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REPORT

Debt-for-SDGs swaps in indebted countries: The right instrument to meet the funding gap?

A review of past implementation and challenges lying ahead

European Commission

DG International Partnerships

LAZARD

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Report prepared by Lazard

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Executive Summary

Executive Summary

Debt swaps refer to agreements between a creditor and a debtor, wherein the existing debt is replaced by a new instrument or commitment, entailing some financial relief for the debtor and a reallocation of cash flows towards targeted objectives.

Because of their (i) potential positive impact on debt metrics and (ii) associated commitment to pursue SDG-related objectives, debt swaps are getting increased attention from international financial institutions and creditor and debtor countries. They have figured prominently in the public debate in recent years as a potential scalable solution to help address debt, climate, and biodiversity crises, and to provide additional financing towards the achievement of the SDGs.

Since the 1980s, debt swaps have been used to swap both privately held[3] and bilateral debt.

The owners of developing countries' external debt have significantly changed over the last two decades. Two major trends are particularly relevant to this study.

First, developing countries have been resorting much more significantly to capital markets and private creditors in general to fund their deficit. This is especially true for emerging countries, where privately held Public and Publicly Guaranteed debt amounts to 80% of the total debt. Second, some emerging countries that are not members of the Paris Club have become particularly important creditors of developing countries, especially the poorest ones. Non-Paris Club creditors hold more than 70% of the PPG debt in low-income countries and around 50% of the PPG debt in LMICs.

The potential of using debt swaps to alleviate developing countries debt burden and to create the incentives to finance SDGs on a macro scale needs to be addressed against these two trends.

Prices of developing countries' marketable debts remain elevated in average, which does not set incentives for interested stakeholders to buy back private debts and swap them against SDGs commitments. A large-scale initiative on private sector debt would also create a range of issues, further detailed in this report. Opportunities to swap private debt may nevertheless appear in some cases and should not be discarded.

Bilateral claims can be more easily swapped, as the decision to swap the debt is ultimately taken by a creditor interested in supporting SDGs. But EU bilateral creditors, and Paris Club creditors in general, have relatively limited share of outstanding debt with ODA-eligible countries. This means that debt swaps might not be well-suited for those creditors who want to offer discretionary and substantial debt relief. Paris Club rules contemplate debt swaps as mechanisms granted on a bilateral basis, as a top-up option provided in a Paris Club agreement. From that perspective, debt swaps should not be considered as instruments to restore debt sustainability, rather as a flexible way to provide some debt relief against the achievement of specific objectives. When the debt is not sustainable, debt restructurings respecting international standards remain the most adequate way of granting debt relief. In any case, the EU should be careful in granting any sort of debt relief that would not be matched by other creditors, especially non-PC ones.

Those concerns being acknowledged, this study shows that debt swaps can be useful tools to complement debt restructurings, to provide additional funding to existing multilateral and bilateral development projects, and to encourage national efforts towards more sustainable development.

Several EU Member States have been using debt swaps as a development aid tool for decades, and in general deem the instrument efficient and useful to strengthen bilateral cooperation. The United States was also a significant debt swap provider, but its current TFCA program is being progressively phased out, with little perspective for a potential scaling-up as the US development assistance to developing countries is now mostly provided through grants.

Most of the time, bilateral debt swaps are part of a multilateral initiative like HIPC, and/or under Paris Club agreements as an additional and optional sweetener in a restructuring process. Interestingly, some EU members also implement debt swaps through multilateral organizations such as the Global Fund and its Debt4Health program, or the Global Partnership for Education, using the multilateral channel to redirect the loan proceeds. Several swap structures exist embedding different impact on debtor's debt metrics. The national frameworks in place usually condition the provision of debt swaps to specific criteria such as political and economic considerations, bilateral ties, or the type of debt to be swapped.

If debt swaps are unable on their own to address debt sustainability problems, there are ways in which a Team Europe approach could play a catalytic and additive role to support the SDG agenda and alleviate developing countries' debt burden.

The recommendations hereafter are tentative and proposed for discussion

Improving the exchange of information under the European Commission umbrella on currently implemented and past transactions would enrich knowledge of all Member States, prevent overlap and contribute to rationalize costs.

As part of their debt swap programs, EU Member States could reaffirm their commitment to achieve SDGs, tentatively focusing on specific critical issues at the current juncture, such as health and nature (including climate change and biodiversity).

EU Member States' debt swap users could potentially explore the opportunity to engage into a more EU coordinated approach, on a case-by-case and fully voluntary basis. EU Member States that are interested in participating in a debt swap in a certain country under certain circumstances, could pool some of their claims together, and discuss the transaction and implementation parameters to help lower their individual transaction costs. A more EU-coordinated approach would give the EU more leverage vis-à-vis other bilateral creditors, including non-Paris Club large bilateral creditors, within the framework of debt discussions and possible SDG outcomes in beneficiary countries.

In this vein, the European Commission and Member States could propose a Template to make the instrument less bespoke and less cumbersome, hence more effective as a tool to re-channel money to policy objectives. This Template could be promoted in international fora and vis-à-vis non-EU creditors.

The European Commission could engage more closely with EU Member States' debt swap practitioners and contemplate, on a case-by-case basis, the use of EU funds in support of a given debt swap operation to increase its leverage and development impact. The European Commission could also provide technical assistance on debt swaps to ensure that debtor governments have the capacity and the know-how to implement and monitor the agreed-upon programs and policies. Such assistance could entail implementing the new EU Template on the debtor sides.

The implementation of these recommendations would help standardize the instrument to reduce structuring costs, leverage on the EU standards such as the Taxonomy for sustainable activities in project selection when relevant and help debtor countries to channel more funds to projects aligned with EU priorities.

Introduction

Introduction

The Global Recovery Initiative

The Global Recovery Initiative, launched by European Commission President Ursula von der Leyen on 28 May 2020, aims to (i) provide much needed public debt relief to lower-income countries in a global context of constrained public finances and massive recourse to social buffers, while (ii) supporting investments towards the achievement of the United Nations (UN) Sustainable Development Goals (SDGs). The 17 SDGs were adopted in September 2015 during the UN Sustainable Development Summit as part of the 2030 Agenda for Sustainable Development, a shared blueprint for peace and prosperity aiming at ending poverty and other deprivations, including "strategies that improve health and education, reduce inequality, and spur economic growth – all while tackling climate change and working to preserve our oceans and forests"[1].

Both challenges are at variance: the former requires a public debt reduction, while the latter *a priori* requires more funds (most often obtained through higher public debt) to finance critical infrastructure and development projects.

Debt swaps

"Debt swaps" appear to provide a way to reconcile these two objectives.

These instruments refer to agreements between a creditor and a debtor, wherein the existing debt is replaced by a new instrument or commitment entailing some financial relief for the debtor and a reallocation of cash flows towards targeted objectives.

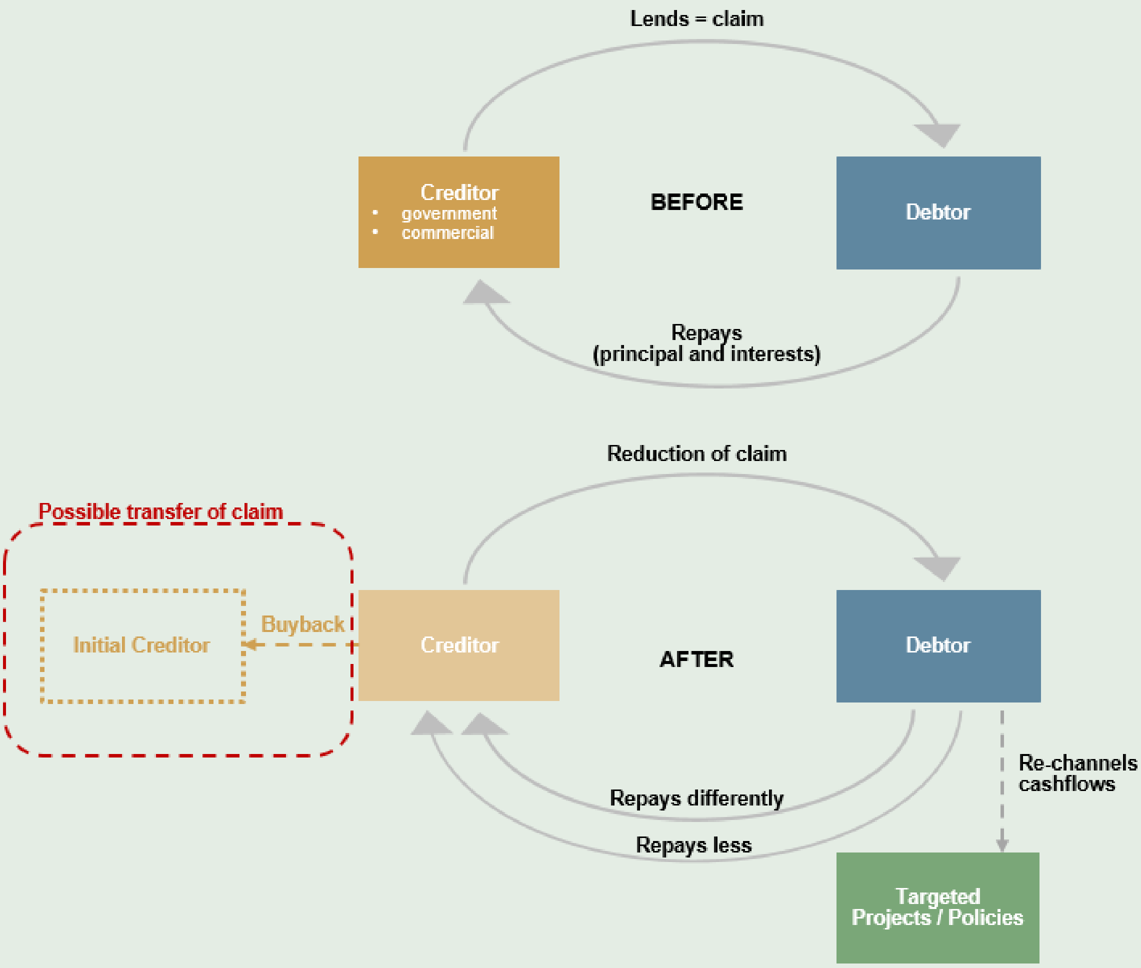
From a financial standpoint, a debt swap involves (i) a creditor abandoning or reducing its initial claim, and (ii) a change in the debtor's commitments.

From the debtor's point of view, and depending on the cases, this conversion of debt into a new commitment may improve the country's debt metrics (through lower Net Present Value (NPV) due, for instance, to a longer maturity[2] or a lower face value of the new debt), and/or its external financing needs (for instance, if part of the new commitment is funded in local currency).

[1] https://sdgs.un.org/fr/goals

[2] This applies when the interest rate on the new instrument is lower than the discount rate used to compute the Net Present Value, which is notably the case for ODA debt.

