

(In confidence before release to Secretariat)

**DRAFT DOHA OUTCOME DOCUMENT -
External Debt**

PROPOSED TEXT AMENDMENTS BY CANZ (CANADA, AUSTRALIA & NEW ZEALAND)

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 HIPC and MDRI initiatives and the Evian treatment in the Paris Club, together with debtor countries' efforts and ongoing initiatives such as the World Bank/IMF's 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. **[ADD 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].**
42. We recognize that important challenges remain. Debt service **[ADD: ACCOUNTS FOR A SIGNIFICANT PORTION OF THE NATIONAL BUDGETS]** in a considerable number of low and middle-income countries **[DELETE: 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.]** **[ADD: A NUMBER OF LOW AND MIDDLE INCOME COUNTRIES STILL FACE LARGE DEBT SERVICE OBLIGATIONS AND THERE CONTINUES TO BE A]** **[DELETE: There is]** concern about increasing vulture fund litigation. **[ADD: 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'S TO CREDITORS THAT MIGHT NOT BE WILLING TO IMPLEMENT THE HIPC INITIATIVE].** In addressing these situations, we need to **[DELETE: enhance the international financial**

~~mechanisms for debt crisis prevention and resolution by finding internationally agreed solutions~~[ADD: CONTINUE TO WORK TO PREVENT DEBT CRISES AND TO USE ESTABLISHED MECHANISMS TO PROVIDE ASSISTANCE TO COUNTRIES THAT DO FACE UNSUSTAINABLE DEBTS]. 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 [ADD: RESTORING DEBT SUSTAINABILITY] is the [DELETE: ultimate] [ADD: MAIN] objective of debt resolution [DELETE: and that debt relief should be additional to other forms of not detract from ODA]; to strengthen transparency and accountability among all parties; to promote responsible lending [ADD: AND BORROWING] practices, improved debt management and national ownership of policies; and to facilitate equivalent treatment of all creditors.

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 [ADD: AS WELL AS OPPORTUNITIES]. We note the need to [DELETE: address this situation, including through by improved] [ADD: to improve] data collection and analysis [ADD: to better understand, address and/or harness the opportunities generated by these changes]. The number of creditors to developing countries and countries with economies in transition has grown, in light of an increase in new official and private creditors, creating new opportunities for growth and development. We will seek to [DELETE: enlarge] [ADD: 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 [DELETE: all relevant actors will pay special attention to the need to respect debtors' policy space; in particular the room for investments in infrastructure and] [ADD: OFFICIAL CREDITORS SHOULD SUPPORT] measures linked to attaining the Internationally Agreed Development Goals, including the Millennium Development Goals.
44. 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 [DELETE: still] continue to face obstacles to achieving debt sustainability [DELETE: and might require special assistance] [ADD: 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. Borrowers should strive to implement] sound macro-economic policies and public resource management which are key elements in reducing national vulnerabilities. We will [DELETE: redouble efforts] [ADD:

CONTINUE] to provide ~~[DELETE: them]~~ **[ADD: DEVELOPING COUNTRIES]** with the ~~[DELETE: needed]~~ **[ADD: necessary]** technical help ~~[DELETE: including specific legal training to help countries faced with external litigation]~~ **[ADD: to manage sovereign debts effectively]**. The Bretton Woods Institutions and ~~[DELETE: UNCTAD]~~ **[ADD: OTHERS]** 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 analyzing 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. **[ADD: 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 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.

45. ~~[DELETE: 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. We note the need to address this situation, including by improved data collection and analysis].~~
46. ~~[DELETE: We acknowledge the need to address all relevant issues regarding external debt problems, including through new ad hoc forums with technical support from BWIs 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].~~