

# The processes towards a reform of sovereign debt management

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# Lead Question:

- How do we get from (a) to (b)....?
- ...with (a) being a system of fragmentation, lack of rule of law and inefficiency in sovereign debt management, and
- (b) being one, where debts are dealt with comprehensively and with neutrality in assessment and decision making securing the prevailing of the rule of law.

# Two tracks towards reform



1. International discussion, opinion-building towards multilateral agreements
2. Changes in on-going processes of debt restructuring

# Track (1): Who is presently working on reform proposals?

- CIGI
- IMF: April 2013 paper, Brookings, Annenberg Consultation Nov. 2013, Announced staff proposal to Lagarde in Feb. 2014 and to the Board in 2014
- UNCTAD: experts' group to present a proposal until end-2015
- Paulus/Kargman towards a standing „resolvency“ court
- Worldwide debt NGOs aligning themselves with the Fair and Transparent Arbitration Process
- Breugel's et alia's conceptual work focussed on debt problems in the Eurozone

# Track (1): Who is presently NOT working on reform proposals?



- IIF and the private sector at large
- The German or any other government individually, however....

# ....Recent commitments from individual governments:



- Norway's Soriamoria Declarations of 2005 and 2009
- Germany's coalition treaties of 2002 and 2009
- Germany's informal „Berlin Club“ proposal for the Eurozone 2010
- Finnish Finance Ministry on Eurocrisis in 2010
- Swiss Parliamentary Hearing in the Little Chamber January 2014

## Recent commitments from international bodies and institutions:

- Kofi Annan, *We the People: The Role of the United Nations in the 21<sup>st</sup> Century* in 2000
- UN Conference on the Global Financial Crisis 2009 (Stiglitz Commission)
- G77 and China at the UN Financing for Development Follow up 2013
- European Parliament on Oct. 31<sup>st</sup> 2008

# Track (2): Changes in on-going processes of debt restructuring (“incremental reform”)



Changes in sovereign debt management parameters and procedures have often been responses to the needs of individual cases, f.i.:

- Paris Club „terms“ (quantitative)
- Indonesia 1969/70 (qualitative)



# Practical exercises:



- Model process for Zimbabwe
- Grenada's government demanding a comprehensive creditors' conference
- Potential Risk cases...

# 58 Countries at high risk of debt distress according to indicators and/or IMF projections:



- **Südasien, Südostasien, Pazifik**

Afghanistan, Bhutan, Malediven, Nepal, Pakistan, Sri Lanka, Laos, Mongolei, Papua Neuguinea, Tonga, Samoa, Vanuatu

- **Subsahara-Afrika**

Burundi, Kap Verde, Tschad, Komoren, Demokratische Republik Kongo, Elfenbeinküste, Äthiopien, Gambia, Ghana, Mauretanien, Sao Tomé & Príncipe, Senegal, Seychellen, Sudan, Simbabwe

- **Lateinamerika, Karibik**

Belize, Dominica, El Salvador, Grenada, Guyana, Haiti, Jamaika, Nikaragua, Panama, St. Lucia

- **Nordafrika, Naher Osten**

Tunesien, Dschibuti, Jordanien, Libanon

- **Zentralasien, Europa**

Albanien, Armenien, Weißrussland, Bosnien & Herzegowina, *Bulgarien*, Georgien, *Ungarn*, Kasachstan, Kirgistan, Mazedonien, Moldawien, Montenegro, *Rumänien*, Tadschikistan, Ukraine, Serbien

# Where to go from here?



- Make sure that an IMF proposal is not again produced behind closed doors; organize inclusive debates
- Organize pro-reform forces across sectors
- Support countries, which are in need of restructuring their debts politically and technically/financially
- Make alternatives visible:
  - Academics Call for a Sovereign Debt Workout Mechanism
  - Interparliamentary Processes (IPU, PNoWB)
  - A genuine UN proposal, emerging from UNCTAD experts group.

**Do not wait for the rich countries  
to find a solution for you....**



**...better find it for yourself!**