</sup> has already closed in on many countries. In July 2019, the Gambia, Grenada, Mozambique, São Tomé and Príncipe, the Republic of the Congo, Somalia, South Sudan, Sudan and Zimbabwe were considered to be over-inde-

bted by the IMF.<sup>6</sup> Twenty-four countries, according to the same institution's sustainability analyses, had a high risk of falling into debt distress (Figure 8). According to erlassjahr.de, a German association specialising in debt, 122 of the 154 developing countries studied are actually facing a critical debt situation.<sup>7</sup> The association has identified 21 countries that have been in suspension of payment for all or part of their claims and for a more or less long period since 2015.<sup>8</sup>

6 IMF, 'List of LIC DSAs for PRGT-Eligible Countries', <https://www.imf.org/external/Pubs/ft/dsa/DSAlist.pdf>, accessed 8 September 2019.

7 J. Kaiser, *Global Sovereign Debt Monitor 2019*, Erlassjahr & Misereor, 2019, p. 4. <https://erlassjahr.de/wordpress/wp-content/uploads/2019/05/Global-Sovereign-Debt-Monitor-2019.pdf>.

8 Angola, Barbados, Belize, Chad, Cuba, El Salvador, Eritrea, Gambia, Grenada, Mozambique, North Korea, Republic of the Congo, São Tomé and Príncipe, Somalia, South Sudan, Sudan, Syria, Venezuela, Yemen, Zambia, Zimbabwe.

4 UNCTAD, 2018, *op. cit.*, p. 9.

5 *Ibid.*, p. 7.

The World Bank also conceded as much in a report in October 2018: foreign currency debt servicing and repayment terms are already a cause for anxiety for Africa, as they have a significant impact on the deterioration of the balance of payments.<sup>9</sup> The risk is even higher given that many middle-income countries – notably Angola, Côte d'Ivoire, Ghana, Kenya, Nigeria and Senegal – have regained access to financial markets and have in recent years increased bond issues at non-concessional interest rates (See 3.2). As shown in Figure 9, many of these loans will reach 'maturity' in 2022-2024, resulting in a very rapid surge in debt servicing for these countries, particularly in Africa.



|                  |                       |                          |                   |                 |               |                                  |
|------------------|-----------------------|--------------------------|-------------------|-----------------|---------------|----------------------------------|
| Afghanistan      | Bangladesh            | Benin                    | Bhutan            | Burkina Faso    | Burundi       | Cambodia                         |
| Cameroon         | Cape Verde            | Central African Republic | Chad              | Comoros         | Côte d'Ivoire | Democratic Republic of Congo     |
| Djibouti         | Dominica              | Ethiopia                 | Gambia            | Ghana           | Grenada       | Guinea                           |
| Guinea Bissau    | Guyana                | Haiti                    | Honduras          | Kenya           | Kiribati      | Kyrgyzstan                       |
| Laos             | Lesotho               | Liberia                  | Madagascar        | Malawi          | Maldives      | Mali                             |
| Marshall Islands | Mauritania            | Micronesia               | Moldova           | Mozambique      | Myanmar       | Nepal                            |
| Nicaragua        | Niger                 | Papua New Guinea         | Republic of Congo | Rwanda          | Saint Lucia   | Saint Vincent and the Grenadines |
| Samoa            | São Tomé and Príncipe | Senegal                  | Sierra Leone      | Solomon Islands | Somalia       | South Sudan                      |
| Sudan            | Tajikistan            | Tanzania                 | Timor-Leste       | Togo            | Tonga         | Tuvalu                           |
| Uganda           | Uzbekistan            | Vanuatu                  | Yemen             | Zambia          | Zimbabwe      |                                  |

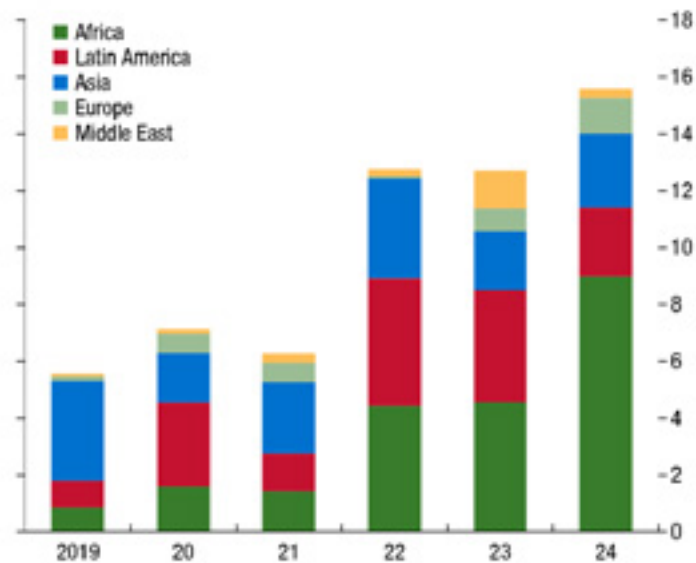
Figure. 8 – Risk of debt distress among the countries eligible for the Poverty Reduction and Growth Trust (PRGT), according to IMF debt sustainability analyses as of 31 July 2019.

Source: IMF, 'List of LIC DSAs for PRGT-Eligible Countries', <https://www.imf.org/external/Pubs/ft/dsa/DSAlist.pdf>.

<sup>9</sup> World Bank, *Africa's Pulse, An analysis of issues shaping Africa's economic future*, vol. 18, Oct. 2018, p. 11 and 21. <http://documents.worldbank.org/curated/en/881211538485130572/pdf/130414-PUBLIC-WB-AfricaPulse-Fall2018-vol18-Web.pdf>.

Figure 9 - Projection of sovereign bond maturities by region, 2019-2024 (in \$ billion)

Excerpt from IMF, *Global Development Finance Report 2018*, p. 17, Fig. 1.13.2.  
[www.imf.org/en/Publications/GFSR/Issues/2018/09/25/Global-Financial-Stability-Report-October-2018](http://www.imf.org/en/Publications/GFSR/Issues/2018/09/25/Global-Financial-Stability-Report-October-2018).



### 3.2. New creditors challenging the Paris Club

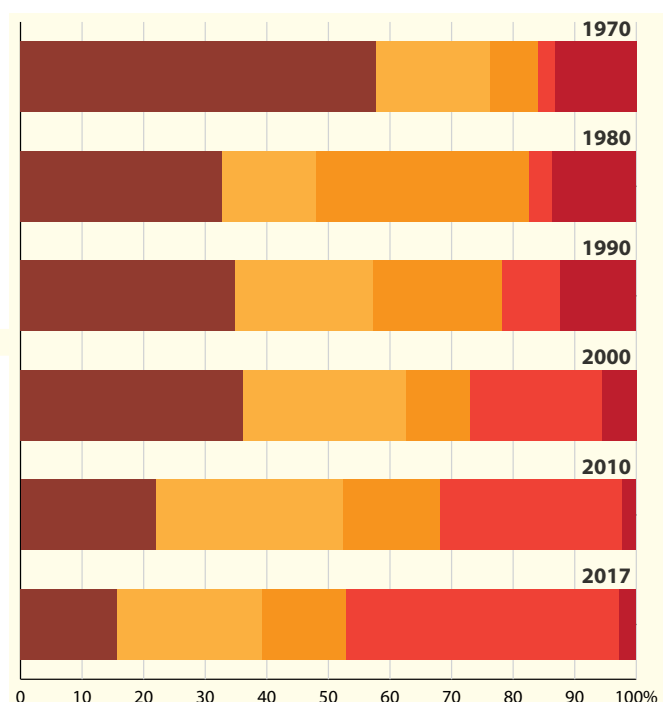
Worries about suspension of payment risk are all the more acute because the debt structure of developing countries has changed considerably, making crisis resolution more complex for debtors and creditors alike. Over the past 15 years or so, the share of bilateral debt has been declining as that of bond indebtedness has been rising. In cases in which bilateral debt does remain significant, it has often been contracted from lenders that are not Paris Club members. And while the latter remain important creditors for some very poor and highly indebted countries, the negotiating framework has changed considerably

with the adoption of the HIPC initiative. These upheavals have displaced the Paris Club from the central position it held in the restructuring processes, from the early 1980s until the mid-2000s, when bilateral debt was one of the main components of developing countries' external debt.

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Figure 10 - Growth in bond indebtedness, 1970-2017

Share of bilateral, multilateral, bank and bonded debt in the total stock of public external debt of developing countries.



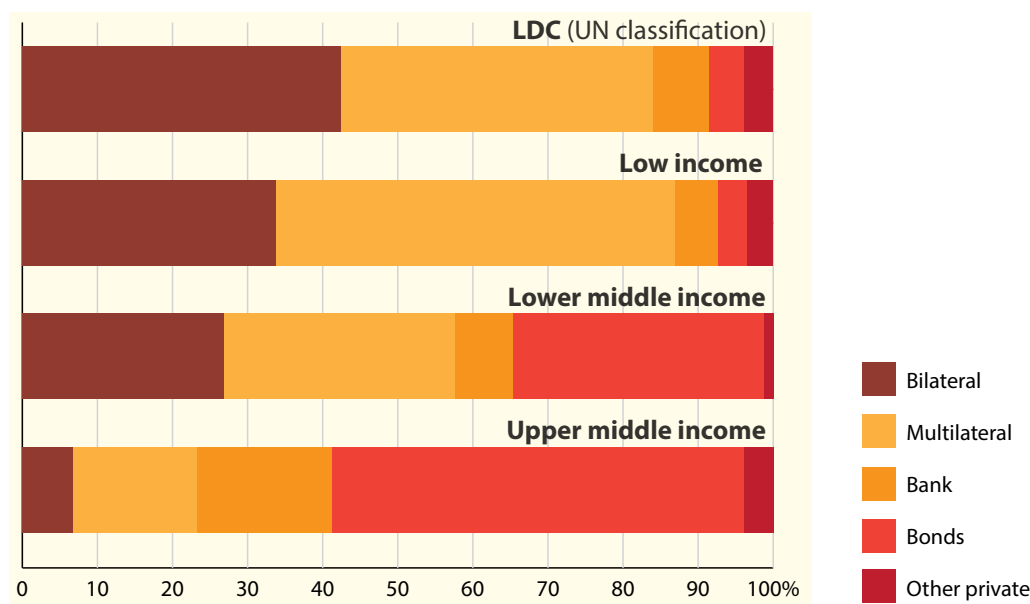


Figure 11 - Debt structure by country category, 2017

Share of bilateral, multilateral, bank and bonded claims in the total stock of public external debt of the 'least developed countries' (UN classification), 'low income' countries (per capita GDP < \$1,025 in 2015), 'lower middle income' countries (per capita GDP between \$1,026 and \$4,035 in 2015), and 'upper middle income' countries (per capita GDP between \$4,036 and \$12,475 in 2015).

The most significant change is probably the **very high growth in bond indebtedness**.<sup>1</sup> Since the mid-2000s, many developing country governments have turned to capital markets, attracted by the absence of conditionalities and by relatively low interest rates.

This trend has been spectacular. In the early 1990s, bonded debt accounted for just under 10% of the total debt stock of developing countries. Today, it accounts for almost 44% of the total (See Fig. 10). At the end of 2017, this stock of bonded debt was \$1.171 trillion, nearly five times higher than in the early 2000s. Low-income countries remain largely excluded from these markets, and their bond issues account for less than 4% of total outstanding debt. Middle-income countries, on the other hand, have made extensive use of them. This type of debt accounts for up to 55% of

the total debt stock of the 'upper middle income' countries (See Fig. 11). The Latin American and Caribbean countries are the most exposed, with bond issues accounting for 57% of total debt, but all regions of the world are affected (See Fig. 12). As for sub-Saharan Africa, it had virtually no access to these markets until the early 2000s, but its stock of bonded debt increased 10-fold in 15 years, exceeding \$100 billion in 2017. Countries such as Ghana and Côte d'Ivoire, which had previously been eligible for the HIPC initiative, have made it an essential source of funding.

This very rapid surge in bond indebtedness is not only a problem of volume and solvency. If a restructuring of claims becomes necessary, it makes the identification of creditors and the possibility of coordination considerably more difficult. Indeed, while negotiation is possible between a debtor

<sup>1</sup> B. Ellmers, July 2016, *op. cit.*, p. 10.

State and institutional lenders (banks, international financial institutions and bilateral donors), as in the case of the Paris Club, it becomes very difficult when there are many small holders, scattered anonymously, without any body being able to represent them.

For some middle-income countries, this preference for bond indebtedness has been accompanied by a **wave of debt prepayments held by Paris Club creditors**. Between 2005 and 2007, Russia,

Poland, Algeria, Peru, Brazil, Jordan, Gabon and Macedonia took advantage of low-interest refinancing opportunities in capital markets and used reserves accumulated through rising commodity prices to repay \$70 billion in advance.<sup>2</sup> These operations, which enabled debtors to reduce their burden of loans significantly<sup>3</sup>, are probably also indicative of a certain mistrust in Paris Club creditors and in their practices of interference and conditionalities.

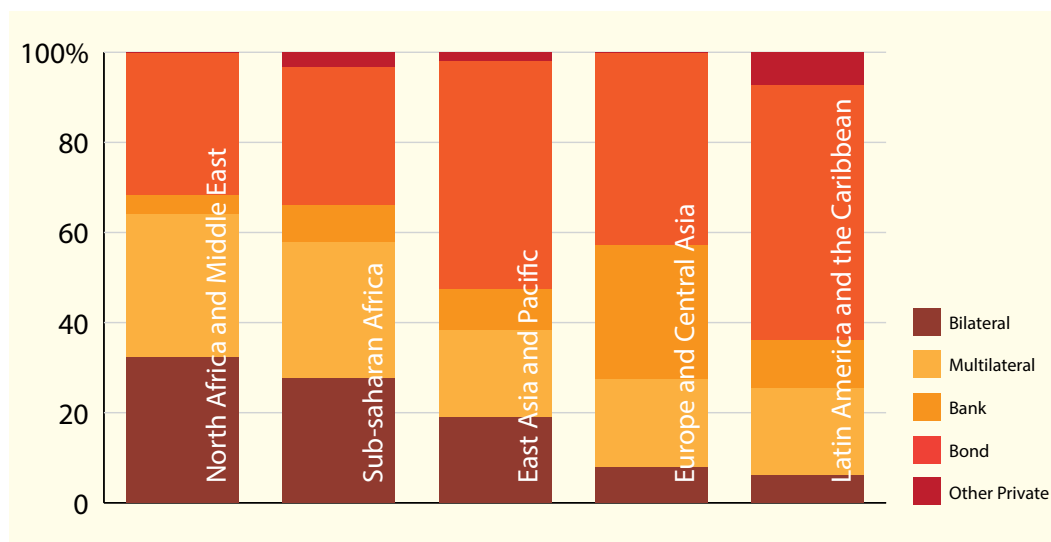


Figure 12 - Debt structure of developing countries, by world region, 2017

Share of bilateral, multilateral, bank and bonded debt in the total stock of public external debt of these countries.

