



EURODAD DEBT WEDNESDAYS

Debt Workout Mechanisms

The gaping hole in the international financial architecture

Bodo Ellmers

Global Policy Forum



This webinar is being organised with the financial support of the European Union, Bread for the World, the Open Society Foundations and Avina Americas. Its contents are the sole responsibility of Eurodad and its partners and do not necessarily reflect the views of the funders



Shortcomings of the current sovereign debt workout non-regime

- Forum fragmentation: No chance to restructure all debts in one single process
- Creditor domination: Decisions and assessments are made by creditor institutions
- Focus on financial considerations: Development needs and human rights neglected.
- Lack of transparency and accountability: Decision-making behind closed doors.
- Non-discrimination of responsible and irresponsible lenders

Principles for sovereign debt workouts

1. Decision-making independent from creditors
2. Independent assessment of debt sustainability and of the validity of individual claims.
3. Comprehensive treatment of a country's debt stock in a single process.
4. Trigger: Financial needs of reaching development objectives and human rights obligations
5. Inclusive participation of all stakeholders

Principles for sovereign debt workouts ctd

6. Transparency: sovereign debt restructuring negotiations and their outcomes must be public.
7. Standstill on all external debt payments
8. Stay on creditor litigation or enforcement of creditor claims
9. Enforceability: Binding outcomes
10. Outcome: Fiscal space to finance development and fulfil human rights obligations

Institutional Reform Proposals (selected)

- IMF (in 2002): [Sovereign Debt Restructuring Mechanism](#)
- Academics and CSOs: [Fair and Transparent Arbitration Procedure](#)
- UNCTAD Expert Group: [Debt Workout Institution](#)
- UN General Assembly: [Multilateral Legal Framework for Sovereign Debt Restructuring](#) (resulted in [Basic Principles](#))
- UNCTAD (forthcoming): Global Debt Authority

Further Reading

- Kaiser, Jürgen (2010): [Resolving Sovereign Debt Crisis](#). Towards a Fair and Transparent International Insolvency Framework; erlassjahr.de
- Perera, Mark (2019): [We can work it out](#). 10 civil society principles for sovereign debt resolution; Eurodad
- Ellmers, Bodo (2016): [The evolving nature of developing country debt and solutions for change](#); Eurodad

Thank you for listening

I hope you enjoyed the presentation

