

Compilation and Facilitators' Proposals: 13 November 2008

External debt

41. We welcome the progress that debt indicators of developing countries as a whole have shown since the adoption of the Monterrey Consensus. Debt relief under the Heavily Indebted Poor Countries Initiative, the Multilateral Debt Relief Initiative and the Evian treatment in the Paris Club, together with debtor countries' efforts and ongoing initiatives, such as the World Bank/International Monetary Fund (IMF) Debt Sustainability Framework, have contributed to achieving such progress. [JPN: Insert "The HIPC initiative is expected to provide a total of US\$71 billion to 41 eligible countries, while the MDRI is expected to provide an additional US\$33 billion."] Borrowing countries have also enhanced their debt management programmes and many have built reserves, thus reducing vulnerabilities.[G77: ~~"We welcome the progress that debt indicators of developing countries as a whole have shown since the adoption of the Monterrey Consensus. Debt relief under the Heavily Indebted Poor Countries Initiative, the Multilateral Debt Relief Initiative and the Evian treatment in the Paris Club, together with debtor countries' efforts and ongoing initiatives, such as the World Bank/International Monetary Fund (IMF) Debt Sustainability Framework, have contributed to achieving such progress. Borrowing countries have also enhanced their debt management programmes and many have built reserves, thus reducing vulnerabilities."~~] [EU: Insert "Debt relief initiatives have also helped beneficiary countries to mobilize much needed resources for poverty eradication. However, we underline that eligible countries will not be able to tap full benefits of debt relief unless all creditors contribute their full share according to the comparability of treatment principle. We therefore strongly reiterate the need for a full and effective participation of all low-income countries' creditors in debt relief mechanisms, in particular the HIPC initiative."] [CANZ: Insert "Debt relief initiatives also helped beneficiary countries mobilize much needed resources for poverty reduction, as part of wider efforts to mobilize financial resources for development. However we underline that eligible countries will not be able to enjoy the full benefits of debt relief unless all creditors contribute their full share in accordance with the comparability of treatment principle. We therefore strongly reiterate the need for full and effective participation of all low-income countries' creditors in debt relief mechanisms, in particular the HIPC initiative."] [JPN: Insert "These achievements have enabled heavily indebted countries to increase their expenditures on poverty reduction and other measures aimed at the achievement of the MDGs."] [US: Insert "Debt relief initiatives also helped beneficiary countries mobilize much needed resources for poverty reduction, as part of wider efforts to mobilize financial resources for development. However, we underline that eligible countries will not be able to enjoy the full benefits of debt relief unless all creditors contribute their full share in accordance with the comparability of treatment principle. We therefore strongly reiterate the need for full and effective participation of all low-income countries' creditors in debt relief mechanisms, in particular the HIPC initiative."]

[G77 proposed 41: "We note with concern that the total external debt of developing and transition economies continues to increase, while noting that some developing countries have made some progress in their external debt situations since the adoption of the Monterrey Consensus. Furthermore, we recognize that the current economic crisis in the developed world could reverse the current positive trend experienced by some developing countries."]

[G77 proposed 41bis: "Debt relief under the Heavily Indebted Poor Countries Initiative, the Multilateral Debt Relief Initiative and other ongoing initiatives, have contributed to reducing official external debts of some countries; however, data on the face value of debt relief gives a misleading impression on the actual change in the value of the external debt of developing countries. We stress the importance of continued flexibility with regard to the eligibility criteria for debt relief under HIPC and MDRI. We note with deep concern that debt relief continues to be financed from ODA despite the commitment in Monterrey that debt relief will be financed from additional resources. While borrowing countries have also enhanced their debt management programmes, and have built reserves, this has not led to reducing their vulnerabilities."]

[G77 proposed 41ter: "We therefore, reiterate the urgent need for the international community to adopt an effective, equitable, durable and development oriented solution to the debt problems of the developing countries, particularly LDCs, including through total debt cancellation without any discrimination or conditionalities, and support them with increased concessional financial flows."]