2 Paris Club, *Annual Report 2007*, p. 29. <http://www.club-deparis.org/en/communications/press-release/publication-of-the-first-annual-report-of-the-paris-club-11-06-2008>.

3 L. Daniel, A. Manas, 'Modélisation et analyse des mécanismes du Club de Paris de rachat de créances par prépaiement', *Bulletin de la Banque de France*, 152, 2006, p. 45-56. [https://www.banque-france.fr/sites/default/files/medias/documents/bulletin-de-la-banque-de-france\\_152\\_2006-08.pdf](https://www.banque-france.fr/sites/default/files/medias/documents/bulletin-de-la-banque-de-france_152_2006-08.pdf).



From this surge in bond issues logically ensued, in the total debt stock among developing countries, **a decline in the share of bilateral debt** to 15.6% of the total in 2017, compared to 36% in the early 2000s (See Fig. 11). As a result, the Paris Club's ability to influence restructuring was reduced. This is particularly true for the 'upper middle income' countries, for which the bilateral debt stock now accounts for less than 7% of total public debt.

For the Paris Club members, the decline in bilateral claims has been amplified by the upheavals that have taken place within the donor community since the mid-2000s. When bilateral lenders remain significant creditors, as in the case of low-income countries (See Fig. 7 and 11), this is mainly the result of a surge in the strength of emerging lenders that are not Paris Club members. Paris Club members have been reluctant to provide new loans after granting large debt cancellations under the HIPC initiative. In contrast, non-member creditors – especially China, India, Kuwait and Saudi Arabia – have become the main source of bilateral financing for low-income countries. In 2016, non-member lenders thus held more than 85% of the bilateral debt stock of these countries (See Fig. 13) and more than half of the total debt stock for some

low-income countries that export commodities.<sup>4</sup> For China, which has developed a very aggressive lending policy targeting developing and African countries in particular (See Fig. 14), it alone may hold more than 25% of the bilateral debt stock of low-income countries.<sup>5</sup> There is thus much uncertainty with regard to how these non-Paris Club creditors will behave in future restructuring.

The 'boom' in bond issues and the growing share of non-Paris Club countries in the debt burden is making it less advantageous for the debtor to turn to the Paris Club when difficulties arise. In fact, it has not intervened in suspensions of payment identified in recent years. On the other hand, the Paris Club members do remain significant creditors for middle-income countries such

4 IMF, 'Macroeconomic Developments and Prospects in Low Income Developing Countries - 2018', *IMF Policy Paper*, March 2018, p. 50. <https://www.imf.org/~media/Files/Publications/PP/2018/pp021518-macroeconomic-developments-and-prospects-in-low-income-developing-countries.ashx>.

5 On the growing importance of China as a bilateral creditor of Africa, see in particular the Jubilee Debt Campaign document *Africa's growing debt crisis, Who is the debt owed to?*, October 2018. [https://jubileedebt.org.uk/wp-content/uploads/2018/10/Who-is-Africa-debt-owed-to\\_10.18.pdf](https://jubileedebt.org.uk/wp-content/uploads/2018/10/Who-is-Africa-debt-owed-to_10.18.pdf).

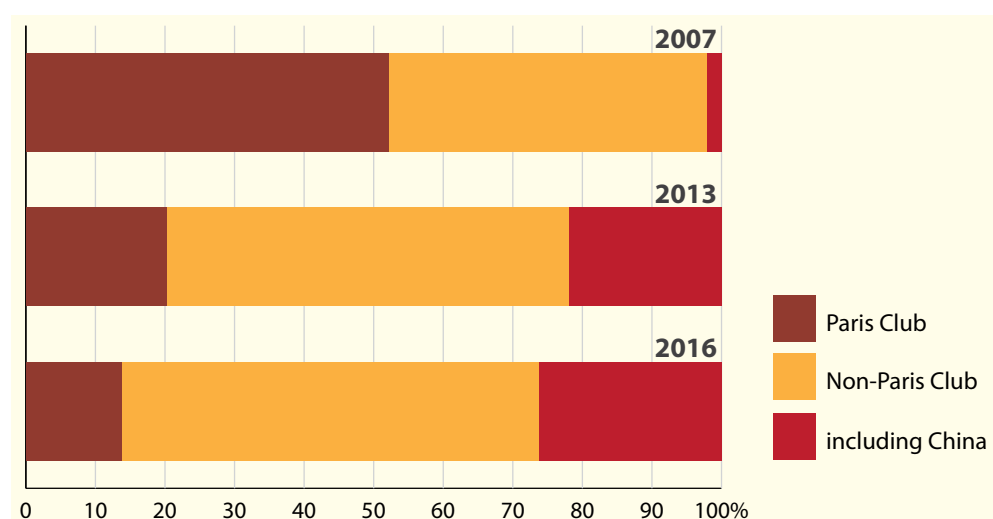


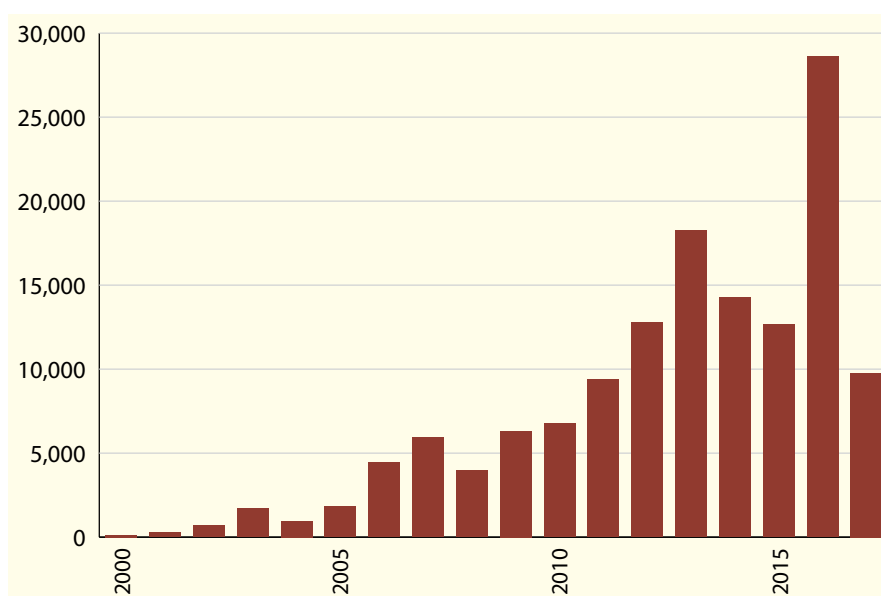
Figure 13 - Increasing share of non-Paris Club bilateral creditors (including China) in public external debt of low-income countries, 2007-2016.

According to IMF, in 'Macroeconomic Developments and Prospects in Low Income Developing Countries - 2018', IMF Policy Paper, March 2018, p. 51. [www.imf.org/~media/Files/Publications/PP/2018/pp021518-macroeconomic-developments-and-prospects-in-low-income-developing-countries.ashx](https://www.imf.org/~media/Files/Publications/PP/2018/pp021518-macroeconomic-developments-and-prospects-in-low-income-developing-countries.ashx).

as Vietnam, Burma, Cambodia, the Philippines, Egypt, Zimbabwe and for a few low-income countries such as Sudan, Somalia and Afghanistan. Elsewhere, they have become **second-tier creditors**, whose possible decisions to restructure a country's debt ultimately have only a limited impact on its solvency.

Since the end of the 2000s, this change in the international debt environment has weighed on the activity of the Paris Club, with the **number of agreements in free fall, and agreements of increasingly smaller amounts** (See Fig. 15). No negotiations have been concluded since November 2015. Of the 30 agreements signed over the last decade (there had been more than 100 in the previous), almost four-fifths were related to debt restructuring of countries eligible for the HIPC initiative. With the notable exceptions of Burma (2013) and Argentina (2014), the non-HIPC States that requested negotiations with the Paris Club were all small-island States (Seychelles, Saint Kitts and Nevis, Grenada, Antigua and Barbuda) for which the amounts to be negotiated were very small in absolute terms.

Moreover, **the problem of creditor coordination is becoming very real**, and the Paris Club's role in this area has become much less effective. These coordination problems are illustrated by the so-called vulture funds (See Focus 10). These funds specialised in debt repurchase refuse to negotiate with the debtor and instead rely on the concessions of other creditors to avoid default. Here we see that the comparable treatment clauses requiring the debtor to seek renegotiation of the debt owed to non-Paris Club creditors become ineffective when borrowers have to deal with lenders that have no intention having behaviour dictated to them or, in the case of bond issues, in the face of thousands of small creditors which have no interest in coordinating amongst them. If the debt holders are dispersed, negotiations inevitably become longer, more numerous and more costly for debtor States.



**Figure 14 - Flows of new loans from the Chinese public and private sectors to sub-Saharan African governments, 2000-2017.**

In millions of current \$ (incomplete data for 2017). According to the database on Chinese loans to African governments developed by the China Africa Research Initiative (CARI), Johns Hopkins University School of Advanced International Studies, Washington DC, 2018. [www.sais-cari.org/s/Upload\\_LoanData\\_v11\\_October2018.xlsx](http://www.sais-cari.org/s/Upload_LoanData_v11_October2018.xlsx).

## [ FOCUS #10 ]

### The Argentine crisis, the Paris Club and vulture funds

The creation of the Paris Club ensued from Argentina's initial negotiation with its bilateral donors in 1956. Since then, the country has appealed to the Paris Club on eight occasions, each time for ever-larger restructuring. But without a fair and sustainable solution to its debt distress problems, Argentina suffers crisis after crisis. So much so that, in December 2001, after three years of recession, the country was in a situation of suspension of payment, the largest of its kind in the history of international debt.

On Christmas Eve of 2001, the Argentine government unilaterally suspended repayment of bonded debt (\$65 billion in stock) and bilateral debt (\$3.3 billion) – but not repayment of debt to international financial institutions, with which it hoped to continue dialogue. Negotiations were started up with private creditors and resulted in an initial 'agreement' which, in March 2005, led to a **swap offer**: 76% of holders of Argentine debt agreed to swap their debt securities for new bonds, with repay-

ment guarantees and advantageous rates of interest, but at a significant discount in the face value of the debt (\$0.32 per dollar loaned). The Argentinian government had announced that creditors refusing this solution would lose their rights. Despite the threat, negotiations continued and ended in 2010 with a new exchange offer, this time accepted by two-thirds of the 24% of private creditors that had refused the first offer.

The fact that there were 8% of creditors that refused any discount illustrates the difficulty of arranging a negotiated restructuring of bonded debt. Among this minority of creditors, **vulture funds**<sup>1</sup> engaged

<sup>1</sup> 'Vulture funds', also known as 'distressed debt funds', are investment funds that buy, at a discount, sovereign debt securities of countries in debt distress and then demand, before the courts, the repayment of the entire debt at its original value, possibly with accrued interest, penalties and legal fees. On these practices that are in principle legal but at the same time illegitimate and contrary to human rights. The French Debt and Development Platform states its position here: [http://dette-developpement.org/IMG/pdf/4\\_pages\\_fonds\\_vautours.pdf](http://dette-developpement.org/IMG/pdf/4_pages_fonds_vautours.pdf), 2017 (English version available at this address: <https://eurodad.org/files/pdf/1546364-tackling-the-vultures-a-briefing-on-legislative-action-to-address-vulture-funds.pdf>).

in legal guerrilla warfare to obtain repayment of their Argentine bonds at face value – plus interest and interest on arrears – even though they had generally purchased these bonds at discounted prices on the secondary market. They sued repeatedly and finally won: in 2014, the US Supreme Court upheld the decision of a New York judge to prohibit Buenos Aires from repaying the debt that had been restructured in 2005 and 2010 until the plaintiffs themselves were repaid. In March 2016, Argentina finally gave in to the payment order and disbursed \$4.65 billion. For vulture funds, it was a ‘jackpot’: NML Capital, the fund owned by US billionaire Paul Singer, is expected to pocket nearly \$2 billion for bonds purchased at \$80 million in the 2000s.<sup>2</sup>

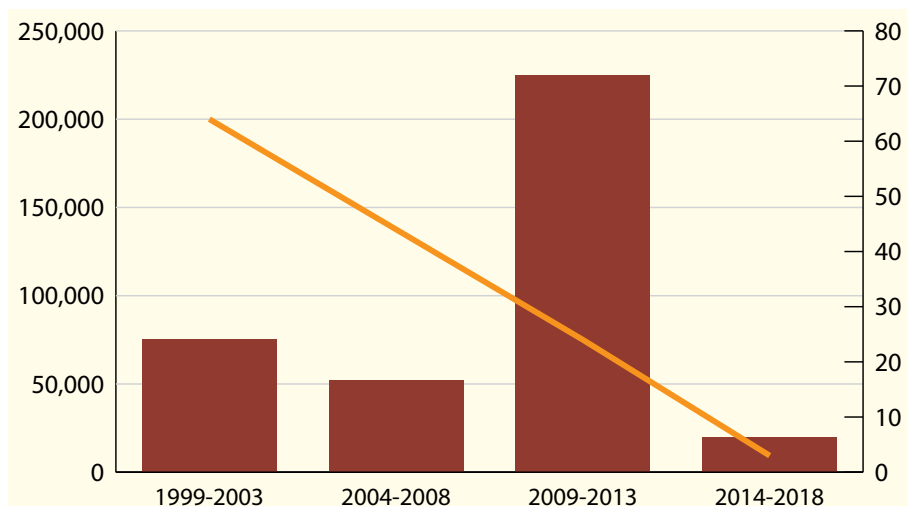
The difficulties encountered by Argentina in this crisis rekindled the debate on the need for a multilateral mechanism for

restructuring sovereign debt (See Focus 8). The main bilateral donors and private creditors, which were strongly opposed to such a mechanism, instead supported the more general use of **Collective Action Clauses (CACs)**. These latter were introduced in Mexico’s bond issues starting in 2003. The CACs, which are included in the loan application, require an investor to comply with the terms of a restructuring from the moment it is approved by a qualified majority of creditors (generally with a threshold of 75 to 85% of the bonds held).

