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The Multidimensional Vulnerability Index

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Vulnerability as a basis for debt relief

by Jürgen Kaiser

In the current handling of sovereign debt crises, creditors separate countries into needy and non-needy according to their income levels. This has led to questionable results in the past. On the initiative of countries that were excluded from debt relief despite a high risk of over-indebtedness, the United Nations has now introduced the so-called "Multidimensional Vulnerability Index" (MVI). Can it serve as a decision-making basis for granting debt relief? And what further reforms would be necessary?

1. Per capita income as a central qualifying criterion for debt relief

Since the 1980s, public creditors in their own structures (G7/G8, Paris Club, OECD, IMF and World Bank) have been creating the rules for which countries get debt relief, under what circumstances, and to what extent. One of the features of these rules is that there is no universal access for all countries that might need debt relief. Rather, there is a distinction between low-income and less low-income countries, both in the design of any debt relief to be granted and in the more fundamental question of with whom debt relief is negotiated at all in case of need. As a rule, the low-income countries are granted debt relief, but the lower-income countries are not, or only to a lesser extent.

The creditors have largely managed to sell this distinction to the public as a concentration of their concessions on the particularly needy by effectively equating poverty and over-indebtedness. In fact, there is no question of lower-income countries being "more in need of debt relief" per se: debt problems do not arise from too low a per capita income, but rather when the payments to be made abroad are disproportionate to the capacities of the respective economy or state. This can be the case in countries with a particularly low per capita income, such as Chad, but also in so-called emerging countries, such as Argentina, or in rich industrialised countries, such as Italy.

In reality, the restriction of tangible debt relief served mainly to minimise losses for creditors: Low-income countries usually have smaller economies and amounts to be written off are for this reason smaller in absolute terms than in wealthier countries.

When, in the last major debt crisis in the Global South, creditors finally made comprehensive debt relief possible for 38 low-income countries with the *Heavily Indebted Poor Countries* (HIPC) Initiative and the *Multilateral Debt Relief Initiative* (MDRI), countries with higher income but not less in need of relief were left out - to the detriment of their respective populations. As a result, the over-indebtedness crises in countries such as Argentina, Sri Lanka or Lebanon became ever more acute. These national debt crises are now, two decades later, the hotspots of the next global debt crisis under the impact of the worldwide recession triggered by the Covid 19 pandemic. With a noticeable reduction of the debt indicators, which then were still moderate compared to today, this new over-indebtedness crisis could have been countered at a much lower cost than today.

Instead of being able to rely on a globally agreed upon debt relief regime, indebted countries had to work with ad hoc arrangements with different creditors in lengthy procedures and different forums - if they dared to raise the issue of debt relief with their creditors at all.

That, in turn, is neither logical nor compelling nor sensible. In a constitutional state, private or corporate insolvencies naturally follow uniform rules that are the same for all citizens, regardless of income - or, in the case of companies, turnover. Even the minimum income, which is exempt from seizure, is the same for all those affected - even if it naturally represents a larger share of the previous income of poorer people. Therefore, a debt relief procedure that is in principle open to all over-indebted states in the same way is also necessary for states.

Even if there were such a state insolvency procedure, a distinction would have to be made between cases in which it is rightly invoked from those that constitute a de facto insolvency fraud. But what could be a meaningful criterion for this distinction?

2. Alternatives to the income criterion: an overview

The logical criterion for distinguishing between countries in need of debt relief and countries not in need of debt relief is the **level of debt in relation to economic performance**. For this purpose, various debt indicators can be used, each of which is set in relation to certain performance[1] indicators.

In the interest of early crisis detection, **debt dynamics** can also be taken into account, i.e. whether or not an indicator has increased by a certain or dynamically defined percentage in the most recent observation period.[2] These two aspects - relative debt levels and debt dynamics - are also the central aspects in the IMF's current debt sustainability analyses.

However, it has been shown that a principle of equal treatment of countries with the same rating does not make sense in every case. It is undoubtedly the case when it comes to the question of whether a country should have access to debt relief or not. But it does not make sense when defining what is a sustainable debt level towards which debt should be cancelled if necessary.

Beyond the debt-related indicators mentioned above, countries also differ in terms of their economic structure, their demographics, their geographical location and, among many other aspects, their per capita income in terms of their ability to cope with a debt crisis that is imminent or has already occurred. This consideration is the basis for recent deliberations within the IMF to define debt sustainability more precisely - with consequences for the "permissible" new[3] debt in IMF programmes, but also for the calculation of debt relief requirements.