Facilitators' Proposal for Para 41 : Progress has been made in the debt indicators of developing countries as a whole since the adoption of the Monterrey Consensus though their total external debt has continued to rise. Debt relief under the Heavily Indebted Poor Countries Initiative (HIPC), the Multilateral Debt Relief Initiative (MDRI) and the Evian treatment in the Paris Club, together with debtor countries' efforts and ongoing initiatives, such as the World Bank/International Monetary Fund (IMF) Debt Sustainability Framework, have contributed to achieving such progress. The HIPC initiative is estimated to provide a total of US\$71 billion to 41 eligible countries, while the MDRI is expected to provide an additional US\$33 billion. Borrowing countries have also enhanced their debt management programmes and many have built reserves. Debt relief initiatives also helped beneficiary countries mobilize much needed resources for poverty reduction, as part of wider efforts to mobilize financial resources for development. We recognize that the current global financial crisis could reverse the current positive trend in debt indicators and improved debt sustainability experienced by some developing countries.

Facilitators' Proposal for Para 41bis: We stress the need for the international community to adopt a more effective, equitable, durable and development oriented solution to the debt problems of the developing countries, particularly LDCs. Existing debt relief initiatives should be revised, expanded and broadened, as appropriate, in order to encompass all developing countries that still continue to face obstacles to achieving debt sustainability. We stress the importance of continued flexibility with regard to the eligibility criteria for debt relief under HIPC and MDRI. We reiterate the call in Monterrey that debt relief should be financed from additional resources.

Facilitators' Proposal for Para 41ter : We underline that eligible countries for debt relief will not be able to enjoy its full benefits unless all creditors contribute their fair share, including by providing comparable treatment to the extent possible to debtor countries that have concluded sustainable debt relief agreements with creditors. All creditors, including public and private creditors, should become involved in the existing international debt resolution mechanisms to ensure the debt sustainability of low income countries.

Facilitators' Proposal for Para 41 quart: We recognize that current debt initiatives do not fully address the needs of Middle Income Countries and emphasize the importance of continued efforts towards durable solutions to the external debt problem of MICs by enhancing sustainability, debt relief, including debt swap mechanisms, and sustainable debt management of MICs.

42. We recognize that important challenges remain. Debt service [CANZ: **Insert “accounts for a significant portion of the national budgets”**] [US: **Insert “accounts for a significant portion of the fiscal budget”**] in a considerable number of low and middle-income countries is still too [EU: **“too”**] high [CANZ: **“is still too high”**]. [SWZ: **“Debt service in a considerable number of low and middle-income countries is still too high.”** **Insert “Debt levels in some low and middle-income countries remain unsustainable and debt service accounts for a significant portion of their fiscal budget”**] [JPN: **Insert “All creditors, including emerging donors and private creditors, should become involved in the existing international debt resolution mechanisms to ensure the debt sustainability of low income countries”**][EU: **Insert “We note the efforts made by Tthe..”**][US:**“is still too high”**] The existing international debt resolution mechanisms, including the Paris Club, cannot [EU: **“cannot”** **Insert “in order to”**] guarantee equivalent treatment of all creditors and just treatment of creditors and debtors, hindering [EU: **“hindering”**]. **Insert “and”** the establishment of predictable debt resolution procedures [SWZ: **“cannot guarantee equivalent treatment of all creditors and just treatment of creditors and debtors, hindering the establishment of predictable debt resolution procedures”** **Insert “are still not inclusive”**]. [CANZ: **“The existing international debt resolution mechanisms, including the Paris Club, cannot guarantee equivalent treatment of all creditors and just treatment of creditors and**

