



EXPERT GROUP MEETING ON SOVEREIGN DEBT RESTRUCTURING

Financing for Development Office,
United Nations Department of Economic and Social Affairs
The Centre for International Governance Innovation (CIGI)
United Nations, North Lawn Building, Meeting Room 6, 18 May 2012
(CLOSED MEETING)

The Financing for Development Office of the United Nations Department of Economic and Social Affairs (FfDO/UNDESA) and The Centre for International Governance Innovation (CIGI) are organizing an Expert Group Meeting on Sovereign Debt Restructuring.

Prevention and management of sovereign debt crisis has taken on a new urgency as this time around many of the countries afflicted by debt problems are in the developed world making it a global phenomenon and a threat to international financial stability. Many gaps in the financial architecture for debt restructuring were evident in the experience with sovereign debt crises in emerging markets and other developing countries. There are valuable lessons learnt from these experiences but efforts to reform the architecture have been slow and the incremental steps taken have been inadequate in providing a timely and cost-effective debt crisis prevention and resolution. Presently, even high-income countries are finding themselves affected by the high costs of such problems. The problems with the case of Greece bring a new urgency to the debate.

Against this backdrop, it is timely to have an expert group discussion around the major institutional deficiencies of the international financial architecture such as the inadequacy of institutions or framework to manage these debt crises. Ad hoc and piecemeal official and market based insolvency regimes for sovereign debtors have been creditor friendly and costly for debtors. The solutions have generally been put in place with undue lags and almost never provide enough relief, often leading to future debt restructurings. Aside from the system's vertical inequities, it is also plagued with horizontal inequities that put smaller, less strong or less strategically important countries at a disadvantage.

The purpose of the meeting is to explore concrete, practical steps to improve the framework for the timely and orderly restructuring of sovereign debt. The working group will consider a range of issues, including *ex ante* incentive structures and institutional arrangements that facilitate or impede restructuring, recent developments with respect to voluntary debt exchanges and the outlook with respect to continued reliance on such mechanisms. In this regard, the working group will also consider the possible need for statutory mechanisms to both facilitate timely restructuring and to provide greater clarity of the rules by which sovereign debt restructuring will occur. The meeting will close with a panel discussion focused on the priority and prospects for reforms to improve the architecture for debt restructuring.

The Experts Group meeting is intended to encourage a frank, technical discussion of possible measures to enhance the effectiveness of the debt restructuring process and, as a result, improve the efficiency of global capital markets and reduce losses faced by creditors, sovereign borrowers and others adversely affected by the uncertainty surrounding potential disruptive debt scenarios. To facilitate such a discussion, the meeting will be held subject to the Chatham House Rule by which comments can be reported but not attributed. A summary report of the meeting highlighting possible policy measures will be prepared and will serve as a background document for the upcoming sessions of the UN Economic and Social Council and General Assembly and will be posted on the Financing for Development website (www.un.org/esa/ffd).