In addition to reform considerations by the IMF, affected countries have also increasingly oriented themselves towards the concept of **"vulnerability"** in recent years. And even if the concept has often been derived from concrete threat situations such as Ebola, the Corona pandemic or the climate crisis, it has recently developed more and more into the idea of a Multidimensional Vulnerability Index (MVI), which is examined in more detail below and then examined for its suitability as a basis for qualifying for and calibrating debt relief.

[1] The annual debt report published by erlassjahr.de and MISEREOR draws on five indicators, which together provide a fairly comprehensive picture: Public debt to economic output, public debt to public revenue, external debt to economic output, external debt to revenue from the export of goods and services, and external debt service to revenue from the export of goods and services. An index defined according to the cumulative overshoot of limits then gives an overall picture of the debt situation.

[2] The assessment in the annual debt report also shows this debt dynamic by comparing the respective values with those of five years ago.

[3] The IMF is reluctant to derive a demand for debt relief from a stated over-indebtedness situation. The question of the conditions for new lending is always at the centre of attention. Only under the HIPC initiative were the respective sustainability analyses directly linked to the determination of necessary debt relief.

3. Vulnerability as a basis for debt relief in times of global threats to states' fiscal capacity to act

a. Defining multidimensional vulnerability: possibilities and limits of indexing

Vulnerability - unlike the term poverty - does not refer to a specific shortage of essential goods, but to the risk of such a shortage occurring as a result of an internal or external shock. The term is therefore dynamic and necessarily speculative, as it estimates the occurrence of various scenarios according to their probability and, if applicable, their impact on the respective state.

In the context of the discussion on possible debt relief, it is not the most accurate possible assessment of individual risks that is decisive, but the overall view of all threats that could have a significant impact on the further economic development of the country concerned.

If one wants to arrive at a binary decision on this basis - debt relief yes or no? - it is essential to combine very different aspects of the threat into one index. In addition to the unavoidable arbitrariness in setting threshold values within each parameter, the way in which they are aggregated is therefore another source of arbitrariness and uncertainty: Weighting of each parameter within the overall index, overall view in the form of simple addition, mean or median value, etc. This does not mean, however, that the MVI approach is meaningless or unworkable. What matters is to take its weaknesses into account in the implementation.

This applies to a somewhat lesser extent to the one binary dimension (is a threat sufficiently serious to put the country in a position that can no longer be managed without debt relief?), but more to the quantitative dimension, i.e. how strong is the effect of the threats occurring individually or together, and how extensive must the debt relief be.

b. The UNDP MVI as an example of a measurement index: strengths and weaknesses

The most recent and most developed vulnerability index is the MVI of the UN Development Programme (UNDP).[4] For its part, it follows in the tradition of no less than 12 existing indices. One of these is the *Economic and Environmental Vulnerability Index* (EVI), which in turn takes into account four economic and four ecological risk dimensions. The MVI adds three more dimensions to these eight, namely dependence on tourism, dependence on diaspora remittances and foreign direct investment (FDI). In total, therefore, the following 11 dimensions of vulnerability are taken into account:

1. Concentration of exports
2. Share of agriculture (including fishing, forestry and hunting) in annual economic management
3. Geographical remoteness and access to the sea
4. Instability of exports of goods and services
5. Tourism share of total export earnings
6. Share of remittances in economic output
7. Net foreign direct investment as a share of economic output
8. Share of population in low-lying coastal areas
9. Population share in areas of low precipitation
10. Number of victims of natural disasters
11. Instability of agricultural production

[4] Assa, J. and R. Meddebb (2021): "Towards a Multidimensional Vulnerability Index", UNDP Discussion Paper. For a synoptic presentation of five existing vulnerability indices (including the MVI) see Kaiser, J. (2021): "Debt sustainability in times of climate crisis and Corona. How can the impact of crises be realistically determined?", erlassjahr.de-Fachinformation 68.

The UNDP's MVI is currently the index that is most comprehensively able to depict a multidimensional threat to a state's fiscal capacity to act due to external factors. However, its technical approach - a simple averaging of all sub-aspects - is not all that sophisticated, so that in connection with debt relief justified by the index there is definitely a problematic opening - for example to criticism from affected creditors. And finally, the ranking of the vulnerability of states among themselves is limited by the fact that all parameters can be calculated for the vast majority of states, but not for all.