debtors, hindering the establishment of predictable debt resolution procedures.”] [JPN: “~~The existing international debt resolution mechanisms, including the Paris Club, cannot guarantee equivalent treatment of all creditors and just treatment of creditors and debtors, hindering the establishment of predictable debt resolution procedures.~~”] [US: “~~The existing international debt resolution mechanisms, including the Paris Club, cannot guarantee equivalent treatment of all creditors and just treatment of creditors and debtors, hindering the establishment of predictable debt resolution procedures.~~”] There is [CANZ: “~~There is~~” Insert “A number of low and middle income countries still face large debt service obligations and there continues to be a”] concern [EU: “~~There is concern~~” Insert “We are deeply concerned”] about increasing vulture fund litigation. [EU: Insert “In this respect, we welcome recent steps taken to prevent aggressive litigation against HIPC eligible countries, including through the enhancement of debt buy back mechanisms and the provision of legal support, by the BWIs and the MDBs. Creditors should not sell claims on HIPC to creditors that do not participate adequately to the debt relief efforts.”] [CANZ: Insert “In this respect, we welcome recent steps taken to prevent aggressive litigation against HIPC eligible countries, including through the enhancement of debt buy-back mechanisms by the Bretton Woods Institutions and the Paris Club, and strengthened assistance by the multilateral development banks. We call on sovereign creditors to not sell claims on HIPC to creditors that might not be willing to implement the HIPC initiative”] [US: Insert “In this respect, we welcome recent steps taken to prevent aggressive litigation against HIPC eligible countries, including through the enhancement of debt buy back mechanisms by the Bretton Woods Institutions and strengthened assistance by the Multilateral Development Banks. We are clear that sovereign creditors should not sell claims on HIPC to creditors that might not be willing to implement the HIPC initiative.”] [SWZ: Insert “In this respect, we welcome the recent steps taken to prevent aggressive litigation against HIPC eligible countries, including through the enhancement of debt buy back mechanisms by the Bretton Woods Institutions and strengthened assistance by the Multilateral Development Banks. Sovereign creditors should not sell claims on HIPC to creditors that might not be willing to implement the HIPC initiative.”] In addressing these situations, we need to enhance the [SWZ: Insert “existing”] international financial mechanisms for debt crisis prevention and resolution by finding internationally agreed solutions [CANZ: “~~enhance the international financial mechanisms for debt crisis prevention and resolution by finding internationally agreed solutions~~”. Insert “continue to work to prevent debt crises and to use established mechanisms to provide assistance to countries that do face unsustainable debts”] [US: “~~enhance the international financial mechanisms for debt crisis prevention and resolution by finding internationally agreed solutions~~”. Insert “continue to work to prevent debt crises and to use established mechanisms to provide assistance to countries that do face unsustainable debts”] [SWZ: Insert “in close cooperation with the private sector”]. These mechanisms need to be underpinned by principles that have served us well in dealing effectively with many debt problems. These include the need to ensure that debt resolution is a joint responsibility of all debtors and creditors [EU: Insert “both state and commercial”]; to recognize that furthering development [CANZ: “~~furthering development~~” Insert “restoring debt sustainability”] [US: “~~furthering development~~” Insert “restoring debt sustainability”] is the ultimate [CANZ: “ultimate” Insert “main”] [US: “ultimate” Insert “main”] objective of debt resolution and that debt relief should not detract from ODA [EU: “~~and that debt relief should not detract from ODA~~”] [CANZ: “~~and that debt relief should not detract from ODA~~”] [US: “~~and that debt relief should not detract from ODA~~”]; to strengthen transparency and accountability among all parties; to promote responsible [EU: Insert “borrowing and”] [SWZ: Insert “borrowing and”] lending [CANZ: Insert “and borrowing”] [US: Insert “and borrowing”] practices, [EU: Insert “by inter alia adhering to international guidelines such as the Debt Sustainability Framework, of the BWIs and respecting the minimal concessionality requirements established in the debt sustainability analysis and reflected in the Guidelines agreed by the OECD Export Credit Group “Principles and Guidelines to promote Sustainable Lending practices in the provision of Official Export Credits to low income countries,”] [NOR: Insert “including learning from the past by looking at the legitimacy of existing claims based on how the loans were given and in which gender perspectives are taken into account”] improved [NOR: “improved” Insert “;to improve”] debt management and national ownership of policies; and to facilitate equivalent treatment of all creditors [SWZ: “~~and to~~”]

