



DMF Stakeholders' Forum 2014

Breakout Session 3: Debt Management Strategy and Legal Framework

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Overview

- I. To enshrine the debt management strategy in the legal framework is very important
- II. The legal framework is composed of both hard and soft laws
- III. UNCTAD Principles and Responsible Sovereign Lending and Borrowing, *in particular:*
 - Agency (fiduciary duty)
 - transparency
 - avoid incidences of over-borrowing
 - disclosure
- IV. Co-responsibility: Lenders should know and comply with the debtor country's legal framework





I. Enshrine debt management strategy in the legal framework (1)

Proactive and effective debt management should start before the debt is being contracted :

The legal framework governing debt management can ensure consistency, long term direction and clarity and prevent abuses



Enshrine debt management strategy in the legal framework (2)

- set out objectives of government debt management
- spell out approval authorities for borrowing
- specify institutional responsibilities - Require the development of debt management strategy
- specify reporting system
- stipulate prohibitions under the law.





II. The legal framework is composed of both hard and soft laws (1)

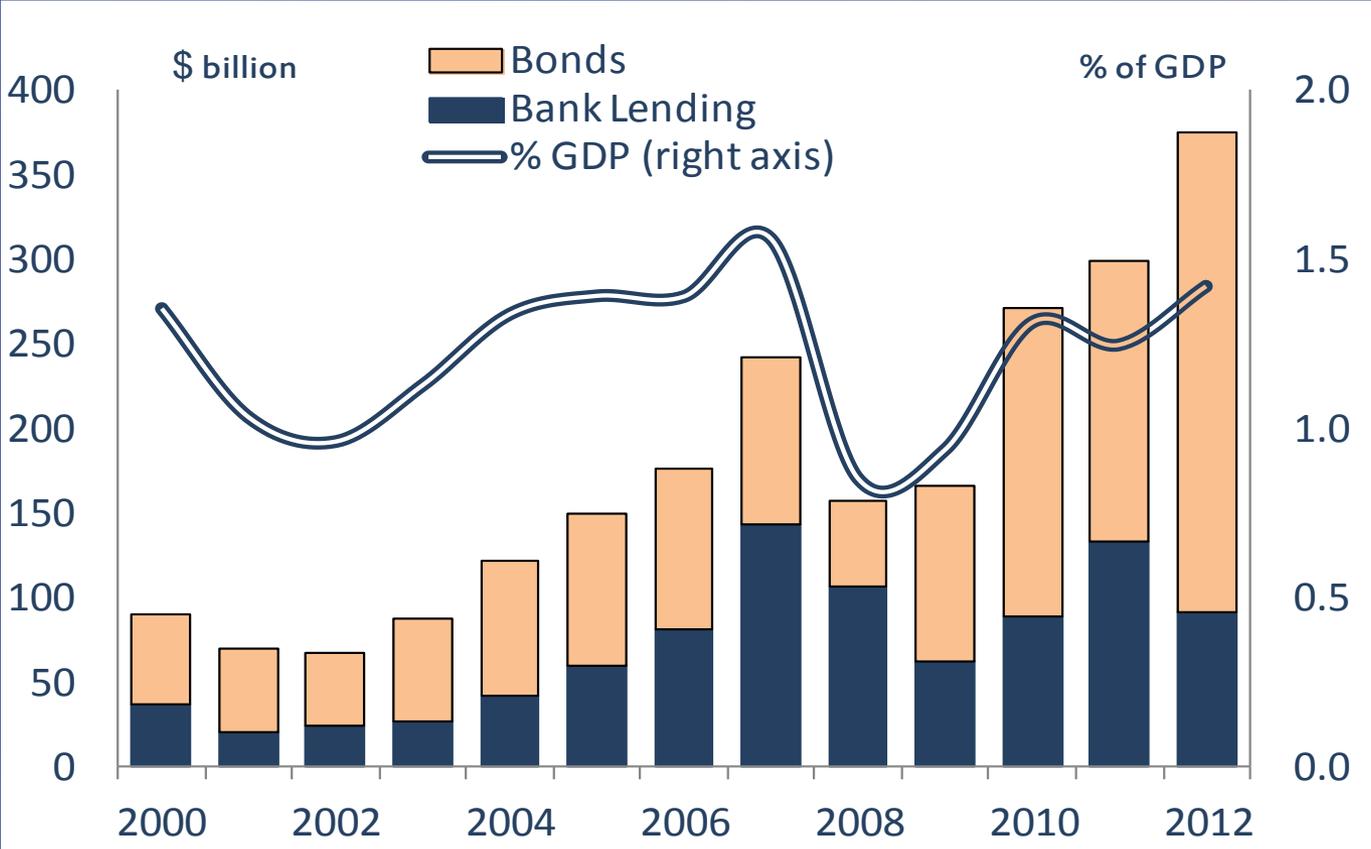
Soft laws can be especially instrumental for good debt management when :

