Due to the global financial crisis, external sovereign debt has again become a problem to a broad range of countries – from European high-income countries to the poorest states on earth – even after they had obtained debt relief through existing multilateral initiatives.

Despite long-standing experiences with sovereign insolvencies, however, no mechanism presently exists to deal with the complex debt structures of many countries in a comprehensive way. Existing debt workout procedures – such as the Paris Club, HIPC/MDRI, or Brady-style debt conversion – have either been one-off exercises not meant to be applied as a permanent mechanism, or they are reinforcing collective action problems for being piecemeal in character.

This study therefore argues to apply principles and procedures of domestic insolvency to sovereigns, in order to reach a fair and sustainable debt workout. It explains the principles of an ad-hoc or an institutionalised framework, and describes the possibilities to obtain political support and technical advice for countries that may find themselves in need of an orderly debt workout process.
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