Procedure file

Basic information

INI - Own-initiative procedure 2016/2241(INI)	Procedure completed
Enhancing developing countries? debt sustainability Subject 6.30 Development cooperation 6.30.04 Loans to third-countries, Guarantee Fund	

Key players

European Parliament	Committee responsible	Rapporteur	Appointed
	DEVE Development		15/11/2016
		GOERENS Charles	
		Shadow rapporteur	
		SZEJNFELD Adam	
		FRUNZULICĂ Doru-Claudian	
		DEVA Nirj	
		SARGENTINI Judith	
		CORRAO Ignazio	
European Commission	Commission DG	Commissioner	
	International Cooperation and Development	MIMICA Neven	

Key events

06/10/2016	Committee referral announced in Parliament		
20/03/2018	Vote in committee		
28/03/2018	Committee report tabled for plenary	A8-0129/2018	Summary
16/04/2018	Debate in Parliament		
17/04/2018	Results of vote in Parliament		
17/04/2018	Decision by Parliament	T8-0104/2018	Summary
17/04/2018	End of procedure in Parliament		

Technical information

Procedure reference	2016/2241(INI)

Procedure type	INI - Own-initiative procedure
Procedure subtype	Initiative
Legal basis	Rules of Procedure EP 54
Stage reached in procedure	Procedure completed
Committee dossier	DEVE/8/07996

Documentation gateway

Committee draft report		PE601.260	08/01/2018	EP	
Amendments tabled in committee		PE616.631	31/01/2018	EP	
Committee report tabled for plenary, single reading		A8-0129/2018	28/03/2018	EP	Summary
Text adopted by Parliament, single reading		T8-0104/2018	17/04/2018	EP	Summary
Commission response to text adopted in plenary		SP(2018)401	30/08/2018	EC	

Enhancing developing countries? debt sustainability

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 Commissions 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.

Enhancing developing countries? debt sustainability

The European Parliament adopted by 384 votes to 253, with 27 abstentions, a resolution on enhancing developing countries debt sustainability.

Members recalled 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

Responsible and predictable borrowing: Parliament 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. Debt financing should merely be a complement and second-best option to non-debt-creating instruments such as tax and tariff income and official development assistance.

Supporting an effective tax system: domestic resource mobilisation through taxation is the most important source of revenue for financing sustainable development. Members asked the European Union to:

- step up its capacity building assistance in developing countries in order to curb illicit financial flows, support an efficient, progressive and transparent tax system in line with good governance principles and increase its assistance to combat corruption and recover stolen assets;
- 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;
- help developing countries resist the pressure to engage in tax competition, which would damage the mobilisation of domestic resources for development.

Strategy to combat excessive indebtedness in developing countries: Parliament called on the Commission to draw up, in coordination with all major international actors and the countries concerned, a white paper with a genuine strategy designed to save developing countries from excessive debt by adopting a multilateral approach, specifying the rights, duties and responsibilities of all concerned and considering the institutional provisions best suited to ensuring an equitable and sustainable approach to the debt problem.

Members 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. They urged development stakeholders to assess the impact of debt servicing on the financing capacity of heavily indebted countries in the light of the SDGs.

Debt restructuring mechanism: Parliament stressed the need to resolve the debt crisis through the establishment of an international debt restructuring mechanism.

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, Parliament called on the Member States to adopt, on the Commissions 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.