Comments- Sovereign Debt paper

Prepared by Uganda Debt Network

The paper provides rich literature on sovereign debt restructurings. However, some of the following comments could be considered to strengthen the paper:

- Though the paper clearly outlines several issues for discussion (under each section), there is need to include a small section on possible proposals/recommendations that should be advanced. This should be based on some of the evidence provided from the case studies presented in the paper.

- While a number of consultations have been made in several continents, the paper doesn’t reflect some of these discussions. Some lessons learnt and information gathered from these consultations should be incorporated in this paper.

- Since the background paper is meant to serve as an issues paper for global consultations on sovereign debt restructuring, the issues discussed (particularly case studies) should include case studies from various parts of the continent. For instance, though it is evident that Africa has been one of the continents that has been affected by sovereign debt restructurings, the paper does not clearly bring this out since most reference is made to literature from Europe and Latin America. The paper could be further enriched with more examples from cases from several continents.

- On new proposals for sovereign debt Reform, I suggest a discussion of developing regional block debt management strategies (e.g. EAC Block) within which partner State debt management strategies are drawn. It should provide for a ceiling beyond which Partner States within a given economic block cannot borrow. This would act as a check and balance mechanism to manage excessive borrowing by nations. It would also control the drift into debt restructuring approaches.

- Other specific comments are outlined below:

- In paragraph 1, i.e. Sovereign debt restructuring basics; there is need to highlight the element of negotiation and agreement between the debtor and creditor as a point of convergence since this is also the process debt contraction goes through especially for someone who will want to refer to this piece who has limited understanding of SDR. (This will link well also...
with paragraph one, pg 7; sentence No.9 and paragraph 2, sentence 4, same page). It is also important lightly recognize that SDR has some cost implications (these could be identified and highlighted in the footnotes).

- Throughout the text, actual situations or literature review is mixed up with the issues and recommendations at hand. I suggest that these could be clearly outlined with a logical flow of; i) actual situations or literature review; ii) issue of concern, iii) simple analysis, then iv) provision of a recommendation/s. This would help the reader of this document complete a section with the whole package to avoid reading recommendations at the very end without remembering exactly which issue/situation it relates to.

- Is it possible that no case studies can be drawn from Africa especially that a conference hosting participants from about 10 African countries on SDR was help in August in Uganda? Reference could be made to the different presentations made at that conference and or the joint report used to extract some information for this section. This could serve a good purpose for the global consultative approach. It could also be interesting to note the commonalities/characteristics of causes of SDR in African countries.

4. Issues for discussion,

i) What should be done if a specific State fails to even settle its restructured debt obligations especially if the State has several creditors?

ii) How can the private sector contribute to settle a SDR obligation since they operate within the economy which could be debt trapped? A cost benefit analysis of the restructuring process may need to be made on the yields of the private sector investment and productivity.

iii) In the case where debt reduction/relief is offered to a country, creditors should refrain from enticing such a country from borrowing more resources with the view that, that country's credit worthiness has improved.