Box 1. Illustration and stylized impact of a debt swap



	Creditor's assets	Debtor's liabilities	*Expected financial relief*
Initial situation	Initial claim	Initial debt	
After the debt swap	Reduced claim	New instrument or commitment (involving a reallocation of cash flows compared to initial debt)	*Potential combination of* - *Debt NPV reduction* - *External financing needs alleviation*

Source: Lazard

Because of (i) their potential positive impact on debt metrics and (ii) the associated commitment to pursue SDG-related objectives, debt swaps are getting increased attention from international financial institutions and creditor and debtor countries. They have figured prominently in the public debate in recent years as a potential scalable solution to help address debt, climate, and biodiversity crises, and to provide additional financing towards the achievement of the SDGs.

Objective of the study

The objective of the study is to (i) inform the European Commission's and Member States' reflection on existing practices by Member countries and other actors with respect to debt swaps and to propose a streamlined approach to these practices, (ii) build on this analysis to examine the possible ambitions and characteristics of a Team-Europe approach for debt swaps or alternative financial tools as instruments to support the Global Recovery Initiative, and (iii) provide additional recommendations to the EU Commission on the establishment of a set of common principles and a unified position on these instruments.

In this perspective, the study is articulated as follows:

I. Overview of the debt swap universe and relevance of debt swaps for financing SDGs while addressing debt burden issues

II. Recent developments at international and European levels, and review of EU Member States' frameworks for implementing debt swaps

III. Cost-benefit analysis of debt swaps as instruments available to official creditors to support the financing of SDGs, including a comparative assessment with alternative ODA instruments when relevant

IV. Recommendations on the use of debt swaps, ideas and potential guidelines allowing for a Team Europe approach, and possible alternative instruments and/or approach to achieve SDGs

I Overview of debt swaps

A. The wide variety of instruments grouped under the debt swap terminology

The 1980s debt crisis saw the emergence of debt swap mechanisms in a context where some countries – mostly Latin American – were suddenly unable to service their debt.

Such arrangements were first aimed at alleviating the external debt service for debtor countries for commercial purposes (OECD, 2007), but they soon expanded to a large array of transactions which included channeling ~~of~~ debt service towards targeted local development projects (e.g. education, health, and the environment).

The introduction of a debt swap clause in Paris Club agreements with debtor countries in 1990 gave a new impetus to debt swaps, Paris Club countries being the main bilateral lenders at the time.

Since then, debt swaps have referred to a variety of transactions, involving different types of stakeholders, varying features, and diverse purposes. Key characteristics are described thereafter to provide an overview of what the instrument can offer to the creditor and the debtor, depending on their respective objectives.

1. Deal structure

1.1. Types of debt swapped

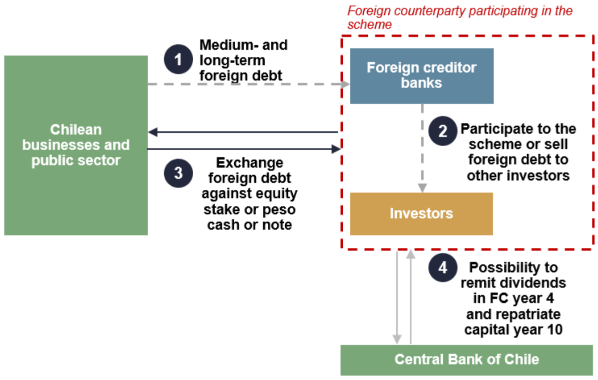
Debt swaps have been used to swap both privately held[3] and bilateral debt.

In the case of privately held debt, the initial claim is held by a private investor or a commercial bank, ready to sell it at a discount to an interested third-party investor, usually because the market value of the claim is well below its face value. Chile was the first country to ever use this instrument in the form of a debt-for-equity swap in 1985 when a scheme established by the Chilean government allowed external debt holders to convert their claim into an equity investment in the country (OECD, 2007).

[3] Since the term "commercial debt" may both qualify privately held debt and non-concessional bilateral or multilateral debt, reference is made to the former in these explicit terms.

Figure 1. Commercial debt-for-equity swap: the case of Chile (1985)

1. Chilean private and public sectors had contracted large amounts of medium- and long-term debt with foreign creditor banks
2. Under the scheme, foreign creditor banks were allowed to directly participate or sell their claims on the international secondary market
3. Debt holders could exchange the debt paper for the debtor's equity where possible (private businesses, public sector companies being privatized), or otherwise for cash or notes in Chilean currency which they could then sell on the domestic secondary market to use the proceeds and invest in domestic equity
4. Investors were then entitled to buy foreign exchange at the official rate to remit dividends abroad after the 4th year following the investment, and to repatriate capital after the 10th year

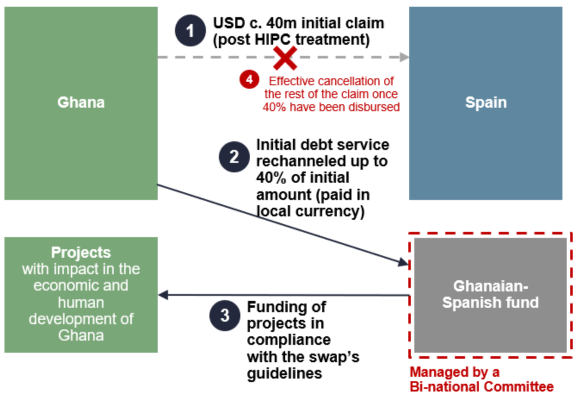


Source: French-Davis, 1990

In the case of bilateral debt, one or several bilateral lenders agree to forgo a share of their claim on a debtor country as part of a development assistance initiative, in exchange for a commitment from the debtor country to fund agreed-upon projects or programs which they will jointly implement and monitor. Debt swaps on bilateral debt have been the most prominent form of debt swaps (Steele and Patel, 2020).

Figure 2. Example of a bilateral debt swap: Spain and Ghana (2009)

1. Following debt treatment under the HIPC initiative, Spain agreed to further write off USD c. 40m of Ghana's remaining debt through a debt-for-development swap
2. Under the scheme, Ghana would instead service the debt to a dedicated new fund, following the initial schedule but in local currency, up until 40% of the initial debt payment schedule had been repaid
3. The new fund, under the supervision of a Bi-national Committee assisted by a Technical Committee, would be used to finance projects with impact in the economic and human development of Ghana. The Bi-national committee would be responsible for managing the funds and monitoring implementation in accordance with the agreement
4. When 40% of the initial debt service had been repaid, the remaining 60% of the claim would be cancelled by Spain



Source: Tesoro Publico, 2009

1.2. Stakeholders involved

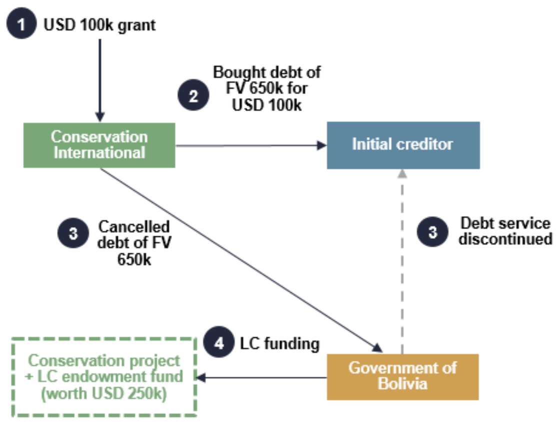
In both privately held and bilateral debt swaps, the debtor country is offered the possibility to convert an initial debt into another instrument or commitment (pledge to endow a local currency fund, legal commitments towards conservation targets, equity share, etc.).

In the case of bilateral debt, the creditor often deals directly with the debtor country to agree on the terms of the debt conversion into another commitment from the debtor. The initial debt service is then rerouted towards agreed-upon projects and programs, or to support policies in which the bilateral creditor sees value. In some cases, third parties are also involved in debt swaps, such as non-governmental organizations (NGOs) or multilateral institutions, to facilitate implementation.

In the case of privately held debt, there is sometimes an intermediary to structure the deal and implement it. For instance, an NGO acting as a donor would traditionally purchase debt from commercial banks below its face value on the secondary market and would turn it back to the debtor government in exchange of funds in local currency to achieve environmental or conservation goals. The first example of such process was in the form of a debt-for-nature swap in Bolivia in 1987 (Steele and Patel, 2020).

Figure 3. Commercial debt-for-nature swap with third party involvement: the case of Bolivia (1987)

1. Conservation International (CI), a conservation group, received a USD 100k grant
2. It enables the NGO to purchase USD 650k of Bolivia's debt on the secondary market at a c. 85% discount rate for USD 100k
3. The NGO then turns to the government and cancels the debt
4. In exchange, Bolivia agreed to raise legal protection of the Beni Biosphere reserve to maximum extent by Bolivian law, and to establish a multiple use conservation buffer zone around the reserve of 2.7m acres



Source: Canoutas, 2003

2. Variable features of debt swaps and their impacts on the debtor

If debt swaps systematically involve the creditor forgoing a share of its claim, they can embed highly different fiscal, debt, policy, and operational features from the debtor's perspective.

The key potential impacts of a debt swap on the debtor are described in the box thereafter.

Box 2. Discussion on potential additional impact of debt swaps on the debtor's side

When do debt swaps provide debt stock relief?

Although the creditor necessarily reduces its claim in a debt swap, this does not mean that the debtor receives equivalent debt stock relief. In some cases, however, the redemption value – meaning the value of the new commitment – is smaller than the face value of the debt swapped, thus providing debt stock relief to the debtor.

When do debt swaps alleviate the debt flows burden?

Even though there is no debt stock relief provided on the nominal value of the new commitment, the financial parameters of the new commitment may be more accommodative compared to those of the initial debt swapped. For instance, the debtor country can agree to finance local projects over a longer timeframe compared to the original debt's maturity, which would create smaller disbursement obligations for each period.

When do debt swaps provide an improvement in the balance of payments?

In some cases, the debtor country's new commitment can be denominated, in part or in full, in local currency – e.g. the debtor country agrees to finance local conservation projects in local currency, or the debtor country repays dividends in local currency instead of foreign debt service. This means that initial outflows of foreign currency due to the servicing of the initial debt are converted into payments in local currency for the new commitment, thus improving the debtor's external balance.

When do debt swaps provide additional fiscal space?

Depending on the agreement, debt swaps may be used to re-channel an initial external debt service into budget spending to the debtor country, which may create additional fiscal space. Under another scenario, the new commitment takes the form of an investment which the country had planned to fund before the arrangement, thereby freeing up resources which may be used for other purposes. A more accommodative debt service schedule under the new commitment also provides fiscal space by reducing the interest bill.

3. Evolution of debt swaps purposes

The objective of debt swaps has also evolved over time. After a lull in debt swaps in the last decade, due to higher prices of debts on secondary markets and less countries benefitting from debt relief schemes (e.g. HIPC Initiative), the discussion around debt swaps has been revived.

