

# Enhancing developing countries' debt sustainability

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The Committee on Development adopted the own-initiative report by Charles GOERENS (ALDE, LU) on enhancing developing countries' debt sustainability.

The report noted that addressing the sovereign debt problems of developing countries is an important element in international cooperation and can contribute to achieving the Sustainable Development Goals (SDGs) in developing countries.

According to the IMF, the median level of debt in sub-Saharan Africa rose sharply, from 34 % of GDP in 2013 to 48 % in 2017. Several countries, including Ethiopia, Ghana and Zambia, have debt levels at or above 50 % of GDP. This constitutes a significant debt burden, when one considers the low tax base in most African countries.

Although debt relief has provided low-income countries with new opportunities, it must be noted that it is a **one-off intervention** to restore debt sustainability which does not address the root causes of unsustainable debt accumulation. Challenges such as corruption, weak institutions and vulnerability to external shocks must be addressed as a priority.

The report stressed that responsible and predictable credit facilities are an essential means of ensuring a dignified future for developing countries. It underlined, conversely, that sustainable debt is a precondition for achieving Agenda 2030.

The report called on the EU and its Member States to actively combat tax havens, tax avoidance and illicit financial flows, which merely increase the debt burden of developing countries, to cooperate with developing countries in order to combat aggressive tax avoidance, and to seek ways to help developing countries withstand pressures to engage in tax competition, which would damage the mobilisation of domestic revenue for development. It called for legislation to be drawn up to **prevent the granting of loans to manifestly corrupt governments** and to sanction any creditors that knowingly give them loans.

Moreover, a review of the European Fund for Sustainable Development (EFSD) is called for to include **clear criteria** on debt sustainability.

Members called on the Member States and other relevant creditor countries to provide **more financing for SDG investments** and to keep their long-standing promise to provide 0.7% of their GNI as official development assistance.

Stressing that transparency and accountability are essential to supporting responsible sovereign lending and borrowing, Members called on the Member States to build on commitments made in the Addis Ababa Action Agenda and the G20 Operational Guidelines on Sustainable Financing to make lenders more responsible for their loans, on the basis of the existing principles of transparency and accountability that prevail in the extractive industries.

Member States are called on to act on the mandate adopted in UN General Assembly Resolution 69/319 of 10 September 2015 in order to:

- create **early warning mechanisms** based on reporting of a broader deterioration in debt sustainability;
- allow, in coordination with the International Monetary Fund, the establishment of a **multilateral legal framework** for the orderly and predictable restructuring of the sovereign debts of states in order to prevent them from becoming unsustainable and to achieve greater predictability for investors;
- ensure that the EU supports developing countries in the fight against corruption, criminal activities, tax avoidance and money laundering.

Lastly, the report called on the Member States to adopt, on the Commission's initiative, a regulation based on the Belgian law on combating vulture fund debt speculation. It also called on institutional and private creditors to agree to a **debt moratorium** in the aftermath of a natural disaster or acute humanitarian crisis, including the occasional arrival of large numbers of immigrants, in order to enable a debtor country to devote all its resources to securing a return to normality.