During the Argentine sovereign debt crisis, the Paris Club members were hardly more accommodating than the vulture funds. In May 2014, an agreement settled the dispute between Buenos Aires and its bilateral creditors: it had to repay \$9.7 billion in arrears over five years, without any debt cancellation.

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2 M. Charrel, ‘L’Argentine se libère enfin des fonds vautours’, *Le Monde*, 31 March 2016.



**Figure 15 - Decrease in the number and volume of restructurings negotiated by the Paris Club, 1999-2018.**

Volume of restructured debts (left axis, in \$ million) and number of restructured debts negotiated (right axis).

Data source: Paris Club, [www.clubdeparis.org/en/traitements](http://www.clubdeparis.org/en/traitements)  
(The Paris Club database is incomplete for restructured debt volumes from 2001 to 2003, 2005, 2006 and 2010).

### 3.3. The Paris Club multiplies initiatives to maintain its influence

The Paris Club is searching for new legitimacy by multiplying dialogue initiatives and aspiring to become ‘the essential forum for direct comparison and reconciling of the views of the different categories of public and private creditors.’<sup>6</sup> The G7 and G20 Heads of State and Government are concerned about the risks of crisis and are energetically defending the role and position of the Paris Club. They regularly reaffirm their support for it ‘as the principal international forum for restructuring official bilateral debt’ and in its efforts ‘toward broader engagement of emerging creditors.’<sup>7</sup>

For the Paris Club, the first option has been to expand its membership by **welcoming new creditor**

**countries**, such as Israel (2014) followed by South Korea and Brazil (2016). Big bilateral creditors such as India and Saudi Arabia, which are not Paris Club permanent members, have seen their status as ad hoc participants confirmed. They are regularly invited to meetings with the private sector (See below). The main challenge remains the possible accession of China. Officially, exchanges are continuing and the Chinese authorities reaffirm their willingness to participate regularly in the Club’s meetings and to play a ‘more constructive’ role.<sup>8</sup> But, for the time being, discussions are not leading to more formal involvement by the largest bilateral creditor, which still favours an independent strategy in its relations with debtors.

6 S. Béranger-Lachand, C. Eugene, 2000, *op. cit.*, p. 67.

7 G20 Osaka Leaders’ Declaration, June 2019 ([https://www.consilium.europa.eu/media/40124/final\\_g20\\_osaka\\_leaders\\_declaration.pdf](https://www.consilium.europa.eu/media/40124/final_g20_osaka_leaders_declaration.pdf)) and the Charlevoix G7 Summit Communique, June 2018 (<https://www.consilium.europa.eu/en/press/press-releases/2018/06/09/the-charlevoix-g7-summit-communique/>).

8 *China-France Joint Fact Sheet on the 5th High Level Economic and Financial Dialogue*, 1 December 2017. [https://www.gouvernement.fr/sites/default/files/locale/piece-jointe/2017/12/china-france\\_joint\\_fact\\_sheet\\_on\\_the\\_5th\\_high\\_level.pdf](https://www.gouvernement.fr/sites/default/files/locale/piece-jointe/2017/12/china-france_joint_fact_sheet_on_the_5th_high_level.pdf).

The Paris Club naturally wants to persuade not just its members, with the goal of promoting 'good practices in sustainable debt'.<sup>9</sup> In 2013, it initiated the **Paris Forum**, which each year brings together the permanent members, a few debtor countries, major non-member bilateral creditors and representatives of major international financial institutions. Held normally after the spring meetings of the World Bank and the IMF, the Paris Forum is intended as a 'forum discussing global developments in sovereign financing and the prevention and resolution of debt crises'. The aim is to involve 'emerging countries, be they creditors or debtors, in international debates on sovereign financing'<sup>10</sup> and to position the Paris Club at the heart of discussions on debt and restructuring.

The Paris Club is also multiplying **initiatives for dialogue and cooperation with private creditors**. There have always been many informal contacts with the London Club, starting in the 1980s, when commercial banks found themselves in the midst of the turmoil of the debt crisis. But the London Club, faced with the same trends in the situation of international debt, has also seen its influence diminish and, in fact, no longer meets. The Paris Club therefore turned to the International Institute of Finance (IIF). The IIF, the international association of the finance sector, does not have a mandate from its members to negotiate debt restructuring directly, but its objective is to influence the international institutional environment and the conditions of restructuring.<sup>11</sup> For example, the IIF lobbied the

Troika (IMF, European Central Bank and European Commission) very intensively to represent the interests of private creditors in the Greek debt negotiations.<sup>12</sup> Since 2001, an annual meeting between the IIF and the Paris Club has been organised to facilitate exchanges of views on current trends in development financing and international debt and on the specific situation of certain countries in difficulty and/or that have concluded an agreement with the Paris Club.<sup>13</sup> However, the IIF favours a voluntary and non-binding approach for financial operators, which is obviously very favourable to the interests of creditors, as seen by the adoption of the *Voluntary Principles for Debt Transparency* (2019)<sup>14</sup> and the *Principles for Stable Capital Flows and Fair Debt Restructuring* (2004 and 2012)<sup>15</sup>. Like the Paris Club, it opposes the establishment of any independent and binding international mechanism for restructuring sovereign debt.

9 Club de Paris, 2017, *op. cit.*, p. 8.

10 Paris Club, *Paris Forum*, <http://www.clubdeparis.org/en/communications/page/forum>. Accessed 10 September 2019.

11 The IIF brings together 450 financial institutions, private banks, asset managers, insurance companies, sovereign and hedge funds, central banks and regional banks. Its mission is to 'support the financial industry in the prudent management of risks; to develop sound industry practices; and to advocate for regulatory, financial and economic policies that are in the broad interests of its members and foster global financial stability and sustainable economic growth'. See <https://www.iif.com/about-us>

12 Corporate Europe Observatory, *What are bankers doing inside EU summits?*,

<https://corporateeurope.org/en/financial-lobby/2012/01/what-are-bankers-doing-inside-eu-summits> (accessed 1 October 2019).

13 See in the archives of the Paris Club website the annual press releases presenting the agenda of these meetings:

<http://www.clubdeparis.org/en/communications/archives>.

14 International Institute of Finance, *Voluntary principles for debt transparency*, 2019.

<https://www.iif.com/Portals/0/Files/Principles%20for%20Debt%20Transparency.pdf>.

15 International Institute of Finance, *Principles for Stable Capital Flows and Fair Debt Restructuring*, 2004 and Addendum, 2012.

<https://www.iif.com/Portals/0/Files/content/Regulatory/The%20Principles%20and%20Addendum.pdf>.

# Conclusion

## WE NEED AN INTERNATIONAL RESTRUCTURING MECHANISM MORE THAN EVER

The international financial and development community now agrees on the growing risks of debt distress in developing countries and the imminence of new sovereign debt crises. The situation is once again extremely worrying. Through it, we can finally see how the Paris Club and the international financial institutions have failed not only to find a sustainable solution to debt distress, but especially to prevent risks of suspension of payments. The emergence of new bilateral lenders, the growing weight of bond issues and the aggressive actions of vulture funds are further questioning their claim to coordinate creditors and their ability to act. Meanwhile, debt repayment by developing countries is absorbing an increasing amount of resources, which can no longer be used for meeting the basic needs of the population.

This inequitable 'system' has run out of steam. The closed-door nature of Paris Club negotiations always results in one-off and partial agreements that take into account only the interests of creditors, which abstain from taking human rights into account. A country in difficulty still cannot negotiate the restructuring of all its sovereign debt within in a single mechanism or in single procedure.

The need for a multilateral forum for sovereign debt restructuring can thus no longer be ignored. The Eurodad network, of which the French Debt and Development Platform is a member along with 33 consortia representing more than 1,500 European civil society organisations, has proposed 10 key principles for such a mechanism to enable a fair, transparent and sustainable resolution to these crises:<sup>1</sup>

1. The mechanism must be a **body that is independent from creditors and debtors**.
2. **Any sovereign debtor State** should be able to initiate a restructuring process if it is at risk of debt distress or if it challenges some of its debts.
3. Initiation of the process should trigger an automatic **moratorium** on all external debt payments and a **suspension of lawsuits** by creditors and of any enforcement action.
4. The mechanism should allow for the **comprehensive treatment of the country's debt stock** (bilateral, multilateral or private claims) under a single roof and within a single procedure, so as to reduce the costly delays caused by fragmented negotiating forums, uncoordinated negotiations and repeated partial restructuring.

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<sup>1</sup> Eurodad, 'We can work it out' - 10 civil society principles for sovereign debt resolution, September 2019, <https://eurodad.org/files/pdf/5d91eb4d523cf.pdf>



5. It must ensure the **inclusive participation of all stakeholders** (debtors, creditors, civil society organisations and citizens) by giving them the right to be heard.
6. The mechanism should allow for an **independent assessment of debt sustainability and validity**, including the legality and legitimacy of claims, and recognise that lenders and borrowers share responsibility for situations of debt distress. It must be possible to cancel illegal and illegitimate debts.
7. It must focus on **debt sustainability that puts people's needs before debt service**.
8. The decisions of the independent body must **respect human rights and international commitments in the field of development**, with systematic assessment of the impact of its decisions on fundamental rights.
9. The procedures must guarantee the **transparency of the negotiations**, whose results must be made public. This implies total transparency regarding all loans contracted or guaranteed by a government and regarding the debt holders.
10. The decisions of the independent body must be **binding and enforceable** on all parties.

If we look at these key principles, we can see that they do not apply to the Paris Club and that it is not a suitable mechanism for working out the debt problem. Further, the challenges of transparency, independence, equity and respect for fundamental human rights are in no way being met by its expansion to new members and its increased initiatives for dialogue with private creditors. It is therefore time to turn the page and put an end to this cartel of creditors: we must finally get down to creating a genuine multilateral mechanism for restructuring sovereign debt.

# RECOMMENDATIONS

The member organisations of the French Debt and Development Platform believe that a major obstacle to the development of Southern countries remains their debt repayment. It captures resources that should be devoted to meeting people's basic needs. While debt is not the sole cause of these countries' difficulties, it seriously accentuates them and aggravates social inequalities. The South-to-North resource transfers involved make debt repayment a prominent factor in the increase of inequality around the globe. The North uses debt repayment as an instrument to control the South.

Today, new debt crises are looming on the horizon, and the international community lacks the tools to deal with them. The Paris Club member countries bear heavy responsibility for this situation.

In bilateral sovereign debt restructuring, the Paris Club acts as 'judge in its own case'. It cannot coordinate all of the creditors, and it allows neither the debtor States nor civil society to make their views known. To bypass this problem of coordination in the existing institutions, we must promote the following:

**1. A multilateral mechanism, independent of any creditor institution, should be created for restructuring sovereign debt.** It should be based on the 10 key principles<sup>1</sup> proposed by the Eurodad network, to enable a fair, transparent and sustainable resolution to debt distress. This mechanism could be placed under the auspices of the United Nations.

The debt restructuring granted by the Paris Club and the international financial institutions is currently based on analysis of debt 'sustainability'. This analysis uses only financial criteria, without taking into account respect for human rights and the meeting of people's needs. The French Debt and Development Platform recommends the following:

**2. States and international institutions should adopt a new approach to debt sustainability assessment. This assessment should be carried out by an independent body and would take into account States' obligations to respect human rights.** In short, the assessment would have to respect the United Nations Human Rights Council's Guiding Principles on foreign debt and human rights and Guiding principles on human rights impact assessments of economic reforms.

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<sup>1</sup> *Ibid.*

The members of the Paris Club still refuse to acknowledge the co-responsibility of lenders and borrowers in the process of debt accumulation, and even more so the illegitimate nature of some of this debt. Regardless of whether they take action within the framework of a multilateral restructuring mechanism or at the initiative of a debtor or creditor State, the French Debt and Development Platform recommends the following:

**3. The sovereign debts of States should be audited, and support provided for implementing those audits, so that all odious and illegitimate debts can be identified and cancelled. Citizens should participate in these processes.**

The increasing number of debt distress situations and the imminent risks of a new sovereign debt crisis illustrate the ineffectiveness of the crisis-prevention instruments supported by the Paris Club and the international financial institutions (Debt Sustainability Framework, etc.). More effective prevention of debt distress requires greater transparency in the allocation of loans. For this:

**4. A public register should be created, containing data on loans and borrowing from permanent institutions.** Recording of loans by States and multilateral institutions to another State should be mandatory, and legislation should make publication of any loan compulsory.

Climate change is creating new emergency situations to which the members of the Paris Club currently refuse to respond. Civil society organisations call for the following:

**5. An automatic debt relief scheme should be adopted for developing countries affected by natural disasters linked to climate change.**

Pending the establishment of a multilateral mechanism for the restructuring of sovereign debt, it is urgent to neutralise the action of creditors that refuse to accept any negotiated solution to situations of debt distress. To do this:

**6. States should adopt legislation to prevent any harmful action by vulture funds, and the European Union should establish a legal framework covering vulture fund activity.**

## How can civil society organisations (CSOs) become involved in monitoring the Paris Club?

Civil society is not included in the Paris Club negotiation system, and there is no mechanism for its consultation or participation. That is why CSOs in the Paris Club member countries and in the debtor countries are mobilising: they are calling for greater transparency from the Paris Club, more equitable negotiations, and fairer and more effective restructuring within a more legitimate international framework. They can carry out a number of actions to help them reach these goals:

### **Organise awareness-raising and protest actions**

Specific negotiations or anniversaries of the Paris Club can be opportunities for CSOs to condemn its illegitimacy and unfairness, via press releases, publications or symbolic actions.