The objective of the MVI focuses primarily on qualifying for concessional finance - currently the most pressing policy objective of most governments wishing to invoke it. That the MVI could also put access to debt relief on a more appropriate footing is part of the discussion[5], but not brought to the fore, nor discussed in terms of its specific implications.

c. How is the vulnerability of countries already taken into account in current DSAs?

Before considering the various aspects of possible debt relief based on the index, it is useful to briefly remember how existing sustainability analyses (more recently) take into account aspects of economic vulnerability.

In the IMF's *debt sustainability analysis for low-income countries* (LIC-DSA), which was last revised in 2016*,* external vulnerabilities are taken into account by considering alternative scenarios: The IMF first calculates a "baseline scenario" which, in its view, realistically reflects the likely development of the country in question over the projection period. From this baseline scenario, it then calculates a series of standardised stress tests which, for example, extrapolate the development of key parameters such as economic growth or demand for exportable goods in their historical trend instead of assuming, as in the baseline scenario, that the implementation of reform steps agreed with the IMF will already bring about a significant macroeconomic improvement. Beyond standardised assumptions, particularly relevant stress scenarios are also applied in individual countries, such as a collapse in oil prices for oil-exporting countries or a slump in tourism for small island states.

In LIC-DSAs, the development of the debt indicators under the different scenarios determines the classification into a risk group: countries that do not exceed any of the relevant debt indicators have a "low" over-indebtedness risk; countries that remain below all critical thresholds in the baseline scenario but exceed at least one indicator in at least one stress scenario are classified as having a "medium" risk. If a country already exceeds at least one critical limit in the baseline scenario, the country is assumed to have a "high" over-indebtedness risk.

In sustainability analyses for *market access countries* (MACs),[6] there have been no such final assessments to date, but rather a more sophisticated presentation of individual risks in a "heat map", without this being summarised in a final assessment. However, at the beginning of 2021, the IMF's Executive Board approved the staff's plans for a reform of the *Debt Sustainability Framework* (DSF) for MACs, which provides for a similar mechanical risk assessment as for LICs. The new categories for assessing debt risks for MACs are: "debt sustainable with high probability", "sustainable but not with high probability" and "not sustainable". The debt sustainability analysis is broken down into a "near-term", "medium-term" and "long-term" analyses. It is now expected that by the turn of 2021/2022, the first analysis for middle-income countries based on the framework now called *Sovereign Risk and Debt Sustainability Framework for Market Access Countries* (MAC-SRDSF) will be

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[5] Ibid. S.14

[6] The distinction between countries with a certain (low) income level and countries that can finance themselves via the capital market instead of solely from public sources is actually as incoherent as it looks at first glance. Whereas in the 1990s, when this distinction was first made, income levels and capital market access still coincided in a reasonably reliable way, this has not been the case since the mid-2010s, when HIPCs past their completion points have been able to undertake extensive bond placements. On the dynamics of this new debt model see: Rehbein, K. (2015): "Kommt die nächste Schuldenkrise? ", in: erlassjahr.de and MISEREOR: Debt Report 2015.

available. However, this analysis in three time horizons will only be made available to the public in a few exceptional cases, for fear of a negative signaling effect, for example to the global financial markets.

However, an index discussion, as is being conducted with the MVI in the UN, is not reflected in this reform process. Instead, some individual elements are to be better structured according to time horizons, individual parameters are to be looked at more closely and the decision-making scope of the IMF staff is to be applied more transparently with regard to factors that are not or only partially quantifiable. Specific vulnerabilities are to be explicitly included in the "long-term" analysis, including climate risks. However, unlike the short- and medium-term analyses, the results of the long-term analysis are not included in the mechanical assessment of over-indebtedness risks.

Moreover, the fundamental limitation of the IMF's analysis to issues of new lending and programme design and advice remains unchanged. Thus, the two frameworks for LICs and MACs will continue to fail to provide the much needed reassessment of over-indebtedness risks as a basis for debt relief.[7]

4. Application of an MVI in the context of debt relief

Section 2.b. has shown that the MVI, for all its technical shortcomings, theoretically opens up the possibility of enabling debt relief in a more timely and targeted manner. However, its application, even if political consensus can be reached for it, raises new questions, because the operational aspects of its application especially reflect some of its weaknesses. In the following, the main opportunities and limitations of the application of such an index in the context of debt relief decision-making are addressed. Necessarily, weaknesses of the current handling of public external debt beyond all measurement issues as well as the possibilities of overcoming them will also be addressed. A useful technical instrument such as an MVI cannot, of course, eliminate the central power imbalances that have so far prevented efficient and fair solutions to debt crises.

a. What are the basic requirements for an authoritative index to provide access to debt relief?