As mentioned above, debt swaps may take varied forms, have various impacts especially on the debtor, and be used for a variety of purposes to align with both the debtor's and the creditor's priorities. Apart from debt-for-equity swaps, which are used to attract foreign direct investments (FDIs) and virtually transform debt service into dividend flows, debt swaps are used to provide financing to development programs in a broad sense.

Debt swaps have been historically divided into two main categories: (i) debt-for-development swaps and (ii) debt-for-environment swaps.

The first converts debt into pledges from the debtor country to fund agreed-upon development-oriented programs, projects and policies such as building schools and providing school furniture (debt-for-education), building or renovating infrastructure (debt-for-water sanitation) or providing healthcare (debt-for-health).

The second converts debt into pledges by the debtor country to finance environmental-friendly programs, projects, or policies such as nature conservation action (debt-for-nature) or climate adaptation and mitigation action (debt-for-climate). However, such classification frequently has its limitations, since a debt swap can be multi-sectoral or finance a cross-cutting program.

Debt-for-climate swaps have recently gained momentum amid increasing concern over climate and environmental issues. These debt swaps are particularly popular as they often include positive spillover effects resulting from climate adaptation and mitigation action on the local population and provide for the development of more resilient communities.

Table 1. Debt swaps – use of proceeds – illustrative classification

	Definition/Process	Purpose	Examples[4]
Debt-for-equity	Conversion of debt into equity shares	Attracting Foreign Direct Investment	Chile (1985)
Debt-for-SDGs (non-exhaustive list)	Conversion of debt into commitment to fund development or environmental policies or projects in the debtor country	Freeing up resources from external debt service to invest them into local development or sustainability projects, programs, or policies	
Debt-for-nature*	Especially active in the 1980s when NGOs bought distress commercial debt at a discount to free up resources for nature conservation programs	Nature conservation programs	Bolivia (1987)
Debt-for-climate*	Broader than debt-for-nature swaps, they emerged in the 2010s and have recently gained increased traction	Climate adaptation action Can also include nature conservation programs	The Seychelles (2015)
Debt-for-education**	Conversion of debt to fund educative centers, schools and school furniture, trainings, and other related public investments to foster education	Financing for education	El Salvador (2005-2013)
Debt-for-healthcare**	Conversion of debt to finance programs aimed at fighting specific diseases and/or promoting healthcare initiatives	Financing for healthcare	The Global Fund's Debt2Health
Debt-for-water sanitation**	Resources are allocated towards infrastructure allowing for water and environmental sanitation projects	Investing in water sanitation facilities	Egypt (ongoing)

* Sometimes falling into the category "debt-for-environment" (OECD, 2007)
** Sometimes falling into the category "debt-for-development" or "debt-for-aid" (OECD, 2007)
Sources: Ryatt (2020), Canoutas (2003), Steele and Patel (2020)

[4] Examples are drawn from publicly available information.

B. What could debt swaps help achieve regarding the debt crisis and the SDG financing needs?

Debt swaps structurally embed two aspects: debt cancellation or reduction, and a new commitment into which the forgone debt is converted. As such, debt swaps are often described as instruments which can provide both debt relief and fresh financing for SDGs. However, this assessment needs to be closely examined to determine the extent to which debt swaps may impact either of these fronts. Besides, it should always be reminded that the debt stock relief granted in a debt swap cannot be re-channeled towards projects.

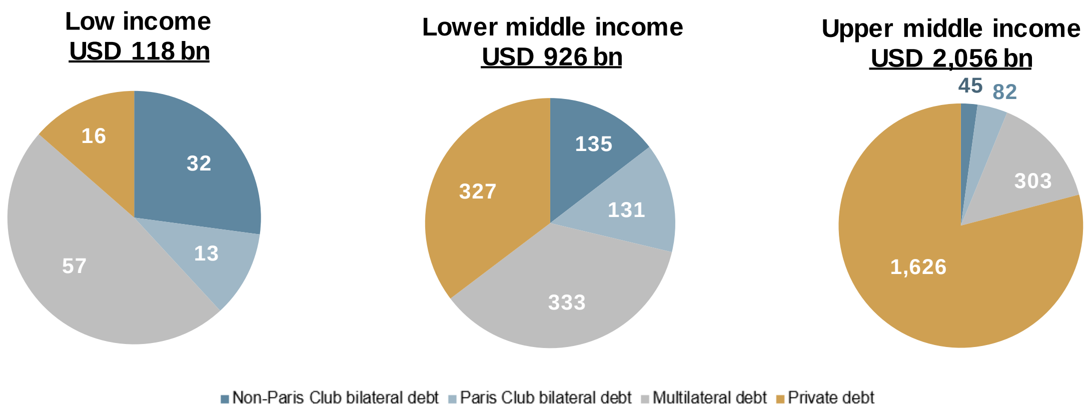
1. The quantum of debt readily available for debt swaps is limited

Even since before the pandemic, debt stocks had been increasing in developing countries to levels that risked becoming unsustainable. Total public and publicly guaranteed debt amounted to USD 3,094bn for Official Development Assistance (ODA)-eligible countries[5] in 2019 (World Bank, 2021) and represented 55.7% of GDP on average. These already high levels of indebtedness increased to reach 64.6% of GDP in 2020 during the pandemic, before slightly decreasing to an expected 63.7% of GDP in 2021 for ODA-eligible countries (IMF, 2021).

In this context, debt swaps seem to be an attractive instrument to provide much needed debt relief and to allow countries to free up some resources towards their development needs.

Looking at the three categories of ODA-eligible countries, namely low-income countries, lower-middle income countries, and upper-middle income countries, the overall debt breakdown varies significantly. Privately held debt is the main form of debt for upper-middle income countries, whereas it is the lowest for low-income countries, which mostly benefit from multilateral lending (of which 83% is concessional) as of 2019 (World Bank, 2021).

Figure 4. Breakdown of total public and publicly guaranteed debt by country type (2019, USDbn)



Source: World Bank, 2021

[5] ODA-eligible countries are all low- and middle-income countries, as defined by the OECD Development Assistance Committee~~,~~ which updates the list of eligible countries every three years. Least Developed Countries, as defined by the UN, are included in the DAC list.

1.1. Market conditions do not currently allow for swapping privately held debt

Privately held debt, as mentioned above, was historically used in the first debt swap transactions.

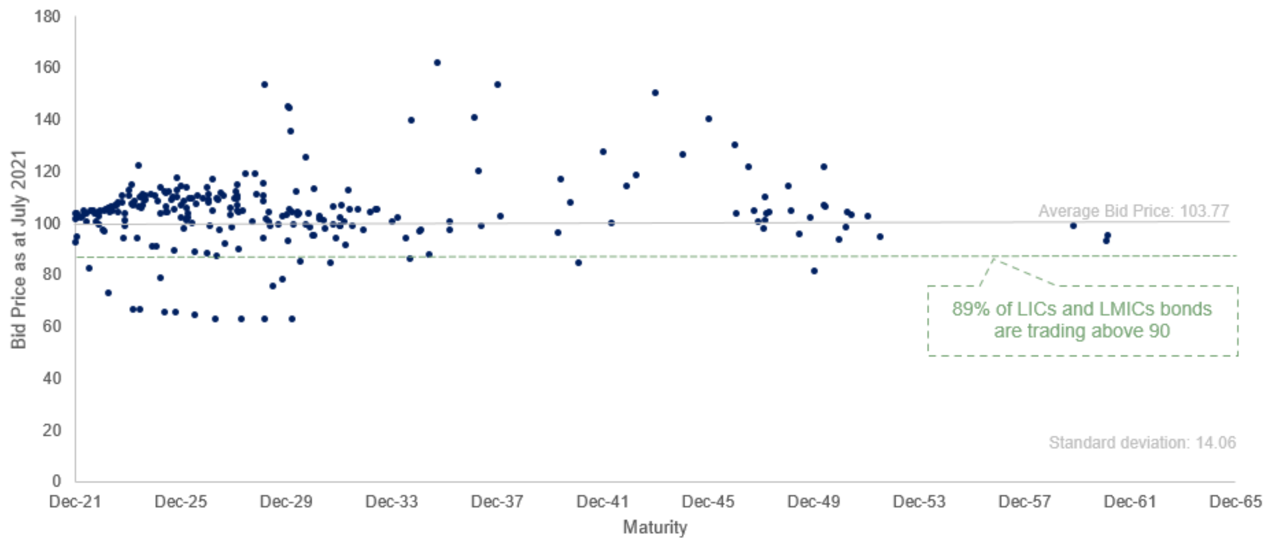
The price of a claim tends to fall below 100 (“*below par*”) when the perceived credit risk rises. In principle, buying back such a claim allows to redeem a debt with a nominal value of 100 while paying the discounted price, for instance 80. In debt swaps involving privately held debt, the buyer of the privately held debt turns to the issuer to negotiate new and more favorable debt redemption parameters in exchange for sustainable development objectives[6]. When the price of the market debt is not significantly below par (e.g. the discount is low), the interest of swapping debt for development purposes is much lower: offering financial relief to the issuer does not really make sense since the debt is already deemed sustainable by market participants. In addition, offering financial relief through such a transaction would be significantly more expensive for a potential interested party.

As a result, debt-for-SDGs swaps involving privately held debt were implemented in markets where the price of debt was well below face value. In all transactions, the amount of swapped debt remained low, so as to ensure that the market price of the debt would not be impacted and would not fuel speculation.

Although attractive, this model is hardly replicable at scale today for various reasons. Because the transaction is only possible in case of distressed debt over a long period – as it takes time for an investor to raise funds and reach an agreement with the debtor country over this type of instrument – privately held debt buybacks are inherently country-specific and situation-specific transactions which may not be adapted to the current context. In addition to this, debt in LICs and LMICs is seldomly trading below par (Figure 5), due to the current macroeconomic context (large provision of liquidity from developed countries, especially from the Fed and the European Central Bank). As such, swaps of privately held debt appear hardly scalable in practice, although opportunistic transactions may be contemplated on a case-by-case basis in situations where a country’s debt is trading well below its face value.

[6] For instance, since the investor paid 80 to buy a claim whose face value is 100, it could in principle reduce the face value to 90 to be paid at maturity or offer any combination of financial parameters improvement so as to provide some financial relief to the issuer, in exchange for a commitment from the issuer to fund local projects or policies contributing to the SDGs. The improvements can for instance be the reduction of the face value of the debt owed, a maturity extension, a lower interest rate, or an agreement to have payments made in local currency rather than in a strong currency.

Figure 5. Bid Price as at 22 July 2021 for LICs and LMICs outstanding Eurobonds



Source: Bloomberg, as at 22 July 2021

Note: Countries currently involved in a restructuring process are excluded.