In 2003, the French Debt and Development Platform launched an awareness-raising and protest campaign using postcards. Seminars, events and media activities were also organised by several CSOs when some debtor countries (Iraq, countries hit by the tsunami, and Nigeria) had to meet with their creditors. These actions made it possible to increase awareness among some of the public about the Paris Club and to condemn the fact that

debt treatment is above all in the political and economic interest of rich countries.

Symbolic actions targeting the media, such as ‘shadow’ meetings of the Paris Club, were also organised on the occasion of specific negotiations, such as those on Nicaraguan debt in 1995 and the Iraqi debt in 2004. During these pretend negotiating sessions, civil society organisations conducted assessments of the debt legitimacy and sustainability of debtor countries, highlighting the Club’s shortcomings in this field.

In 2006, on the occasion of the 50th anniversary of the Paris Club, some thirty civil society organisations from Europe, North America, Africa and Asia issued a joint statement condemning the illegitimacy and non-sustainability of the Club’s decisions. They also organised a protest action in front of the Ministry of Finance in Paris, the Club’s headquarters, and an ‘inequitable football match’ denouncing the arbitrary nature of Paris Club decisions.

For the 60th anniversary of the Club, CADTM launched a symbolic protest action by publishing a fake Paris Club website and issuing a fake press release<sup>1</sup> that announced that the Paris Club had decided to cancel Greece’s debt in order to allow the country to provide for its health and education spending.

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<sup>1</sup> CADTM press release, ‘The Paris Club will abolish the Greek debt and adopt official statutes’. Clubdeparis.fr, 30 May 2016. <http://clubdeparis.fr/?The-Paris-Club-will-abolish-the-Greek-debt-and-adopt-official-statutes> (accessed 10 November 2019)

Through these actions, people become aware of the Paris Club and are informed about the deficiencies in the international financial structure with regard to debt restructuring.

### **Work along with delegations from the debtor countries to prepare negotiations**

Through close contacts with the official delegations of debtor countries requesting debt restructuring from the Paris Club, civil societies in those countries can also sensitise their government ministries about what is at stake in the negotiations and try to assert the interests of the people of these countries in the negotiation of specific decisions taken by the Club.

Civil societies in debtor and creditor countries can work together on these occasions to provide several advantages. This would give them the opportunity to claim a role in the discussions, to warn about the shortcomings of the lending mechanism and to indirectly influence the negotiations, in order to obtain fairer and more sustainable restructuring that takes into account its impact on the human rights of populations.

### **Conduct advocacy actions targeting official representatives of Paris Club member countries**

The lack of transparency of the Paris Club is one of the main obstacles to effective involvement by civil society in debt restructuring. But even though CSOs from Paris Club members are not given any role within the Club's meetings and negotiations, the representatives of the member countries maintain relations with their respective civil societies at the national level.

For this reason, CSOs in several countries are conducting advocacy targeting their Finance Ministries, to assert that the State has responsibility for negotiating fair and sustainable restructurings within the Club. These CSOs are also asserting the need, that goes beyond specific negotiations, to support the creation of an independent multilateral debt restructuring mechanism.

## GLOSSARY

**Bilateral debt:** Debt contracted by one State from another State.

**Bond:** In financial terms, a bond refers to the portion of a loan (a debt instrument) issued by a company or public authority on the so-called bond market. When issued by a country, it is called a sovereign bond. The holder of the bond, or “bondholder”, is entitled to interest and repayment of the amount subscribed.

**Capital market:** The regulated long end of the market. It consists of a primary market (for new issues) and a secondary market (for resale). It includes the bond market.

**Claims:** A sum of money that a natural or legal person (the creditor) has the right to demand from another natural or legal person (the debtor).

**Commercial debt:** Debt contracted by a State from a private financial institution (bank, investment fund, bond market, etc.).

**Debt audit:** Tool for analysing the different loans of a State according to various criteria (economic, legal, political, human, moral). Its purpose is to identify the debt's legitimate part (to be repaid) and illegitimate part (to be cancelled and/or repudiated). Auditing can come in different forms: institutional, parliamentary, citizen, etc.

**Debt restructuring:** An operation in which debt repayment is reviewed. Restructuring may include rescheduling of debt repayment and/or a partial cancellation of the debt.

**Debt service:** The amount allocated by a government to repay a debt. Debt service includes both principal repayments and interest payments.

**Debt Sustainability Framework (DSF):** The Debt Sustainability Framework was established by the IMF and the World Bank in 2005 and is regularly revised. It seeks to guide the borrowing decisions of low-income countries on the basis of exclusively economic criteria, according to their financing needs and their ability to meet repayments over the more or less long term.

**Developing countries:** According to the World Bank, developing countries include all countries with a per capita income of \$12,055 or less per year. It distinguishes between low income countries (per capita income  $\leq$  \$995 per year), lower middle income countries (between \$995 and \$3,895 per year) and upper middle income countries (between \$3,895 and \$12,055 per year). There are 137 developing countries.

**Grace period:** Period during which repayment of the debt by the debtor is suspended in agreement with the creditor(s).

**Gross Domestic Product (GDP):** GDP is an economic indicator that measures total production in a given territory, estimated by the sum of the values added.

**Group of 7/8 (G7/8):** The G7 is a group of the countries defined as the most ‘powerful’ on the planet. It was created in 1975 and is made up of Canada, France, Germany, Italy, Japan, the United Kingdom, and the United States. When Russia joined in 1997, the G7 became the G8, but Russia was temporarily suspended following its annexation of Crimea in 2014. Each country takes turn chairing the G7 for one year, the high point of which is an annual summit. The G7 discusses major international issues and plays a major role in international financial governance.

**Group of 20 (G20):** The G20 was created in 1999 after a series of financial crises. It brings together nineteen countries (Argentina, Australia, Brazil, Canada, China, France, Germany, India, Indonesia, Italy, Japan, Mexico, Saudi Arabia, South Africa, South Korea, Russia, Turkey, the United Kingdom, the United States) and the European Union. Each country takes turn chairing the G20 for one year, the high point of which is an annual summit. Its purpose is to promote international dialogue on global issues.

**Group of 77 (G77):** The G77 was established in 1964 by 77 developing countries that had met to prepare for the first United Nations Conference on Trade and Development. It currently includes 134 countries and provides a forum for developing countries to discuss international economic and monetary issues.

**Heavily Indebted Poor Countries (HIPC):** This is the term applying to the 39 developing countries (originally 41) eligible for the HIPC initiative launched in 1996 at the G7 Lyon Summit.

**Human Rights:** According to the Office of the United Nations High Commissioner for Human Rights, human rights are ‘rights inherent to all human beings, whatever our nationality, place of residence, sex, national or ethnic origin, colour, religion, language, or any other status. [...] These rights are all interrelated, interdependent and indivisible.’ They refer to civil, political, economic, social, cultural, individual and collective rights.

**Illegal debt:** Debt contracted without complying with the legal standards in force.

**Illegitimate debt:** Debt contracted against the general interest of the population.

**Industrialised countries:** According to the World Bank, this term refers to all high-income countries (per capita income above \$12,055 per year). There are 81 industrialised countries.

**Interest rate:** Refers to the return on the principal lent by the creditor. The interest rate is set according to the amount lent, the maturity, and also the borrower's creditworthiness. For a government, the value of the borrowing rate depends heavily on the rating given to its debt by the rating agencies. It is like a risk premium.

**International Financial Institutions (IFIs):** This term designates all financial institutions that are able to finance countries in economic difficulty.

**International Monetary Fund (IMF):** The IMF was created in 1944, at the time of the signing of the Bretton Woods agreements. Its initial purpose was to stabilise the international financial system by regulating the movement of capital. Its role has evolved since then. It takes action with countries in financial difficulty by granting them loans in return for the application of macroeconomic policies and measures aimed at prioritising debt repayment.

**Medium- and long-term debt:** Debt whose repayment date is more than one year from the date the loan agreement is signed.

**Multilateral debt:** Debt contracted from an international financial institution, such as the World Bank or regional development banks.

**Non-ODA credits:** Non-ODA credits are loans granted at market rates, based on a country's debt sustainability rating given by rating agencies.

**ODA credits:** ODA (Official Development Assistance) credits are loans granted at concessional rates. These 'preferential' rates are lower than the interest rates practised by the financial markets.

**Odious debt:** This notion does not refer to a moral assessment but to a doctrine of international law theorised by the jurisprudence expert Alexander Sack. A debt is said to be odious when it has been contracted by a dictatorship, against the public interest and with the complicity of the creditors.

**Official interest rate:** Official interest rate set by a central bank.

**Poverty Reduction Strategy Paper (PRSP):** According to the IMF, PRSPs are 'prepared by low-income countries through a participatory process involving domestic stakeholders and external development partners, including the IMF and the World Bank'. Applied by the countries eligible for the Heavily Indebted Poor Countries (HIPC) initiative, PRSPs are the successors to Structural Adjustment Plans and refer to the implementation of a set of macroeconomic policies and structural reforms.

**Regional development bank:** Financial institutions of a region or continent that seek to foster the economic and social development of their member States by financing development projects (agricultural, educational, energy, environmental, health, etc.) through concessional or non-concessional loans.

**Short-term debt:** Debt whose repayment date is less than one year from the date the loan agreement is signed.

**Sovereign debt:** Debt contracted by a State or guaranteed by the State. Distinction is made between domestic public debt, contracted with domestic creditors, and external public debt, contracted with creditors outside the country.

**United Nations Conference on Trade and Development (UNCTAD):** Subsidiary body of the United Nations General Assembly, established in 1964. Its purpose is to integrate developing countries into the global economy and to promote their development.

**Western countries:** This term commonly refers to the most industrialised countries in North America and Western Europe, as well as Australia and New Zealand.

**White elephants:** The term 'white elephant' refers to a mega-project, often an infrastructure project, which brings more costs than benefits to the community. As for the origin of this metaphor, Indian princes had a tradition of giving one another a 'white elephant' as a lavish gift. But the white elephant was more trouble than it was worth: it incurred significant cost, and it was forbidden to put the animal to work.

**World Bank:** The International Bank for Reconstruction and Development (IBRD) was established in July 1944, in Bretton Woods. In 2019, this development bank had 189 member countries. It finances public and private sectoral projects targeting developing countries. It consists of five subsidiaries: the International Bank for Reconstruction and Development (IBRD), the International Development Association (IDA), the International Finance Corporation (IFC), the Multilateral Investment Guarantee Agency (MIGA) and the International Centre for Settlement of Investment Disputes (ICSID).



## [ ANNEX #1 ]

### Civil Society Statement on the Paris Club at 50: illegitimate and unsustainable

For at least the past 30 years much of the developing world has been crushed under a mass of foreign debts that – amongst other injustices and distortions - has put a stranglehold on its growth and poverty-reducing opportunities. This continued crisis, contrary to creditor governments' overemphasized claims, has never been dealt with systematically. Rather, wealthy nations have imposed – through the IMF, World Bank and the Paris Club – a protracted state of unsustainability and emergency. As a consequence, a permanent exit from the debt trap has been consistently and willingly impeded, keeping debtor countries in a state of effective domination and dependence. This is clear from the number of negotiations that a large number of countries has had to endure over the years: we can count 14 visits for Senegal, 11 for Democratic Republic of Congo, 9 for Cote d'Ivoire, and 8 for Gabon. Moreover, one of the greatest concerns about these prolonged strings of restructurings is that loans that were often odious or illegitimate, get consolidated and relabelled and are subsequently extremely difficult to track down to their real origin.

The Paris Club is a cartel of official creditors whose role is to maximize overall returns on their loans. During its 5 decade-long tenure the Club has proven to be a highly efficient tool for the smooth restructuring and for the effective recuperation of loans extended through aid agencies and – most importantly – export credit agencies. By privileging creditors' interests it has done little to guarantee a fair and transparent setting or sustainable outcomes for debt crisis resolution.

This “non-institution”, as it conveniently likes to call itself, is a blatant example of non-democratic rules and processes. It encompasses only creditors and its decisions are taken on the basis of unanimity, granting full veto power to the one member sticking to the least favourable terms. It bases its efforts merely on a capacity of payment derived from internal (and highly secretive) calculations. These are all clear indicators of an absolute absence of truly accountable, open and transparent processes. Moreover, the manifest arbitrariness of its concrete practice, which tries to hide geopolitically-driven decisions behind the seemingly “technical” country-by-country tailored approach, is entirely unacceptable and proves the lack of credibility characterizing this entity. For instance, the different treatment of countries like Nigeria (60% cancellation), Serbia and Montenegro (67%), Poland (50%) and Iraq (80%) – just in recent years - clearly indicate a level of political arbitrariness defying all common sense of justice and fairness.

In the Paris Club the creditors act as judge in their own case: the greater part of the negotiating process is concerned with decision-making amongst creditors alone. The delegation from the debtor country is only able to play a passive role in the process, accepting or declining the offer advanced by the creditors. Compared with domestic insolvency laws and procedures in Paris Club member countries, the Club is a medieval institution. Compared with systems governed by constitutional law, international debt management negotiations lack an impartial body to oversee the process, ensure both parties voices are heard, and reach a judgment to which the two parties are bound.

Paris Club representatives claim they are not a development agency and therefore cannot deal with issues other than mere debt recovery. Yet around the table at Bercy can be found the official representatives of those very governments who have solemnly pledged to contribute to the achievement of the Millennium Development Goals by 2015. Thus it must also be that when they make decisions on debt management, they must necessarily fully and comprehensively assess the consequences of their actions, and behave accordingly.

As it is today, the Paris Club does not have any legitimacy. Civil society organizations from the South and the North demand a radical change of the current state of affairs in international debt management. Governments – and in particular those from creditor nations – must provide for comprehensive, fair and impartial based mechanisms for cases of unsustainable debt. To this end, we call on creditors to accept that they need to abandon their role as both party and ultimate judge, accepting a neutral instance to evaluate their requests against the debtors' situation and needs. The governments represented in the Paris Club must take the opportunity of the 50 years to end current practices and move decisively to a new framework.