- 1) the laws are not adequate
- 2) when laws are non-existent





International long-term private debt to developing countries

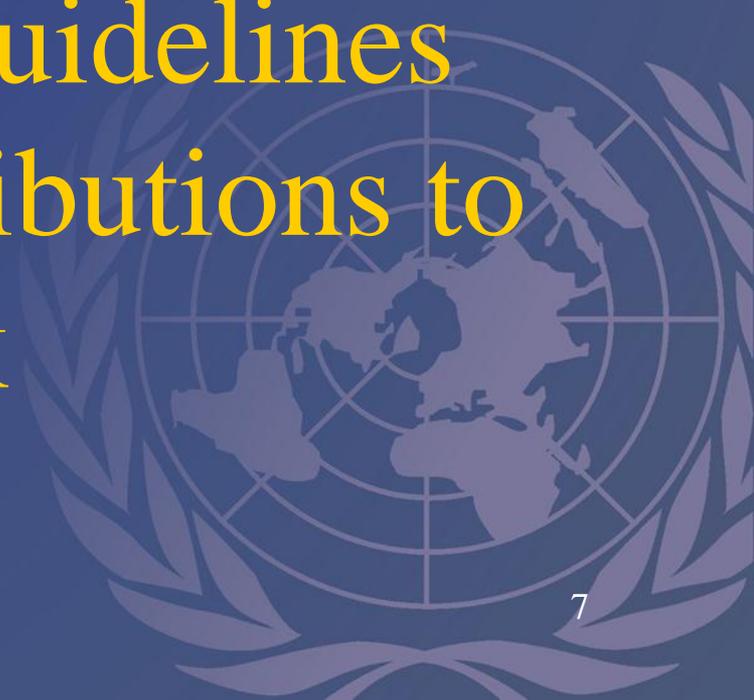


Source: Dealogic and the World Bank



II. The legal framework is composed of both hard and soft laws (2)

Non-binding, voluntary general principles/guidelines are normative contributions to the legal framework





III. UNCTAD Principles on Responsible Sovereign

Lending and Borrowing as an example of soft law

- agency (fiduciary duty)
- transparency
- avoid incidences of over-borrowing
- disclosure





