I consulted a community investment banker who is one of our members. Our comments follow.

1. We are wholeheartedly in agreement with the Jubilee South et al Initial Reflections.

2. We are disappointed by the CIGI paper for the following reasons: Its core assumptions are that the lender or successor (debt holder) is always right, the borrower always wrong, and that "structural adjustment" by the borrower is the only requisite response. From the banker's perspective, this is to ignore the whole question of moral hazard -- both sides must have some skin in the game. My banker friend says a debt offering involves risk; the lender assumes this risk; the borrower too must have some collateral to put up; and liquidity must be guaranteed for the bondholder, but NOT the initial price; when a "technical default" not a "bankruptcy default" is at issue, the bond may be marked to market, i.e. it loses value; THAT moral risk is and must be taken by the bondholder. The vulture capitalist wants all the risk/loss to be on the other side. IFF reforms should consider the full range of options on both sides and should be morally just. The options considered by the CIGI paper are regrettably founded on the governing assumptions of the IMF for the last 50 years and therefore cannot result in real reform.

3. Summary of the IFF "reforms" discussed in the paper. In my view 2 is best, but all favor banks and speculators over social justice. All eight are better than the current "investor rights" which allow vulture speculators to sue democracies and win $billions.

1. Collective action clauses (CACs) written into the original loan

2. a Sovereign Debt Restructuring Mechanism (SDRM) (Krueger 2001) a binding international process (by treaty) that would superecede private investors’ claims - defeated 2001-2009 by vulture capitalist lobbies to US State Dept and Finance - it would have allowed restructuring and, if necessary, writing down of sovereign debts

3. an international “sovereign debt tribunal” (SDT).

4. debt reprofiling: an extension of maturities on existing sovereign debt, but no change to the interest or principal

5. probably with SAP conditions, bailing out all creditors equally [not rewarding vulture holdouts]

6. state-contingent debt with “sovereign cocos“ and “GDP-linked bonds“: another form of extension, bailing out all creditors equally

7. Sovereign Debt Forum (SDF): essentially an agreement to talk about reform.. As a semi-formal institutional venue, the SDF would, in the words of its architects, “provide a centre for continuous improvement of the processes"
8. Four proposals from the Committee on International Economic Policy and Reform, a group of prominent experts. Similar to many others critics of the status quo, these experts argue that the current ad hoc approach to sovereign debt restructuring “provides poor incentives both ex ante and ex post”. 1. CAC’s, 2. defang vulture creditors, 3. a new sovereign debt adjustment facility (SDAF) requiring SAPs, 4. a European Sovereign Debt Restructuring Regime (ESDRR) under the European Stability Mechanism (ESM) to end the euro crisis, restore growth and employment.


Obama’s unwillingness to act is yet another example of “corporate capture”.

5. We agree with New-Rules that the UN Guiding principles on foreign debt and human rights should be applied.

6. We also agree with New-Rules original mission statement, which in our view is subtly undermined by assumptions in the CIGI paper. Another NGO, Rethinking Bretton Woods, seems to have avoided betraying its mission of reform. We are not experts in comparing all the NGOs, so perhaps some aspects have escaped us.

We welcome further clarification after New-Rules has held its consultations.