Moreover, generalizing this framework by involving official creditors who would act as buyers of privately held debt alongside NGOs, as some NGOs and think tanks have proposed, would create an additional theoretical challenge. It would *de facto* make official creditors "buyers in last resort" of sovereign debt, which could have significant impact on the risks related to commercial exposure (reducing the risk of default and/or increasing the expected recovery value), and could create moral hazard: *ex ante,* commercial exposure could be larger than what is estimated sustainable for a given country, and *ex post*, debt restructuring processes required could potentially be delayed or become more complicated, as private debt holders would be disincentivized to accept the necessary efforts knowing that their claims may be bought back. Finally, privately held debt accounts for a substantial share of the total public debt for upper-middle income countries, but it only represented 13.9% of low-income countries debt in 2019 (World Bank, 2021), and therefore it would not necessarily constitute the most impactful debt pool to target with debt swaps for low-income indebted countries.

1.2. Swapping multilateral debt may not be desirable, as uncompensated multilateral debt swaps could undermine the preferred creditor status of multilateral development banks

The main argument against swapping multilateral debt relates to the fact that international financial institutions need to protect their credit rating and maintain excellent financing conditions, which is largely based on their prudent liquidity and capital adequacy policies, as well as on their preferred creditor status. Offering voluntary debt swaps embedding a restructuring component could harm investors' confidence, which would in turn jeopardize their ability to assist and lend to developing countries altogether. Recently, multilateral development banks (MDBs) have been reluctant to implement the Debt Service Suspension Initiative (DSSI) agreed to by the G20 on the same footing as bilateral creditors, arguing that the DSSI terms could endanger their rating. So far, their response has been to contribute net positive flows in developing countries to alleviate the impact of the pandemic.

In the European Union, the European Investment Bank (EIB) is recognized as a multilateral lender benefiting from a preferred creditor status, alongside the IMF or the World Bank, in the non-EU countries where it lends resources on behalf of the European Union. Consequently, the debts held by the EIB are not available for debt swaps, and direct support to SDG related investments needs to be channeled through alternative routes.

1.3. Swapping bilateral debt has been the most common way of conducting debt swaps in the last two decades

Bilateral debt swaps have been the main form of debt swaps since the 2000s. They were especially popular in the aftermath of the HIPC Initiative~~,~~ launched in 1996, which has allowed for the provision of a total of USD 76bn in debt-service relief to 37 countries to date[7].

However, regarding the potential of debt swaps in ODA-eligible countries, a number of issues arise:

(i) Subsequent to the numerous bilateral debt cancellations[8] and the steady increase in privately held debt amounts, bilateral lenders have only relatively limited debt exposures in ODA-eligible countries. As of 2019, it represented 37.8% of total debt in low-income countries, 28.8% of total debt in lower-middle income countries, and 6.2% in upper-middle income countries.

(ii) This share of debt, which could potentially be eligible to bilateral debt swaps, is held by either Paris Club (PC) members or non-Paris Club members. The Paris Club was created in 1956 to coordinate the main bilateral creditors[9] and present a united front in sovereign debt restructurings. To this date, the Paris Club has processed over USD 589bn debt in 475 agreements with 100 indebted countries. As such, the Paris Club provided guidelines allowing for the use of debt swaps in 1990, and the members of the Club have since then been the largest users of the instrument bilaterally. However, the Paris Club no longer represents the largest pool of bilateral creditors for developing swappable debt as compared to other bilateral lenders. Non-Paris Club bilateral creditors now outweigh Paris Club members in both low-income countries (more than twice the exposure in 2019) and lower-middle income countries (slightly greater exposure). The main non-Paris Club members – such as China or India –~~,~~ have not yet provided a clear position regarding the potential use of debt swaps.

(iii) In practice, and in compliance with Paris Club rules (see section IV-B), Paris Club members tend to only use debt swaps on ODA debt, thus further restricting the pool of eligible debt for swaps.

(iv) Additionally, debt swaps impose restrictions on the beneficiary: to swap its debt with a debtor country, a bilateral lender needs to have existing debt exposure to the country in the first place. Paris Club's top ODA exposure to ODA-eligible countries is mainly with large emerging countries – especially in Asia –~~,~~ none of which being low-income countries.

7 https://www.imf.org/en/About/Factsheets/Sheets/2016/08/01/16/11/Debt-Relief-Under-the-Heavily-Indebted-Poor-Countries-Initiative

8 This is especially true in countries (like the USA or the United Kingdom) which have decided to turn to 100% grant financing in developing countries after HIPC. In practice, these countries have very limited claims to swap.

9 The Paris Club counts 22 bilateral creditors: Australia, Austria, Belgium, Brazil, Canada, Denmark, Finland, France, Germany, Ireland, Israel, Italy, Japan, Korea, Norway, the Netherlands, the United Kingdom, the United States of America, Russia, Spain, Sweden, and Switzerland.

Table 2. Paris Club top 10 ODA recipients (2019)

	Bilateral debt from Paris Club (PC) creditors						Total indebtedness	Debt potentially eligible for swaps
	Total claims from the PC creditors *(PC ODA+PC NODA)*		**ODA claims from PC creditors** *(PC ODA)*		**NODA claims from PC creditors** *(PC NODA)*		**Debt to GDP ratio (%)** *(General government gross debt, 2019)*	**ODA claims from PC creditors (% of each country's PPG debt)**
	USDm	*% total PC claims*	**USDm**	*% total PC ODA claims*	**USDm**	*% total PC NODA claims*		
World	**634,492**	*100.0%*	**357,778**	*100.0%*	**138,357**	*100.0%*		
India	**27,581**	*4.3%*	**24,757**	*6.9%*	2,824	*2.0%*	*73.9%*	*12.9%*
Vietnam	**20,049**	*3.2%*	**17,935**	*5.0%*	2,114	*1.5%*	*43.4%*	*34.7%*
Indonesia	**18,806**	*3.0%*	**17,087**	*4.8%*	1,719	*1.2%*	*30.6%*	*7.3%*
China	**15,376**	*2.4%*	**14,703**	*4.1%*	673	*0.5%*	*57.1%*	*4.6%*
Pakistan	**10,279**	*1.6%*	**8,295**	*2.3%*	1,984	*1.4%*	*85.6%*	*11.7%*
Philippines	**8,086**	*1.3%*	**7,994**	*2.2%*	92	*0.1%*	*37.0%*	*19.2%*
Egypt	**8,460**	*1.3%*	**7,699**	*2.2%*	761	*0.6%*	*84.2%*	*8.5%*
Bangladesh	**9,480**	*1.5%*	**6,977**	*2.0%*	2,503	*1.8%*	*35.7%*	*17.0%*
Morocco	**5,245**	*0.8%*	**5,016**	*1.4%*	229	*0.2%*	*65.2%*	*13.8%*
Sri Lanka	**4,598**	*0.7%*	**4,406**	*1.2%*	192	*0.1%*	*86.8%*	*11.9%*

Sources: WEO (April 2021), Paris Club (2020), World Bank International Debt Statistics (2021)

(v) Finally, systematizing the use of debt swaps on bilateral debt to provide financing for SDGs would virtually create time inconsistency around lending in the first place: if bilateral official creditors anticipate that their claims are very likely to be cancelled, they will rather turn to grants, which may not replace original loans in volumes, thus reducing investment flows. The creditor base would then be tilted towards the private sector, thus increasing funding costs.

Bilateral creditors – and especially Paris Club – have relatively limited share of outstanding debt with ODA-eligible countries (see Table 2) and may find that debt swaps should only be used with a well-targeted subset of bilaterally indebted countries. This means that debt swaps might not be the go-to tool for large bilateral creditors to offer discretionary and substantial debt relief. However, debt swaps can still be efficiently leveraged in certain cases for sustainable development purposes.

2. Paris-Club swappable debt in developing countries is far below SDGs financing needs

The current debate around debt swaps revolves around their potential to offer debt relief and to provide additional financing to projects or programs aligned with the United Nations (UN) Sustainable Development Goals (SDGs). More specifically, debt swaps may be used to free up resources currently used to repay debt to foreign creditors, to redirect them to finance public goods domestically such as good health (SDG 3), quality education (SDG 4), or clean water and sanitation (SDG 6)~~;~~, and address climate and environmental issues, with the objective of protecting the planet (SDG 13), preserving life below water (SDG 14) and on land (SDG 15).

In low-income and lower-middle income countries alone, some authors estimate that the SDG financing gap – meaning the additional financing needed to achieve the SDGs by 2030 –would amount to more than USD

400bn per year on average between 2019 and 2030 (Sachs et al., 2019). The Paris Club total debt stock of USD 13bn – of which 5bn is concessional – in ODA-eligible low-income countries hardly compares to the financing needs in those countries (see Table 3).

Table 3. SDG annual financing gap

USD million	**2019**	**2030**	**Av. 2019-2030**
Low-income countries (LICs)	167,700	153,900	165,800
% of GDP (average)	34%	17%	24%
Lower-middle income countries (LMICs)	314,500	148,100	247,500
% of GDP (average)	20%	5%	12%
TOTAL - LICs and LMICs	482,200	302,000	413,300
% of GDP (average)	23%	8%	15%

Source: Sachs et al. (2019)

Although any SDG financing estimates should be assessed with caution given the magnitude of the needs, estimates in Table 3 illustrate that debt swaps do not have the potential to significantly help bridge the SDG financing gap overall. Even in the most SDG-efficient form of debt swap (i.e. full conversion of ODA claims held by Paris Club members into local currency funds aimed at SDG financing), only 2% of LICs and LMICs SDG financing needs would be met over the 2019-2030 period.

In addition to the scale issue, there is no assurance that countries with the highest bilateral debt levels are those which most need additional external financing towards the achievement of the SDGs, or where SDG financing would be the most impactful.

Although swapping ODA-eligible Paris Club debt might not be sufficient to meet SDG financing needs globally, a review of past debt swaps transactions shows that debt swaps can still be instrumental for targeted action at the local level.

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This first overview of debt swaps instruments as compared to (i) existing debts in ODA-eligible countries, and (ii) SDG needs in these countries, has led to the conclusion that debt swaps may not be well-suited to provide substantial debt relief or to be the main SDG financing instrument for developing countries.

However, debt swaps may still be useful tools to complement existing instruments in debt restructurings, to provide additional funding to existing multilateral and bilateral development projects, and to encourage national efforts towards more sustainable development.

The next sections further explore the most recent developments regarding debt swaps, as well as the technical and operational features, benefits and shortcomings identified by debt swaps practitioners over the recent years. This will allow to derive several general upsides and downsides to the instrument, some of which are addressable while the others are inherent to debt swaps. Building on this analysis and on an assessment of what debt swaps can or cannot achieve, the report will aim at establishing guiding principles for an efficient and sound use of debt swaps. It will then explore the possibilities for using debt swaps under a Team Europe approach, and finally will broaden the debate to try to identify the best way for Member States and the EU to leverage their financial and political resources to contribute efficiently and significantly to the Global Recovery Initiative.

II Recent Developments and Current Practices for Debt Swaps

A. Although some creditors have been implementing and refining debt swaps for decades, they have received increased attention from the international community recently

Debt swaps do not have the potential to offer substantial debt relief nor a consequent financing stream for sustainable development projects, but they may (i) be used for additional targeted action along these lines and (ii) provide a useful benchmark to build innovative and scalable solutions to address these issues, capitalizing on the strong momentum around the instrument spurred on by the pandemic.