IV. Co-responsibility between lenders and borrower

Lenders should be aware of and comply with the debtor country's legal framework



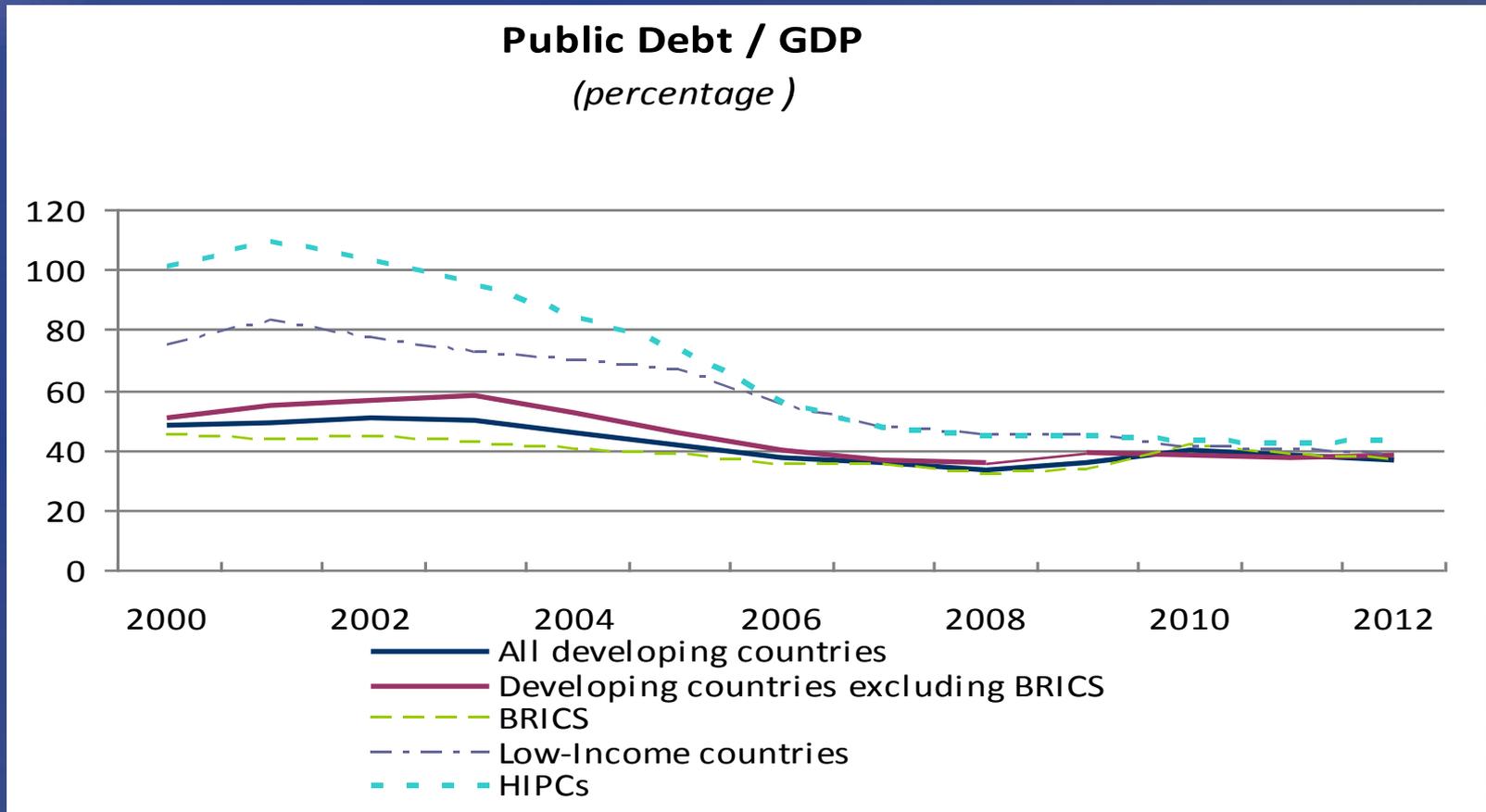


Thank you.



