



United Nations Conference on Trade and Development

Distr.: General
9 May 2012

Original: English

Thirteenth session

Doha, Qatar
21–26 April 2012

Debt crisis prevention and management

UNCTAD XIII special event

Held at the Qatar National Convention Centre, Doha, on 22 April 2012

Summary prepared by the UNCTAD secretariat

1. The process of endorsement and the implementation of a set of international principles for responsible sovereign lending and borrowing was launched at the panel discussion on debt crisis prevention and management.
2. Panellists and participants agreed that the Principles on Promoting Responsible Sovereign Lending and Borrowing aimed to reduce the frequency and severity of debt crises. A lack of globally agreed rules and regulations guiding sovereign financing had contributed to many instances of irresponsible sovereign borrowing and lending to sovereign countries. The Principles were meant to fill this gap by developing a set of voluntary guidelines that promoted and reinforced responsible sovereign lending and borrowing practices.
3. Senior government officials who participated in the meeting unanimously expressed their support for the Principles, as more responsible financing would contribute to financial stability and economic growth. The draft Principles had been introduced in May 2012 after transparent, inclusive and pluralist discussions within the Expert Working Group on Promoting Responsible Sovereign Lending and Borrowing, with the involvement of multilateral financial institutions and the Paris Club as observers. The UNCTAD secretariat, together with regional and national partners, had since held a series of bilateral and regional consultations with experts and governments from more than 60 countries leading to several refinements to the draft.
4. The issue of implementing the Principles was also discussed at the meeting. In view of the soft law and voluntary status of the Principles, a wide spectrum of institutional, political and contractual options to foster their implementation were deliberated. Their voluntary character was emphasized, as well as the linkages between preventing debt crisis, maintaining financial stability and promoting economic development,

5. Among the challenges posed to efforts to prevent and manage sovereign debt crises was the notable global legal gap on sovereign financing. Developing countries should take on more debt to promote more and better growth. The UNCTAD Principles sought to promote debts that contributed to growth and to facilitate sovereign financing to developing countries in a sustainable manner. They were known for being forward looking, comprehensive and consensus based, and for striking a balance between sovereignty and crisis prevention. While the Principles were already followed by some countries, the UNCTAD initiative represented the emergence of a set of principles at the international level.

6. The Principles could encourage changes in the behaviour of both creditors and borrowers. Issues shared by both parties included agency problems, benefits of good debt management and the borrowers' understanding of the financial product to be contracted. However, challenges remained in transforming the Principles to actions and in having them accepted by nations and international financial institutions. Preventive measures – more efficient debt administration – to avoid excessive accumulation of debt, and putting in place institutional procedures were also necessary.

7. As for the soft law and voluntary status of the Principles, a wide spectrum of institutional, political and contractual options was available to promote their implementation. Even if the Principles were incorporated into a treaty, implementation would be still an issue. Hence, it was necessary to create incentives for the provision of information and to foster competition among countries in implementing them. The Principles should be a means, not an end.
