OCASSIONAL POLICY PAPER

SOVEREIGN DEBT RESTRUCTURING

Amita Batra

OCTOBER 2002

INDIAN COUNCIL FOR RESEARCH ON INTERNATIONAL ECONOMIC RELATIONS
Core-6A, 4th Floor, India Habitat Centre, Lodi Road, New Delhi-110 003
website: www.icrier.org

SOVEREIGN DEBT RESTRUCTURING

Amita Batra[*]

OCTOBER 2002

[*] Senior Fellow, ICRIER.

CONTENTS

1. INTRODUCTION 1

2. THE ACADEMIC DEBATE 3

2.1 EARLY IDEAS ON SOVEREIGN DEBT RESTRUCTURING 3
2.2 CONTRIBUTIONS DURING THE DEBT CRISIS OF THE1980S 4
2.3 PROPOSALS FOR DEBT RESTRUCTURING AFTER THE MEXICAN CRISIS 5
2.4 CHANGES IN THE FINANCIAL ENVIRONMENT IN THE 1990S & PRIVATE SECTOR INVOLVEMENT.. 6
2.5 CURRENT PRACTICES FOR RESOLVING SOVEREIGN LIQUIDITY CRISES 8

3. THE CURRENT DEBATE–"CONTRACTUAL" VERSUS "STATUTORY" APPROACHES TO SOVEREIGN DEBT RESTRUCTURING 10

3.1 CORE FEATURES OF AN ORDERLY AND EFFICIENT SDRM 10
3.2 THE STATUTORY APPROACH - KRUEGER (2002) 12
3.3 THE CONTRACTUAL APPROACH 14
3.3.1 Important Issues in the design of Majority Action Clauses and Collective 16
Action Clauses: 16

4. OTHER PROPOSALS ON SOVEREIGN DEBT RESTRUCTURING 22

4.1 STATUS QUO APPROACH 22
4.2 A CONSULTATIVE MECHANISM - SETTING UP OF A PRIVATE SECTOR ADVISORY GROUP.......... 23
(PSAG) 23
4.3 VIEWS OF MAJOR GLOBAL ASSOCIATIONS 23

5. CONCLUSION 26

APPENDIX 1 27

BIBLIOGRAPHY 30

1. INTRODUCTION[1]

After the 1980s crisis, the emerging markets financial crises of the late 1990s have provided further impetus for an intensified search for an orderly approach to sovereign debt restructuring. Important also in this regard is the perception that past efforts to deal with such crises, utilizing policy adjustment and packages of international support arranged by the IMF have, in fact made the problem more acute by increasing the risk of moral hazard. There is thus an emphasis on the development of an appropriate mechanism within a comprehensive framework in order to strengthen the global financial system's ability to cope with crises as they arise, and encourage sustainable flows to emerging markets. With a predictable and orderly sovereign debt restructuring mechanism (SDRM) an environment would be created such that investors are able to discriminate between good and bad risks more efficiently. At the same time emerging market economies with stronger policies will then find it easier to access private capital. In the process, the global financial system will become more stable and efficient as the SDRM implies a move away from debt problems that result in hugely disruptive defaults or necessitate bailing out of private creditors with official funds.

The issues of creditor coordination and collective action are at the core of sovereign debt restructuring. As states have shifted their borrowing source from banks to bond investors in the lower cost capital markets the conflicting interest of the state and its creditors make it difficult, if not impossible to reach an agreement on a restructuring plan. This difficulty is exacerbated by the collective action problem of reaching agreement among creditors. Developments in the composition of sovereign international borrowing in the last decade have led to the emergence of a large and diverse creditor community and increasing complexity of creditor claims. These changes have made creditor organization more complicated.

There are two key challenges to the successful design and implementation of SDRM. First, to create incentives for debtors with unsustainable burdens to address their

[1] Background Paper for the forthcoming G-20 Ministerial Meeting, November 2002.

problems promptly such that asset values are preserved and second, once SDRM is activated, the sovereign debtor and its creditor create incentives for all parties to reach rapid agreement on restructuring terms toward a restoration of sustainability and growth. With an appropriate balance of incentives, both the debtor and creditor would benefit, thus making sovereign debt an attractive asset class, increasing the efficiency of international capital markets and consequently a better global allocation of capital.

The policy question to be addressed in these circumstances therefore is: When sovereign debt restructuring becomes necessary and unavoidable, what is the appropriate regime that provides an orderly restructuring while safeguarding the balance of rights of both, creditors and the debtor? There are essentially three alternative regimes that may be considered for implementation. These are:

First, continue with the current "market driven" status quo regime where sovereign bond debt restructuring (Pakistan, Ecuador, Ukraine and Russia) has been successfully completed with the use of unilateral exchange offers, at times complemented by the use of exit consents.

Second, move to a "contractual" regime where collective action clauses (CACs) are introduced in most bond (and possibly in other debt) contracts and used to achieve debt restructuring. While this contractual approach based on the introduction of CACs has been outlined and proposed by academics (Eichengreen, 2002, 1999,1995), it has recently received the support of the U.S. administration (John Taylor 2002).

Third, design a new "statutory" regime where an international bankruptcy regime for sovereigns is created and used to achieve sovereign debt restructuring. Anne Krueger, the Deputy Managing Director of the IMF, has recently proposed this regime.

The current debate revolves around the statutory and contractual approach to SDRM. Before outlining the features of these proposals in the current context, a brief overview of the academic debate on sovereign debt restructuring and the evolution of the concept of private sector involvement in debt restructuring are presented in the next section. Section three details the contractual and statutory proposals for sovereign debt restructuring. Some other proposals that have also been suggested in this context are discussed in section four. Section five concludes.

2. THE ACADEMIC DEBATE

The ongoing debate on sovereign debt restructuring has a predecessor in the form of a series of papers and proposals during 1995-96, beginning with the 1995 lecture by Jeffrey Sachs in the aftermath of the Mexican crisis. The post Mexico debate was itself preceded by a steady stream of proposals beginning in the late 1970s, even prior to the 1980s debt crisis. A chronological survey of some of the main ideas in the literature, between the 1970s and the recent proposal made by Anne Krueger on SDRM are presented below.

