



UNCTAD

UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT

PROMOTING RESPONSIBLE SOVEREIGN LENDING AND BORROWING

PROGRESS REPORT

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THE PROJECT

In 2009, UNCTAD initiated a project under the broad heading of Promoting Responsible Sovereign Lending and Borrowing. This involves, inter alia, acting as a discussion forum with the aim to developing of a set of guidelines to promote and foster mechanisms to enhance responsible sovereign lending and borrowing. Eventually, a consensus on a set of guidelines could lead to the establishment of criteria to assess whether the contracting of sovereign debt has been performed in accordance with internationally accepted principles.

The subject of responsible sovereign financing has gained increased attention in international forums. For example, the annual United Nations General Assembly resolution on external debt has repeatedly stressed the importance of promoting responsible lending and borrowing. Most the General Assembly in its 65th session stated in the resolution on external debt sustainability and development (A/RES/65/144):

Stresses the importance of responsible lending and borrowing, emphasizes that creditors and debtors must share responsibility for preventing unsustainable debt situations, and encourages Member States, the Bretton Woods institutions, the regional development banks and other relevant multilateral financial institutions and stakeholders to pursue the ongoing discussions within the framework of the initiative of the United Nations Conference on Trade and Development to promote responsible sovereign lending and borrowing, taking into account the work on this issue carried out by other organizations and forums;

General Assembly, 65th Session 20 December, 2010

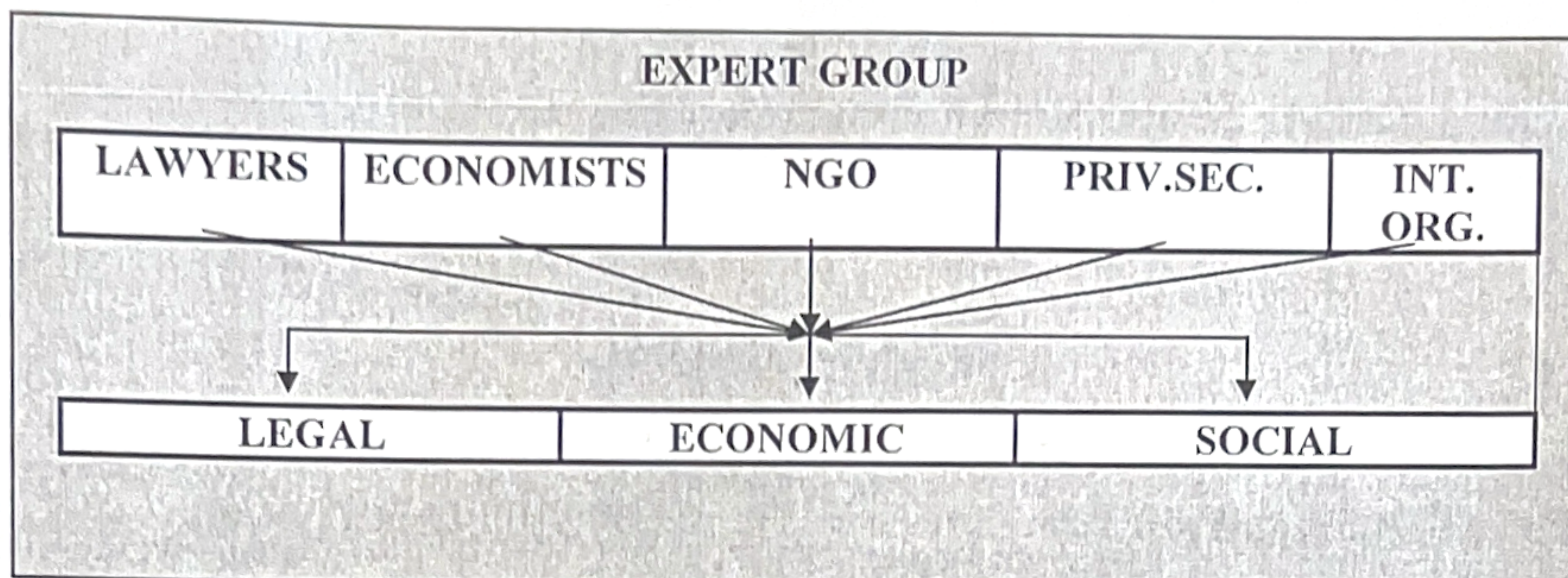
The issue has also repeatedly been addressed during UNCTAD's 6th and 7th Debt Management Conferences in November 2007 and November 2009, respectively. UNCTAD therefore seeks to continue to facilitate and create awareness of the present debate on responsible lending and borrowing among sovereigns, the private sector, academics and NGOs. Two groups have been established in order to advance the project: The Expert Group and the Group of Advisory Countries.