**Signatories :** European Network on Debt and Development (Eurodad), Belgium; Christian Aid, UK; Jubilee UK Debt Campaign, UK; CRBM/ Mani Tese, Italy; Jubilee USA Network, United States; Observatorio de la Deuda en la Globalización, Spain; AEFJN (Red Africa-Europa-Fe-Justicia) - Antena de Barcelona, Spain; erlassjahr.de, Germany; Dikonia, Sweden; Jubilee Netherland, Netherlands; Both ENDS, Netherlands; SLUG, Norway; Norwegian Church Aid, Norway; Plateforme Dette et Développement, France (25 NGOs and trade unions); CNCD, Belgium; 11.11.11 - coordination of the Flemish North South movement, Belgium; CADTM, Belgium; KOO, Austria (24 member organisations); Debt and Development Coalition, Ireland (over 100 organisations); Africa Action, United States; The Freedom from Debt Coalition - Iloilo Chapter, Philippines; LOKOJ Institute, Bangladesh; GRAPR, Congo; NAD, R.D. Congo; African Network for Environment and Economic Justice (ANEEJ), Nigeria; Ecowas Network on Debt and Development (ECONDAD), Nigeria; Urban Rural Mission, Hong Kong; Tanzania Association of Non-Governmental Organisations (TANGO), Tanzania; Jubilee Kyushu on World Debt and Poverty, Japan; The Public Services Labor Independent Confederation, Philippines (an umbrella organization of 350 unions); ATTAC, Japan; SDK Philippines - Democratic Association of the Youth, Philippines; US Network for Global Economic Justice, United States; Community Development Library (CDL), Bangladesh; The Alternative Information and Development Centre (AIDC), South Africa; AGEZ, Austria - Platform of development cooperation NGOs (32 members); African Forum and Network on Debt and Development (AFRODAD), Zimbabwe; WEED, Germany; Halifax Initiative Coalition, Canada; Jubilee South Asia - Pacific Movement on Debt and Development; World Development Movement, UK; ONG SOLIDAIRES/ à Pointe Noire: CONGO-BRAZZAVILLE; RNDD-Niger

## [ ANNEX #2 ]

### Outstanding Paris Club claims as of 31 December 2018 (in millions of \$)

Each year since 2008, the Paris Club has published its total outstanding loans to developing countries.

Some claims have not been settled with the debtor countries. The amounts published do not include interest on late payments that may be owed by certain countries or certain sovereign debts prior to 1945.

Moreover, the amounts are given in US dollars, even though many of these claims are denominated in another currency, and may therefore be subject to exchange rate fluctuations.

| Borrower countries                | ODA claims | NODA claims | Total  |
|-----------------------------------|------------|-------------|--------|
| Afghanistan                       | 1          | 1,336       | 1,338  |
| Albania                           | 523        | 15          | 538    |
| Algeria                           | 369        | 1           | 370    |
| Angola                            | 476        | 1,133       | 1,609  |
| Antigua and Barbuda               | 4          | 122         | 125    |
| Argentina                         | 434        | 3,354       | 3,787  |
| Armenia                           | 501        | 104         | 605    |
| Azerbaijan                        | 889        | 308         | 1,197  |
| Bangladesh                        | 5,694      | 1,768       | 7,462  |
| Barbados                          | -          | -           | -      |
| Belarus                           | 19         | 7,522       | 7,541  |
| Belize                            | -          | -           | -      |
| Benin                             | 22         | 14          | 36     |
| Bolivia                           | 271        | 2           | 273    |
| Bosnia and Herzegovina            | 284        | 360         | 644    |
| Botswana                          | 29         | -           | 29     |
| Bulgaria                          | 167        | -           | 167    |
| Burkina Faso                      | 212        | -           | 212    |
| Burundi                           | -          | -           | -      |
| Cambodia                          | 1,253      | 1,397       | 2,649  |
| Cameroon                          | 1,078      | 83          | 1,161  |
| Cape Verde                        | 160        | 61          | 221    |
| Central African Republic          | -          | 2           | 2      |
| Chad                              | 92         | 1           | 93     |
| Chile                             | 79         | -           | 79     |
| China                             | 13,155     | 939         | 14,094 |
| Colombia                          | 2,124      | 264         | 2,388  |
| Comoros                           | -          | 3           | 3      |
| Congo, Democratic Republic of the | 22         | 29          | 50     |
| Congo, Republic of the            | 47         | 482         | 528    |

| Borrower countries                     | ODA claims | NODA claims | Total  |
|--|------------|-------------|--------|
| Costa Rica                             | 302        | -           | 302    |
| Côte d'Ivoire                          | 228        | 29          | 257    |
| Croatia                                | 20         | -           | 20     |
| Cuba                                   | 191        | 5,368       | 5,560  |
| Cyprus                                 | -          | 2,148       | 2,148  |
| Czech Republic                         | -          | 19          | 19     |
| Djibouti                               | 91         | 13          | 104    |
| Dominica                               | 22         | 9           | 32     |
| Dominican Republic                     | 697        | 15          | 712    |
| Ecuador                                | 612        | 228         | 840    |
| Egypt                                  | 7,333      | 5,171       | 12,504 |
| El Salvador                            | 306        | -           | 306    |
| Equatorial Guinea                      | -          | 88          | 88     |
| Eritrea                                | 89         | -           | 89     |
| Eswatini                               | 42         | -           | 42     |
| Ethiopia                               | 463        | 233         | 696    |
| Fiji                                   | 5          | -           | 5      |
| Gabon                                  | 287        | 296         | 582    |
| Gambia                                 | 1          | 4           | 5      |
| Georgia                                | 532        | 61          | 593    |
| Ghana                                  | 899        | 353         | 1,252  |
| Greece                                 | -          | 58,790      | 58,790 |
| Grenada                                | 4          | 4           | 7      |
| Guatemala                              | 192        | -           | 192    |
| Guinea                                 | 30         | 199         | 229    |
| Guinea-Bissau                          | 10         | 64          | 74     |
| Guyana                                 | 3          | -           | 3      |
| Haiti                                  | -          | -           | -      |
| Honduras                               | 228        | 82          | 310    |
| Hungary                                | -          | 151         | 151    |
| Iceland                                | -          | -           | -      |
| India                                  | 22,010     | 2,986       | 24,996 |
| Indonesia                              | 16,166     | 2,286       | 18,452 |
| Iran                                   | 27         | 123         | 150    |
| Iraq                                   | 3,789      | 8,276       | 12,066 |
| Jamaica                                | 49         | 4           | 53     |
| Jordan                                 | 2,516      | 55          | 2,572  |
| Kazakhstan                             | 482        | -           | 482    |
| Kenya                                  | 2,404      | 202         | 2,606  |
| Korea, Democratic People's Republic of | 73         | 2,200       | 2,274  |
| Kyrgyzstan                             | 349        | 21          | 370    |
| Laos                                   | 459        | 313         | 773    |
| Latvia                                 | 2          | -           | 2      |
| Lebanon                                | 281        | -           | 281    |
| Lesotho                                | 5          | -           | 5      |

| Borrower countries                         | ODA claims | NODA claims | Total  |
|--|------------|-------------|--------|
| Liberia                                    | -          | -           | -      |
| Libya                                      | -          | 4,546       | 4,546  |
| Macedonia, the former Yugoslav Republic of | 91         | -           | 91     |
| Madagascar                                 | 120        | 62          | 182    |
| Malawi                                     | 1          | 6           | 7      |
| Malaysia                                   | 1,890      | -           | 1,890  |
| Maldives                                   | 40         | -           | 40     |
| Mali                                       | 229        | -           | 229    |
| Malta                                      | 0          | -           | 0      |
| Mauritania                                 | 120        | 106         | 226    |
| Mauritius                                  | 275        | -           | 275    |
| Mexico                                     | 1,431      | 30          | 1,460  |
| Moldova                                    | 87         | 58          | 146    |
| Mongolia                                   | 1,347      | 10          | 1,357  |
| Montenegro                                 | 21         | 107         | 127    |
| Morocco                                    | 5,145      | 249         | 5,394  |
| Mozambique                                 | 751        | 141         | 892    |
| Myanmar                                    | 2,790      | 1,272       | 4,062  |
| Namibia                                    | 123        | -           | 123    |
| Nepal                                      | 287        | -           | 287    |
| Nicaragua                                  | 310        | 89          | 399    |
| Niger                                      | 128        | -           | 128    |
| Nigeria                                    | 432        | 6           | 437    |
| Oman                                       | -          | 180         | 180    |
| Pakistan                                   | 8,416      | 2,375       | 10,791 |
| Panama                                     | 167        | -           | 167    |
| Papua New Guinea                           | 147        | -           | 147    |
| Paraguay                                   | 193        | 29          | 221    |
| Peru                                       | 806        | 6           | 812    |
| Philippines                                | 7,565      | 138         | 7,704  |
| Poland                                     | 5          | 1,478       | 1,483  |
| Portugal                                   | -          | -           | -      |
| Romania                                    | 454        | -           | 454    |
| Rwanda                                     | 29         | 47          | 77     |
| Saint Kitts and Nevis                      | 2          | -           | 2      |
| Saint Lucia                                | 3          | -           | 3      |
| Saint Vincent and the Grenadines           | 3          | -           | 3      |
| Sao Tome and Principe                      | 1          | 15          | 17     |
| Saudi Arabia                               | -          | 1,324       | 1,324  |
| Senegal                                    | 1,027      | 120         | 1,147  |
| Serbia                                     | 286        | 1,657       | 1,943  |
| Seychelles                                 | 40         | 18          | 58     |
| Sierra Leone                               | 26         | -           | 26     |
| Slovakia                                   | 31         | -           | 31     |
| Slovenia                                   | -          | -           | -      |

| Borrower countries   | ODA claims     | NODA claims    | Total          |
|----------------------|----------------|----------------|----------------|
| Somalia              | 432            | 1,172          | 1,604          |
| South Africa         | 721            | 134            | 855            |
| Sri Lanka            | 4,364          | 220            | 4,584          |
| Sudan                | 875            | 3,129          | 4,004          |
| Suriname             | 40             | -              | 40             |
| Syria                | 981            | 248            | 1,228          |
| Tajikistan           | 48             | 292            | 340            |
| Tanzania             | 917            | 240            | 1,157          |
| Thailand             | 3,406          | -              | 3,406          |
| Togo                 | 10             | -              | 10             |
| Tonga                | -              | -              | -              |
| Trinidad and Tobago  | -              | 34             | 34             |
| Tunisia              | 2,797          | 17             | 2,814          |
| Turkey               | 3,962          | 476            | 4,438          |
| Turkmenistan         | 18             | 3,163          | 3,181          |
| Uganda               | 362            | 111            | 473            |
| Ukraine              | 600            | 3,954          | 4,554          |
| United Arab Emirates | -              | 1,718          | 1,718          |
| Uruguay              | 45             | -              | 45             |
| Uzbekistan           | 1,559          | 340            | 1,899          |
| Vanuatu              | 74             | -              | 74             |
| Venezuela            | 66             | 6,472          | 6,538          |
| Vietnam              | 17,404         | 2,138          | 19,542         |
| Yemen                | 451            | 1,161          | 1,612          |
| Zambia               | 122            | -              | 122            |
| Zimbabwe             | 1,104          | 785            | 1,888          |
| Other countries      | 232            | 1,181          | 1,413          |
| <b>Total</b>         | <b>164,511</b> | <b>150,144</b> | <b>314,655</b> |

## [ ANNEX #3 ]

### Summary table of restructuring carried out by the Paris Club since 1956

Alphabetical classification by country, amounts in millions of \$.

| Countries              | Date of treatment | Type of the treatment | Amounts treated | Amounts cancelled | Amounts rescheduled | Status of the treatment |
|------------------------|-------------------|-----------------------|-----------------|-------------------|---------------------|-------------------------|
| Afghanistan            | July 19, 2006     | Naples                | 2,388           | 1,533             | 855                 | Active                  |
|                        | July 18, 2007     | Cologne               | 22              | 14                | 8                   | Active                  |
|                        | March 17, 2010    | HIPC Initiative Exit  | 1,027           | 442               | 585                 | Active                  |
| Albania                | Dec. 20, 1993     | Classic               | 27              |                   |                     | Fully repaid            |
|                        | July 22, 1998     | Naples                | 75              |                   |                     | Active                  |
|                        | Jan. 18, 2000     | Classic               | 89              |                   |                     | Fully repaid            |
| Algeria                | June 1, 1994      | Classic               | 5,344           |                   |                     | Fully repaid            |
|                        | July 21, 1995     | Classic               | 7,320           |                   |                     | Fully repaid            |
| Angola                 | July 20, 1989     | Classic               | 446             |                   |                     | Fully repaid            |
| Antigua and Barbuda    | Sept. 16, 2010    | Classic               | 110             |                   |                     | Active                  |
| Argentina              | May 16, 1956      | Classic               | 500             |                   |                     | Fully repaid            |
|                        | Oct. 24, 1962     | Classic               | 270             |                   |                     | Fully repaid            |
|                        | June 26, 1965     | Classic               | 91              |                   |                     | Fully repaid            |
|                        | Jan. 16, 1985     | Classic               | 1,726           |                   |                     | Fully repaid            |
|                        | May 20, 1987      | Classic               | 2,156           |                   |                     | Fully repaid            |
|                        | Dec. 21, 1989     | Classic               | 2,400           |                   |                     | Fully repaid            |
|                        | Sept. 19, 1991    | Classic               | 1,476           |                   |                     | Fully repaid            |
|                        | July 22, 1992     | Classic               | 2,700           |                   |                     | Fully repaid            |
|                        | May 29, 2014      | Ad Hoc                | 9,700           |                   |                     | Active                  |
| Benin                  | June 22, 1989     | Toronto               | 193             |                   |                     | Fully repaid            |
|                        | Dec. 18, 1991     | London                | 152             |                   |                     | Fully repaid            |
|                        | June 21, 1993     | London                | 24              |                   |                     | Fully repaid            |
|                        | Oct. 24, 1996     | Naples                | 209             |                   |                     | Active                  |
|                        | Oct. 24, 2000     | Cologne               | 5               | 5                 |                     | Active                  |
|                        | April 23, 2003    | HIPC Initiative Exit  | 60              | 60                |                     | Active                  |
| Bolivia                | July 18, 1986     | Classic               | 642             |                   |                     | Fully repaid            |
|                        | Nov. 14, 1988     | Classic               | 228             |                   |                     | Fully repaid            |
|                        | March 15, 1990    | Toronto               | 276             |                   |                     | Fully repaid            |
|                        | Jan. 24, 1992     | London                | 65              |                   |                     | Fully repaid            |
|                        | March 24, 1995    | Naples                | 482             |                   |                     | Fully repaid            |
|                        | Dec. 15, 1995     | Naples                | 881             |                   |                     | Fully repaid            |
|                        | Oct. 30, 1998     | Lyon                  | 561             |                   |                     | Fully repaid            |
|                        | July 10, 2001     | HIPC Initiative Exit  | 685             | 685               |                     | Fully repaid            |
| Bosnia and Herzegovina | Oct. 28, 1998     | Naples                | 588             |                   |                     | Active                  |
|                        | July 12, 2000     | Naples                | 9               |                   |                     | Active                  |