~~facilitate equivalent treatment of all creditors” Insert “and to uphold the comparability of treatment principle in dealing with creditors.”]. [G77: “We recognize that important challenges remain. Debt service in a considerable number of low and middle income countries is still too high. The existing international debt resolution mechanisms, including the Paris Club, cannot guarantee equivalent treatment of all creditors and just treatment of creditors and debtors, hindering the establishment of predictable debt resolution procedures. There is concern about increasing vulture fund litigation. In addressing these situations, we need to enhance the international financial mechanisms for debt crisis prevention and resolution by finding internationally agreed solutions. These mechanisms need to be underpinned by principles that have served us well in dealing effectively with many debt problems. These include the need to ensure that debt resolution is a joint responsibility of all debtors and creditors; to recognize that furthering development is the ultimate objective of debt resolution and that debt relief should not detract from ODA; to strengthen transparency and accountability among all parties; to promote responsible lending practices, improved debt management and national ownership of policies; and to facilitate equivalent treatment of all creditors.”]~~

[G77 proposed 42: “We recognize that important challenges remain. Debt service in a considerable number of low and middle-income countries is still too high. The existing international debt resolution mechanisms, including the Paris Club, remain donor driven and do not have predictable debt resolution procedures. Further, these mechanisms suffer from conflict of interest between creditors and arbitrators. There is also concern about increasing vulture fund litigation. In addressing these situations, we need to enhance the international financial mechanisms for debt crisis prevention and resolution by finding internationally agreed solutions. These mechanisms need to ensure that debt resolution is a joint responsibility of all debtors and creditors; to recognize that furthering development is the ultimate objective of debt resolution and that debt relief should not detract from ODA; to strengthen transparency and accountability among all parties; to promote responsible lending practices, improved debt management and national ownership of policies; and to facilitate equivalent treatment of all creditors.”]

Facilitators’ Proposal for Para 42: We recognize that important challenges remain. Debt service accounts for a significant portion of the fiscal budget and is still unsustainable in a considerable number of low and middle-income countries. The existing international debt resolution mechanisms are largely donor driven and do not have predictable debt resolution procedures. More efforts are needed by existing international debt resolution mechanisms, to guarantee equivalent treatment of all creditors and just treatment of creditors and debtors, including the establishment of predictable debt resolution procedures and learning from the past by looking at the legitimacy of existing claims based on how the loans were given. In addressing these situations we need to enhance the international financial mechanisms for debt crisis prevention and resolution by finding internationally agreed solutions. We are deeply concerned about increasing vulture fund litigation. In this respect, we welcome recent steps taken to prevent aggressive litigation against HIPC eligible countries, including through the enhancement of debt buy back mechanisms and the provision of legal support by the BWIs and the MDBs. We call on creditors not to sell claims on HIPC to creditors that do not participate adequately in the debt relief efforts.

Facilitators’ Proposal for Para 42 bis: We will continue to work to prevent debt crises by enhancing international financial mechanisms for crisis prevention and resolution in close cooperation with the private sector. These mechanisms need to be underpinned by principles that have served us well in dealing effectively with many debt problems. These include the need to ensure that debt resolution is a joint responsibility of all debtors and creditors, both state and commercial, to recognize that furthering development and restoring debt sustainability are the main objectives of debt resolution; to strengthen transparency and accountability among all parties; to promote responsible borrowing and lending practices by, inter alia, adhering to international guidelines

such as the Debt sustainability Framework of the BWIs and respecting the minimal concessionality requirements established in the debt sustainability analysis; to improve debt management and national ownership of policies; and to facilitate equivalent treatment of all creditors.