2.1 Early Ideas on Sovereign Debt Restructuring

The credit for the first full-fledged proposal goes to Oechsli (1981) who explicitly invoked the Chapter 11 (of the U.S Bankruptcy Reform Act, 1978) analogy. A chapter 11 like procedure according to Oechsli would provide a predictable timetable for restructuring and a clear communications channel for the parties involved. Of the many procedures set forth in the chapter, Oechsli emphasized three: a creditor committee, an independent examiner and a monitoring party. While IMF is seen as the obvious choice to play the role of monitor, Oechsli suggests an alternative in the form of the creditors specifying binding arbitration procedures in their loan contracts. He also stressed on the need for the inclusion of the debtor in the process of formulation of the restructuring procedure. A formal initiation procedure with either the debtor or the creditor taking the initiative for restructuring was also one of the elements of Oechsli's proposal.

2.2 Contributions during the Debt Crisis of the1980s

The most important intellectual contribution during this phase was the formulation of the problem of collective action associated with international debt. Jeffrey Sachs made a formal statement in the 1984 Princeton study[2] on both creditor panics and free rider problems in the context of debt restructuring or debt rescheduling.

At around this time the theoretical literature was also trying to grapple with the task of identifying the costs of default to the debtor. The answers ranged from the purely reputational costs as exposited by Eaton and Gersovitz (1981) and output costs of the Cohen and Sachs (1982) model. While the theoretical literature is not conclusive in this respect, it does support the idea that the institutional framework governing sovereign debt workouts is important. The literature also highlights the problem of helping the defaulting country regain access to the capital markets no matter how smooth the functioning of the debt resolution mechanism is.

Cohen (1989a, 1989b) envisaged a process of structured negotiation between debtors and creditors in his proposal for a "A Global Chapter 11". Cohen proposed the creation of an "International Debt Restructuring Agency" (IDRA) as a joint subsidiary of the IMF and the World Bank. Unlike Oechsli therefore, Cohen's proposal had a statutory basis. The IDRA would act as the administrative facilitator, mediator and monitor. Cohen deals with the free rider problem by proposing the establishment of creditor committees. The creditor would require less than unanimous support for the restructuring proposal and if necessary the IDRA could impose a settlement as well.

Incentives to seek the debtor's commitment to the terms of the negotiated settlement are however not discussed by Cohen. Coinciding with Cohen's proposal is Raffer's (1990) proposal that envisaged a "neutral court of arbitration". Raffer based his proposal on Chapter 9 of the U.S bankruptcy code. Another proposal by Reinisch (1994) also finds a mention as the first one to advocate a supranational bankruptcy statute. The

[2] Theoretical Issues in International Borrowing, Princeton Studies in International Finance.

free rider problem is resolved by mandating equal treatment of all creditors within a creditor class as also across all creditor classes.

2.3 Proposals for Debt Restructuring after the Mexican Crisis

The implementation of the Brady plan in 1991and the subsequent resumption of capital flows to emerging markets brought a temporary lull to the literature on sovereign debt restructuring mechanism. This was however reversed in the wake of the Mexican crisis. The influential lecture by Jeffrey Sachs in 1995[3] marked the first step in this direction. Sachs argued for an extensive overhauling of the activities of the IMF for helping countries in financial distress. In a world of large-scale capital mobility the activities of the IMF should be reorganized so that it plays the role of an international bankruptcy court rather than an international lender of last resort to member governments. The lecture established the base for IMF sanctioned standstills and administrative priority of new private lending. While the lecture did not introduce any new elements with respect to collective action problems, holdout problems or creditor panics, it was path breaking in introducing the elements of what has now come to be referred to as the "private sector involvement" in crisis resolution. The lecture by Sachs had a widespread impact and it became the basis of the discussion on sovereign debt restructuring in the Halifax summit in June 1995, which was followed by the G-10 paper on Sovereign Liquidity Crisis.

After the lecture by Sachs there was a shift in the motivation for advocating sovereign debt restructuring mechanism. From merely calling for an efficient resolution of the crisis the emphasis was now on avoiding the risk of moral hazard associated with large official bailouts and ways to "bail- in" the private sector. Also, while thus far the proposals for sovereign debt restructuring had alternated between Oechsli's voluntary procedures and Cohen's statutory proposals, there was at this time a suggestion towards a contractual approach to orderly debt resolution. This was first proposed by Eichengreen and Portes (1995) and the G-10 Deputies Working Group.

[3] "Do we Need an International Lender of Last Resort" Frank D. Graham Lecture at Princeton University.

Private sector involvement in crisis resolution has become an important policy concern owing not only to the developments in the theoretical literature as explained above, but also on account of the changes in financial environment in the last decade which are explained in the paragraphs that follow.

2.4 Changes in the Financial Environment in the 1990s & Private Sector Involvement

a. ***Increasing integration of capital markets*** implies that the interlinkages between domestic and international financial markets are stronger and broader. The crisis that can occur in today's markets can be much larger in scope and speed of spread than in the past. In addition the crisis can be transmitted from the original problem debtor to countries with stronger underlying economic fundamentals.

b. ***Scale and Nature of International flows*** There has been a *Compositional Shift* away from bank lending to equity and bond financing in particular. This implies a change in the nature of international creditor- debtor relationship. During the 1980s, collective action problems were limited by the relatively small number of large creditors, the relative homogeneity of commercial bank creditors, the contractual provisions of syndicated bank loans and on occasion, moral suasion applied by supervisory authorities. With the growth in bonds international creditors have become more atomized and dispersed, giving rise to the problem of collective action and collective representation. Explicit coordination among creditors is more limited and cooperative solutions hard to achieve in the present context. Also, the emergence of new bond creditors with no ongoing relations with the debtor or other creditors suggests the presence of aggressive holdouts, i. e. *vulture* creditors, who are willing to holdout and aggressively pursue their claims in court, may have increased in number. Accompanying the compositional shift there has also been a shift in the *maturity profile,* towards shorter duration loans. There has been a *sectoral* *shift* as well with the private sector getting greater direct bank lending than the public sector.

c. When a crisis occurs ***new finance*** is unlikely to be forthcoming from the original lenders.

In the light of the above changes in the international financial environment there has been a significant fall in the capacity of the international organizations to fulfill the external financing needs of the emerging market economies. The financing available from official resources is less likely to be sufficient to enable a sovereign debtor experiencing a crisis to meet its external financing obligations fully. The above trends have also increased the scope for non-cooperative creditor grab races or country runs, as a consequence increasing the burden on the official sector. The problems of communication and coordination are greater for non- bank creditors as this community is not only large and diffuse but also because its membership is subject to change as some of the debt is negotiable. This has prompted a search for policy measures to achieve creditor coordination.

