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Debt Restructuring Mechanisms

by

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The views expressed are those of the author and do not necessarily reflect the views of UNCTAD

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Lessons from debt crises and debt relief

- Action is often "too little, too late"
- Will need debt relief mechanisms
- Debt cancellation is not sustainable and the last resort
- Must <u>prevent</u> debt distress from emerging:
I. Public debt and financial management
II. Domestic resource mobilization, incl. taxes
III. Responsible lending and borrowing
IV. Innovative and sustainable financing

The Norwegian debt agenda

- Pillars: **HIPC, MDRI, Paris Club, DRF**
- Past 8 years: **1,1 bn. USD in total debt relief**
- **UNCTAD Principles for Responsible Lending and Borrowing**
- **Guidelines** for Responsible Sovereign Lending and Borrowing
- **2013 Norwegian debt audit** on all claims on developing countries
- Support **new debt workout mechanism**

The rationale for a new debt workout mechanism

- HIPC initiative draws to a close
- Shortcomings of the current restructuring mechanisms
- Debt crises will re-emerge
- Need for comprehensive, fair, predictable and preventive mechanism

The challenges to address

- All types of debt should be covered, including domestic and commercial debt

- The instrument should cover the period from arrears clearance until, and including, a vulture fund operation, where it is needed

- Protection from vultures should be strengthened

- All creditors should be covered

The challenges to address, cont.

- Debt sustainability not the only yardstick; also how the debt came about

- Time between default and help is crucial

- A more neutral judge- a less creditor-driven restructuring

THANK YOU!