| Countries                | Date of treatment | Type of the treatment | Amounts treated | Amounts cancelled | Amounts rescheduled | Status of the treatment |
|--------------------------|-------------------|-----------------------|-----------------|-------------------|---------------------|-------------------------|
| Brazil                   | May 24, 1961      | Classic               | 300             |                   |                     | Fully repaid            |
|                          | July 1, 1964      | Classic               | 270             |                   |                     | Fully repaid            |
|                          | Nov. 23, 1983     | Classic               | 3,500           |                   |                     | Fully repaid            |
|                          | Jan. 21, 1987     | Classic               | 3,100           |                   |                     | Fully repaid            |
|                          | July 29, 1988     | Classic               | 5,600           |                   |                     | Fully repaid            |
|                          | Feb. 26, 1992     | Classic               | 10,384          |                   |                     | Fully repaid            |
| Bulgaria                 | April 17, 1991    | Classic               | 642             |                   |                     | Fully repaid            |
|                          | Dec. 14, 1992     | Classic               | 251             |                   |                     | Fully repaid            |
|                          | April 13, 1994    | Classic               | 200             |                   |                     | Fully repaid            |
| Burkina Faso             | March 15, 1991    | Toronto               | 71              |                   |                     | Fully repaid            |
|                          | May 7, 1993       | London                | 36              |                   |                     | Fully repaid            |
|                          | June 20, 1996     | Naples                | 64              |                   |                     | Fully repaid            |
|                          | Oct. 24, 2000     | Cologne               | 1               | 1                 |                     | Fully repaid            |
|                          | June 20, 2002     | HIPC Initiative Exit  | 36              | 35                | 1                   | Fully repaid            |
| Burundi                  | March 4, 2004     | Naples                | 85              | 4                 | 81                  | Active                  |
|                          | Sept. 15, 2005    | Cologne               |                 |                   |                     | Active                  |
|                          | March 11, 2009    | HIPC Initiative Exit  | 134             | 129               | 5                   | Active                  |
| Cambodia                 | Jan. 27, 1972     | Classic               |                 |                   |                     | Fully repaid            |
|                          | Oct. 31, 1972     | Classic               |                 |                   |                     | Fully repaid            |
|                          | Jan. 26, 1995     | Naples                | 248             |                   |                     | Active                  |
| Cameroon                 | May 24, 1989      | Classic               | 535             |                   |                     | Fully repaid            |
|                          | Jan. 23, 1992     | Houston               | 960             |                   |                     | Fully repaid            |
|                          | March 25, 1994    | London                | 1,258           |                   |                     | Active                  |
|                          | Nov. 16, 1995     | Naples                | 1,348           |                   |                     | Active                  |
|                          | Oct. 24, 1997     | Naples                | 1,270           |                   |                     | Active                  |
|                          | Jan. 24, 2001     | Cologne               | 1,300           | 900               | 400                 | Active                  |
|                          | June 17, 2006     | HIPC Initiative Exit  | 1,829           | 1,090             | 739                 | Active                  |
| Central African Republic | June 12, 1981     | Classic               | 28              |                   |                     | Fully repaid            |
|                          | July 8, 1983      | Classic               | 11              |                   |                     | Fully repaid            |
|                          | Nov. 22, 1985     | Classic               | 28              |                   |                     | Fully repaid            |
|                          | Dec. 14, 1988     | Toronto               | 57              |                   |                     | Fully repaid            |
|                          | June 15, 1990     | Toronto               | 6               |                   |                     | Fully repaid            |
|                          | April 12, 1994    | London                | 47              |                   |                     | Active                  |
|                          | Sept. 25, 1998    | Naples                | 23              |                   |                     | Active                  |
|                          | April 20, 2007    | Naples                | 36              | 10                | 26                  | Active                  |
|                          | Dec. 24, 2007     | Cologne               | 6               | 4                 | 2                   | Active                  |
|                          | Sept. 15, 2009    | HIPC Initiative Exit  | 49              | 49                |                     | Active                  |
| Chad                     | Oct. 24, 1989     | Toronto               | 33              |                   |                     | Fully repaid            |
|                          | Feb. 28, 1995     | Naples                | 24              |                   |                     | Active                  |
|                          | June 14, 1996     | Naples                | 12              |                   |                     | Active                  |
|                          | June 12, 2001     | Cologne               | 15              | 10                | 5                   | Active                  |
|                          | June 24, 2015     | HIPC Initiative Exit  | 62              | 20                | 41                  | Active                  |
| Chile                    | Feb. 24, 1965     | Classic               | 90              |                   |                     | Fully repaid            |
|                          | April 19, 1972    | Classic               | 258             |                   |                     | Fully repaid            |
|                          | March 25, 1974    | Classic               | 460             |                   |                     | Fully repaid            |
|                          | July 17, 1985     | Classic               | 179             |                   |                     | Fully repaid            |
|                          | April 2, 1987     | Classic               | 165             |                   |                     | Fully repaid            |

| Countries                         | Date of treatment | Type of the treatment | Amounts treated | Amounts cancelled | Amounts rescheduled | Status of the treatment |
|-----------------------------------|-------------------|-----------------------|-----------------|-------------------|---------------------|-------------------------|
| Comoros                           | Nov. 19, 2009     | Naples                | 13              | 1                 | 12                  | Active                  |
|                                   | Aug. 13, 2010     | Cologne               |                 |                   |                     | Active                  |
|                                   | Feb. 28, 2013     | HIPC Initiative Exit  | 13              | 8                 | 5                   | Active                  |
| Congo, Democratic Republic of the | June 16, 1976     | Classic               | 280             |                   |                     | Fully repaid            |
|                                   | Dec. 1, 1977      | Classic               | 280             |                   |                     | Fully repaid            |
|                                   | Dec. 11, 1979     | Classic               | 1,200           |                   |                     | Fully repaid            |
|                                   | July 9, 1981      | Classic               | 600             |                   |                     | Fully repaid            |
|                                   | Dec. 20, 1983     | Classic               | 1,490           |                   |                     | Fully repaid            |
|                                   | Sept. 18, 1985    | Classic               | 322             |                   |                     | Fully repaid            |
|                                   | May 15, 1986      | Classic               | 350             |                   |                     | Fully repaid            |
|                                   | May 18, 1987      | Ad Hoc                | 883             |                   |                     | Fully repaid            |
|                                   | June 23, 1989     | Toronto               | 1,530           |                   |                     | Active                  |
|                                   | Sept. 13, 2002    | Naples                | 8,980           | 4,640             | 4,340               | Active                  |
|                                   | Nov. 22, 2003     | Cologne               |                 |                   |                     | Active                  |
|                                   | Feb. 25, 2010     | Cologne               | 2,957           | 1,310             | 1,647               | Active                  |
|                                   | Nov. 17, 2010     | HIPC Initiative Exit  | 7,528           | 6,049             | 1,479               | Active                  |
| Congo, Republic of the            | July 18, 1986     | Classic               | 470             |                   |                     | Fully repaid            |
|                                   | Sept. 13, 1990    | Classic               | 1,052           |                   |                     | Fully repaid            |
|                                   | June 30, 1994     | Houston               | 1,175           |                   |                     | Fully repaid            |
|                                   | July 16, 1996     | Naples                | 1,758           |                   |                     | Active                  |
|                                   | Dec. 16, 2004     | Naples                | 3,016           | 1,680             | 1,336               | Active                  |
|                                   | March 9, 2006     | Cologne               |                 |                   |                     | Active                  |
|                                   | Dec. 11, 2008     | Cologne               | 961             | 806               | 155                 | Active                  |
|                                   | March 18, 2010    | HIPC Initiative Exit  | 2,474           | 981               | 1,493               | Active                  |
| Costa Rica                        | Jan. 11, 83       | Classic               | 104             |                   |                     | Fully repaid            |
|                                   | April 22, 1985    | Classic               | 93              |                   |                     | Fully repaid            |
|                                   | May 26, 1989      | Classic               | 182             |                   |                     | Fully repaid            |
|                                   | July 16, 1991     | Classic               | 97              |                   |                     | Fully repaid            |
|                                   | June 22, 1993     | Classic               | 58              |                   |                     | Fully repaid            |
| Côte d'Ivoire                     | May 4, 1984       | Classic               | 261             |                   |                     | Fully repaid            |
|                                   | June 25, 1985     | Classic               | 218             |                   |                     | Fully repaid            |
|                                   | June 27, 1986     | Classic               | 380             |                   |                     | Fully repaid            |
|                                   | Dec. 18, 1987     | Classic               | 600             |                   |                     | Fully repaid            |
|                                   | Dec. 18, 1989     | Classic               | 881             |                   |                     | Fully repaid            |
|                                   | Nov. 20, 1991     | Houston               | 724             |                   |                     | Fully repaid            |
|                                   | March 23, 1994    | London                | 1,849           |                   |                     | Active                  |
|                                   | April 24, 1998    | Lyon                  | 1,402           |                   |                     | Fully repaid            |
|                                   | April 10, 2002    | Lyon                  | 1,822           | 911               | 911                 | Active                  |
|                                   | May 15, 2009      | Cologne               | 4,690           | 845               | 3,845               | Active                  |
|                                   | Nov. 15, 2011     | Cologne               | 2,321           | 397               | 1,924               | Active                  |
|                                   | June 29, 2012     | HIPC Initiative Exit  | 6,529           | 1,772             | 4,758               | Active                  |
| Croatia                           | March 21, 1995    | Classic               | 861             |                   |                     | Fully repaid            |
| Djibouti                          | May 25, 2000      | Classic               | 17              |                   |                     | Fully repaid            |
|                                   | Oct. 16, 2008     | Houston               | 76              |                   |                     | Active                  |
| Dominican Republic                | May 21, 1985      | Classic               | 280             |                   |                     | Fully repaid            |
|                                   | Nov. 22, 1991     | Houston               | 771             |                   |                     | Fully repaid            |
|                                   | April 16, 2004    | Classic               | 193             |                   |                     | Active                  |
|                                   | Oct. 21, 2005     | Classic               | 137             |                   |                     | Fully repaid            |

| Countries         | Date of treatment | Type of the treatment | Amounts treated | Amounts cancelled | Amounts rescheduled | Status of the treatment |
|-------------------|-------------------|-----------------------|-----------------|-------------------|---------------------|-------------------------|
| Ecuador           | July 28, 1983     | Classic               | 169             |                   |                     | Fully repaid            |
|                   | April 24, 1985    | Classic               | 330             |                   |                     | Fully repaid            |
|                   | Jan. 20, 1988     | Classic               | 277             |                   |                     | Fully repaid            |
|                   | Oct. 24, 1989     | Classic               | 393             |                   |                     | Fully repaid            |
|                   | Jan. 20, 1992     | Houston               | 339             |                   |                     | Fully repaid            |
|                   | June 27, 1994     | Houston               | 292             |                   |                     | Fully repaid            |
|                   | Sept. 15, 2000    | Houston               | 880             |                   |                     | Active                  |
|                   | June 13, 2003     | Houston               | 81              |                   |                     | Active                  |
| Egypt             | May 22, 1987      | Classic               | 7,098           |                   |                     | Fully repaid            |
|                   | May 25, 1991      | Ad Hoc                | 21,164          |                   |                     | Active                  |
| El Salvador       | Sept. 17, 1990    | Houston               | 143             |                   |                     | Fully repaid            |
| Equatorial Guinea | July 22, 1985     | Classic               | 32              |                   |                     | Fully repaid            |
|                   | March 1, 1989     | Toronto               | 13              |                   |                     | Fully repaid            |
|                   | April 2, 1992     | London                | 33              |                   |                     | Fully repaid            |
|                   | Dec. 15, 1994     | London                | 51              |                   |                     | Fully repaid            |
| Ethiopia          | Dec. 16, 1992     | London                | 441             |                   |                     | Active                  |
|                   | Jan. 24, 1997     | Naples                | 183             |                   |                     | Active                  |
|                   | April 5, 2001     | Naples                | 432             | 130               | 302                 | Active                  |
|                   | April 18, 2002    | Cologne               | 8               | 8                 |                     | Active                  |
|                   | May 13, 2004      | HIPC Initiative Exit  | 1,487           | 1,296             | 191                 | Active                  |
| Former Yugoslavia | May 22, 1984      | Classic               | 787             |                   |                     | Fully repaid            |
|                   | May 24, 1985      | Classic               | 1,097           |                   |                     | Fully repaid            |
|                   | May 13, 1986      | Classic               | 600             |                   |                     | Fully repaid            |
|                   | July 13, 1988     | Classic               | 952             |                   |                     | Fully repaid            |
| Gabon             | Jan. 21, 1987     | Classic               | 330             |                   |                     | Fully repaid            |
|                   | March 21, 1988    | Classic               | 295             |                   |                     | Fully repaid            |
|                   | Sept. 19, 1989    | Classic               | 545             |                   |                     | Fully repaid            |
|                   | Oct. 24, 1991     | Classic               | 481             |                   |                     | Fully repaid            |
|                   | April 15, 1994    | Classic               | 1,360           |                   |                     | Fully repaid            |
|                   | Dec. 12, 1995     | Classic               | 1,031           |                   |                     | Fully repaid            |
|                   | Dec. 15, 2000     | Classic               | 532             |                   |                     | Fully repaid            |
|                   | June 11, 2004     | Classic               | 716             |                   |                     | Fully repaid            |
| Gambia            | Sept. 19, 1986    | Classic               | 18              |                   |                     | Fully repaid            |
|                   | Jan. 9, 2003      | Cologne               |                 |                   |                     | Fully repaid            |
|                   | June 22, 2007     | Cologne               | 3               |                   |                     | Fully repaid            |
|                   | Jan. 24, 2008     | HIPC Initiative Exit  | 15              | 12                | 3                   | Active                  |
| Georgia           | March 6, 2001     | Ad Hoc                | 58              |                   |                     | Active                  |
|                   | July 21, 2004     | Houston               | 161             |                   |                     | Active                  |
| Ghana             | April 18, 1996    | Classic               | 93              |                   |                     | Fully repaid            |
|                   | Dec. 10, 2001     | Naples                | 190             | 27                | 172                 | Fully repaid            |
|                   | May 16, 2002      | Cologne               | 163             | 91                | 72                  | Fully repaid            |
|                   | July 22, 2004     | HIPC Initiative Exit  | 1,560           | 823               | 737                 | Active                  |
| Grenada           | May 12, 2006      | Classic               | 16              |                   |                     | Active                  |
|                   | Nov. 19, 2015     | Classic               | 8               |                   | 8                   | Active                  |
| Guatemala         | March 25, 1993    | Houston               | 440             |                   |                     | Fully repaid            |

