

Title of your Session:***“Universal Principles for Lending and Borrowing: Design and Road for Implementation”***

Wednesday 2 July 2025, 12:30 pm-2:00 pm, room Side event 23, ID number 1982762.

Abstract

To prevent and resolve debt distress in EMDEs, the current global debt governance system is inadequate. Principles, defined as a set of non-legislative rules applicable to all market participants, could play a key role in preventing and resolving debt crises. At the same time, they could provide guidelines for addressing the climate crisis. There are two main obstacles to the effective adoption of such principles. First, different institutions (the Institute of International Finance, the United Nations, the G20 and the OECD) have developed and adopted principles with different elements. However, it may be more difficult to prevent or resolve debt crises if different, sometimes competing, principles are applied in different institutional settings. A new set of universally agreed principles should be developed. This should combine elements of the various existing proposals developed by international organisations and the private sector. FfD4 could use its convening power to bring together various public and private creditors and debtor countries, build trust among stakeholders, and develop universal lending and borrowing principles aimed at preventing and resolving debt crises and addressing the climate crisis in EMDEs. The outcome of FfD4 would be to develop proposals for a roadmap for the design, implementation and monitoring of universal principles and to establish a working group for these tasks, which could be further presented and discussed at the next Financing for Development Conferences in 2026.

Subject Description*

The debt situation in numerous emerging market and developing economies (EMDEs) has significantly worsened due to a combination of shocks that has constrained the financial resources required to achieve the sustainable development goals. The current global debt governance system is insufficient for preventing and resolving debt distress in EMDEs.

Principles, defined as a set of non-legislative rules applicable to all market participants, could play a key role in preventing and resolving debt crises, while also providing guidelines for addressing the climate crisis. A global consensus on guidelines for debtor and creditor responsibilities is one important pillar of the first draft outcome document of the FfD4.

The effective adoption of such principles is hindered by two main obstacles. Firstly, various institutions (Institute of International Finance, the United Nations the G20 and the OECD) have designed and partly established principles with different elements. However, applying different, sometimes competing, principles to different institutional settings could make it more difficult to prevent or resolve debt crises. Secondly, the current global debt governance system does not offer appropriate incentives for creditors and debtors to align their actions with the these principles.

A new set of universally agreed principles should be designed, combining elements of the various existing proposals developed by international organizations and the private sector. The success of the new principles depends on achieving a broad consensus among stakeholders on their design. Incentives should be created to encourage international financial market participants to adhere to the principles, including through the publication of a list of issuers adhering to the principles or the inclusion of the principles in the G20 Common Framework, IMF/WB programs and sovereign debt contracts.

To achieve a collaborative process and ownership, it is crucial that all stakeholders including creditors, debtors and the public sector actively participate in the development of the principles. This can be achieved by establishing an expert group with representatives from all parties. The first step would be an agreement between the parties on the composition and terms of reference

of the expert group. The second step would be for the expert group to draft a proposal for the principles, which would then be approved by all parties.

Solution / Breakthrough at the FfD4

The FfD4 could use its convening power to bring together different public and private creditors and debtor countries, build trust among stakeholders, and develop universal Principles for Lending and Borrowing that are designed to prevent and resolve debt crises as well as to address the climate crisis in EMDEs.

The outcome of the FfD4 would be to develop proposals for a roadmap for the design, implementation and monitoring of universal principles and to establish a working group for these tasks. The proposals for design, implementation and monitoring of universal principles could be further presented and discussed at the upcoming Financing for Development Conferences in 2026.

Initiating Organization*:

German Institute of Development and Sustainability (IDOS)

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Co-creating Organizations

- SOAS University of London
- Global Solutions Initiative
- Global Policy Forum Europe
- Germanwatch
- Institute for Economic Justice South Africa

Speakers and Moderator

Government

- Ms. Rania Al-Mashat, Minister of Planning, Economic Development and International Cooperation, Egypt (tbc)

International Organizations

- Ms. Penelope Hawkins, UNCTAD (tbc)

NGO

- Mr. Kamal Ramburuth, Institute for Economic Justice South Africa

Universities

- Mr. Ulrich Volz, SOAS University of London

Think Tanks

- Ms. Kathrin Berensmann, IDOS