Efforts at greater private sector burden sharing are also motivated by the perception that IMF programs starting with Mexico have created a ***moral hazard risk***.[4] Countries anticipating an IMF bailout might have less reason to take a prudent economic course, and lenders that anticipate being protected from default may have a greater tendency to take unwarranted financial risk. As the fund is almost always paid back, these payoffs work as transfers from the taxpayers in the crisis country to the international investors. On both efficiency and equity grounds, therefore, the status quo is

[4] In a recent (July 2002) Bank Of England Conference on the "Role of the Official and Private Sectors in Resolving International Financial Crises", London, Michael Mussa has reflected on this issue of moral hazard from expectations of IMF "bailouts". According to Mussa this problem is highly exaggerated. If the IMF extends financial support in accordance with the principles of its Articles of Agreement, it cannot be a source of moral hazard generating bailouts. The IMF, according to Mussa, extends financial support in the form of loans and not grants. The requirement that IMF financial support must be "temporary" and must be subject to adequate "safeguards"(of timely repayment with appropriate interest charges) is the critical guarantee that IMF financial support will not generate such "moral hazard" problems. Moreover moral hazard is generated not out of actual bailouts as provided by the IMF, but out of ex ante behavior encouraged by expectations of future bailouts.

unacceptable. For these reasons it is essential that the notion of limits to "normal" official lending in times of crisis should prevail. Greater clarity about the scale of official financing would help to condition the action and expectations of debtors and creditors about the roles they are expected to play in the process of crisis resolution. While international rescue packages are seen as a source of moral hazard, private sector burden sharing is seen as the solution to the problem. Finding ways of ensuring that the creditors do not escape all losses as a result of support provided by the IFIs is central to any strategy for strengthening market discipline and thereby reducing the likelihood of future crises. The issue of private sector involvement (PSI) is at the core of the recent move in official thinking toward reconsideration of international bankruptcy mechanisms and arrangements for CACs in bond contracts. The principal issues under discussion on PSI in sovereign debt restructuring are:

a. whether official support on the relatively large scale of the key packages of the late 1990s is desirable (given the evident success in Mexico, Korea and Brazil) or undesirable because of the risk of moral hazard; and

b. Whether the nature of PSI should follow predetermined rules or should be determined on a case by case basis.

2.5 Current Practices for Resolving Sovereign Liquidity Crises

Current practices and procedures for dealing with sovereign liquidity crises have evolved over the past few decades in a pragmatic and flexible manner. Most of the arrangements are informal even though the national authorities and the multilateral institutions are involved. There is no international statutory law that governs the procedures. They allow case by case application of a few broadly accepted general principles and lend themselves to evolutionary development. An articulated set of principles and procedures for dealing with bilateral official debt problems has been developed within the context of the ***Paris Club***. These procedures provide for the rescheduling of payments that are due on long -term and medium- term credits granted or guaranteed by national governments. In exceptional cases they are used for short- term debts. At present they are used primarily in case of sovereign debtors who do not have regular access to the international capital market. A key factor in the smooth functioning of the Paris Club procedures has been the small size and cohesiveness of the official creditor community. The process of rescheduling the sovereign debt owed to commercial banks, handled by the ***London Club*** is considerably more diffuse. The creditor community in this case is relatively larger and more heterogeneous. Both the London Club and Paris Club rely on convention rather than statute and use contractual devices to foster equitable treatment (of the creditor and debtor) and reduction of the free rider problem.

At present there are no permanent forums for other types of creditors. Till date, international bonds have not been covered by formal debt restructuring through either the Paris or London club. Efforts to encourage private sector burden sharing have attempted to involve the private sector in re-financing or rolling over existing obligations on an ad-hoc basis.[5]

The changes in the international financial environment and limitations of the existing procedures for resolving debt crises as discussed above establish the case for improving the present framework for sovereign debt restructuring. While there is thus a general consensus on private sector involvement[6] in the process of crisis resolution, the nature of this involvement is yet to be specified. Options available range from the voluntary (such as bond exchanges and debt rollovers) to the coordinated to the involuntary (statutory). We discuss these options in the context of the current debate on sovereign debt restructuring.

[5] In early 1999 for the first time ever, the Paris Club applied the "comparability approach" to sovereign bonds by asking Pakistan to restructure a set of bonds that were due at the end of 1999 and early 2000.
[6] Rather than "bailing- in" the private sector, the proposals are better described as an attempt to "bind- in" the private sector to guard against the collective action problems.

3. THE CURRENT DEBATE–"CONTRACTUAL" VERSUS "STATUTORY" APPROACHES TO SOVEREIGN DEBT RESTRUCTURING

Over the last one year proposals have been articulated by the public and private sectors for an orderly and efficient approach to sovereign debt restructuring. The focus has been on creditor coordination and the question whether a contractual approach could be pursued to facilitate such coordination or whether a statutory approach was necessary to enforce collective action. These proposals are discussed below, against the background of the essential features of an orderly and efficient sovereign debt restructuring mechanism.

3.1 Core Features of an orderly and efficient7 SDRM

- *Majority Restructuring*: A mechanism whereby a requisite majority of creditors make a restructuring agreement binding on all creditors. This feature would address the collective action problem that arises from the very diverse creditor community that exists currently. This would also prevent a small minority from delaying or disrupting the agreement and would thereby add predictability to the restructuring process. The possibility of disruptive behavior of free riders would thus be eliminated.

- A *standstill / temporary stay* on legal action by creditors against the debtor following a suspension of payments and before a restructuring agreement is reached. The threat of disruptive litigation (grab race) for the debtor thus gets eliminated

  Haldane et al[8] define standstill as comprising two generic features:

[7] An orderly and efficient debt restructuring mechanism should be able to deal with market failures on account of externalities. Crucial among these on the creditor side are, market failure on account of rush to exits, rush to courthouse or grab race, and the free rider or holdout or rogue creditors problem. All the three are fallout of the collective action problem among creditors. In addition, there is always a potential market failure on the debtor side in the form of "rush to default ". Given that a sovereign benefits from sovereign immunity, the possibility of opportunistic default always exists.

- A breach of the financial contractual terms of a debt contract between a debtor and its creditors, typically the temporary suspension of payments;

- The binding in of creditors during the period of that breach of contractual terms, to prevent individual creditors imposing externalities on other creditors and on the debtor.

