Webinar I

What Issues Matter for Sovereign Debt?
What is the consultation on Sovereign Debt Restructuring?

Goal:

Identify the full menu of proposals and ideas for addressing sovereign debt crises; and to organize these ideas so that they inform policy makers.

Who:

Broad and diverse input from all regions. We encourage participation from academics, civil society, experts, lawyers, international organizations, practitioners, think-tanks and others.
Why a consultation on sovereign debt restructuring?

◊ There is still no reliable and predictable process for dealing with sovereign debt problems

◊ Need to plan for future inevitability of sovereign debt crises & draw from lessons learned:
  • Wake of 2008 financial crises, Eurozone cases
  • Recent litigation over Argentina’s 2001 default in favor of holdout creditors
  • Debt accumulation in EMDEs
    • Kazakhstan and Mexico using adopting new language into bond contracts, but is it enough?

◊ Conversations already among policymakers—consultation should move the debate forward to develop a “handbook” for addressing issues of sovereign debt
  • UN GA Resolution calling for the establishment of a multilateral legal framework to address sovereign debt
  • The IMF’s October 2014 report on CACs
  • The ICMA’s new standards for CACs and pari passu
  • G20’s endorsement of “progress made to strengthen the orderliness and predictability of the sovereign debt restructuring process”
Issues to discuss:
contractual and statutory issues

◊ **Collective Action Clauses (CACs)**
CACs typically include: (1) collective representation clauses, (2) majority enforcement clauses, and (3) majority restructuring clauses

◊ **ICMA New Standards**
The ICMA published revised and updated CACs and *pari passu* language for inclusion in sovereign bonds

◊ **Origin of Bond Issuance**
• New York State Law
• British Law

◊ **Secondary Bond Market Rules**
What measures should be established to mitigate the effects of predatory creditors?
Issues to discuss: beyond bond contracts

◊ **UN Resolution/Proposal**
At September’s UN GA meeting, the GA adopted a resolution calling for the establishment of a multilateral legal framework for sovereign debt restructuring

◊ **Arbitration process/bankruptcy court**

◊ **Re-profiling Debt**
Refers to an extension of maturities on existing sovereign debt, with no change to interest or principal

◊ **Sovereign Debt Forum (creditor-borrower coordination)**
A non-statutory body with wide membership that would serve as a research facility and meeting place for debtors, creditors, and other stakeholders

◊ **GDP-linked bonds**
Bonds that directly link principal and interest payments to the nominal level of a country’s GDP
More Issues!

◊ **Debt Sustainability Analysis**
IMF methodology to determine the sustainability (or unsustainability) of a sovereign’s debt—complicated by uncertainty

◊ **Credit Rating Agencies**

◊ **Debt Relief (e.g., HIPC)**
What were the successes and pitfalls of past debt relief initiatives? What are the takeaways?

◊ **Emerging Creditors (Brazil, China, India)**
What challenges are inherent in the changing financial landscape? How can new bilateral creditors be integrated into plans for future sovereign debt restructurings?

◊ **Distributional Issues**
How should questions of equity be approached in any restructuring process?
Specific Cases to Examine

Cases of Sovereign Debt Crises:
- Argentina
- Ghana
- Greece
- Grenada
- Kenya
- Ireland
- Jamaica
- Peru
- Ukraine

Adoption of Revised CACs:
- Kazakhstan
- Mexico

Other Cases to Include?
How to Participate

• Written submissions

• Participate in Webinar discussions, video conferences or workshops and meetings: Dec 2014 – May 2015

• Organize or Host an event in your region or on a specific topic

Contact

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Global Consultation on Sovereign Debt

All People
All Ideas
All Regions
All Perspectives

Timeframe: August 2014 - September 2015

1st Phase: Comments and Feedback on Sovereign Debt Issues Paper. This paper will be the launching point for a global consultation on sovereign debt. Deadline for comments and feedback is October 6, 2014.

2nd Phase: A series of webinars, video-conferences and workshops to broaden and deepen the dialogue on sovereign debt issues. Starting with a webinar on November 24 on Issues that Matter for Sovereign Debt, New Rules will be hosting webinars throughout the consultation. Organizations and individuals are also invited to propose specific topics and presenters for webinars from January-May 2015. Please see the calendar of events for more details.