| Countries     | Date of treatment | Type of the treatment | Amounts treated | Amounts cancelled | Amounts rescheduled | Status of the treatment |
|---------------|-------------------|-----------------------|-----------------|-------------------|---------------------|-------------------------|
| Guinea        | April 18, 1986    | Classic               | 200             |                   |                     | Fully repaid            |
|               | April 12, 1989    | Toronto               | 124             |                   |                     | Fully repaid            |
|               | Nov. 18, 1992     | London                | 203             |                   |                     | Active                  |
|               | Jan. 25, 1995     | Naples                | 156             |                   |                     | Active                  |
|               | Feb. 26, 1997     | Naples                | 122             |                   |                     | Active                  |
|               | May 15, 2001      | Cologne               | 151             | 70                | 81                  | Active                  |
|               | Jan. 23, 2008     | Cologne               | 298             | 182               | 116                 | Active                  |
|               | April 11, 2012    | Cologne               | 344             | 151               | 193                 | Active                  |
|               | Oct. 25, 2012     | HIPC Initiative Exit  | 661             | 356               | 305                 | Active                  |
| Guinea-Bissau | Oct. 27, 1987     | Ad Hoc                | 21              |                   |                     | Fully repaid            |
|               | Oct. 26, 1989     | Toronto               | 21              |                   |                     | Fully repaid            |
|               | Feb. 23, 1995     | Naples                | 196             |                   |                     | Active                  |
|               | Jan. 26, 2001     | Cologne               | 141             | 60                | 81                  | Active                  |
|               | July 6, 2010      | Cologne               | 172             | 54                | 117                 | Active                  |
|               | May 10, 2011      | HIPC Initiative Exit  | 273             | 257               | 17                  | Active                  |
| Guyana        | May 24, 1989      | Classic               | 195             |                   |                     | Fully repaid            |
|               | Sept. 12, 1990    | Toronto               | 116             |                   |                     | Fully repaid            |
|               | May 6, 1993       | London                | 39              |                   |                     | Fully repaid            |
|               | May 23, 1996      | Naples                | 793             |                   |                     | Fully repaid            |
|               | June 25, 1999     | Lyon                  | 240             |                   |                     | Active                  |
|               | Jan. 14, 2004     | HIPC Initiative Exit  | 248             | 156               | 92                  | Active                  |
| Haiti         | May 30, 1995      | Naples                | 117             |                   |                     | Active                  |
|               | Dec. 12, 2006     | Cologne               | 69              | 7                 | 62                  | Active                  |
|               | July 8, 2009      | HIPC Initiative Exit  | 162             | 63                | 99                  | Active                  |
| Honduras      | Sept. 14, 1990    | Houston               | 280             |                   |                     | Fully repaid            |
|               | Oct. 26, 1992     | London                | 180             |                   |                     | Active                  |
|               | March 1, 1996     | Naples                | 112             |                   |                     | Active                  |
|               | April 13, 1999    | Naples                | 411             |                   |                     | Active                  |
|               | April 14, 2004    | Cologne               | 361             | 147               | 214                 | Active                  |
|               | May 12, 2005      | HIPC Initiative Exit  | 316             | 206               | 110                 | Active                  |
| Indonesia     | Dec. 20, 1966     | Classic               | 310             |                   |                     | Fully repaid            |
|               | Oct. 18, 1967     | Classic               | 110             |                   |                     | Fully repaid            |
|               | Oct. 17, 1968     | Classic               | 180             |                   |                     | Fully repaid            |
|               | April 24, 1970    | Classic               | 2,090           |                   |                     | Fully repaid            |
|               | Sept. 23, 1998    | Ad Hoc                | 4,176           |                   |                     | Active                  |
|               | April 13, 2000    | Houston               | 5,445           |                   |                     | Active                  |
|               | April 12, 2002    | Houston               | 5,473           |                   |                     | Active                  |
|               | May 10, 2005      | Ad Hoc                | 2,704           |                   |                     | Fully repaid            |
| Iraq          | Nov. 21, 2004     | Ad Hoc                | 37,158          | 29,727            | 7,431               | Active                  |
| Jamaica       | July 16, 1984     | Classic               | 207             |                   |                     | Fully repaid            |
|               | July 19, 1985     | Classic               | 67              |                   |                     | Fully repaid            |
|               | March 5, 1987     | Classic               | 81              |                   |                     | Fully repaid            |
|               | Oct. 24, 1988     | Classic               | 146             |                   |                     | Fully repaid            |
|               | April 26, 1990    | Classic               | 178             |                   |                     | Fully repaid            |
|               | July 19, 1991     | Houston               | 125             |                   |                     | Fully repaid            |
|               | Jan. 25, 1993     | Houston               | 291             |                   |                     | Fully repaid            |

| Countries                                  | Date of treatment | Type of the treatment | Amounts treated | Amounts cancelled | Amounts rescheduled | Status of the treatment |
|--|-------------------|-----------------------|-----------------|-------------------|---------------------|-------------------------|
| Jordan                                     | July 19, 1989     | Classic               | 586             |                   |                     | Fully repaid            |
|  | Feb. 28, 1992     | Classic               | 771             |                   |                     | Fully repaid            |
|  | June 28, 1994     | Houston               | 1,147           |                   |                     | Fully repaid            |
|  | May 23, 1997      | Houston               | 400             |                   |                     | Fully repaid            |
|  | May 20, 1999      | Houston               | 821             |                   |                     | Active                  |
|  | July 10, 2002     | Houston               | 1,171           |                   |                     | Active                  |
| Kenya                                      | Jan. 19, 1994     | Ad Hoc                | 533             |                   |                     | Fully repaid            |
|  | Nov. 15, 2000     | Ad Hoc                | 301             |                   |                     | Active                  |
|  | Jan. 15, 2004     | Houston               | 353             |                   |                     | Active                  |
| Kyrgyzstan                                 | March 7, 2002     | Houston               | 102             |                   |                     | Fully repaid            |
|  | March 11, 2005    | Ad Hoc                | 555             | 124               | 431                 | Active                  |
| Liberia                                    | Dec. 19, 1980     | Classic               | 35              |                   |                     | Fully repaid            |
|  | Dec. 16, 1981     | Classic               | 30              |                   |                     | Fully repaid            |
|  | Dec. 22, 1983     | Classic               | 19              |                   |                     | Fully repaid            |
|  | Dec. 17, 1984     | Classic               | 16              |                   |                     | Fully repaid            |
|  | April 17, 2008    | Cologne               | 1,043           | 254               | 789                 | Active                  |
|  | Sept. 16, 2010    | HIPC Initiative Exit  | 1,366           | 1,259             | 107                 | Active                  |
| Macedonia, the former Yugoslav Republic of | July 17, 1995     | Classic               | 288             |                   |                     | Fully repaid            |
|  | Sept. 11, 2000    | Ad Hoc                | 46              |                   |                     | Fully repaid            |
| Madagascar                                 | April 30, 1981    | Classic               | 130             |                   |                     | Fully repaid            |
|  | July 13, 1982     | Classic               | 94              |                   |                     | Fully repaid            |
|  | March 23, 1984    | Classic               | 179             |                   |                     | Fully repaid            |
|  | May 22, 1985      | Classic               | 162             |                   |                     | Fully repaid            |
|  | Oct. 23, 1986     | Classic               | 200             |                   |                     | Fully repaid            |
|  | Oct. 28, 1988     | Toronto               | 265             |                   |                     | Fully repaid            |
|  | July 10, 1990     | Toronto               | 99              |                   |                     | Fully repaid            |
|  | March 26, 1997    | Naples                | 1,247           |                   |                     | Active                  |
|  | Sept. 4, 2000     | Naples                | 34              |                   |                     | Active                  |
|  | March 7, 2001     | Cologne               | 254             | 161               | 93                  | Active                  |
|  | Nov. 16, 2004     | HIPC Initiative Exit  | 1,057           | 752               | 305                 | Active                  |
| Malawi                                     | Sept. 22, 1982    | Classic               | 29              |                   |                     | Fully repaid            |
|  | Oct. 27, 1983     | Classic               | 30              |                   |                     | Fully repaid            |
|  | April 22, 1988    | Ad Hoc                | 20              |                   |                     | Fully repaid            |
|  | Jan. 25, 2001     | Cologne               | 66              | 19                | 47                  | Active                  |
|  | Oct. 19, 2006     | HIPC Initiative Exit  | 355             | 137               | 218                 | Active                  |
| Mali                                       | Oct. 27, 1988     | Toronto               | 56              |                   |                     | Fully repaid            |
|  | Nov. 22, 1989     | Toronto               | 29              |                   |                     | Fully repaid            |
|  | Oct. 29, 1992     | London                | 20              |                   |                     | Active                  |
|  | May 20, 1996      | Naples                | 32              |                   |                     | Active                  |
|  | Oct. 25, 2000     | Cologne               | 3               | 3                 |                     | Active                  |
|  | March 12, 2003    | HIPC Initiative Exit  | 155             | 145               | 10                  | Active                  |

| Countries  | Date of treatment | Type of the treatment | Amounts treated | Amounts cancelled | Amounts rescheduled | Status of the treatment |
|------------|-------------------|-----------------------|-----------------|-------------------|---------------------|-------------------------|
| Mauritania | April 27, 1985    | Classic               | 90              |                   |                     | Fully repaid            |
|            | May 16, 1986      | Classic               | 50              |                   |                     | Fully repaid            |
|            | June 15, 1987     | Ad Hoc                | 55              |                   |                     | Fully repaid            |
|            | June 19, 1989     | Toronto               | 51              |                   |                     | Fully repaid            |
|            | Jan. 26, 1993     | London                | 217             |                   |                     | Active                  |
|            | June 28, 1995     | Naples                | 65              |                   |                     | Active                  |
|            | March 16, 2000    | Cologne               | 100             |                   |                     | Active                  |
|            | July 8, 2002      | HIPC Initiative Exit  | 384             | 210               | 174                 | Active                  |
| Mexico     | June 22, 1983     | Classic               | 1,300           |                   |                     | Fully repaid            |
|            | Sept. 17, 1986    | Classic               | 1,800           |                   |                     | Fully repaid            |
|            | May 30, 1989      | Classic               | 2,400           |                   |                     | Fully repaid            |
| Moldova    | May 12, 2006      | Houston               | 151             |                   |                     | Active                  |
| Montenegro | Nov. 16, 2001     | Ad Hoc                | 4,324           | 2,743             | 1,581               | Active                  |
| Morocco    | Oct. 25, 1983     | Classic               | 1,210           |                   |                     | Fully repaid            |
|            | Sept. 17, 1985    | Classic               | 678             |                   |                     | Fully repaid            |
|            | March 6, 1987     | Classic               | 1,000           |                   |                     | Fully repaid            |
|            | Oct. 26, 1988     | Classic               | 940             |                   |                     | Fully repaid            |
|            | Sept. 11, 1990    | Houston               | 1,390           |                   |                     | Fully repaid            |
|            | Feb. 27, 1992     | Houston               | 1,250           |                   |                     | Fully repaid            |
| Mozambique | Oct. 25, 1984     | Classic               | 142             |                   |                     | Fully repaid            |
|            | June 16, 1987     | Ad Hoc                | 612             |                   |                     | Fully repaid            |
|            | June 14, 1990     | Toronto               | 707             |                   |                     | Fully repaid            |
|            | March 23, 1993    | London                | 440             |                   |                     | Fully repaid            |
|            | Nov. 21, 1996     | Naples                | 663             |                   |                     | Fully repaid            |
|            | May 25, 1998      | Lyon                  |                 |                   |                     | Fully repaid            |
|            | July 9, 1999      | Lyon                  | 1,860           |                   |                     | Fully repaid            |
|            | Nov. 17, 2001     | HIPC Initiative Exit  | 2,800           | 2,270             | 530                 | Active                  |
| Myanmar    | Jan. 25, 2013     | Ad Hoc                | 9,868           | 5,556             | 4,312               | Active                  |
| Nicaragua  | Dec. 17, 1991     | London                | 722             |                   |                     | Fully repaid            |
|            | March 22, 1995    | Naples                | 848             |                   |                     | Fully repaid            |
|            | April 22, 1998    | Naples                | 213             |                   |                     | Fully repaid            |
|            | March 16, 1999    | Ad Hoc                | 100             |                   |                     | Fully repaid            |
|            | Dec. 13, 2002     | Cologne               | 580             | 406               | 174                 | Fully repaid            |
|            | March 4, 2004     | HIPC Initiative Exit  | 1,579           | 1,338             | 241                 | Active                  |
| Niger      | Nov. 14, 1983     | Classic               | 30              |                   |                     | Fully repaid            |
|            | Nov. 30, 1984     | Classic               | 32              |                   |                     | Fully repaid            |
|            | Nov. 21, 1985     | Classic               | 32              |                   |                     | Fully repaid            |
|            | Nov. 20, 1986     | Classic               | 26              |                   |                     | Fully repaid            |
|            | April 21, 1988    | Ad Hoc                | 38              |                   |                     | Fully repaid            |
|            | Dec. 16, 1988     | Toronto               | 43              |                   |                     | Fully repaid            |
|            | Sept. 18, 1990    | Toronto               | 116             |                   |                     | Fully repaid            |
|            | March 4, 1994     | London                | 160             |                   |                     | Fully repaid            |
|            | Dec. 19, 1996     | Naples                | 128             |                   |                     | Fully repaid            |
|            | Jan. 25, 2001     | Cologne               | 115             | 84                | 31                  | Fully repaid            |
|            | May 12, 2004      | HIPC Initiative Exit  | 250             | 160               | 90                  | Active                  |