Some European Member States already have an extensive experience of debt swaps: as they have implemented debt swaps for more than two decades with partner countries, with the aim of fostering development and bilateral relationships. France, Germany, Italy, and Spain are Member States with the most extensive experience in debt swaps.

Debt swaps have also benefitted from new innovative schemes over the last decade, expanding the range of structures available to creditors.

1. Recent debates and international initiatives around debt swaps

1.1. International initiatives on debt swaps are flourishing

Over the past years, several international initiatives and platforms have emerged specifically around debt swaps, or more generally, around finance for sustainability and development, which includes the use of debt swaps.

Regional platforms allow countries to exchange knowledge as well as to discuss potential opportunities and challenges these instruments may present in relation to current regional outlooks. These initiatives also aim to create a collective case for a broader use of debt swaps if assessed relevant. One example is the Debt for Climate Adaptation Swap Initiative launched in 2016 by the Economic Commission for Latin America and the Caribbean (ECLAC), followed by the inauguration of the Debt swap task force in November 2017 (ECLAC, 2017).[10]

International financial institutions are looking into potential solutions to alleviate developing countries' debt pressure while facilitating accelerated action in developing countries. Among others, the International Monetary Fund and the World Bank are in the process of exploring a platform to focus on the nexus between debt and financing for climate and nature. This multi-stakeholder's platform would involve the OECD, UN, experts, academia, bilateral and multilateral representatives, NGOs, and the private sector. It would aim at (i) defining key performance indicators related to climate and nature, (ii) providing technical assistance to developing countries, and (iii) designing financing solutions. Debt swaps could be contemplated under this initiative as a possible tool – among other instruments – to free up some resources towards climate or nature-related action.

[10] Other initiatives count, for instance, the Economic and Social Commission for Western Asia (ESCWA)'s *Climate and SDGs Debt Swap Initiative*, launched in 2019.

Regional multilateral development banks are also interested in fostering the dialogue on debt swaps and are investigating possibilities for action from the debtors' perspective, taking note of the constraints faced by multilateral development banks to swap their own debt, as previously noted.

Complementing these initiatives, other related platforms and discussion groups aim to address issues regarding scaling up, accelerating, and improving financing for SDGs, and when deemed relevant, to link this objective with sounder debt management. These include the *International Platform on Sustainable Finance* (IPSF, 2019) launched by the EU and other authorities (Argentina, Canada, Chile, China, India, Kenya, and Morocco), and the Conservation Finance Alliance, an experts' and practitioners' group on conservation.

1.2. Debt swaps in practice: two examples outside the European Union

A bilateral debt swap program: the example of the US TFCA

Under the Tropical Forest Conservation Act (TFCA) launched in 1998, the US government set in place a framework allowing for bilateral debt to be swapped under certain circumstances.

Debt swaps under this framework are part of the US budget allocation (c. USD 20m per cycle, the latest amounting to c. USD 15m). Eligibility is defined by (i) the type of debt held – eligible debt was primarily defined as a certain type of debt held by the US Ministry of Agriculture and USAID, but the perimeter has since then shrunk significantly with little to no issuance of such debt, (ii) financial parameters (sustainable debt and absence of payment arrears with the US), and (iii) political and diplomatic considerations. Debt swaps under this framework now tend to: a/ usually no longer embed a debt relief component and b/ be mainly conducted in foreign currency. The US Treasury operates debt swaps by reimbursing the US creditor agency in exchange for commitments from the debtor country to capitalize a (usually non-governmental) sinkable fund with terms usually matching those of the original debt (maturity, repayment schedule, etc.).

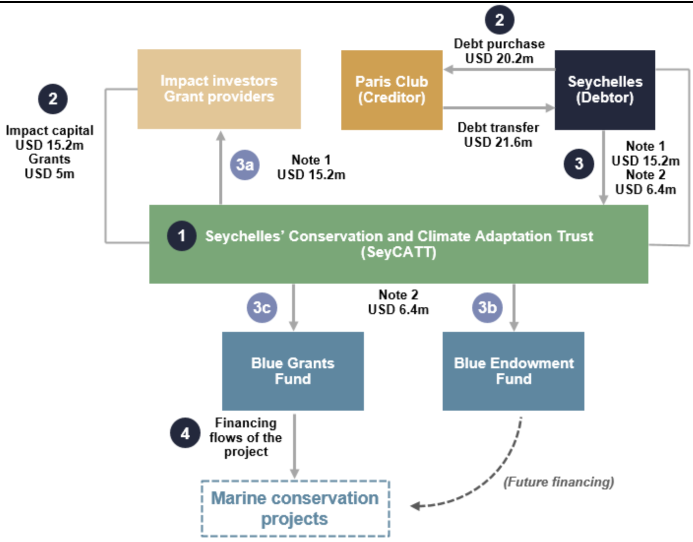
An innovative scheme: the example of the Seychelles debt swap

More innovative schemes have also been implemented in recent years, fostered by non-governmental organizations (NGOs) leveraging past experience with the instrument. The latest and most cited example is the debt swap in the Seychelles (2015), which was allowed by a specific clause in its 2009 debt restructuring deal with the Paris Club. Building on this, The Nature Conservancy, a US-based NGO, has organized the first-ever leveraged debt swap that was structured to improve marine conservation and climate resilience.

Figure 6. Debt-for-climate in the Seychelles (2015)

After a Paris Club agreement for Seychelles in 2009, several Paris Club members agreed to conduct a debt swap, which was then structured by The Nature Conservancy (TNC), a US-based NGO

1. The Seychelles government established a trust fund (SeyCATT) in November 2015
2. The Seychelles government bought back a USD 21.6m face value debt at a 6% discount with a loan from SeyCATT funded by grants (USD 5m) and loans (USD15.2m)
3. The government in turn committed to finance three streams
   - 3a Repayment of impact investors (USD 15.2m)
   - 3b Capitalization of SeyCATT's Blue endowment fund
   - 3c Funding conservation programs through the Blue Grants Fund
4. Both blue grants fund and the blue endowment fund provide funding towards marine conservation projects



Source: The Commonwealth Blue Charter

2. Current developments among European Member States

In the bilateral debt swaps conducted by Member States, the development aspect plays a prominent role and seems to outweigh debt sustainability considerations, given the relatively small amounts involved and the shared acknowledgment among Member States that debt swaps are not appropriate to restore debt sustainability. As such, debt swaps are embedded in the Member State's development strategy and are used to generate additional funding, while fostering diplomatic ties with the debtor country.

A multilateral debt swap program used by Member States: the example of the Global Fund's Debt2Health Initiative

In some cases, EU Member States have decided to swap some of their bilateral debt, but not to oversee the use of funds. Instead, they have used the intermediation of a third-party multilateral institution such as the Global Fund to fight AIDS, Tuberculosis, and Malaria. In this setting, Member States cancel a certain amount of debt, and then agree with the debtor country on another sum – smaller than the original amount of debt cancelled, thereby providing some debt relief – that will be directed to the Global Fund, to be used by the institution as an additional resource for its action within the debtor country. Such swaps, that are intermediated by international organizations, show interesting features. The funds thus released are reinvested in the debtor country in ongoing projects, already agreed upon by the debtor and based on its own assessment of needs. The creditor country is guaranteed that the projects will be in line with international execution and reporting standards, all while not being responsible for their implementation and monitoring. Debt swaps can also count as part of the creditor country's contribution to the implementing organization, which in turn expands its fundraising through the instrument[11]. This however means that the creditor relinquishes its claim without the diplomatic and strategic upside often associated with a debt swap. Using swaps through international organization may therefore prove useful only in specific cases. This partly explains why existing multilateral programs such as Debt2Health, have remained of limited scale.

3. Illustrative list of recent debt swap structures

The following table highlights different types of debt swap structures and shows their impacts on both creditor's and debtor's debt and key metrics.

[11] See https://www.theglobalfund.org/media/7119/core_restrictedfinancialcontributions_policy_en.pdf.

Table 4. Selected debt swap structures

Type of debt swap	Targeted debt	Description	Impact on creditor(s)	Impact on debtor
		EAI[12]/TFCA-type transactions[13]		
Debt swap with debt buyback	Bilateral	An official creditor accepts to redeem its claim at a reduced price, under the condition that a portion of the discount be reinvested by the recipient government in a local currency fund supporting initiatives aligned with the creditor's objectives. The amount to be deposited in the local fund can be less or equal to the discount (in the US EAI/TFCA framework, the amount to be deposited is calculated as the lesser of either the discount or 40% of the buy-back price).	Balance sheet: Stock of claim on debtor country reduced by the amount bought back Budgetary impact: Loss recorded equivalent to the discount granted	Balance sheet: Debt stock reduced by the amount bought back NPV[14] impact: Positive or neutral, depending on the share of the discount attributed to the local fund[15] Financing needs: Hard currency financing needs alleviated
Debt swap with renegotiation of financial terms	Bilateral	A creditor accepts to renegotiate the terms of a claim (incl. a potential reduction of the notional amount) and to allocate the new claim's interest and/or principal payments to a local currency fund supporting initiatives aligned with the creditor's objectives.	Balance sheet: New claim with potential lower face value and without interest payments Budgetary impact: Loss recorded equivalent to the difference in present value between the original and the new interest-free claim	Balance sheet: Debt stock reduced if principal reduction, unchanged otherwise NPV impact: Depends on the renegotiated financial terms Financing needs: Depend on the renegotiated financial terms Hard currency financing needs alleviated

[12] Enterprise for the Americas Initiative (EIA)

[13] Congressional Research Service, Debt-for-Nature Initiatives, and the Tropical Forest Conservation Act (TFCA): Status and Implementation

[14] Net Present Value

[15] In all the examples showed in this table, the local currency fund is considered outside public sector perimeter.