43. [CANZ: Insert “We recognize that a shift has occurred from official to commercial borrowing and from external to domestic public debt, and that this is creating new vulnerabilities as well as opportunities. We note the need to improve data collection and analysis to better understand, address and/or harness the opportunities generated by these changes.”] [US: Insert “We recognize that a shift has occurred from official to commercial borrowing and from external to domestic public debt and this is creating new vulnerabilities as well as opportunities. We note the need to engage with these changes, including through improved data collection and analysis.”] The number of [US: Insert “official and private”] creditors to developing countries and countries with economies in transition has grown, in the light of an increase in new official and private creditors [CANZ: Insert “,creating new opportunities for growth and development.”] [US: ~~“in the light of an increase in new official and private creditors”~~]. [G77: ~~“The number of creditors to developing countries and countries with economies in transition has grown, in the light of an increase in new official and private creditors.”~~] We will seek to enlarge [CANZ: “enlarge” Insert “enhance”] [US: “enlarge” Insert “enhance”] [SWZ: “enlarge” Insert “enhance”] creditor coordination to reduce risks of debt overhang in borrowing countries and to improve interaction among all relevant actors during debt renegotiations. In those renegotiations, we agree that [JPN: ~~“we agree that”~~] all relevant actors will pay special attention [G77: ~~“We will seek to enlarge creditor coordination to reduce risks of debt overhang in borrowing countries and to improve interaction among all relevant actors during debt renegotiations. In those renegotiations, we agree that all relevant actors will pay special attention”~~] Insert “We emphasize that during debt renegotiations, there should be full involvement of debtors and that special attention will be paid”] to the need to respect debtors’ [EU: Insert “national policies and strategies.”] policy space, in particular the room [JPN: ~~“to respect debtors’ policy space, in particular the room”~~] Insert “of debtors”] for investments in infrastructure, and [CANZ: ~~“all relevant actors will pay special attention to the need to respect debtors’ policy space, in particular the room for investments in infrastructure, and”~~] Insert “official creditors should support”] [US: ~~“all relevant actors will pay special attention to the need to respect debtors’ policy space, in particular the room for investments in infrastructure, and”~~] Insert “official creditors should support”] measures linked to attaining the internationally agreed development goals, including the Millennium Development Goals [EU: ~~“policy space, in particular the room for investments in infrastructure, and measures linked to attaining the internationally agreed development goals, including the Millennium Development Goals.”~~]. [G77: Insert “We are convinced that enhanced market access for goods and services of export interest to developing countries contributes significantly to debt sustainability in developing countries.”] [JPN: Insert “At the same time, all creditors should follow the framework made in OECD or Paris Club regarding responsible and cooperative lending, and debt treatment respectively.”] [NOR: Insert “and other projects targeted at development including the advancement of women.”]

Facilitators’ Proposal for Para 43: We recognize that a shift has occurred from official to commercial borrowing and from external to domestic public debt and this is creating new vulnerabilities as well as opportunities, though for most low-income countries external finance is still largely official. We note the need to engage with these changes, including through improved data collection and analysis. Since the number of creditors to developing countries and countries with economies in transition has grown considerably, we will seek to enhance creditor coordination to reduce risks of debt overhang in borrowing countries and to improve interaction among all relevant actors during debt renegotiations. In those renegotiations, we recognize the need for full involvement of debtors and the importance to respect debtors’ national policies and strategies, in particular investment in infrastructure and measures linked to attaining the internationally agreed development

goals, including the Millennium Development Goals. We recognize that enhanced market access for goods and services of export interest to debtor countries is an important factor in enhancing debt sustainability.