| Countries             | Date of treatment | Type of the treatment | Amounts treated | Amounts cancelled | Amounts rescheduled | Status of the treatment |
|-----------------------|-------------------|-----------------------|-----------------|-------------------|---------------------|-------------------------|
| Nigeria               | Dec. 16, 1986     | Classic               | 7,300           |                   |                     | Fully repaid            |
|                       | March 3, 1989     | Classic               | 5,700           |                   |                     | Fully repaid            |
|                       | Jan. 18, 1991     | Houston               | 3,326           |                   |                     | Fully repaid            |
|                       | Dec. 13, 2000     | Houston               | 24,297          |                   |                     | Fully repaid            |
|                       | Oct. 20, 2005     | Ad Hoc                | 30,066          |                   |                     | Fully repaid            |
| Pakistan              | May 26, 1972      | Ad Hoc                | 234             |                   |                     | Fully repaid            |
|                       | June 28, 1974     | Ad Hoc                | 650             |                   |                     | Fully repaid            |
|                       | Jan. 14, 1981     | Classic               | 260             |                   |                     | Fully repaid            |
|                       | Jan. 30, 1999     | Houston               | 3,254           |                   |                     | Fully repaid            |
|                       | Jan. 23, 2001     | Houston               | 1,752           |                   |                     | Fully repaid            |
|                       | Dec. 13, 2001     | Ad Hoc                | 12,444          |                   |                     | Active                  |
| Panama                | Sept. 19, 1985    | Classic               | 19              |                   |                     | Fully repaid            |
|                       | Nov. 14, 1990     | Classic               | 185             |                   |                     | Fully repaid            |
| Peru                  | Sept. 27, 1968    | Classic               | 120             |                   |                     | Fully repaid            |
|                       | Nov. 20, 1969     | Classic               | 100             |                   |                     | Fully repaid            |
|                       | Nov. 3, 1978      | Classic               | 211             |                   |                     | Fully repaid            |
|                       | July 26, 1983     | Classic               | 590             |                   |                     | Fully repaid            |
|                       | June 5, 1984      | Classic               | 640             |                   |                     | Fully repaid            |
|                       | Sept. 17, 1991    | Houston               | 4,661           |                   |                     | Fully repaid            |
|                       | May 4, 1993       | Houston               | 1,884           |                   |                     | Fully repaid            |
|                       | July 20, 1996     | Houston               | 6,723           |                   |                     | Fully repaid            |
| Philippines           | Dec. 20, 1984     | Classic               | 1,000           |                   |                     | Fully repaid            |
|                       | Jan. 22, 1987     | Classic               | 870             |                   |                     | Fully repaid            |
|                       | May 26, 1989      | Classic               | 1,859           |                   |                     | Fully repaid            |
|                       | June 20, 1991     | Houston               | 1,096           |                   |                     | Fully repaid            |
|                       | July 19, 1994     | Houston               | 585             |                   |                     | Fully repaid            |
| Poland                | April 27, 1981    | Classic               | 2,200           |                   |                     | Fully repaid            |
|                       | July 15, 1985     | Classic               | 10,200          |                   |                     | Fully repaid            |
|                       | Nov. 19, 1985     | Classic               | 1,370           |                   |                     | Fully repaid            |
|                       | Dec. 16, 1987     | Classic               | 8,500           |                   |                     | Fully repaid            |
|                       | Feb. 16, 1990     | Classic               | 9,400           |                   |                     | Fully repaid            |
|                       | April 21, 1991    | Ad Hoc                | 29,871          |                   |                     | Fully repaid            |
| Romania               | July 28, 1982     | Classic               | 410             |                   |                     | Fully repaid            |
|                       | May 18, 1983      | Classic               | 126             |                   |                     | Fully repaid            |
| Russian Federation    | April 2, 1993     | Ad Hoc                | 15,000          |                   |                     | Fully repaid            |
|                       | June 4, 1994      | Ad Hoc                | 7,100           |                   |                     | Fully repaid            |
|                       | June 3, 1995      | Ad Hoc                | 6,421           |                   |                     | Fully repaid            |
|                       | April 29, 1996    | Ad Hoc                | 40,160          |                   |                     | Active                  |
|                       | Aug. 1, 1999      | Ad Hoc                | 8,047           |                   |                     | Active                  |
| Rwanda                | July 21, 1998     | Naples                | 54              |                   |                     | Fully repaid            |
|                       | March 7, 2002     | Cologne               |                 |                   |                     | Fully repaid            |
|                       | May 10, 2005      | HIPC Initiative Exit  | 90              | 83                | 8                   | Fully repaid            |
| Saint Kitts and Nevis | May 24, 2012      | Classic               | 6               |                   |                     | Active                  |
| Sao Tome and Principe | May 16, 2000      | Naples                | 27              |                   |                     | Fully repaid            |
|                       | Sept. 13, 2005    | Cologne               |                 |                   |                     | Fully repaid            |
|                       | May 24, 2007      | HIPC Initiative Exit  | 25              | 23                | 1                   | Fully repaid            |



| Countries    | Date of treatment | Type of the treatment | Amounts treated | Amounts cancelled | Amounts rescheduled | Status of the treatment |
|--------------|-------------------|-----------------------|-----------------|-------------------|---------------------|-------------------------|
| Senegal      | Oct. 13, 1981     | Classic               | 78              |                   |                     | Fully repaid            |
|              | Nov. 29, 1982     | Classic               | 74              |                   |                     | Fully repaid            |
|              | Dec. 21, 1983     | Classic               | 70              |                   |                     | Fully repaid            |
|              | Jan. 18, 1985     | Classic               | 106             |                   |                     | Fully repaid            |
|              | Nov. 21, 1986     | Classic               | 88              |                   |                     | Fully repaid            |
|              | Nov. 17, 1987     | Ad Hoc                | 74              |                   |                     | Fully repaid            |
|              | Jan. 24, 1989     | Toronto               | 136             |                   |                     | Fully repaid            |
|              | Feb. 12, 1990     | Toronto               | 107             |                   |                     | Fully repaid            |
|              | June 21, 1991     | Toronto               | 233             |                   |                     | Fully repaid            |
|              | March 3, 1994     | London                | 233             |                   |                     | Fully repaid            |
|              | April 20, 1995    | Naples                | 168             |                   |                     | Fully repaid            |
|              | June 17, 1998     | Naples                | 427             |                   |                     | Fully repaid            |
|              | Oct. 24, 2000     | Cologne               | 22              | 22                |                     | Fully repaid            |
|              | June 9, 2004      | HIPC Initiative Exit  | 463             | 127               | 336                 | Fully repaid            |
| Serbia       | Nov. 16, 2001     | Ad Hoc                | 4,324           | 2,743             | 1,581               | Active                  |
| Seychelles   | April 16, 2009    | Ad Hoc                | 163             |                   |                     | Active                  |
| Sierra Leone | Sept. 15, 1977    | Classic               | 50              |                   |                     | Fully repaid            |
|              | Feb. 8, 1980      | Classic               | 30              |                   |                     | Fully repaid            |
|              | Feb. 8, 1984      | Classic               | 34              |                   |                     | Fully repaid            |
|              | Nov. 19, 1986     | Classic               | 95              |                   |                     | Fully repaid            |
|              | Nov. 20, 1992     | London                | 163             |                   |                     | Fully repaid            |
|              | July 20, 1994     | London                | 41              |                   |                     | Fully repaid            |
|              | March 28, 1996    | Naples                | 39              |                   |                     | Fully repaid            |
|              | Oct. 16, 2001     | Naples                | 180             | 22                | 158                 | Fully repaid            |
|              | July 10, 2002     | Cologne               | 3               | 3                 |                     | Fully repaid            |
| Somalia      | Jan. 24, 2007     | HIPC Initiative Exit  | 363             | 319               | 45                  | Fully repaid            |
|              | March 6, 1985     | Classic               | 39              |                   |                     | Fully repaid            |
| Sudan        | July 22, 1987     | Ad Hoc                | 132             |                   |                     | Fully repaid            |
|              | Nov. 13, 1979     | Classic               | 487             |                   |                     | Active                  |
|              | March 18, 1982    | Classic               | 270             |                   |                     | Active                  |
|              | Feb. 4, 1983      | Classic               | 516             |                   |                     | Active                  |
| Sri Lanka    | May 3, 1984       | Classic               | 263             |                   |                     | Active                  |
|              | May 10, 2005      | Ad Hoc                | 227             |                   |                     | Fully repaid            |
| Tanzania     | Sept. 18, 1986    | Classic               | 800             |                   |                     | Fully repaid            |
|              | Dec. 13, 1988     | Toronto               | 341             |                   |                     | Active                  |
|              | March 16, 1990    | Toronto               | 199             |                   |                     | Active                  |
|              | Jan. 21, 1992     | London                | 691             |                   |                     | Active                  |
|              | Jan. 21, 1997     | Naples                | 1,608           |                   |                     | Active                  |
|              | April 14, 2000    | Cologne               | 711             |                   |                     | Active                  |
|              | Jan. 17, 2002     | HIPC Initiative Exit  | 1,245           | 973               | 272                 | Active                  |

| Countries           | Date of treatment | Type of the treatment | Amounts treated | Amounts cancelled | Amounts rescheduled | Status of the treatment |
|---------------------|-------------------|-----------------------|-----------------|-------------------|---------------------|-------------------------|
| Togo                | June 15, 1979     | Classic               | 280             |                   |                     | Fully repaid            |
|                     | Feb. 20, 1981     | Classic               | 232             |                   |                     | Fully repaid            |
|                     | April 12, 1983    | Classic               | 200             |                   |                     | Fully repaid            |
|                     | June 6, 1984      | Classic               | 70              |                   |                     | Fully repaid            |
|                     | June 24, 1985     | Classic               | 30              |                   |                     | Fully repaid            |
|                     | March 22, 1988    | Ad Hoc                | 155             |                   |                     | Fully repaid            |
|                     | June 20, 1989     | Toronto               | 75              |                   |                     | Active                  |
|                     | July 9, 1990      | Toronto               | 92              |                   |                     | Active                  |
|                     | June 19, 1992     | London                | 52              |                   |                     | Active                  |
|                     | Feb. 23, 1995     | Naples                | 237             |                   |                     | Active                  |
|                     | June 12, 2008     | Naples                | 740             | 347               | 393                 | Active                  |
|                     | Jan. 22, 2009     | Cologne               | 22              | 22                |                     | Active                  |
|                     | Dec. 16, 2010     | HIPC Initiative Exit  | 611             | 203               | 409                 | Active                  |
| Trinidad and Tobago | Jan. 25, 1989     | Classic               | 209             |                   |                     | Fully repaid            |
|                     | April 27, 1990    | Classic               | 110             |                   |                     | Fully repaid            |
| Turkey              | May 20, 1978      | Classic               | 1,300           |                   |                     | Fully repaid            |
|                     | July 25, 1979     | Classic               | 1,200           |                   |                     | Fully repaid            |
|                     | July 23, 1980     | Classic               | 1,200           |                   |                     | Fully repaid            |
| Uganda              | Nov. 18, 1981     | Classic               | 40              |                   |                     | Fully repaid            |
|                     | Dec. 1, 1982      | Classic               | 19              |                   |                     | Fully repaid            |
|                     | June 19, 1987     | Ad Hoc                | 256             |                   |                     | Fully repaid            |
|                     | Jan. 26, 1989     | Toronto               | 90              |                   |                     | Fully repaid            |
|                     | June 17, 1992     | London                | 38              |                   |                     | Fully repaid            |
|                     | Feb. 20, 1995     | Naples                | 110             |                   |                     | Fully repaid            |
|                     | April 24, 1998    | Lyon                  | 147             |                   |                     | Fully repaid            |
|                     | Sept. 12, 2000    | HIPC Initiative Exit  | 147             | 147               |                     | Fully repaid            |
| Ukraine             | July 13, 2001     | Classic               | 578             |                   |                     | Fully repaid            |
| Vietnam             | Dec. 14, 1993     | London                | 544             |                   |                     | Active                  |
| Yemen               | Sept. 24, 1996    | Naples                | 112             |                   |                     | Active                  |
|                     | Nov. 20, 1997     | Naples                | 1,444           |                   |                     | Active                  |
|                     | June 14, 2001     | Naples                |                 |                   |                     | Active                  |
| Zambia              | May 16, 1983      | Classic               | 380             |                   |                     | Fully repaid            |
|                     | July 20, 1984     | Classic               | 207             |                   |                     | Fully repaid            |
|                     | March 4, 1986     | Classic               | 547             |                   |                     | Fully repaid            |
|                     | July 12, 1990     | Toronto               | 963             |                   |                     | Fully repaid            |
|                     | July 23, 1992     | London                | 918             |                   |                     | Fully repaid            |
|                     | Feb. 28, 1996     | Naples                | 566             |                   |                     | Fully repaid            |
|                     | April 16, 1999    | Naples                | 1,062           |                   |                     | Active                  |
|                     | Sept. 13, 2002    | Cologne               |                 |                   |                     | Active                  |
|                     | May 11, 2005      | HIPC Initiative Exit  | 1,763           | 1,403             | 360                 | Active                  |



## French Debt and Development Platform – PFDD



The French Debt and Development Platform is formed by 29 French organisations and trade unions working for a comprehensive, fair and sustainable solution to the debt issue in developing countries.

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