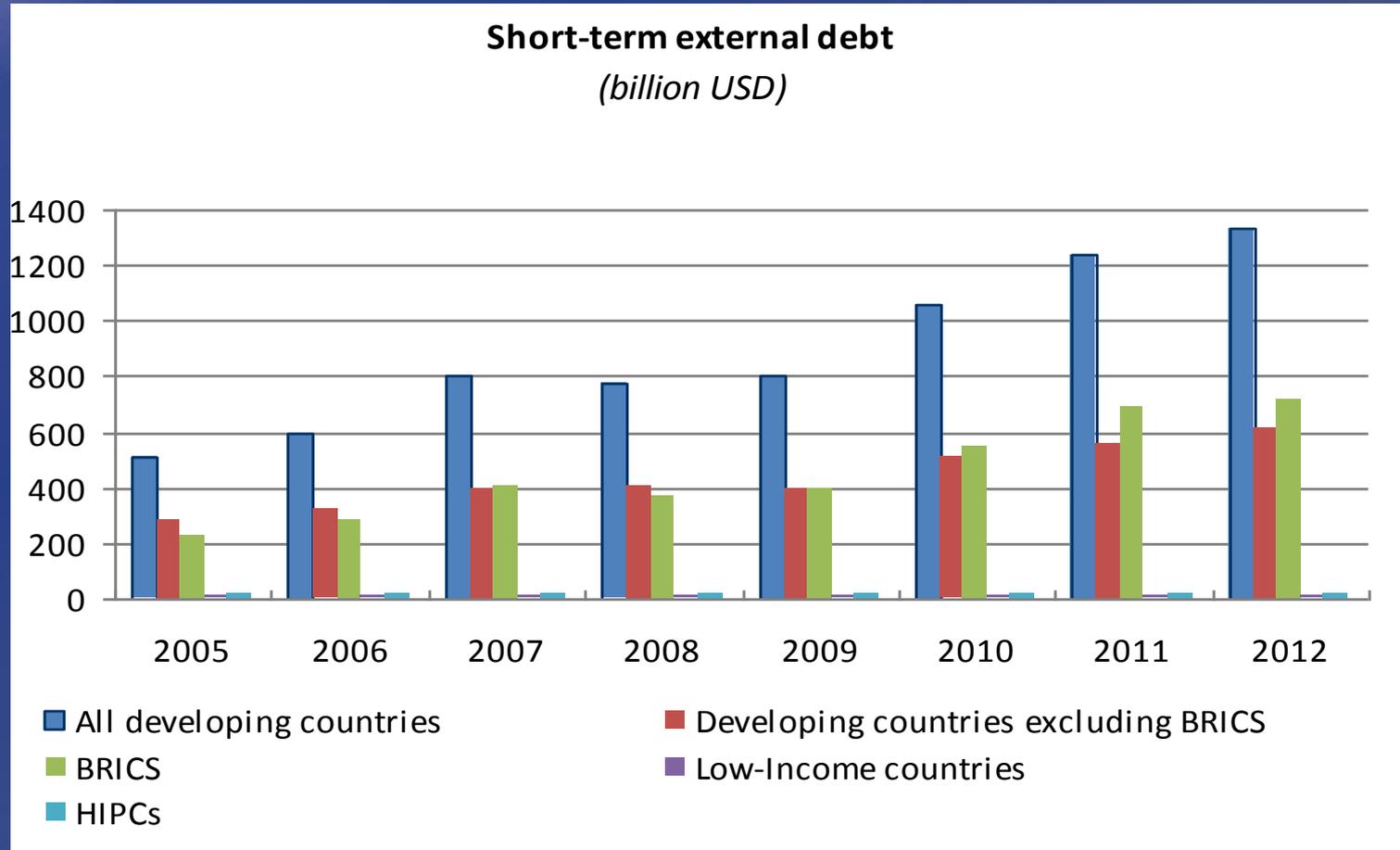


Public debt/GDP





Increasing short term external debt





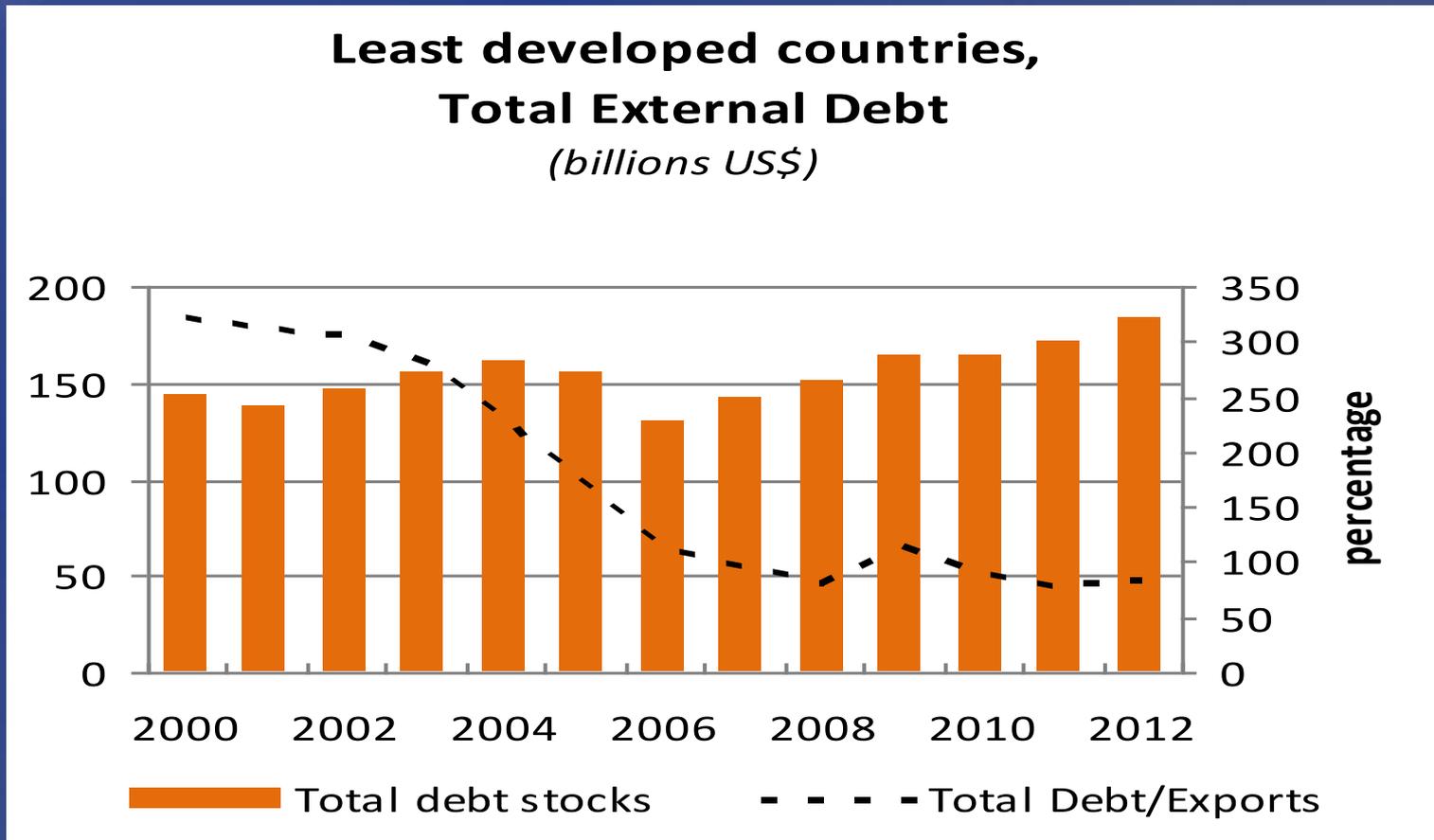
Developing countries' total reserves/short-term debt

**Developing Countries,
International Reserves**
(billions US\$)





LDCs' total debt/exports





High debt burden of some Caribbean countries