Within this generic definition there is ample scope for differences in the precise form of a standstill regime and the circumstances in which it is invoked. Having standstills should prevent the prolonged negotiations that have characterized some recent IMF program cases. Standstills can enhance creditor coordination and align creditor and debtor incentives. If there is a credible threat of a standstill creditors will be willing to reach voluntary agreements quickly. Standstills provide a safe harbor while debtors undertake macroeconomic readjustment, thus ensuring orderly paybacks. For standstills to be effective and successful, the debtor should reveal all pertinent information to all creditors on a timely basis and the issue of creditor equity be taken note of. In addition, the process should be explicitly limited in time. Some fears have also been expressed in this context. It is argued that standstills in the process of crisis resolution might encourage investors to "rush for exit", thereby triggering a crisis. However, while this may hold true for investors with a short time horizon, a credible, well managed standstill may actually enhance the value for longer- term investors mitigating the cost of coordination failure. An apparently more powerful argument against standstill is that they may increase the cost of borrowing and reduce the flow of capital to emerging markets. It is true that an enhanced role of payment standstills might increase the perceived probability of default, but against that a predictable framework for crisis resolution will increase the recovery value on debt in the event of default. So, there is an ex ante efficiency loss – or debtor moral hazard - to set against the ex post efficiency gain of standstills.

---

[8] Bank of England Conference on "The Role of Official and the Private Sectors in Resolving International Financial Crisis". July23-24, 2002.

- Measures to *protect the interest of creditors* during the period of stay. Complementary elements to this feature would be
  - Sovereign debtor does not make payments to the non-priority creditors
  - Assurance from the debtor that that it would conduct policies in a manner so as to preserve asset values.

- *Priority financing* – hereby provision of new money from private creditors during the period of stay, is facilitated. Such financing combined with appropriate policies can limit the degree of economic dislocation and help preserve the member's ability to generate resources for meeting debt-servicing obligations. However in this case further consideration and thought would have to be given to the aspect of seniority of new private financing.

3.2 The Statutory Approach - Krueger (2002)

The Statutory proposal advocated by the IMF draws inspiration from the US domestic bankruptcy procedures. The restructuring process has a statutory basis. Key decisions are in the hands of a supermajority of creditors. The IMF makes the initial judgement on the unsustainability of the sovereign's debt. The borrower country gets a legal protection for a limited period while negotiating restructuring in return for pursuing corrective action. After suspension of payment, the member is expected to work with the IMF on the development of an appropriate economic adjustment policy framework. The goal is to create stronger incentives on the one hand for creditors to remain involved of their own volition and not to rush for exits and on the other, for debtors to start the process soon. As the framework would need to have the force of law throughout the world, this could best be achieved by creation of a treaty obligation through an amendment of the IMF's Article of Agreement. This approach therefore needs very broad support in the international community for it to become a reality. This approach raises important issues, which are as follows:

- The potential role of IMF as both a key creditor and the judicial authority:
  - to declare unsustainability of debt
  - decide whether a nation's economic policies are sound and if it is negotiating in good faith
  - to control access to interim financing while existing debts are suspended
  - to hold a veto over restructuring agreements reached by the debtor and its creditors.

- The time period over which the initial validation by the IMF would last. The IMF proposal envisages the period of standstill to be around 90 days after which, the decision for any further extension of the stay would be passed on to a committee of creditors. While this does imply a greater role for the creditors, there is a nagging worry that they may still consider the provision for a standstill as a dilution of their legal rights, leading to a significant increase in borrowing costs for the emerging markets as a class. This is a plausible fear, as the basis for constitution of the creditor committee has not been specified. Doubts also exist with respect to the ability of the committee to be representative of the range of creditor interests.

- As the power to activate the standstill lies with the IMF, this is considered as diminishing the autonomy of developing countries.

- Definition of supermajority.

- The potential impact on the already depressed investor sentiment and the likely effect on renewed borrowing prospects of countries that avail themselves of this mechanism.

- Contagion effects on other emerging markets. In this context there may be further intensification of debtor moral hazard.

- The inevitable major legal changes in IMF member states that could adversely impact creditor-debtor relations within countries.

- International tribunal or agency to oversee creditor-debtor negotiations, mediate, monitor and possibly arbitrate in the event of disputes and also perhaps provide a signal that might dampen the reputational costs of defaults. Whether the appointment of this arbitration panel is left to the markets or the authorities is a moot point. In addition the thinking on the dispute resolution forum is as yet evolving. At present IMF has specified that it will deal with three aspects. These are powers of the forum, its composition and the legal status of its decisions. While powers of the forum have to be determined with respect to administration of creditor claims and dispute resolution, the composition of the forum would be guided by the four principles of independence, competence, diversity and impartiality. The IMF is considering a five- step process towards this end. The dispute resolution forum is also expected to certify key decisions made by the debtor and a super majority of creditors including the final terms of restructuring and the stay. These certifications would need a legal status to make them binding on all member states.

3.3 The Contractual Approach

In the contractual approach the idea is to deal with the creditor collective action problems through private bond contracts rather than the formulation of new treaties. In this approach, sovereign borrowers and creditors put a package of new clauses in their debt contracts. The approach is therefore market oriented and decentralized where the respective parties determine the contract on their own terms. Such an approach is presumed to help restore investor confidence and to facilitate renewed market access.

Certain contractual provisions, if included in international debt contracts facilitate resolution of sovereign liquidity crisis by promoting consultation between the debtor and its creditors, cohesion among creditors and reduce the incentive for, or the ability of, a small number of dissident creditors to disrupt, delay or prevent arrangements supporting credible adjustment programs that are acceptable to the vast majority of the interested parties. Collective Action Clauses (**CACs)** in bond contracts are therefore meant to address the problem of creditor coordination by offering an ex post coordination mechanism for bondholders.[9] The main purpose of CACs is to bind the bondholders together. There are four types of CACs:

Collective representation clauses set out the mechanism for co- ordinating discussions and possible action between the issuer and bondholders. These clauses would specify who represents the bondholders (a trustee or a fiscal agent) and empower that individual to call a bondholder's assembly or meeting to allow orderly solutions to be reached. In a sense explicit provision for representation of the bondholders is an essential concomitant of majority voting clauses.

Majority voting clauses would allow a qualified majority of creditors to agree to a change in the core terms of a debt contract, which is binding, on any dissenting bondholders. Some bonds already have qualified majority-voting clauses, such as the eurobonds governed by English law, which allows issuers and originators to include such provisions.

