More than 40 lending and borrowing countries, 7 international institutions and around 20 high level representatives from the civil society and private financial institutions participated on May 7th 2019 in the Paris Forum High Level Conference to discuss ways to ensure a sound and sustainable financing for development.

Rising debt vulnerabilities worldwide, and notably in developing countries, is a growing source of concern for the international community. Many developing countries have huge financing needs, especially for their infrastructure projects. A real challenge is to ensure that this financing is done in good conditions.

The Paris Forum High Level Conference aimed at building a common understanding on debt vulnerabilities and delivering recommendations for sound and sustainable financing of development. It will feed into the ongoing G20, IMF and World Bank agenda on debt vulnerabilities.

Participants agreed that greater transparency and more sustainable financing practices by both debtors and creditors, public and private, are needed. They supported the continued implementation of the joint IMF-World Bank multi-pronged approach to work with borrowers and creditors to improve the recording, monitoring, and transparent reporting of public and private debt obligations. They underlined the need to continue to enhance resilience, including through structural reforms, domestic resources mobilization, and improvement in fiscal frameworks, public financial management and debt management. They stressed the importance of helping developing countries to build domestic capacities and the role of technical assistance. Regarding creditors, they welcomed the ongoing self-assessment by G20 members of the implementation of the G20 Operational Guidelines for Sustainable Financing and, on the side of private creditors, the expected finalization in the coming weeks of the Principles for Debt Transparency being developed by the Institute for International Finance.

Participants also stressed the need to strengthen further creditors’ coordination, both official and private, to reduce costs involved by debt restructurings. They underlined the key role of the Paris Club and supported its ongoing work towards the broader inclusion of emerging creditors.
As for infrastructure investments, participants underlined the need to invest in quality infrastructure. They agreed on the need to devise common standards with regards to technical, financial, social and environmental requirements for infrastructure projects, including with the view to enable fair competition between international companies. Participants underlined also the need to have a rigorous assessment of financial risks related to off balance sheet and contingent liabilities (commitments taken by state owned companies, public private partnerships, collateralized sovereign debt, etc.). They welcomed the ongoing work by the G20 on the definition of a set of Principles for Quality Infrastructure Investment and looked forward to their finalization and adoption by the G20 in June.

With regards to global financial conditions, participants underlined the importance for advanced countries as well as emerging and developing countries to adopt appropriate policies and mitigate risks related to capital flow volatility. As debt build up increases the likelihood of financial tensions, participants recommended to take the benefit of slower than expected monetary policy normalization to build up additional buffers, notably through structural reforms aiming at increasing fiscal space and foreign exchange reserves. In countries where vulnerabilities are relatively low, participants acknowledged that issuing more debt can be appropriate, depending on specific circumstances, provided that it is used to fund productive investments. Finally, participants called for paying due attention to spillovers caused by policy decisions taken in advanced economies for debt sustainability in developing countries.

Participants expressed their strong willingness to follow up on those discussions in fora working on sovereign debt issues, in particular the G20, IMF and World Bank.