The idea of an "authoritative" index, on the basis of which decisions on payment or cancellation of debts can be made in a court-proof manner worldwide, goes far beyond what is legally and politically possible at the moment. In the current debt management system, creditors decide as judges in their own cause whether relief is granted or not. Nevertheless, even such a non-legal arrangement does not a priori exclude the application of an objectified index that limits the arbitrariness of decisions by the creditor side. This is shown, among other things, by the experience with existing frameworks for debt restructuring: The HIPC initiative sets certain parameters[8] as a target for a sustainable debt level - without taking into account whether or not this means a loss for certain creditors that is perceived as particularly dramatic in individual cases.

[7] A good example of this is the Disaster Resilience Strategy for the island of Dominica, which was (co-)developed by the IMF: necessary and sensible measures for fiscal preparation for an expected natural disaster in the small island state are presented in detail. Then a rather traditional structural adjustment strategy is developed, which mobilises as many resources as possible from its own economy and mostly at the expense of the majority of the population, only to realise that about 11 percent of the annual gross domestic product will still be missing. These would then have to be mobilised "from outside". Since additional sustained development and climate financing on this scale is completely unrealistic for the small island, the IMF should actually deduce from its assessment that the country urgently needs debt relief on the scale mentioned - or else it will be no better prepared for the next hurricane than it was for Hurricane Erica in 2017. See: IMF (2021): "Dominica: Disaster Relief Strategy, February 2021"; esp. pt. 49.

[8] At the crucial stage of the initiative, this was 150 per cent present value of total debt in relation to average annual export earnings over the last three years, or a debt service of 15 per cent of average annual export earnings.

Two elements are key when it comes to submitting creditors to such an authoritative assessment:

- The political necessity for debt relief in the first place, which overrides the previously applicable rule of *pacta sunt servanda* (Latin, meaning "contracts must be honoured") to a certain extent:
  This consensus emerged in the run-up to the HIPC initiative when it became clear to a critical mass of creditors in the mid-1990s that any further adherence to the illusion of the (eventual) solvency of over-indebted countries would not mobilise any additional funds but, on the contrary, would bring with it a dangerous level of additional global tensions through the collapse of statehood.

- The solution to the *collective action* problem:
  Practically all debtor countries have complex creditor structures, which is why concessions by individual creditors only lead to the desired restoration of the debtor's solvency if it can be ensured that the fiscal space gained through the concessions is not absorbed by the continued flow of debt service to competing creditors. The widespread acceptance of the HIPC Initiative's targets in combination with the Paris Club's more or less functioning equal treatment rule have achieved this, at least for a while.

If the creditors realise that the Global South is heading for an uncontrollable debt crisis and that such crises are less costly for all parties involved the sooner they are solved, the conditions are in place to create a binding target for debt relief. "Binding" does not necessarily have to take on the quality of an international treaty to be ratified worldwide. This can also function through the combination of two elements well below the threshold of applicable international law:

- the political acceptance of an index such as the existing MVI by a relevant group of powerful international actors, ideally the G20;

- the determination of the same group of (creditor) countries to provide political and financial support to debtors if they enforce agreed debt relief on the basis of the index by refusing to pay non-cooperating creditors.

b. Who can develop an authoritative index?

Since it always makes sense in principle not to reinvent the wheel, the existing MVI should be used - possibly after a critical review by the G20 itself, by the International Financial Institutions on their behalf, and perhaps after evaluation of a limited pilot phase.

The consensus required for this could, as in the HIPC initiative[9], be reached by a G20-triggered consensus-building process in the boards of governors of the IMF and the World Bank and thus become guiding principles for both institutions. Whether or not the institution itself plays an operational role in defining and applying the MVI, the IMF could play a crucial role in making the MVI binding by explicitly allowing lending to countries that have negotiated debt relief on the basis of the MVI under its *Lending into Arrears policy* and explicitly excluding it in cases where the alarm signals sent by the index have been ignored by creditors and/or the debtor.[10]

Alternatively - and in view of a worldwide acceptance among indebted countries even preferably - it would be conceivable to leave the index in the hands of the United Nations without the diversions via a G20 process, specifically: in the hands of the UNDP, possibly in cooperation with other specialized agencies of the UN system.