44. Technical assistance to address [EU: “**address**” Insert “**manage**”] debt problems can be crucial for many countries, in particular those facing acute structural problems, those seriously affected by climate change and those emerging from conflict. In spite of existing debt relief initiatives, many developing countries still [CANZ: “~~still~~”] [US: “~~still~~”] continue to face obstacles to achieving [SWZ: Insert “**and maintaining**”] debt sustainability and may require special assistance [CANZ: “~~and may require special assistance~~”] [JPN “~~special assistance~~” Insert “**further collaboration with donor countries**”] [US: “~~and may require special assistance~~”]. [EU: Insert “**Preserving long-term debt sustainability is a shared objective of lenders and borrowers. We welcome the IMF and World Bank Debt sustainability framework as a major landmark for assessing and monitoring debt sustainability and encourage its widespread use by all creditors.**”] [CANZ: Insert “**Preserving long-term debt sustainability is a shared responsibility of lenders and borrowers. We welcome the IMF and World Bank Debt sustainability framework as a major landmark for assessing and monitoring debt sustainability and encourage its widespread use by all creditors.**”] [US: Insert “**Preserving long-term debt sustainability is a shared responsibility of lenders and borrowers. We welcome the IMF and World Bank Debt Sustainability Framework as a major landmark for assessing and monitoring debt sustainability and encourage its widespread use by all creditors.**”] We underline that [EU: “~~We underline that~~” Insert “**Borrowers should strive to implement**”] [CANZ: “~~We underline that~~” Insert “**Borrowers should strive to implement**”] [US: “~~We underline that~~” Insert “**Borrowers should strive to implement**”] sound macroeconomic policies and public resource management [CANZ: Insert “**which**”] are key elements in reducing national vulnerabilities. We will redouble efforts [CANZ: “~~redouble efforts~~” Insert “**continue**”] [US: “~~redouble efforts~~” Insert “**continue**”] to provide them [CANZ: “~~them~~” Insert “**developing countries**”] [US: “~~them~~” Insert “**developing countries**”] with the needed [CANZ: “~~needed~~” Insert “**necessary**”] [US: “~~needed~~” Insert “**necessary**”] technical help, including specific legal training to help countries faced with external debt litigation [CANZ: “~~including specific legal training to help countries faced with external debt litigation~~” Insert “**to manage sovereign debts effectively**”] [US: “~~including specific legal training to help countries faced with external debt litigation~~” Insert “**to manage sovereign debts effectively**”]. The Bretton Woods institutions and UNCTAD [CANZ: “~~UNCTAD~~” Insert “**others**”] [JPN: “~~UNCTAD~~” Insert “**and other relevant organizations**”] [US: “~~UNCTAD~~” Insert “**others**”] should continue to play a major and increasing [JPN: “~~and increasing~~”] [SWZ: “~~a major and increasing~~” Insert “**an important**”] role in this field [IMF: Insert “**as appropriate in their respective mandates**”]. Particular attention should be paid to keeping the debt sustainability frameworks under review to enhance the effectiveness of monitoring and analysing debt sustainability. Increased transparency and information-sharing are needed in the choice of debt service scenarios and construction of debt indicators, including sufficient consideration of the domestic public and private debt situation and achieving development goals. [EU: Insert “**In this regard, we call on all creditor and debtor countries to provide reliable and up-to-date information on debt stocks and new loans to low income countries.**”] [CANZ: Insert “**In this regard, we call on all creditor and debtor countries to provide transparent, reliable and up-to-date information on debt stocks and on new loans to low income countries, building on existing practices and standards.**”] [US: Insert “**In this regard, we call on all creditor and debtor countries to provide transparent, reliable and up-to-date information on debt stocks and on new loans to low income countries, building on existing practices and standards, such as those of the Paris Club.**”] Also, for these countries, bilateral donors and multilateral financial institutions should seek to increasingly provide grants and concessional loans as the preferred instruments to ensure debt sustainability. [G77: “~~Technical assistance to address debt problems can be crucial for many countries, in particular those facing acute structural problems, those seriously affected by climate change and those emerging from conflict. In spite of existing debt relief initiatives, many developing countries still continue to face obstacles to achieving debt sustainability and may require special assistance. We underline that sound macroeconomic policies and public resource management are key elements in reducing national~~”]

~~vulnerabilities. We will redouble efforts to provide them with the needed technical help, including specific legal training to help countries faced with external debt litigation. The Bretton Woods institutions and UNCTAD should continue to play a major and increasing role in this field. Particular attention should be paid to keeping the debt sustainability frameworks under review to enhance the effectiveness of monitoring and analysing debt sustainability. Increased transparency and information sharing are needed in the choice of debt service scenarios and construction of debt indicators, including sufficient consideration of the domestic public and private debt situation and achieving development goals. Also, for these countries, bilateral donors and multilateral financial institutions should seek to increasingly provide grants and concessional loans as the preferred instruments to ensure debt sustainability.”]~~