Type of debt swap	Targeted debt	Description	Impact on creditor(s)	Impact on debtor
Subsidized debt swap	Bilateral	An NGO contributes funds for a creditor to accept to forgo a claim on a country, against a financial commitment from the debtor country to fund a local currency trust supporting initiatives aligned with the NGO's and the creditor's objectives. The debtor's contribution amount and disbursement schedule can either be aligned with or different from those of the original debt. Such deals are usually structured so that the NGO's financial effort matches the creditor's effort.	Balance sheet: Claim replaced by the (lower in value) NGO's financial contribution Budgetary impact: Loss recorded equivalent to the difference in value between the original claim and the NGO's contribution	Balance sheet: Debt stock can be reduced depending on the terms of the debtor's new commitment NPV impact: Depends on the terms of the debtor's new commitment Financing needs: Depend on the terms of the debtor's new commitment Hard currency financing needs alleviated
Debt swap leveraging capital markets: the Seychelles transaction				
Seychelles-like debt swap	Bilateral	As an additional effort to a Paris-Club debt treatment, several official creditors agree to redeem at a discount their post-Paris Club treatment claims on a country. An NGO interested in promoting SDGs mobilizes financing by setting up a local trust which takes an impact loan financed by private investors and mobilizes grants. To repay its debt to official creditors at a discount, the debtor government issues 2 notes bought by the trust: (i) one note whose terms reflect those of the loan taken up by the trust on the capital markets (more favorable than those of the debtor's initial debt), and (ii) one additional note, partly denominated in local currency and sized to keep the country's debt stock unchanged. The proceeds from this note are used by the trust to finance conservation programs.	Creditors' balance sheet: Stock of debt on debtor country reduced by the amount bought back Budgetary impact: Loss recorded equivalent to the discount granted	Balance sheet: Debt stock unchanged NPV impact: Positive given that the terms of the new notes are more favorable than those of the initial debt Financing needs: Debt service reduced given that the terms of the new notes are more favorable than those of the initial debt Hard currency financing needs (slightly) alleviated

Type of debt swap	Targeted debt	Description	Impact on creditor(s)	Impact on debtor
Bilateral debt swap implemented by a European Member State				
France's "C2D"-like debt swap	Bilateral	As an additional effort on top of a Paris-Club debt treatment, a creditor consents to reinvest all debt proceeds arising from its renegotiated claims on a debtor country. These proceeds are contributed to a local fund and allocated to the financing of projects or programs within the debtor country under specific implementation arrangements determined on a country-by-country basis.	Balance sheet: Nominal of the claim usually unchanged, as proceeds are usually reinvested after they are paid according to the original schedule Budgetary impact: Loss recorded each time a debt proceed is reinvested in the debtor country	Balance sheet: Debt stock unchanged NPV impact: Neutral upon debt swap inception Positive each time a proceed is reinvested towards public projects Financing needs: Positive impact on financing needs if proceeds are reinvested in public projects or programs that would have been financed on-budget Country external balance: Positive impact (financed projects or programs have a domestic component)

B. EU Member States have developed their own frameworks for conducting debt swaps

This section explores the main features of EU Member States' current frameworks for implementing debt swap agreements. Although legal, institutional, and technical arrangements can greatly vary across countries and experiences, debt swaps are consistently part of the development assistance strategy and are primarily used as a way of providing ODA financing rather than debt relief.

One important point to be noted is that all EU Member States which are actively conducting debt swaps, are also members of the Paris Club.

Box 3. Paris Club rules for debt swaps [16]

Paris Club agreements may contain a provision enabling creditors to voluntarily engage in debt swaps. These operations may take the form of debt-for-nature, debt-for-aid, debt-for-equity or other local currency debt swaps. These swaps usually take one of the following terms:

- The debtor country directs the servicing of the debt to a fund that will be used to finance development projects in the country (debt-for-development swaps)
- The sale of the debt by the creditor government to an investor who in turn sells the debt to the debtor government in return for shares in a local company or local currency to be used for projects in the country.

To preserve comparability of treatment and solidarity among creditors, debt swap amounts for non-ODA claims are capped at a certain percentage of each individual Paris Club creditor's stock of claims. There are no restrictions regarding debt swaps on ODA claims.

To ensure full transparency between creditors, debtors and creditors submit a report to the Paris Club Secretariat on the transactions conducted.

1. Legal frameworks

Each Member State has a definite national legal setting providing for the use of debt swaps.

Under a first legal setting, debt relief operations are only authorized under Paris Club agreements, thus ensuring alignment with the other members of the Club.

A second legal setting authorizes a Member State to conduct debt swaps with countries that have received a Paris Club debt treatment agreement or that meet specific macroeconomic criteria (as calculated based on

[16] https://clubdeparis.org/en/communications/page/debt-swap

debt-to-exports ratio or debt service-to-export ratio). Under this setting, the total amount of yearly swappable debt is legally capped and beneficiary countries usually have high but sustainable debt levels.

A third legal setting authorizes the use of debt swaps under Paris Club debt treatment agreements or on ODA claims, although the use of swap needs to be justified (e.g. a country facing a natural disaster).

More generally, debt swaps will finance projects, programs or policies must comply with the legal obligations governing the EU Member States' development aid frameworks, and therefore respect very high standards in terms of implementation and monitoring.

2. Institutional frameworks

Depending on the creditor country's institutional framework for development assistance financing, diverse institutional structures are operational for debt swaps.

The institutions involved are often the Ministry of Finance, the Ministry of Foreign Affairs, and the National Development Agency, but it is not the same institution which is in charge of negotiating the swap depending on the Member State.

Debt swaps heavily rely on binational cooperation and communication. Therefore, in many Member States, a binational steering committee is set up to oversee the implementation and the monitoring of projects, as well as the reporting to unlock further disbursements. This committee is often mirrored by a binational technical committee which screens the projects and is then tasked with the execution and the monitoring on the ground. It can also provide technical assistance and support capacity building.

Finally, EU Member States often set up a special purpose fund in the beneficiary country (e.g. at the local central bank), either provisioned directly by the debtor country or by the creditor country, through re-channeling the debtor country's debt service. This fund is then the source of financing for the agreed-upon projects, programs, or policies. The advantage of such special purpose fund is that Member States can more easily monitor the use of funds and assess the impact of projects, as compared to losing track of funds provided in the context of budget support. Special purpose vehicles are also better understood by civil society and submit to internationally approved of standards. However, there are alternatives to this institutional setup, with some Member States contemplating direct budget support instead of increasing beneficiary countries' ownership.

3. Technical features

Technical features of debt swaps differ across countries and experiences, as to meet the needs of both creditors and debtors.

First, debt swaps may embed debt relief, which is calculated as the difference between the amount of debt cancelled and the amount of funds that the debtor country will have to allocate to the agreed-upon projects, programs, or policies. However, even when there may not be any haircut on the principal amount, creditor countries may offer better terms on the new debt service schedule financing agreed upon projects or programs (such as longer maturities). This depends on the financial situation of the debtor country, as well as on some strategic considerations.

Eligibility conditions depend on the country, but the general idea is that **debt swaps are top-up mechanisms for countries with high, yet sustainable debt levels (e.g. after a Paris Club restructuring) and cannot be part of the necessary efforts to put debt back on a sustainable path**. Additionally, debt swaps are part of the diplomatic and development assistance strategies of bilateral creditors, which drive the choice of target countries, as well as programs and policies to be financed through the instrument.

At the operational level, bilateral creditors rely on their Embassy networks for outreach, negotiation, and implementation. In some cases, in places where national Embassies are non-existent or small, bilateral creditors may find it more technically burdensome to conduct debt swaps, as they would need to set up an *ad hoc* structure.

In some cases, the involvement of both the Member States' and the beneficiary country's civil society is encouraged, and this has had significantly positive impact on the implementation of the instrument.

Finally, monitoring processes are an essential component of debt swaps and may be systematically subject to a third-party evaluation in some Member States. In most Member States, the results of external and internal evaluations are so far broadly positive, with some caveats in some cases.

Table 5. Selected EU Member States frameworks for debt swaps

	FRANCE	GERMANY	ITALY	SPAIN
	***"Contrat de désendettement et de développement"* (C2D)**	**Debt-for-development targeting priority areas of bilateral assistance Debt2Health**	**Debt-for-development (mainly)**	**Debt-for-development (mainly) Debt for climate Debt2Health**
	EUR 255m *(total annual debt cancelled under debt swaps in 2020)*	EUR 150m *(annual budget cap)*	EUR 2m – 145m *(range of debt cancelled per transaction since 2000)*	EUR 1m – 375m *(range of debt cancelled per transaction since 2000)*
LEGAL *Eligibility criteria*	• Only under HIPC Initiative ⇨ ***"Doctrine d'emploi des C2D"*** **(Doctrine on the use of C2D)**	• Under Paris Club agreement **OR** • With debt/exports > 150% **OR** • With debt service/exports > 15% ⇨ **Section 23 of the Federal Budget**	• Under Paris Club agreements **OR** • As part of multilateral initiatives **OR** • After a natural disaster causing a humanitarian crisis ("hurricane clause") ⇨ **Law 209 (2000)**	• Only in the context of a debt relief multilateral agreement ⇨ **Law 38/2006**
INSTITUTIONAL	• Program definition: MEAE and Treasury (joint mission), with AFD's technical assistance • Implementation: AFD and MEAE • Monitoring: MEAE and Treasury (mid-term and end reviews)	• Implementation: KfW on behalf of BMZ • Local presence: through Embassies and/or KfW representatives • Debt cancellation trigger: once program implementation is sufficient	• Dual administrative setup: (i) MoU: Ministry of Foreign Affairs w/ technical support from AICS and financial support from CDP (ii) MoF decree authorizing CDP to cancel debt instalments • At country level: Binational Management committee and Technical committee • Financial monitoring: CDP	• Monitoring/decision-making: binational committee (incl. MoF representatives) • Execution/monitoring: Technical committee (incl. AECID and selected NGOs) • Systematic independent external evaluation at end of program
TECHNICAL	• Debt serviced in EUR and rechanneled back to the country in EUR • Sectoral aid and global budgetary aid whenever possible	• Possibly connected to existing ongoing bilateral development projects	• Under Paris Club agreements, possible debt relief component • Frequent use of a counterpart fund • Projects expenses usually in local currency • Technical monitoring: AICS	• Possible relief component (up to 70% of the original debt) • Possibly targeted at one or several sectors • Disbursements to counter-value Fund usually in local currency • Promotion of transparency

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EU Member States using debt swaps on a regular basis are generally satisfied with the instrument, although none of them have scaled it up. The next section addresses the potential benefits and shortcomings of debt swaps as ODA instruments available to official creditors aiming at supporting the achievement of SDGs. This will lay the ground for propositions on the way forward with this instrument.

III Pros and cons analysis

How efficient debt swaps are to achieve SDGs as compared to other ODA instruments?[17]

Because debt swaps' fundamental feature as used by EU Member States is to channel new money towards domestic projects or programs without increasing the debt of the beneficiary country, grants are the natural benchmark in the ODA space that swaps can be compared to; from a creditor's perspective, debt swaps cost virtually the same as grants (because the claim is forgone). In several national settings reviewed in this study, implementing debt swaps translates into a budgetary cost equal to the claim reduction amount, as institutions implementing debt swaps are usually fully compensated for the loss they would otherwise incur.

Reducing a claim *vis-à-vis* a developing country yields positive ODA as per the OECD DAC reporting rules, although a recent reform changed[18] the methodology to compute ODA stemming from debt restructuring operations. From the new rules, it can be inferred that the ODA resulting from a debt swap transaction whereby an ODA claim is reduced, is proportional to the non-concessional part of this claim. Therefore, implementing a debt swap generates positive ODA, as would a grant up to the size of the non-concessional part of the initial loan[19].

However, debt swaps involve additional features that differentiate them from other ODA tools such as grants and soft loans.

This section explores debt swaps' main advantages and shortcomings as potential ODA instruments to help achieve SDG in the context of development cooperation agreements.

