Options for Moving Forward

Ad hoc Committee on a Multilateral Legal Framework for Sovereign Debt Restructuring Processes, First Working Session
February 4, 2015

Trillion Dollar Questions

- What can a sovereign debt restructuring process achieve, if some of the world’s most powerful financial jurisdictions refuse to participate?

- How effective can such a process be if it can't be comprehensive of all debt stock?
Answer:

A multilateral legal framework can be extremely effective for those countries that participate and such a process can influence the broader global financial architecture.

1.) Benefits for Sovereigns That Participate

2.) Influences on Global Financial System
Sovereign Benefits

- Offer protective space to contract that ideally is safe from predatory behavior
- In a bilateral sense, since countries in this room lend to one another, it could provide a viable venue to equitably settle debt disputes
- If it is a legal framework (similar to US Chapter 11), it could allow a significant percentage of debt stock to be dealt with as a block
- Further, it could allow automatic stays of payments once a claim is filed for a percentage of debt stock. For some countries in financial distress, even easing a percentage of debt could prevent a country from default or needing to restructure
- An Ex Ante effect in favor of responsible lending and borrowing
- If it is predictable and enhances economic stability for countries that participate and if a process can be created that offers protections for legitimate investors, the process will create an incentive for investors to contract in financial jurisdictions governed by a prudent mechanism

Influences on Global Financial System

- Furthering responsible lending and borrowing in financial jurisdictions such as statutory shifts to prevent predatory behavior
- Furthering debt restructuring improvements at the International Monetary Fund
- Quota Reform
Jubilee USA Network is an alliance of more than 75 US organizations and 400 faith communities working with 50 Jubilee global partners. Jubilee's mission is to build an economy that serves, protects and promotes participation of the most vulnerable. Congressional Quarterly cites Jubilee's work as representing some of the last bipartisan efforts on Capitol Hill. Jubilee USA has won critical global financial reforms and more than $130 billion in debt relief to benefit the world's poorest people.

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