Sharing clauses require the litigant to share the proceeds with the entire class of creditors on a pro –rated basis. This would discourage maverick creditors from resorting to lawsuits and creating hurdles to a settlement beneficial to the debtor and a majority of creditors.

[9] CACs are routinely included in bonds governed by UK law, but not in bonds governed by U.S. (New York) or German or Japanese law. Of the total value of outstanding international sovereign bonds issued by emerging markets as of December 31,2001, 59.07 per cent is governed by New York law, 24.05 per cent by English law, 10.13 per cent by German law and 5.85 per cent by Japanese law.(IMF June, 2002)

Non acceleration clauses establish a minimum threshold of bondholders required for accelerating the demand for repayment of principal following default.

The first two clauses are being most actively pursued by the official sector. The addition of sharing, majority- voting and collective representation clauses to bond contracts was first mooted by the G10 following the Mexican crisis and echoed in a series of G7 and G22 reports and declarations. The G7 finance ministers embraced it in their Cologne Summit report on strengthening the international financial architecture[10]. Progress on the more widespread use of CACs has been slow, reflecting what is referred to as "drafting inertia"[11] in the theoretical literature. Important issues that arise in the context of the contractual approach to sovereign debt restructuring are discussed below.

3.3.1 Important Issues in the design of Majority Action Clauses and Collective Action Clauses:

- Specification of the threshold for majority voting

There are no universally optimal thresholds. Most common threshold is 75%. Some market participants have suggested greater protection for the bondholders by a higher threshold of 90%. Even though the recent sovereign restructurings in Pakistan and Ukraine achieved 90% acceptance of bondholders, 90% threshold may be difficult to achieve in the market.

- The required quorum for either the initial or adjourned bondholders' meeting

This is normally set at two-thirds of the principal outstanding for a first meeting and one-third for an adjourned meeting.

- Issue of collective representation. There are several ways to address this issue. These are:

[10] Group of Seven, 1999.
[11] Bucheit and Gulati, 2002.

- As per the UK law a trustee represents the interest of bondholders and has the potential benefit that no individual can unilaterally launch litigation.

- An informal mechanism through which debtors can communicate with their bondholders is to invite the larger institutional bondholders to sit on a consultative group. This is the route followed by Ecuador in September 1999.

- To establish bondholders' protective committee like the UK's Council of Foreign Bondholders (CFB)[12].

➢ Potential Costs of CACs

Debtors are reluctant to include CACs in existing bond contracts for fear of potential reputational impact and higher borrowing costs. By simplifying the process of restructuring CACs can increase a sovereign's willingness to default.[13] This will render investors reluctant to lend. However as the inclusion of CACs is likely to increase the expected recovery rate in the event of a default by minimizing acrimonious disputes and difficult negotiations, *ex ante*, this should act as an incentive for both debtors and creditors to include CACs. Which of these two effects dominates is an empirical question.[14] An earlier econometric study by BIS (1999) however concludes that CACs do not have a significant impact on bond prices. More recent econometric evidence, looking at the determination of sovereign spreads paints a similar picture. It suggests that instruments that facilitate debt workout tend to lower borrowing costs, rather than raising them. The best known studies are by Eichengreen and Mody (2000) and Becker, Richards and Thaichareon (2001), which assess the effects of the introduction of collective action

[12] The CFB was established in 1868 and dissolved in 1989 as negotiations were prolonged and protracted, resulting in dissipation of resources.
[13] The fact that the British and Canadian governments have issued international bonds including CACs may send the markets the message that this may not necessarily hold.
[14] With respect to potential costs of inclusion in bond contracts, theoretical literature offers only limited guidance. Dooley (2000) suggests that under standard assumptions about sovereign borrowers, lenders should make default costly and a restructuring difficult as a way to minimize moral hazard risk. Eaton and Gersovitz (1981), Bulow and Rogoff (1989) and Atkeson (1991) provide alternative explanations of why

clauses. Eichengreen and Mody (2000a and b) have analyzed international bonds issued by the emerging markets in an attempt to answer this question. Their results reveal that inclusion of CACs raises borrowing costs for low rated borrowers, while it reduces them for issuers with high credit ratings. According to Eichengreen and Mody, a more widespread adoption of CACs would strengthen market discipline by rewarding more credit-worthy borrowers and penalizing less credit worthy ones. The second study suggests that these clauses tend to lower (or at least not raise) borrowing costs along the entire credit spectrum.

➢ The transition problem

As new clauses would be included only in newly issued debt, it would take sometime before the bulk of any country's debt contracts could contain such provisions. This is referred to as the problem of transition and entails the following:

- The issue of designing incentives for the adoption of contractual provisions in new bond issues.
- Even if all new bonds make use of the contractual provisions, the problem would continue for outstanding bonds with long maturities.[15]
- Over time financial innovation may lead to the creation of new financial instruments, such as various credit derivatives, that may not include such clauses.
- Achieving uniformity of CACs issued in different legal jurisdictions may be very difficult. Costly and protracted legal issues of interpretation and adjudication may emerge.

Further work is required to encourage both debtors and creditors to include collective action clauses (CACs) in new and existing bond contracts. Various private sector groups should work with the emerging markets-official sector and market

---

there must be costs to seek restructuring that induce borrowers to repay when they are able, such as reputational costs, loss of market access and output costs. Ultimately, however, it is an empirical question.

participants, the IMF, the G7 and other groups to develop incentives that would lead to a broad based inclusion of CACs in the bond contracts. Some suggestions have been made for designing incentives for the inclusion of CACs in emerging markets' bonds. These are:

- The official sector could require that any country that has, or is seeking IMF program use these clauses. However this is unlikely to influence the substantial and growing class of investment grade countries that do not contemplate having to negotiate an IMF program. At a more fundamental level this approach amounts to assuming a solution to the Fund's time -consistency problem.

- The official sector could provide some financial enhancement, such as slightly lower charges on IMF borrowing for countries that include such clauses in their debt. Such an enhancement would be especially useful to encourage borrowers to swap existing debt for debt with the new clauses. This principle would however interfere with the IMF's Articles of Agreement guaranteeing comparability of treatment. While an amendment to the Articles or an agreement on the part of the shareholders could resolve this problem, by creating a range of new facilities with tiered interest rates for countries with and without CACs in their bonds, it would also undermine the considerable progress that has been made in the direction of streamlining IMF lending procedures.

In addition to this, suggestions have also been made for the G7 governments to include CACs into their foreign currency debt. This would reduce the negative "signaling" currently associated with inclusion of such clauses in emerging market bonds.

