

*Summary Report from Breakfast Roundtable
Wednesday May 24, UN HQ, New York*

Learning from the Heavily Indebted Poor Countries (HIPC) Initiative: The potential for regional and group-wise debt relief schemes

In the context of growing risk for new sovereign debt crises resulting from a combination of low global interest rates, low commodity prices, and a new wave of infrastructure financing in the Global South, this roundtable co-organized by Brot für die Welt and Friedrich-Ebert-Stiftung launched a new *FES International Policy Analysis* publication from Erlaussjahr's Jürgen Kaiser entitled "Making the Global Financial System More Resilient: A regional/group-wise approach to sovereign debt workouts". The paper proposes, from lessons learned from the HIPC/MDRI initiatives of the 1990s and 2000s, that we overcome political deadlocks to sovereign debt relief by designing limited schemes for groups of countries with similar needs. This he argues, will require a "coalition of the willing" from both borrower and lender countries, who would jointly formulate the proposal in the interest of global stability and the fulfillment of the SDGs.

Starting with the insight that earlier and bolder debt relief in terms of the HIPC Initiative after 1996 would have made the necessary and inevitable relief cheaper for creditors without subjecting the debtors to more than a decade of futile austerity, Mr. Kaiser pointed to the growing awareness among creditors at the time that there was no point in endlessly extending multilateral financing to refinance bilateral debtors. Instead, he suggests that the logic for a new debt relief scheme begins with defining a priority group and offering a relief option for them, which group members may choose to avail of themselves or not. The scheme should be built on the nine principles for debt restructuring processes, which was based on the UNCTAD Roadmap and Guide for Sovereign Debt Workouts, and adopted by the UN General Assembly in 2015.

According to Kaiser, there are four key elements to a debt relief scheme. 1) It works on the basis of participation of all parties, including all creditors, ideally kicked off by an initial roundtable where all the creditors are at the table. 2) They agree on an institution to be tasked with assessing the need for debt relief. 3) Parties jointly nominate a person or institution as impartial facilitator, mediator, or arbiter, depending on how binding they want to design the process. 4) Finally, all parties need to comply with the arrangement. These schemes can be organized by countries within a region, or by other logical groupings. Two such non-regional groupings immediately in need of debt relief include countries affected by the global refugee crisis and countries affected by the commodity price slump, although there may be other logical groupings as well.

He also had three recommendations regarding the political process. 1) Start now, when there are signs of debt distress, but not widespread debt crises. 2) Utilize the G20 presidencies to forge a political consensus. 3) Do not reinvent the wheel: solid sovereign debt insolvency frameworks have been worked on since UNCTAD's 1986 Trade and Development Report, and many more efforts in the past 30 years have built on the wisdom and expertise therein.