1. Key advantages of debt swaps

1.1. Debt swaps have financial benefits for recipient countries

From a financial standpoint, debt swaps' main objective is to re-channel the debt service that a debtor country owes to one of its creditors towards projects or programs implemented by the debtor country: in that sense, debt swaps bring an obvious financial advantage to the beneficiary country, which does not have to mobilize additional resources to finance these projects or programs. Because funded projects are located domestically, creditor countries often accept that the new claim be paid in local currency, which positively contributes to the debtor's external account[20].

[17] The following sections are based on debt swap practitioners' feedback and thus focus on bilateral debt swaps used as development assistance instruments, which is in line with the scope of the study.

[18] The purpose of this reform was to adapt the rules to report official debt restructuring to a prior reform, adopted in 2014, which changed the reporting rules for ODA loans. ODA loans are now reported under a grant-equivalent basis instead of a cash-flow basis in the previous reporting framework.

[19] New ODA rules for debt restructuring reporting are nevertheless more complex and account for different country category, discount rates and commitment dates (esp. when the ODA loan was provided prior to the 2014 reform). In any case, the amount of ODA stemming from debt swaps should be computed on a case-by-case basis.

[20] Because newly funded projects may lead to additional imports (raw materials, contracts with foreign companies, etc…), the benefit can sometimes be limited.

Besides, depending on the technicalities of the swap, debtor countries can also benefit from a nominal reduction of the claim (which would translate into a net reduction of the debt stock, but also into less resources for the projects or programs to be funded by the swap), and/or from amendments to the debt service schedule, hence potentially alleviating the debtor's debt burden.

Although the basic economics of a debt swap are quite similar to (i) not swapping the initial claim combined with (ii) a hard currency grant (i.e. mobilizing financing for projects without taking on additional debt), swaps can be more flexible because they allow for renegotiating the debt service schedule of the new claim to match cash call timing of projects and/or to alleviate potential debt service pressures. (See Box 4)

Box 4. Illustrative financial impact of a bilateral debt swap and comparison with a grant

Consider the following illustrative case

- Creditor A has a claim on Debtor B with a USD 100 face value.
- Debtor B has identified a pool of SDG-related domestic projects he wishes to finance.
- For simplicity, all flows are denominated in USD.

Case A: Implementing a debt swap

- Creditor A accepts to completely forgo its claim and re-channel the debt service towards the financing of the projects.
- Because the timing of cash calls for the projects is different from the original debt service, Creditor A also accepts to amend the debt repayment schedule of the claim to match the timing of cash calls for the projects.

Case B: Providing a hard currency grant

- Creditor A accepts to provide a grant with disbursements matching cash calls for the selected projects.

Initial situation

In USD	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5
Original debt service (Debtor B to Creditor A)	0	20	20	20	20	20
Projects - cash calls	0	0	20	40	40	0
Total Debtor B funding needs	**0**	**20**	**40**	**60**	**60**	**20**

Case A – With a debt swap

In USD	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5
New debt service re-channeled towards the projects	0	0	20	40	40	0
Projects - cash calls	0	0	20	40	40	0
o/w funded by the new claim's debt service	0	0	-20	-40	-40	0
Total Debtor B funding needs	**0**	**0**	**20**	**40**	**40**	**0**

Case B – With a hard currency grant

In USD	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5
Original debt service to Creditor A	0	20	20	20	20	20
Projects - cash calls	0	0	20	40	40	0
Grant disbursements	0	0	-20	-40	-40	0
Total Debtor B funding needs	**0**	**20**	**20**	**20**	**20**	**20**

Conclusion : although grants and debt swaps bear the same costs on the side of the creditor, the additional advantage for the debtor is that debt swaps can offer the additional flexibility to renegotiate the debt reimbursement schedule to match cash disbursements with cash calls for projects.

Debt swaps can also have positive financial spillovers as they may unlock additional funds for the projects or programs from the private or the public sector.

However, several key advantages of debt swaps lie outside financial considerations.

1.2. Debt swaps foster diplomatic relations and support development assistance strategies

As stated before, swaps usually involve setting up binational committees that will monitor the program implementation throughout the life of the agreement. Unlike grants provided in the context of general budget support, debt swaps allow creditors to retain some ownership over the use of funds, while offering the opportunity for technical cooperation and capacity building and participating ~~to~~ in fostering a long-standing diplomatic relationship between the two countries involved.

Creditors also typically introduce some type of claw back mechanism and performance targets, on top of the use of funds oversight, to ensure the sound management of the funds, thus promoting better governance at the debtor country level.

On a political level, debt swaps may allow the creditor to support projects and programs that are aligned with its own best practices in terms of development programs and that fit its strategic objectives.

That being said, a donor country could indeed envisage the same level of ownership over the way funds are used within a grant-based agreement, whereby grants would be tied to specific projects or programs, and a dedicated monitoring and assistance framework would be implemented; from this perspective, both debt swaps and grants could achieve the same result.

From a donor's perspective, debt swaps can also be used as an entry point for shifting towards a more sectoral approach to development cooperation. Donor countries might take advantage of debt swaps to transition from a grant-based budget support strategy with limited visibility on the end use of funds to a more result-based sectoral approach.

1.3. Debt swaps get political support

Additionally, debt swaps are sometimes quite popular in creditors' civil societies, and therefore benefit from the strong political momentum that other development initiatives may lack. This has been magnified following the COVID-19 pandemic.

In some cases, creditor countries have witnessed strong momentum in favor of debt swaps in debtor countries' civil societies as well. In these cases, the popularity of the program has enabled to improve the beneficiary countries' ownership over the projects, and to reduce moral hazard owing to strong public exposure.

1.4. Debt swaps usually meet their objectives

Finally, and despite implementation being quite challenging (see next section), most debt swap practitioners are overall satisfied with the instrument from an operational viewpoint: debt swaps with partner countries have usually reached the goals that were set at the beginning of the program.

However, debt swaps can have significant shortcomings: some of them can be overcome as participants climb the learning curve and streamline their approach, but others are inherent to the instrument.

2. Shortcomings highlighted by practitioners

2.1. Debt swaps suffer from operational complexity

One of the main criticisms usually levelled at debt swaps, compared to soft loans and grants, pertains to operational complexity**.**

Since a debt swap implies that a creditor forgoes its claim to the benefit of domestic projects, that creditor usually aims to retain some ownership over the use of funds. This involves monitoring implementation, sometimes complemented by technical assistance to help build capacity at the local level. Debt swaps are therefore time-consuming and burdensome exercises, not only when negotiating the terms of the instrument (e.g. reaching agreement on the financial parameters of the new claim), but also from an operational perspective. Debt swaps typically involve the set-up of different binational committees tasked with monitoring implementation throughout the life of the agreement and providing technical assistance, which means that the creditor country remains actively involved during the life of the debt swap. Creditors can also require that beneficiary countries identify a first batch of projects to be financed before the swap agreement is signed, further extending the preparation phase.

Besides, although the financial structuring phase might benefit from some standardization efforts to accelerate the process, the implementation phase remains necessarily bespoke. Since each debt swap involves various counterparties, local governance structures, development needs, geographies, and time periods, each requires its own dedicated implementation framework. As such, lack of replicability usually translates into lengthy preparation phases.

The complexity of setting up an implementation framework can sometimes lead creditors to take the easier route and keep focusing on sectors of the economy that have already benefitted from debt swap programs. In this context, the administrative burden of debt swaps disincentivizes the creditor to use ODA funding in the most impactful way.

Nonetheless, several recent bilateral debt swap transactions have been experimented with opportunistic mechanisms to try and fast track implementation. One example involved the funds being aimed at financing particular policy initiatives through direct budget support, complemented with technical assistance[21]. Another example implied taking advantage of a concomitant policy-based lending program that was implemented by another lender: both programs' frameworks were aligned, and the monitoring was conducted jointly. Lastly, some initiatives, such as the above-mentioned Global Fund's Debt2Health initiative, managed to partially fast track implementation by proposing ready-to-swap programs to creditors willing to forgo their claims on partner countries without bearing the burden of monitoring implementation. However, these initiatives remain few and are limited in scale.

Apart from these exceptions, due to the substantial preparation work required, debt swaps are not suited for emergency responses. Conversely, grants, especially if aimed at general budget support, can be deployed much more swiftly by donor countries.

[21] This transaction seems to have yielded mixed results.

2.2. Debt swaps efficiency highly relies on local governance

Other factors can impact the successful implementation of debt swaps, even after the swap agreement has been signed and the operational framework set up.

First, debt swaps remain highly dependent on beneficiary countries' institutions and governance: if participating creditors deem that governance standards have weakened too much, for instance in the case they fear vested interests, they can usually take advantage of claw back mechanisms to put the program on hold and/or delay disbursements.

On the other side, a common critic is that debt swaps do not allow for significant country ownership, as donor countries generally remain at the center of the allocation of funds, along with the recipient country. That being said, this issue does not pertain to debt swaps only, but to other project- or program-targeted ODA instruments as well.

2.3. Debt swaps are usually relatively less efficient from a financial standpoint

From a financial perspective, debt swaps also show some constraints and rigidities, a fact which does not ensure full efficiency for the use of funds.

Unlike grants, debt swaps usually embed high transaction costs as compared to the amounts swapped. This is because in every scenario the creditor needs to come to an agreement with the debtor country on many aspects, both financial and operational.

Furthermore, one cannot ensure additionality of the instrument, namely one cannot guarantee that the fiscal space freed up by the swap (if any) will also be used to fund initiatives that promote SDGs. This may be marginally mitigated by the work of the binational committees on the selection of projects.

Moreover, because debt swaps were in some instances used in the context of debt sustainability issues, implementing debt swaps nowadays still involves a risk of creating adverse signaling effects to the market. This may lead to raising financing costs for beneficiary countries if they are reliant on capital markets funding, despite sustainable debt levels. Such a shortcoming can be addressed by being clear in communicating to market participants that the debt to be swapped is but bilateral, hence a non-marketable debt; and by highlighting that debt swaps concentrate on the financing of SDGs rather than on addressing debt problems.

From the creditor's standpoint, depending on the creditor's public accounting rules, debt swaps can be accounted for as fiscal deficit.

2.4. Debt swaps' strong diplomatic and political dimensions have some drawbacks

In addition to operational and financial shortcomings, debt swaps' strong diplomatic and political dimensions also have drawbacks.

This especially applies to the (partial) ownership that creditors retain over implementation. The development agenda that beneficiary countries wish to push at political level may not be aligned with the priorities set by creditors in their development assistance policy framework. This may undermine debtor countries' ownership over the projects financed under debt swap programs and affect the quality of the projects presented.

Moreover, swift enforcement at the technical level of claw back mechanisms in case of worsening governance or vested interests can be hindered by the highly political and diplomatic component of debt swaps.

Furthermore, creditors' influence over implementation can constitute a gateway to increased interference in debtor's national policymaking, entailing the risk that creditors prioritize their own interest to the detriment of the debtor's. Depending on how the swap is structured, claw back and contingency mechanisms, which are triggered when beneficiary countries fail to comply with certain contractual objectives, may even provide access to strategic assets.