➢ The process by which the debtor and creditor come together for negotiating debt restructuring. This clause would need to specify

---

[15] In this context Lerick and Metzler (2002) have proposed an exchange offer which would be voluntary and would operate through the market. Eventually, they suggest, a mutually agreeable market price would

- how the creditors would be represented
- The data that the debtor must provide to the creditor's representative and within what time period.

➢ Fixation of the limited period between notification for debt restructuring by the debtor and the time when the creditor representative is chosen-the "cooling off" period.

➢ Scope of the debt to be treated by new clauses.

- How should Paris Club debt be treated in the restructuring process?
- What happens to the domestic- currency debt of the sovereign?
- What about non-sovereign debts?[16]

➢ The problem of aggregation of all debt types and across all creditor groups. The idea of aggregation of all debt types and a general majority action clause may not help.[17] In respect of restructuring, it can be argued that provisions for majority voting issue by issue, as opposed to majority voting by all classes of creditors simultaneously, will create coordination problems. No one group of holders would be prepared to vote an agreement to restructure, if the holders of other issues insisted on better terms and continued to hold out. In the face of such a first mover problem, the entire agreement could fall through. In this context therefore it is important

---

emerge. Exit consents amendments would induce participation in the offer.

[16] There is a view that corporate debt can be restructured via domestic insolvency procedures. This would call for the development of a strong and efficient bankruptcy and insolvency system.

[17] There has been some discussion of the possibility of developing CACs that would effectively aggregate creditor claims across all bonds and other debt instruments for voting purposes. Early market reaction to this proposal has however been negative. The investors are of the view that "super" collective clauses could severely undermine their rights.

- To discuss harmonization of documentation standards for sovereign bonds and appropriate super majority levels as also coordination across different creditor groups.

- To establish a process by contract that would effectively guarantee the voting procedure.

- To have an arbitration process, for which the contract could provide, to handle inconsistencies caused by different types of issues or jurisdictions.

In practice some bondholders' committees coordinating across issues have been formed to overcome this problem.

Common to the statutory and contractual approaches is the desire to avoid the moral hazard attributed to large scale crisis lending. Given the concern with collective action problem, both, the statutory and contractual approaches contain elements to create *creditor incentives*. The statutory approach proposes changes in national/international law to create institutions and/or rules so as to impose majority-backed agreements on holdouts and to provide seniority to new financing. The contractual approach proposes the incorporation of CACs in bond contracts whereby a majority backed restructuring be imposed on dissenters. Both the approaches, implicitly or explicitly also provide *debtor incentives* in the form of –stay of litigation, protection from holdout creditors, or an IMF endorsed standstill. However, there remain some potential problems. While the contractual approach suffers from the problems of transition and aggregation, the statutory approach even in its new creditor –centric form, gives new judicial powers to the IMF or a bankruptcy court. The main advantage of the contractual approach is that it could evolve overtime without a radical institutional change and that CACs include a de facto standstill provision. Some protection from litigation to the debtor is provided when payments are halted on account of the majority- voting requirement. However even a contractual approach would require changes in legislation in some major legal jurisdictions. It is possible therefore that the two approaches, statutory and contractual, work in tandem to reform the sovereign debt restructuring in emerging markets. [18] The private sector should be given appropriate incentives to include CACs into new sovereign debt contracts while the IMF can work out statutory support for resolving the inter creditor equity issue.

4. OTHER PROPOSALS ON SOVEREIGN DEBT RESTRUCTURING

Some other ideas/proposals that have also been suggested in the context of sovereign debt restructuring are discussed below:

4.1 Status Quo Approach

Debtors should be able to secure private sector involvement voluntarily, either by raising new money in the market or by reprofiling existing money in consultation with the creditors. This option has been effectively used in the recent past in Korea in 1997 and in Brazil in 1999. For countries with unsustainable debt burdens (Pakistan in 1999 and Ecuador in 2000) market based bond exchanges has been the other option. This suggests that bonded debt restructrings are feasible and can be successfully achieved, even in the presence of a large and diverse creditor community, with the use of unilateral exchange offers cum exit consents. Besides Pakistan and Ecuador, Ukraine and Russia are other examples of recent episodes of such kind.

Roubini (2002) has been the main spokesman of the status quo regime. However even Roubini suggests the status quo regime as a second best solution, as –"either statutory or contractual solutions may be unlikely to emerge for a complex set of political economy issues".

[18] In its recent Public Information Notice on IMF Board's Discussion on the Possible Features of a New SDRM, the IMF mentions that further considerations on the SDRM would be against the background of considering the two approaches- Statutory and Contractual as complementary approaches to creating a more orderly and predictable process for sovereign debt restructuring. (PIN, September 24, 2002)

4.2 A Consultative Mechanism - Setting Up of a Private Sector Advisory Group (PSAG)

Setting up of a "Private Sector Advisory Group" has been proposed by the Institute of International Finance, IIF (2002). The PSAG would offer its views on debt restructuring in specific countries to sustain investor confidence and lay out the basis for orderly restructuring. Country specific "creditor groups" would be formed to engage in consultations with the authorities, coordinate with the official sector and in the process work towards cooperative resolution of debt servicing difficulties. Consultations by the PSAG would be initiated when investor confidence begins to wane. The idea would be to amass necessary legal and financial expertise to handle debt restructuring as expeditiously as possible, so that unlike Argentina negotiators do not have to start from scratch. According to IIF, the IMF could also participate in such consultations, as it deems appropriate.

4.3 Views of Major Global Associations[19]

The leaders of six private sector groups of financial institutions have released (June, 2002) a set of general principles for crisis management in emerging markets, including greater use of collective action clauses in sovereign debt contracts. These principles are:

- At a minimum, enhanced financial information covenants should be included in bond documentation. Crises can be averted and resolved more readily with the provision of quality data by sovereigns when market access is normal as well as during crises. The industry consensus underscores the paramount

[19] The organizations that formulated the above guidelines for an orderly restructuring of sovereign debt are; Emerging Markets Creditors Association (EMCA), EMTA, Institute of International Finance (IIF) International Primary Markets Association (IPMA), Securities Industry Association (SIA), The Bond Market Association (TBMA).

importance of transparency. Further it may be desirable to include or strengthen other covenants such as negative pledge and debt limitation provisions and to increase the percentages of bondholders required amending these and other provisions.