THE EXPERT GROUP

UNCTAD coordinates and is the secretariat to an Expert Group that acts as a source of technical and policy analysis. The Expert Group initiates and enriches the discussion on factors that would promote responsible sovereign lending and borrowing.

The Expert Group is composed of individuals who act in their professional capacity. This group represents no national or outside interests other than the fostering of responsible sovereign lending and borrowing.

Given the need for the Expert Group to cover the concerns of a wide range of very different interest groups and stakeholders, additional experts are invited to its meetings as needed. The Expert Group addresses the legal-, as well as the economic-, and the social dimensions of responsible sovereign lending and borrowing - thus the need to call on additional expertise from outside the core group as the different topics are discussed. The core structure of the Expert Group is as shown below.



THE ADVISORY GROUP

The Group of Advisory Countries is composed of government representatives. The group itself has no "membership", but all interested member governments of the UN are encouraged to send delegates to its meetings or make sure they are duly represented. This group represents national, as well as regional, linguistic and other interests. The group advises the work of the Expert Group by providing views, concerns and the sharing of practical experience.

UNCTAD has held discussions with interested government representatives from a wide range of countries. In all, representatives of more than 50 governments from all continents have been consulted directly by January 2011.

THE ACTIVITIES

Both the Expert Group and the Advisory Group have each held three meetings thus far, with the most recent meeting having taken place in China in September 2010. With respect to the Group of Advisory Countries, outreach activities continue and additional governments have been encouraged and invited to join its meetings. To facilitate further discussions, the UNCTAD secretariat has consolidated proposals and feed back from experts and government officials and have circulated these to Experts and Advisory Countries as a set of draft principles for additional review and comment.

The project held a Conference on Promoting Responsible Sovereign Lending and Borrowing in Xiamen, China on the 8th of September 2010.. This conference brought together high-level government officials from Ministries of Finance and Ministries of Development Cooperation to examine a set of principles for responsible lending and borrowing by sovereigns. This Conference at the same time served as the 2010 Advisory Group meeting.

Thanks to the dedicated efforts of the Expert Group, the draft of the guidelines is progressing well.

In addition, a second legal background paper is being prepared in cooperation with the German Bundesministerium für Wirtschaftliche Zusammenarbeit und Entwicklung (BMZ,

the Federal Ministry for Economic Cooperation and Development). All costs related to this study are covered by the German Government.

As the project gains in reputation more and more invitations to international meetings keep arriving. This, of course, is a very welcome acknowledgement of the progress made by the project..

THE DEBT PORTAL

The Debt Portal is now fully operational and distribution of usernames and passwords to users with access to restricted areas will commence shortly. Information on the project and on issues relating to sovereign debt maybe found at www.unctad.org/debtportal the new sovereign debt portal provides access to information on the latest developments in the project, project documents, and press releases and hosts a private discussion forum for experts to exchange views and information. Information on resources relevant to sovereign debt are also available, which includes links to data sources, a glossaries of sovereign debt terms, e-learning materials as well as a global directory of the websites for ministries of finance, central banks and statistical offices. The site remains underdevelopment so new features will be added over time.

THE NEXT PERIOD

The third Expert Group meeting will be held in New York on 10th of February 2011. This meeting will be held in conjunction with a High-level Expert Meeting on "The Resolution of Debt Crises: The policy and research Agenda" co-organized by UNCTAD and Columbia University of New York. A range of the world's foremost experts in this area will be addressing the meeting.

While further refining the draft principles and working on a paper studying guidelines for their implementation, a first draft of the Guidelines will be ready and distributed to the Group of Advisory Countries as well as a wider audience for discussion after February 2011. This will require a considerable effort in outreach activities to governments that have not yet been directly informed by UNCTAD about the initiative. Due to the limited number of project staff it is not feasible to individually visit all member countries of the UN. Accordingly it is foreseen that this activity will take place in the form of regional meetings in cooperation with a regional partner.

UNCTAD and MEFMI will look into the option of arranging a workshop on responsible sovereign lending and borrowing specifically targeted for parliamentarians in Eastern and Southern Africa towards the end of the year. This activity is tentatively scheduled to take place in Kampala, Uganda.

In the coming period, an economic background paper is expected to be commissioned; thus far a couple of possible candidates have been identified.