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UNCTAD unveils principles to guide responsible sovereign lending and borrowing

Geneva, 4 May 2011 - UNCTAD, after a careful consultation process, has finalized a set of proposed principles intended to establish clear responsibilities for borrowers and lenders of sovereign debt.

Work on the proposed standards began at the height of the global financial and economic crisis in 2009, as the decade-long credit boom mutated into a sovereign debt crisis. The principles have the potential to reduce the prevalence of sovereign debt crises, maintain stable economic growth and support the achievement of the Millennium Development Goals.

The principles will be presented to governments at regional meetings to solicit their views and feedback and to build consensus on implementing an internationally agreed set of such principles in the future. Eventually, such principles could set a global standard for the contracting of sovereign debt, against which to assess the quality of contracts and the sustainability of debt.

The encouragement of credit-led consumption in many countries and the subsequent debt crisis it precipitated has given a sense of urgency to the undertaking. A United Nations General Assembly resolution of December 2010 also stressed the importance of developing such principles. It further encouraged member States, the Bretton Woods institutions, regional development banks and other relevant multilateral financial institutions and stakeholders to pursue discussions to promote responsible sovereign lending and borrowing within the framework of the UNCTAD initiative.

The emergence of the principles is the outcome of lengthy and in-depth exchanges of views with many experts and stakeholders. For this purpose, UNCTAD has established an expert group composed of prominent specialists in law, finance and economics; senior representatives of non-governmental organizations; the private sector and observers from multilateral financial institutions. The initiative also has benefited from generous financial support from the Government of Norway.

The proposed principles and additional information on the UNCTAD initiative to promote responsible sovereign lending and borrowing may be found on the UNCTAD debt portal at http://www.unctad.org/en/docs//gdsddf2011misc1_en.pdf.

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