State Contingent Debt Instruments (SCDIs)

Source: TH

The **Global Sovereign Debt Roundtable (GSDR)**, which **addresses challenges in debt restructuring processes**, is set to discuss **State Contingent Debt Instruments (SCDIs)**.

- **SCDIs:**
  - It helps speed up **debt restructuring** by offering bonds with **payouts contingent** on countries meeting specific economic or fiscal targets.
    - E.g., **GDP-linked bonds** issued by **Ukraine** that are tied to **economic growth.**
  - They do **not** have a **fixed interest rate**.
    - Payout structure varies depending on **economic growth, natural resource revenue, or tax receipts**.
  - SCDIs act as **"deal accelerators,"** especially in cases where there are fundamental disagreements about a country's **economic outlook**.
- **GSDR:**
  - GSDR, which is **co-chaired by the IMF**, **World Bank**, and the **G20 Presidency** (currently Brazil), started functioning in 2023.
  - It comprises **official bilateral creditors** (both traditional creditors members of the **Paris Club** and new creditors), **private creditors** and **borrowing countries**.
    - The **Paris Club (1956)** is an **informal group** of **creditor countries** that work together to support nations facing **financial difficulties**, chiefly those **struggling to pay off debts.**

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