[G77 proposed 44: “We stress that existing debt relief initiatives should be revised, expanded and broadened, in order to encompass all developing countries that still continue to face obstacles to achieving debt sustainability. We will support new debt relief initiatives, that take into account the specific circumstances of developing countries, without conditionalities. We stress the need to utilize transparent and objective criteria to construct debt indicators, taking into account the development needs of the debtor country. Debt sustainability frameworks must also give greater weightage to the benefits from expenditures and investment that have long term social and economic returns, like infrastructure development, social sector spending, etc. Particular attention should be paid to keeping the debt sustainability frameworks under review to enhance the effectiveness of monitoring and analyzing debt sustainability. We also stress the importance of national ownership of debt management strategies. Also, for countries under debt relief programs, bilateral donors and multilateral financial institutions should seek to increasingly provide grants and concessional loans as the preferred instruments to ensure debt sustainability.”]

[G77 proposed 44bis: “We reaffirm the importance of adequate capacities of debtor countries during debt negotiations, debt re-negotiations, and for debt management. In this regard, we agree to enhance technical assistance to developing countries upon request, including specialized legal training in cases of external debt litigation.”]

[G77 proposed 44ter: “We recognize that current debt initiatives do not adequately address the needs of Middle Income Countries and emphasize the importance of continued efforts towards durable solutions to the external debt problem of MICs by enhancing sustainability, debt relief, including debt swap mechanisms, and sustainable debt management of MICs. We urge the international financial institutions to continue to provide technical assistance and support for MICs in working towards building national capacities for debt management.”]

[G77 proposed 44quat: “We welcome the efforts of and calls upon the international community to provide flexibility, and stresses the need to continue those efforts in helping post-conflict developing countries, especially those that are heavily indebted and poor, to achieve initial reconstruction for economic and social development;”]

[G77 proposed 44quint: “We recognize that the current economic crises carry the serious possibility of undoing years of hard work and economic gains made by the low income developing countries. The situation clearly demands bolder and more encompassing initiatives to solve the external debt problems of the low income developing countries in an effective, equitable and development oriented manner. We need to particularly focus on considering debt scenarios in the face of exogenous shocks.”]

Facilitators’ Proposal for Para 44: Technical assistance to manage debt and address debt problems can be crucial for many countries, in particular those facing acute structural problems, those seriously affected by

climate change and those emerging from conflict. In spite of existing debt relief initiatives, many developing countries continue to face obstacles to achieving and maintaining debt sustainability and may require special assistance through further collaboration with donor countries. Preserving long-term debt sustainability is a shared responsibility of lenders and borrowers. We note the IMF and World Bank work on the debt sustainability framework and we encourage its widespread use. We stress the need to utilize transparent and objective criteria to construct debt indicators. Borrowers should strive to implement sound macroeconomic policies and public resource management which are key elements in reducing national vulnerabilities. We will continue to provide developing countries with the necessary assistance to enhance debt management, negotiations and re-negotiation capacities, including tackling external debt litigation. The Bretton Woods institutions and other relevant organizations should continue to play an important role in this field, as appropriate given their respective mandates.

Facilitators' Proposal for Para 44bis: Particular attention should be paid to keeping the debt sustainability frameworks under review to enhance the effectiveness of monitoring and analysing debt sustainability and consider debt scenarios in the face of large exogenous shocks. Increased transparency and information-sharing are needed in the choice of debt service scenarios and construction of debt indicators, including sufficient consideration of the domestic public and private debt situation and achieving development goals. Debt sustainability frameworks should also give greater weight to the benefits from expenditures and investment that have long term social and economic returns. In this regard, we call on all creditor and debtor countries to provide transparent, reliable and up-to-date information on debt stocks and on new loans to low income countries, building on existing practices and standards. Also, for the latter countries, bilateral donors and multilateral financial institutions should seek to increasingly provide grants and concessional loans as the preferred instruments to ensure debt sustainability.