[9] The G20 has more than a two-thirds majority on the boards of governors of the IMF and World Bank.

[10] On the function and problematic issues of the Lending into Arrears policy, see: Hagan, S. (2020): "Sovereign Debt Restructuring. The Centrality of the IMF's Role", Peterson Institute for International Economics. Working Paper.

c. What are the legal requirements for the application of the MVI in the context of debt relief?

Any debt relief is by its very nature a breach of a legally valid contract, either consensually agreed between the parties or enforced by the debtor. In the second case, this in principle opens up the possibility for the creditor to take legal action and thus put pressure on the debtor to continue to pay an apparently unsustainable debt service. Consensual agreements, such as those negotiated between a debtor and an ad hoc committee of bondholders or between the debtor and the Paris Club cartel of public creditors, are therefore in principle the desirable alternative. They allow the debtor, for example, to enter into credit agreements with third parties in the future without having to fear that the holders of old claims will try to disrupt such financial relationships by intercepting the debtor's scheduled payments.[11]

Agreements that are not made ad hoc with all creditors but, for example, allow the debtor to suspend payments as a result of a predefined vulnerability, would naturally be particularly susceptible to such disruptions by individual creditors who are not willing to cooperate.

Against this background, a consistent location of the procedure within the UN system would offer the significant advantage that in the case of conflicts over the application of the index in connection with debt default, the Security Council could decree claims irrecoverable, which it has already done once in the run-up to the rescheduling of Iraq's debt after the fall of the Saddam regime.[12]

Another instrument to ensure that an index-based default is not undermined by uncooperative creditors could be anti-vulture legislation. Belgium, France and the UK have already passed laws to prevent so-called vulture funds, which buy debt instruments at deep discounts on the secondary market, from suing in national courts to obtain full servicing after other (mostly public) creditors have restored the debtor's solvency through partial write-downs in the first place. In terms of the coherent implementation of a debt restructuring based on an MVI, the British *Debt Relief (Developing Countries) Bill of* 2010[13] is the most interesting, as it makes multilateral agreements binding ex-post vis-à-vis non-cooperative creditors.

d. "Management" of an MVI: application, modification, further development

Parameters applied in the context of debt relief tend to have a short life span. The Paris Club raised the debt relief opportunities for low-income countries in five steps from 0 to 90 per cent within 10 years. Both the thresholds of the HIPC Initiative and the circumstances and calculation methods were adjusted three times between 1996 and 2005, after only six countries would have qualified for debt relief under the Initiative in the very first version. It is therefore to be expected that an MVI will also undergo noticeable modifications both in terms of how it is calculated and how it is applied in relatively short intervals. This suggests that its "administration", i.e. the question of how it is changed if necessary and modified in its application, should be precisely regulated.

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[11] Through such a ruling in New York, the investment fund NML Capital and other bondholders succeeded in forcing Argentina to service old claims after the vast majority of bondholders had agreed with the government of the South American country to reduce their claims. For more details see: Kaiser, J. (2014): "Not only Argentina is affected. Vulture funds. What they do, why they exist, and what can be done against them", erlassjahr.de-Fachinformation 46.

[12] For details see: Kaiser, J. and A. Queck (2014): "Odious Debt - Odious Creditors? International Claims on Iraq", FES Dialogue on Globalization.

[13] The text of the law can be found online at: https://researchbriefings.files.parliament.uk/documents/SN05658/SN05658.pdf.

There have been various proposals in the debate on debt relief in the post-HIPC era on how to organise possible adjustments. The *UNCTAD Roadmap & Guide for Sovereign Debt Workouts*[14] *of* 2015 proposes a UN-controlled *sovereign debt workout institution*, which would have the potential to bundle the administration of the index, including further procedural rules and parameters, in one hand. This was also taken up most recently in the special forum on *Financing for Development* 2020 convened by UN Secretary-General António Guterres.[15] In the context of the debt relief needs triggered by the Covid 19 recession, Guterres introduced the idea of a *Sovereign Debt Authority in* the online dialogue with heads of state and government. Since mid-2020 it has not been possible to foresee more precisely what devastation the pandemic would leave in the economies of vulnerable countries, no agreement on such an innovation was reached during this process. In the meantime, it has become obvious, even to sceptics, that a global debt crisis that can no longer be controlled has already broken out and will hardly be manageable without major reforms.

