

## **UNCTAD: Remarks on the “Evian Approach”**

1. I would like to thank the organisers of this conference for their kind invitation, and Mr Herman for his introduction. Although the earlier agenda listed this slot as one for a “Representative of the G7”, I would like to make clear that I speak solely for the United Kingdom.

### **Context of “Evian”**

2. I would like to start by making three observations about the context of the “Evian Approach”. First, I think there has been a growing divergence between the Paris Club practices and developments in financial markets. The growth of the private sector in the provision of finance to developing countries, in particular through the bond markets, poses challenges to the way the Paris Club goes about its business.
3. Second, we have seen advances in the methodological tools available to us. The IMF and World Bank have done considerable work on Debt Sustainability Analyses, and work continues to refine the methodology. The UK is fully supportive of this work and believes it enables official creditors to tackle debt sustainability concerns in a more systematic way.
4. Third, I believe the “Evian Approach” should be viewed as one element of the broader crisis resolution agenda alongside: the growth of collective action clauses; a possible Code of Conduct for issuers and lenders; and the work programme being pursued by the IMF following the lack of consensus over a possible Sovereign Debt Restructuring Mechanism.

### **The UK’s view of what “Evian” means**

5. Moving from the context, I would just like to touch on what the UK wants out of reform and what we think “Evian” means. The overriding aims of reforms to sovereign debt restructuring processes should be:
  - i. To facilitate comprehensive restructurings that result in debt sustainability;
  - ii. To ensure restructuring minimises intra-creditor and debtor-creditor coordination problems; and

- iii. To ensure we have a more predictable system and so increases the efficiency of sovereign debt restructurings.
6. So how does “Evian” relate to our objectives? **Sustainability** is at the heart of “Evian”. It’s about taking a long-term perspective to deal comprehensively with a problem, rather than standardised reactions to immediate financing problems. The concept of **phased** treatments reinforces this long-term approach.
7. “Evian” is also about **flexibility** within the Paris Club. The approach argues that we should tailor Paris Club debt treatments to the specific financial situation faced by the debtor. This new flexibility and the commitment to better consultations with the private sector hold out the promise of better coordination between all parties.
8. I believe the “Evian Approach” requires the Paris Club to be more **systematic** in how we address long-term debt sustainability problems. Moving away from standard terms may reduce the predictability of terms, but “Evian” ensures our objective of sustainability is predictable.

### **The UK’s view of the key challenges**

9. Of the key challenges the UK expects as we implement “Evian”, I’d like to highlight three. First, the Paris Club needs to use Debt Sustainability Analyses to inform decision-making. This is as much art as science. We need to build on the DSA’s assessment of debt dynamics in such a way that we can come to a reasonable estimate of levels of debt sustainability for individual countries. The methodology of how we go about this is still under development but, even though our final objective is clear, I have no doubt it will be difficult and contentious.
10. Second, coordination with the private sector. The Paris Club agrees that better coordination is needed but we are still trying to identify practical options for modalities. There are a number of concerns including ensuring that consultation adds value, that the interested parties are able to have their voices heard, and that, if appropriate, confidentiality can be respected. I do not think there is an obvious solution so we need to think this through carefully.

11. Third, and linked to the two issues I've just mentioned, is transparency. "Evian" clarifies the Paris Club's objective – debt sustainability. But stakeholders need to have confidence that the Paris Club will act reasonably and consistently in pursuit of that objective. While issues of confidentiality will arise at various junctures, the UK believes that there should be a presumption in favour of transparency wherever possible.

## Conclusion

12. So, in conclusion, I would like to finish by repeating that the UK strongly welcomes the "Evian Approach". We believe "Evian" enables the Paris Club to put **debt sustainability** at the heart of its deliberations. It is a **flexible** approach that allows treatments to be tailored to financial need. And it increases predictability by encouraging creditors to be **systematic** in addressing debt sustainability issues.
13. Thank you for your patience and kind attention.