45. We recognize that a shift has occurred [**JPN: “has occurred”**] from official to commercial borrowing and from external to domestic public debt, and [**SWZ: “,and” Insert “.”**] that this [**SWZ: “that this” Insert “This”**] is [**JPN: “,and that this is” Insert “,as well as increased lending by new official creditors, are”**] creating new vulnerabilities [**EU: Insert “and challenges for debt management”**] [**SWZ: Insert “and opportunities”**] [**IMF: suggested refining language to reflect that, for most low-income countries, external finance is still largely official**][**Tanzania: agrees with preceding comment by IMF**]. We note the need to address this situation, including by improved data collection and analysis. [**CANZ: “We recognize that a shift has occurred from official to commercial borrowing and from external to domestic public debt, and that this is creating new vulnerabilities. We note the need to address this situation, including by improved data collection and analysis.”**]

Facilitators' Proposal for Para 45: *Moved to paragraphs 43 and 44.*

46. We acknowledge the need to address all relevant issues regarding external debt problems, including through [**G77: insert “a”**] new ad hoc forums [**G77: “ad hoc forums” Insert “forum under the United Nations”**] [**SWZ: “including through new ad hoc forums”**] with technical support from the Bretton Woods institutions and the United Nations [**G77: “and the United Nations”**], to consider, inter alia, a [**SWZ: “a” Insert “an enhanced”**] sovereign debt work-out mechanism, [**NOR: Insert “including assessing the legitimacy of debt,”**] enhancing the transparency and accountability of procedures of existing mechanisms [**SWZ: “enhancing the transparency and accountability of procedures of existing mechanisms”**] Insert “based on existing frameworks”, and the possibility of crafting more [**SWZ: “more”**] permanent debt mediation or arbitration mechanisms. [**EU: “We acknowledge the need to address all relevant issues regarding external debt**

~~problems, including through new ad hoc forums with technical support from the Bretton Woods institutions and the United Nations, to consider, inter alia, a sovereign debt work-out mechanism, enhancing the transparency and accountability of procedures of existing mechanisms, and the possibility of crafting more permanent debt mediation or arbitration mechanisms.”] [CANZ: “We acknowledge the need to address all relevant issues regarding external debt problems, including through new ad hoc forums with technical support from the Bretton Woods institutions and the United Nations, to consider, inter alia, a sovereign debt work-out mechanism, enhancing the transparency and accountability of procedures of existing mechanisms, and the possibility of crafting more permanent debt mediation or arbitration mechanisms.”] [JPN: “We acknowledge the need to address all relevant issues regarding external debt problems, including through new ad hoc forums with technical support from the Bretton Woods institutions and the United Nations, to consider, inter alia, a sovereign debt work-out mechanism, enhancing the transparency and accountability of procedures of existing mechanisms, and the possibility of crafting more permanent debt mediation or arbitration mechanisms.”] [US: “We acknowledge the need to address all relevant issues regarding external debt problems, including through new ad hoc forums with technical support from the Bretton Woods institutions and the United Nations, to consider, inter alia, a sovereign debt work-out mechanism, enhancing the transparency and accountability of procedures of existing mechanisms, and the possibility of crafting more permanent debt mediation or arbitration mechanisms.”] [IMF: “We acknowledge the need to address all relevant issues regarding external debt problems, including through new ad hoc forums with technical support from the Bretton Woods institutions and the United Nations, to consider, inter alia, a sovereign debt work-out mechanism, enhancing the transparency and accountability of procedures of existing mechanisms, and the possibility of crafting more permanent debt mediation or arbitration mechanisms.”]~~

Facilitators’ Proposal for Para 46: We acknowledge the need to address all relevant issues regarding external debt problems, including through the United Nations and considering new ad hoc forums with technical support from the Bretton Woods institutions to explore, inter alia, sovereign debt work-out mechanisms, improving the transparency of existing frameworks and the possibility of crafting permanent debt mediation or arbitration procedures.