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Statement by the Staff on an International  
Debt Adjustment Facility for Sovereign Debtors  
Executive Board Seminar 95/2  
June 23, 1995

At the Executive Board seminar on June 23, 1995, Executive Directors will have an opportunity to discuss the issues raised by the establishment of an international mechanism for the orderly and comprehensive resolution of a country's external debt problems. The major issues are identified in the Foreword to the Note in EBS/95/90. However, in view of the complexity of this topic and in order to focus the discussion on the key issues, Executive Directors may wish to concentrate their remarks on the following questions:

-- Is there a need for a new international debt adjustment mechanism to deal expeditiously with future financial crises, given the experience with existing procedures?

-- Assuming that there is a need for such a mechanism, what types of debt would need to be covered in order to resolve a country's external debt problem? In particular, should domestic debt be included (along with external debt) within the scope of sovereign debt adjustment?

-- What would be the appropriate procedure for establishing an international debt adjustment mechanism? Should it be set up as a new organ within the Fund through an amendment of the Articles or should it be established as a separate institution under a new treaty?

