FRIEDRICH EBERT STIFTUNG
NEW YORK OFFICE

Sovereign Debt Crises, Restructurings and Resolution Mechanisms: Lessons Learned and Ongoing Work

A Briefing for Member States, organized in collaboration with the Financing for Development Office
11 April, 2013, 1:00-3:00
New York United Nations HQ, Secretariat Building, 27th Floor, Room 2723
Space is extremely limited: please RSVP to fes.associate@fesny.org

Background

History is replete with episodes of boom and bust cycles and hundreds of defaults and rescheduling. It is true that eventually there is some kind of settlement between creditors and the debtor country is reached – the question is at what cost? Debt restructurings can have drastic adverse consequences for economic growth, trade, capital flows, banks and other financial institutions. The social costs of debt crises are also an area of major concern. Sovereign debt crises can threaten financial, economic and political stability. In this respect, recent economic history is replete with examples of how the loss in output from debt crises affects the poor in developed as well as emerging markets and developing regions. Moreover, the costs —to both the sovereign debtor and its creditors — associated with debt problems mount with delays in addressing debt overhangs, with attendant risks to global financial stability and adverse implications for capital markets.

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 since the mid-1970s. 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. The challenge of preventing and managing sovereign debt crises has taken on a new urgency in the wake of the global financial crisis. Many of the countries currently struggling with high public debt burdens are in the developed world, making the problem of excessive sovereign debt a global phenomenon and a threat to international financial stability. The sheer magnitude of the global problem now involving developed countries is reflected in the large scale bailouts by the official sector to some European countries, the size of which is a first in economic history.

Purpose of Workshop and Format

The purpose of this discussion is to help prepare UN Member States for substantive participation in the ECOSOC's 23 April 2013 meeting – in conjunction with its special high-level meeting with the Bretton Woods institutions, the World Trade Organization and the United Nations Conference on Trade and Development – to consider lessons learned from debt crises and to assess the ongoing work on sovereign debt restructuring and debt resolution mechanisms so as to guide policy-makers in shaping the future policy agenda in debt crisis prevention and resolution.

Opening Remarks:	**Ms. Shamshad Akhtar,** Assistant Secretary-General for Economic Development, UN-DESA
Moderator:	**Werner Puschra,** Executive Director, Friedrich-Ebert-Stiftung New York Office
Panelists:	**Mr. James Haley,** Executive Director, Inter American Development Bank **Mr. Sergio Chodos,** Executive Director from Argentina to the International Monetary Fund **Ms. Benu Schneider,** Senior Economic Affairs Officer, UN-DESA
Reflections:	**Mr. Walter Schuldt,** Mission of Ecuador to the United Nations, Former Facilitator and Negotiator of UNGA Resolution "External Debt Sustainability and Development" (64th to 67th sessions)