Besides, the strong domestic political momentum that can accompany a swap program may in some cases take precedence over efficient project selection. This may lead to preferring flagship projects promoted for political reasons rather than priority development programs that may not be as popular, thus not allowing for the most impactful allocation of financial support to achieve SDGs.

2.5. Debt swaps are inherently non-scalable

Finally, another obvious shortcoming is that implementing a debt swap requires an initial claim. This inherently constrains the pool and size of available transactions and prevents debt swaps from being the go-to instrument for financing development assistance programs, because a creditor or a group of creditors looking to significantly foster development through debt swaps would have to hold an important number of claims in the first place, contrarily to other more traditional development instruments. This aspect has been discussed more extensively in section III. The need of thoroughly assessing beneficiary projects can also naturally constrain the size of debt swap programs and could constitute another reason for the lack of precedent on large, coordinated debt swap transactions.

3. Synthesis: Debt swaps as compared to other ODA instruments (grants and soft loans)

Official Development Assistance instruments available to donor countries usually include grants and soft loans. Together with debt swaps, they embed a concessional component that is usually expressed in "grant equivalent", and which is essentially forgone or given upfront by the donor country.

The table below shows the main differences between the three instruments for a given "ODA grant equivalent" of USD 100

Table 6. Debt swaps as compared to other ODA instruments
(for a given ODA grant equivalent of USD 100)

Figures in USD (indicative)	**Debt swap**[22]	**Grant**	**Soft loan** *(illustrative 50% concessional component)*
Total new money available to beneficiary country	0 → 100[23] (*maximum debt stock relief* → *no debt stock relief*)	100	200 *Implying 100 in grant-equivalent*
Change of beneficiary country's debt (+: increase)	-100 → 0	0	+200
Flexibility	**Low** Requires an initial claim, and selecting local projects that are satisfactory to both parties	**Variable** No systematic prerequisite for providing a grant or a soft loan. Use of proceeds restrictions can apply, depending on the donor's objective	
Timing of structuring	**Usually lengthy** Need to settle on both the financial terms of the swap and the implementation framework	**Variable** Depends on the type of conditionality attached to the funds disbursement (general budget support, policy-based, earmarking to specific projects)	
Timing of availability of funds for the beneficiary	**Usually lengthy** Need to find projects compliant with the framework and go through the approval process		
Donor's control over use of funds	**High**	**Variable** Use of proceeds restrictions can apply, depending on the donor's objective	

22 Debt swaps' features that are highlighted in this table are solely based upon current practices and feedback by interviewees.
23 The initial claim is assumed to have been provided at market terms.

IV Proposal for Common Principles

A. Rationale for a common approach to mitigate debt swaps shortcomings

Some of the key drawbacks of debt swaps are inherent to the nature of the instrument: these include the fact that debt swaps require an outstanding debt exposure on the country, and that forgoing a share of the debt may entail adverse political and diplomatic impact.

However, a number of other existing shortcomings might be addressed through a combination of (i) voluntary knowledge sharing among creditors to benchmark practices and identify the most efficient ways to implement debt swaps, (ii) increased coordination among swap users where relevant, remaining mindful of the advantages entailed in a bilateral creditor/debtor relationship, (iii) comprehensive assessment of the role that debt swaps could play within the overall ODA space and how they could complement other initiatives.

This could allow to mitigate some of the shortcomings that are frequently cited regarding debt swaps:

i/ *Debt swap are boutique instruments*: one of the most cited shortcomings of debt swaps is the fact that they remain boutique instruments because they are *de facto* limited by the pool of debt available to a creditor for swaps in a given country. <u>Pooling claims together could be a way to increase scale</u>.

ii/ *Administrative burden*: the instrument is time-consuming and requires a heavy administrative structure for the negotiation, the implementation and the monitoring of the instrument, and the projects or programs thereby funded. <u>Sharing best practices among creditors may allow streamlining the implementation process, and potential coordination may distribute this burden across several creditors.</u>

iii/ *Lack of diplomatic access to a debtor country*: some creditors may not have the ambassy network required in a given debtor country to allow for the satisfactory setup of a debt swap. <u>A creditor may benefit from coordination with other creditors to access a wider range of potential beneficiary countries.</u>

iv/ *Risk of overlap*: with little information being shared among debt swaps users, there is a risk that several debt swaps are conducted in a given country and overlap, leading to financial and operational inefficiencies. <u>Enhancing communication among swap users may help tackle this risk.</u>

B. Proposed common principles

Based on the above, some avenues could be contemplated to improve the level of transparency of current debt swaps operations among EU Member States and discuss the opportunity for a more integrated, Team Europe approach on debt swaps.

Improve the level of transparency of current debt swaps operations among EU Member States

i/ Facilitating exchange of information under the European Commission umbrella on currently implemented and past transactions would enrich knowledge of all member States, prevent overlap and contribute to rationalize costs. Information shared could include: beneficiary country, third-party or other bilateral creditor involved if applicable, Implementation period, Amounts, Sector and Financial parameters (local currency content, impact on debt metrics, etc.). A centralized and up-to-date database would facilitate such information sharing. To this end, the EU could consider building on the OECD Development Assistance Committee (DAC) work, which records development assistance flows from developed to developing countries, including debt related transactions[24].

ii/ The preliminary examination of debt swaps, as part of this report, has shown a variety of transactions with sometimes significantly different impact parameters such as total discount, grant equivalent, NPV debt reduction, or resulting local currency amount. Member States may find it convenient to discuss appropriate debt swap financial features to improve the impact of such transactions.

iii/ As part of their debt swap programs, EU Member States could reaffirm their commitment to achieve SDGs, tentatively focusing on specific critical issues at the current juncture, such as health and nature (including Climate Change and biodiversity).

Discuss the opportunity for a more integrated, Team Europe approach on debt swaps

iv/ EU Member States debt swap programs present similar features such as the definition of strict eligibility criteria, key principles and objectives, and a yearly financial envelop to bear debt swap costs. Current debt swap users could potentially explore the opportunity to engage into a more EU-coordinated approach on a case-by-case and fully voluntary basis. EU Member States that are interested in participating in a debt swap in a certain country under certain circumstances could pool some of their claims together and discuss the transaction and implementation parameters to help lower their individual transaction costs.

v/ Given the limited scale of debt swaps transactions, a more EU-coordinated approach would potentially increase its impact and give to the EU more leverage vis-à-vis other bilateral creditors. In this respect, the European Commission could propose a Template to make the instrument less bespoke and cumbersome, and ultimately more effective. The objective of the Template would be to provide practitioners with guidelines and best practices, such as:

- Mainstreamed project implementation rules, to help recipient countries dealing with EU-supported debt swaps
- Strategic objectives and result-based frameworks aligned on SDGs
- Stronger focus on EU development priorities

[24] The Creditor Reporting System (CRS) is a comprehensive framework elaborated by the DAC, allowing DAC members to report their development assistance flows on a detailed basis. Official and concessional debt swaps operations can be reported under this system, although the reporting format does not allow for a detailed description of debt swap features.

- Cross cutting objectives regarding public financial management, such as domestic resources mobilization. Sound public financial management is an important driver of long-term debt sustainability

The Template would be implemented on a voluntary and case-by-case basis and could also be shared with non-EU creditors.

vi/ The European Commission could engage more closely with EU Member States debt swap practitioners and contemplate, on a case-by-case basis, the use of EU funds in support of a given debt swap operation to increase its leverage and development impact. This could be borne by the European budget and could be used to alleviate administrative costs and help scale up and accelerate action on the ground. Such a mobilization of additional funding should however be carefully done through an assessment of trade-off against other instruments.

vii/ This provision of additional funding from the Commission could be discussed with Member States and unlocked upon demonstrated compliance with certain standards on process or impact.

- First, the EU Commission could allocate funding to debt swaps which comply with the above-mentioned Template (Recommendation v/)
- Second, the EU Commission could build on Recommendation iii/ and encourage Member States to only use debt swaps as funding tools towards the achievements of SDGs and provide additional funding when debt swaps contribute to one or several SDG Indicators[25]. The EU Commission could also consider leveraging its work on the European Union Taxonomy to this end, to foster its use abroad in the case of green projects

viii/ The Commission could also provide technical assistance on debt swaps to ensure that debtor governments have the capacity and the know-how to implement and monitor the agreed-upon programs and policies. Such assistance could entail implementing the new EU Template on the debtor side, with respect to achieving SDGs (see Recommendation vii).

ix/ In the framework of debt swaps, an interesting use could be made of guarantees by bilateral or multilateral lenders, allowing third parties to partially de-risk investments in developing countries. Should opportunities materialize, the Commission could consider positioning itself as a stakeholder into such transactions through the provision of (partial) guarantees in privately held debt swaps transactions to ensure better financing terms against SDG objectives.

x/ Through its External Lending Mandate and other development related mandates, notably with regard to guarantees for sovereign loans, the EIB has an important role to play in supporting developing countries efforts to achieve SDGs, while ensuring its lending does not fuel sovereign debt problems. The European Commission could task the EIB to undertake a review of its existing debt portfolio and related lending policies, to come up with recommendations and practical solutions to address developing countries' high debt burden.

[25] The global indicator framework for Sustainable Development Goals was developed by the Inter-Agency and Expert Group on SDG Indicators (IAEG-SDGs) and agreed upon at the 48th session of the United Nations Statistical Commission held on March 2017. https://unstats.un.org/sdgs/indicators/indicators-list/

Appendix

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2. List of institutions consulted for the report

European Union Member States Representatives

France

- Ministry of Finance
- Ministry of Europe and Foreign Affairs
- Agence Française de Développement (AFD)

Germany

- Ministry of Finance
- Ministry for Economic Cooperation and Development (BMZ). Kreditanstalt für Wiederaufbau (KfW) Bankengruppe

Italy

- Ministry of Finance
- Cassa Depositi e Prestiti
- Ministry of Foreign Affairs and International Cooperation
- Italian Agency for Development Cooperation

Spain

- Ministry of Foreign Affairs
- Ministry of Economic Affairs and Digital Transformation

Other States Representatives

United Kingdom

- Foreign, Commonwealth & Development Office (FCDO)
- Her Majesty's Treasury

United States

- U.S. Department of the Treasury

International Institutions

- The Paris Club Secretariat
- The World Bank Group
- Inter-American Development Bank (IDB)
- Asian Development Bank (ADB)
- Green Climate Fund (GCF)
- Global Environment Facility (GEF)
- European Investment Bank (EIB)
- African Development Bank

- United Nations Economic Commission for Africa
- OECD

Civil Society Representatives, Think Tanks, Academia and other Organizations

- The Global Fund to Fight AIDS, Tuberculosis, and Malaria
- Finance for Biodiversity
- Research Center for Climate and Energy Finance (RCCEF)
- Eurodad
- WWF
- Conservancy International
- The Nature Conservancy (TNC)
- Columbia University
- German Development Institute
- International Institute for Environment and Development (IIED)