- Early consultation between the debtor and its key creditors can help policymakers identify measures that can avert a deepening crisis and restore confidence. The creation of a Private Sector Advisory Group can provide a useful forum to facilitate early consultation and collective action. Continuing dialogue by a sovereign with its investors and creditors can facilitate the formation of an ad hoc Creditor Group that engages in negotiations when restructuring becomes necessary. Laying out a procedure for establishing a Creditor Group within and across debt instruments is considered desirable.

- To limit the potential for future disruption appropriately framed supermajority clauses should be included. In debt instruments involving multiple creditors the groups agreed that a sufficiently high supermajority requirement should be adopted for amending core provisions such as scheduled principal or interest payment dates or amounts, currency of payment, governing law, waiver of sovereign immunity, and submission to jurisdiction provisions. However requiring a supermajority of holders across all outstanding debt instruments, rather than instrument by instrument, will make the restructuring process more cumbersome.

- A more effective use of trustee arrangements could also help facilitate the process of obtaining creditor decisions in many cases.

- On standstill, the association agreed upon a voluntary and temporary standstill conditional upon the debtor's economic performance. Such a voluntary approach it was felt would help restore creditor's confidence and facilitate renewed market access. Further customary contract clauses on acceleration and de-acceleration of debt can serve to avoid disruptive litigation while negotiations for restructuring take place.

This view of the private sector market participants is broadly consistent with the G7 market based approach. The G7 in 1999 put forth a set of principles and tools for the private sector to get involved (The Kohln Architecture report). This framework was described as "case by case" approach or a constrained "discretion approach" to PSI. The PSI was to be determined by the circumstances relevant to each case.[20] In April 2000, the G7 attempted to give operational guidelines for PSI, thus giving operational substance to their Kohln report principles. The G7 identified three types of cases-where the emphasis should be on catalytic official financing (Mexico), where official action could help overcome coordination problems (Korea, Brazil) and "restructuring cases"(Ukraine, Ecuador). The G7 guidelines however finessed the controversial issue of the "right amount" of official finance in crises. The G7 PSI doctrine, as evolved from the G7 Kohln Summit Architecture report through the April 2000 G-7 operational guidelines and the September 2000 International Monetary and Financial Committee (IMFC) statement can be summarized as follows[21]

- case by case approach rather than strict rule
- constrained discretion i. e discretion is to be constrained by principles, considerations, tools, criteria and guidelines
- still open debate on access to IMF financing-when access should be high or low and when PSI, if PSI should be concerted or catalytic.
- Cooperative solution to be preferred to coercive ones when possible.

[20] The G7/G10 debate on PSI began when the G10 organized a working group after the Mexican crisis bail – out. The Rey report recommended the adoption of bond clauses but the recommendations were not made into policy. The private sector, that is the Institute of International Finance strongly objected to the bond clause recommendation. The next official initiative was the G22 working group on financial crisis. This group attempted to bring in the emerging market debtors into the discussion. In addition to the issue of inclusion of collective action clauses in bonds it covered new areas contingent credit lines from private banks to provide emergency liquidity, a call for better insolvency regimes and a suggestion towards debt restructuring. The G22 did not call for restrictions on the availability or indicate that some form of debt restructuring would always accompany the provision of official finance. See Appendix 1.

[21] Currently the G10 is working towards the formulation of "model clauses" for inclusion in sovereign debt contracts.

5. CONCLUSION

An enhanced recognition by the private sector, of the need to address the issue of sovereign debt restructuring is evident. There is a general consensus that the current process for restructuring sovereign debt needs to be improved. Given that default and restructuring can be painful and costly there is growing momentum in the direction of evolving an orderly and predictable mechanism for restructuring by the private sector and at the level of international organizations and country groupings. Over the last one year several proposals have been articulated by the public and private sector for an orderly and efficient approach to sovereign debt restructuring. From among these, contractual and statutory approaches have occupied centre stage in the policy debate on sovereign debt restructuring. Initially these two approaches were viewed as alternative mechanisms for debt restructuring. However, there is now an emerging consensus that the resolution of sovereign debt crisis would be efficiently achieved if the two approaches were viewed as complementary. In this connection, further outreach by the IMF to engage the private sector and the sovereign borrowers in developing a more concrete set of recommendations and to build consensus on the design of the sovereign debt restructuring mechanism, is called for. Also, as the development of the new statutory regime is likely to take some time, in the interim the use of collective action clauses could facilitate collective action thereby reducing the threat of holdout to the sovereign bond restructuring process. The issue of design and incentive creation for the promotion of the broader use of collective action clauses in international sovereign bonds therefore requires immediate focus. Ultimately the IMF should aim at evolving a universal statutory framework with an enhanced use of contractual provisions for collective decision making by debtors and a supermajority of creditors.

APPENDIX 1

THE EVOLUTION OF THE G7/G10 DOCTRINE ON SOVEREIGN DEBT RESTRUCTURING: A CHRONOLOGY

December 1994: Mexican financial crisis begins, leading to an international assistance package of unprecedented magnitude.

July 1995: Summit of G7 leaders at Halifax. G7 leaders call for a number of measures to improve the stability of the global financial system.

May 1996: The G10 "Rey Report" recommends the adoption of the collective action clauses (CACs) as a measure to facilitate debt restructuring.

July 1997: Asian financial crisis begins.

August 1997: Russian financial crisis begins.

September1998: Meeting of Commonwealth Finance Ministers in Ottawa: Finance Minister Paul Martin calls for a better mechanism to involve the private sector investors in the resolution of the financial crisis, including through the adoption of Emergency Standstills clauses in all sovereign cross border debt contracts.

October 1998: The G22 Working Group on International Financial Crisis calls for the expanded use of CACs, and for the official support for temporary debt suspensions (standstills), where warranted.

November 1998: Brazilian financial crisis begins.

June 1999: Speech to the Chicago Council on Foreign Relations: Minister Martin repeats his call for standstills and notes the advantages of CACs.

June 1999: Summit of G7 leaders at Koln: G7 leaders endorse the G7 finance ministers' report to Heads on Reforming the International Financial Architecture. This report outlines a framework for the involvement of private sector in the prevention and resolution of crises including the use of standstills in certain cases.

July 1999: Speech to the conference of the Canadian Institute for Advanced Legal Studies, Cambridge, UK minister Martin outlines the need for new international rules of the game, in the form of a legal framework analogous to domestic bankruptcy regimes.

April 2000: Speech to the Institute for International Economics, Washington D.C.: Minister Martin calls for the adoption of CACs and announces Canada's intention to lead by example by introducing CACs into its foreign currency debt.