5. Next steps on the way to applying an MVI as a basis for debt relief - and what political dynamics are needed to achieve it

The practical implementation of an MVI in the context of debt restructuring can be considered under two aspects: (a) What steps can lead to a coherent global application? (b) What political dynamics can trigger the necessary steps?

a. Steps to apply an MVI

- **Creation.** A globally applicable index must be created and administered by a globally accepted institution. The UNDP has gone the first mile with the present version of the MVI. What is needed now is a coordination process that goes beyond the institution that can lead to global acceptance. There is an obvious benefit to locating this process essentially in the UN system, i.e. to let it run towards a General Assembly decision. However, it should not only run on this one track, but should also be conducted simultaneously in the bodies of the Bretton Woods institutions and, in addition, be substantially conducted in opinion-forming in intergovernmental bodies such as the EU, the AU or sub-groups like the *Alliance of Small Island States* (AOSIS).

- **Bindingness.** Parameters for debt relief have also been made binding and applied more or less coherently so far - but not on the basis of a comprehensive and participatory process, but by decree of creditors. This applies to the Paris Club as well as to the HIPC Initiative. Two instruments can contribute substantially to making parameters of an index arrived at through global consultation reliably binding: (1) the creation of anti-vulture laws in the jurisdictions most relevant for intergovernmental loan agreements; this could be coordinated in the G20 along the lines of the *Debt Service Suspension Initiative* (DSSI) and the *Common Framework.* (2) A UN General Assembly resolution calling on the Security Council to immunise, in individual cases, the assets of sovereigns that have been restructured on the basis of the MVI.

- **Application.** A modest infrastructure for future debt rescheduling negotiations, as proposed in various forms in connection with the creation of an orderly sovereign insolvency procedure, could ensure that a state in need of discharge can benefit from a procedure that meets the standards of the rule of law. These standards would then also include the use of the MVI as a basis for assessing the need for relief.

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[14] https://unctad.org/system/files/official-document/gdsddf2015misc1_en.pdf

[15] On the history of its impact see: Ellmers, B. (2021): "Financing for Development in the Era of Covid-19 and beyond".

The most promising starting point for this is the *Sovereign Debt Authority* proposed by the UN Secretary-General.

b. Dynamics

Three elements must come together to create political momentum for such a far-reaching reform process:

- **Stakeholders' initiative.** The MVI was developed at the instigation of countries that are most affected by climate change, but also have other structural vulnerabilities. The resistance of those affected against an unjust state of affairs is always - and so also here - the first step towards overcoming a grievance. As an example, the AOSIS[16] debt statement contains the most important short- and medium-term action steps for improved and inclusive debt management. The MVI and its application in the context of debt restructuring complements the reforms proposed there.

- **Support from high-income and politically influential countries.** Small and low-income states by definition do not have the political clout in the current political system to force global reforms. They are dependent on finding support also from politically influential states. This can happen selectively at first, even if individual richer countries cannot immediately rally the intergovernmental contexts in which they are involved - such as the EU or the G7 - behind a reform initiative. A good example of this is the pro-active line taken by the Norwegian government between 2005 and 2015, which took up the demand of some governments from the Global South as well as a global civil society for a review of intergovernmental debt in terms of its legitimacy.[17]

- **Catalytic individual cases.** The aforementioned discussion on legitimate and illegitimate debt, which Norway helped to promote, did not lead to any tangible results because only a few and rather unspectacular cases of illegitimate debt came to light at the time. Therefore, the debate remained largely general. In another case of a paradigm shift in international debt management, things were different: in 2001, Pakistan reached an agreement with the Paris Club on restructuring. Since the country owed a high proportion of its external debt to private bondholders, the Paris Club's routine equal treatment clause was extended to bondholders for the first time in this case. Until then, this category of creditors had been exempt from equal treatment, analogously to multilateral creditors. The strongly increasing share of bond financing in the total debt of more and more countries since that time then led to the extended equal treatment very quickly becoming standard from 2001 onwards.

[16] http://misiones.minrex.gob.cu/sites/default/files/archivos/editoronu/articulos/2020-06-29_aosis_statement_on_debt.pdf

[17] For an assessment of the strengths and weaknesses of the Norwegian process between 2005 and 2013, see: Slett U-Landsgjelda (2012): "Exportable: How to make the Norwegian Debt Audit Transferable to Other Countries? ".