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# What Is The Paris Club

## Why In The News?

- The **Paris Club Of Creditors** Has Given **Financing Assurances** To Support The International Monetary Fund's Approval Of An **Extended Fund Facility** For Sri Lanka, The Sri Lankan President's Office Said On 7<sup>th</sup> Feb 2023.
- The Assurances Are Crucial To Unlocking A **\$2.9 Billion Deal From The IMF**, Which Is Still **Pending Executive Board Approval**. Sri Lanka Secured A Preliminary Deal With The IMF In September, Though No Funds Have Been Disbursed Yet Because The **Bailout Has To Be Approved By The Fund's Board**.

### Sri Lanka Road to debt talks

Date	Event Details
April 14	Sri Lanka finance minister said that the country plans to start talks with the IMF for financial assistance
May 18	The island nation fell into default after a 30-day grace period on a \$78 million coupon payment expired
June 21	More than 30 asset managers holding the country's overseas bonds announced the formal launch of a creditor group to start debt talks
July 27	IMF said that Sri Lanka has to engage proactively on debt restructuring talks with its bilateral lender China
September 1	Sri Lanka reached a staff-level agreement with the IMF for a \$2.9 billion loan
September 23	The country's finance ministry held a virtual presentation for external creditors to discuss next steps
January 19	China's EximBank sent a letter to Sri Lankan authorities offering a two-year moratorium on debt payments
February 3	A group of private bondholders sent a letter to the IMF to provide financing assurances in debt restructuring talks

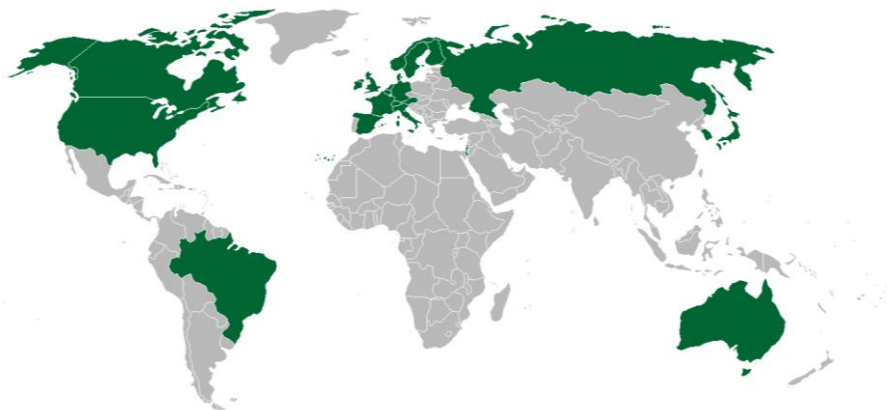
## What Sri Lanka Has To Do With Paris Club?

- An Assurance From The Paris Club, As Well As Other **Bilateral Creditors**, Is One Of The Conditions That Sri Lanka Has To Fulfil For The IMF To Begin Disbursing A **\$2.9 Bn Bailout Package** To The Beleaguered Nation That All But Collapsed Last Year Under A Severe Economic Crisis.



## What Is The “Paris Club”?

- The Paris Club Is A Group Of Mostly **Western Creditor Countries** That Grew From A **1956 Meeting In Which Argentina** Agreed To Meet Its Public Creditors In Paris. Their Objective Is To **Find Sustainable Debt-relief Solutions For Countries That Are Unable To Repay Their Bilateral Loans**.
- It Describes Itself As A Forum Where **Official Creditors Meet** To Solve Payment Difficulties Faced By **Debtor Countries**. All 22 Are Members Of The Group Called **Organisation For Economic Co-operation And Development (OECD)**.
- **The Members Are** Australia, Austria, Belgium, Brazil, Canada, Denmark, Finland, France, Germany, Ireland, Israel, Italy, Japan, Korea, Netherlands, Norway, Russian Federation, Spain, Sweden, Switzerland, United Kingdom, USA.



## Paris Club's Involvement In Debt Agreements

- Paris Club Has Reached **478 Agreements With 102 Different Debtor Countries**. Since 1956, The Debt Treated In The Framework Of Paris Club Agreements Amounts To **\$ 614 Billion**.
- It Operates On The Principles Of **Consensus And Solidarity**. Any Agreement Reached With The Debtor Country Will Apply Equally To All Its Paris Club Creditors.
- A Debtor Country That Signs An Agreement With Its Paris Club Creditors, Should Not Then Accept From Its **Non-Paris Club Commercial And Bilateral Creditors** Such Terms Of Treatment Of Its Debt That Is Less Favourable To The Debtor Than Those Agreed With The Paris Club.



## Role Of The Paris Club Over Time

- The Paris Group Countries Dominated Bilateral Lending In The Last Century, But Their Importance Has Receded Over The Last Two Decades Or So With The **Emergence Of China** As The World's Biggest Bilateral Lender.
- In Sri Lanka's Case, For Instance, **China, Japan, And India** Are The Largest Bilateral Creditors. **Sri Lanka's Debt To China Is 52% Of Its Bilateral Debt, 19.5% To Japan, And 12% To India**. With Japan A Member Of The Paris Club, Sri Lanka Needed Assurances From China And India As Well.
- The Paris Club Had Tried To **Get Both Countries On Board** A Centralised Effort, But **Delhi Launched Its Own Bilateral Negotiations** With Colombo.
- Last Month, During A Visit To Colombo, **External Affairs Minister S Jaishankar** Announced That India Had Written To The IMF Providing The Necessary Financial Assurances, Adding That It Hoped Others Would Follow Suit.

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