September 2000: International Monetary and Financial Committee meeting in Prague: The committee endorses a framework for private sector involvement that is market oriented and based on voluntary solutions to the extent possible. The committee recognizes that extraordinary access to IMF resources should be exceptional and, in extreme cases a standstill may be unavoidable.

November 2001: Address to the National Economists Club, Washington D.C.: The IMF First Deputy Managing Director, Anne Krueger, proposes the establishment of an international bankruptcy mechanism for sovereign debts, analogous to domestic regimes.

December 2001: Argentina's financial crisis begins.

February 2002: Meeting of G7 finance ministers and Central Bank Governors at Meech Lake: Under the chairmanship of Minister Martin, ministers and governors agree to examine ways in which the Prague crisis management framework could be improved.

April 2002: Meeting of G7 finance and Central Bank Governors in Washington D.C.: Ministers adopt an integrated Action Plan to help reduce the frequency and severity of financial crises. The Action Plan includes encouraging the adoption of new contingency clauses in debt contracts; generally limiting official sector lending to normal access levels; supporting further work by the IMF on new approaches to sovereign debt restructuring.

June 2002**:** Halifax: G7 Finance ministers express strong support to the IMF's continuing work on sovereign debt restructuring.

BIBLIOGRAPHY

1. Bank for International Settlements (1999), "The Effect of CACs on Sovereign Spreads", *BIS Quarterly Review*, November.

2. Becker, Torjborn, Anthony Richards, and Yungyong Thaicharoen (2001), "Bond Restructuring and Moral Hazard: Are Collective Action Clauses Costly*?" IMF Working Paper* 01/92.

3. Buchheit Lee C. and G. Mitu Gulati (2002), "Sovereign Bonds and The Collective Will" *Working paper Series*, Georgetown- Sloan Project on Business Institutions, Georgetown University Law Center, Washington D.C.

4. Bulow, Jeremy and Kenneth Rogoff (1989), "Sovereign Debt: Is to Forgive to Forget?" *American Economic Review*, Vol. 79, No. 1, March.

5. Cohen, Benjamin (1989a), Developing Country Debt: Middle Way, *Princeton Essays in International Finance* 173, Princeton.

6. Cohen, Benjamin (1989b), "A Global Chapter 11," Foreign Policy Volume 75.

7. Dixon, Liz and David Wall (2000)"Collective Action Problems and Collective Action Clauses", Bank of England *Financial Stability Review*, June.

8. Eaton, Jonathan and Mark Gersovitz (1981), ""Debt with Potential Repudiation: Theoretical and Empirical Analysis," *Review of Economic Studies*, Vol. 48.

9. Eichengreen, Barry (2002), *Financial Crises and What to Do About Them* (Oxford: Oxford University Press).

10. Eichengreen, Barry and Ashoka Mody (2000a), "Would Collective Action Clauses Raise Borrowing Costs?" *NBER Working Paper* no. 7458 (January).

11. Eichengreen, Barry and Ashoka Mody (2000b), "Would Collective Action Clauses Raise Borrowing Costs? An Update and Additional Results", The World Bank Development Prospects Group (May).

12. Eichengreen, Barry and Richard Portes (1995) *Crisis? What Crisis? Orderly Workouts for Sovereign Debtors*, London: Centre fort Economic Policy Research, September.

13. Group of Seven (1998), Declaration of G-7 Finance Ministers and Central Bank Governors, http//www.ustreas.gov/press/release.

14. Group of Ten (1996), Resolving Sovereign Liquidity Crises, Washington, D.C: Group Ten. http://www.bis.org/publ/other.htm#Gten.

15. Group of Twenty-Two (1998), Report of the Working Group on International Financial Crises, Washington, D.C.: Group of Twenty-Two.

16. Haldane, Andy (1999), "Private Sector Involvement in Financial Crisis: Analytics and Public Policy Approaches", Bank of England *Financial Stability Review*, November.

17. Krueger, Anne (2001), "A New Approach to Sovereign Debt Restructuring", IMF, Dec. 2001.

18. Krueger, Anne (2002), " New Approaches to Sovereign Debt Restructuring: An Update on Our Thinking", Conference on Sovereign Debt Workouts: Hopes and Hazards" Institute for International Economics, Washington DC April1, 2002.

19. Lerrick, Adam and Allan Metzler(2002), "Sovereign Default: The Private Sector Can Resolve Bankruptcy Without a Formal Court," *Quarterly International Economics Report*, Gaillot Center for Public Policy (Pittsburgh: Carnegie - Mellon University)

20. Oechsli, Christopher G.(1981), Procedural Guidelines for Renegotiating LDC Debts: An Analogy to Chapter 11 of the U.S. Bankruptcy Reform Act," *Virginia Journal of International Law*, Vol. 21, No. 2.

21. Raffer, Kunibert (1990), " Applying Chapter 9 Insolvency to International Debts An Economically Efficient Solution with a Human Face," *World Development*, Vol. 18, No.2.

22. Reinisch, August (1994), "The Need for An International Insolvency Procedure," *Osterreichisches Bank-Archiv*, Vol. 42, No.2.

23. Rogoff, Ken and Jeromin Zettelmeyer (2002), "Early Ideas on Sovereign Bankruptcy Reorganization: A Survey", *IMF working Paper* 02/57 March.

24. Roubini, Nouriel (2000), "Bail-in, Burden Sharing and Private Sector Involvement in Crisis Resolution and Constructive Engagement of the Private Sector: A Primer". Http://www.stern.nyu.edu/globalmacro/psipaper.

25. Roubini, Nouriel (2002), "Do We Need a New International Bankruptcy Regime?" *Brookings Paper on Economic Activity: 1* (forthcoming)

26. Sachs, Jeffrey(1984), "Theoretical Issues in International Borrowing," *Princeton Studies in International Finance* 54 (Princeton: Princeton University Press)

27. Sachs, Jeffrey (1995), "Do We Need an International Lender of Last Resort"' Frank D. Graham Lecture at Princeton University. Available at http://www.ksg.harvard.edu/cid/ciddirector/publicat.html#working

28. Taylor, John B. (2002), "Sovereign Debt Restructuring: A U.S. Perspective" Remarks at Conference on Sovereign Debt Workouts: Hopes and Hazards, Institute for International Economics, Washington DC, April 2002. http://www.treas.gov/press/releases/po2056.htm