



40 Years of UNCTAD Work on Sovereign Debt Crisis Resolution Mechanism

Institutional background and history

Being a focal point of the United Nations system for debt issues, UNCTAD has a long track record in undertaking research and analysis on a sovereign debt crisis resolution mechanism. UNCTAD started working on this issue as early as 1977, when it called for explicit principles for debt rescheduling (TD/AC 2/9). In 1980, UNCTAD's Trade and Development Board endorsed a set of "Detailed Features for Future Operations Relating to the Debt Problems of Interested Developing Countries". In 1986, UNCTAD's annual flagship *Trade and Development Report*, included a detailed proposal for establishing a procedure for sovereign debt restructuring based on Chapter 11 of the United States Bankruptcy Code. The

Trade and Development Report also discussed the need for an insolvency procedure for sovereign debt in its 1986, 1998, 2001 and 2009 issues. The annual General Assembly report on debt prepared by UNCTAD has repeatedly recommended the need for such a mechanism and the General Assembly debt resolutions have also called for the issue to be examined.

Recent events

With the onset of the global financial crisis, UNCTAD was among the first to reopen the discussion on the mechanism. UNCTAD co-hosted a seminar with Initiative for Policy Dialogue at Columbia University in February 2011 entitled "Resolution of Sovereign Debt Crises: the Policy and Research

UNCTAD's Work on Debt Issues



- Prepares the annual UN General Assembly paper on debt issues in addition to other research and analytical work on debt issues and development finance;
- As an observer to the Paris Club, provides advisory service to developing countries undergoing debt renegotiation;
- Formulates the *Principles on Responsible Sovereign Lending and Borrowing* and promotes their implementation;
- Provides technical assistance in debt management to 69 developing countries;
- Implements projects on asset and liability debt management and risk management

Agenda" with the participation of top international experts and senior representatives of multilateral institutions. Further discussions on this topic were undertaken in Berlin in May 2011 and Buenos Aires in December 2011 at a seminar co-hosted by the World Bank and the Government of Argentina, where UNCTAD was invited to make presentations on this topic.

At UNCTAD XIII, reference was made to work on a debt crisis resolution mechanism.

Future steps

Mandated by the General Assembly resolution on debt 66/189, UNCTAD is undertaking substantive and organizational preparation for a special event on debt restructuring mechanisms in October 2012, which will be the first time that the United Nations General Assembly

has discussed this topic officially.

The Project on Promoting Responsible Sovereign Lending and Borrowing, financed by the Norwegian Government, was started in 2009 with the active participation of IMF, the World Bank, the Paris Club, regional development banks as observers, other multilateral and regional institutions, and experts from the private sector, non-governmental organizations and academia.

There are two principles (N° 7 and N° 15) specifically on debt restructuring. This has been considered as a breakthrough, in view of the diversity of countries' views on an eventual debt workout mechanism. The acceptance of these two principles shows strong potential indeed for evolution on this issue.

Since their opening for

endorsement in April 2012, the Principles on Responsible Sovereign Lending and Borrowing (PRSLB) have been endorsed by 10 countries. Argentina, Brazil, Gabon, Germany, Honduras, Italy, Morocco, Nepal, Norway and Paraguay have given their official support to the Principles. Other countries have manifested their strong interest and should join the list of supporting countries soon. More than 68 countries have actively participated in the drafting of the PRSLB, through regional and bilateral consultative meetings. The implementation of the Principles will be an important means of obtaining countries' views and forging consensus on specific elements and a possible framework for a future debt crisis resolution mechanism.

Further information

For more information on the Projects undertaken by UNCTAD in the fields of Responsible Sovereign Financing and Debt Restructuring, please visit our Website www.unctad.org/debtportal

For a direct link to the Principles on Responsible Sovereign Lending and Borrowing: www.unctad.info/debtprinciples3