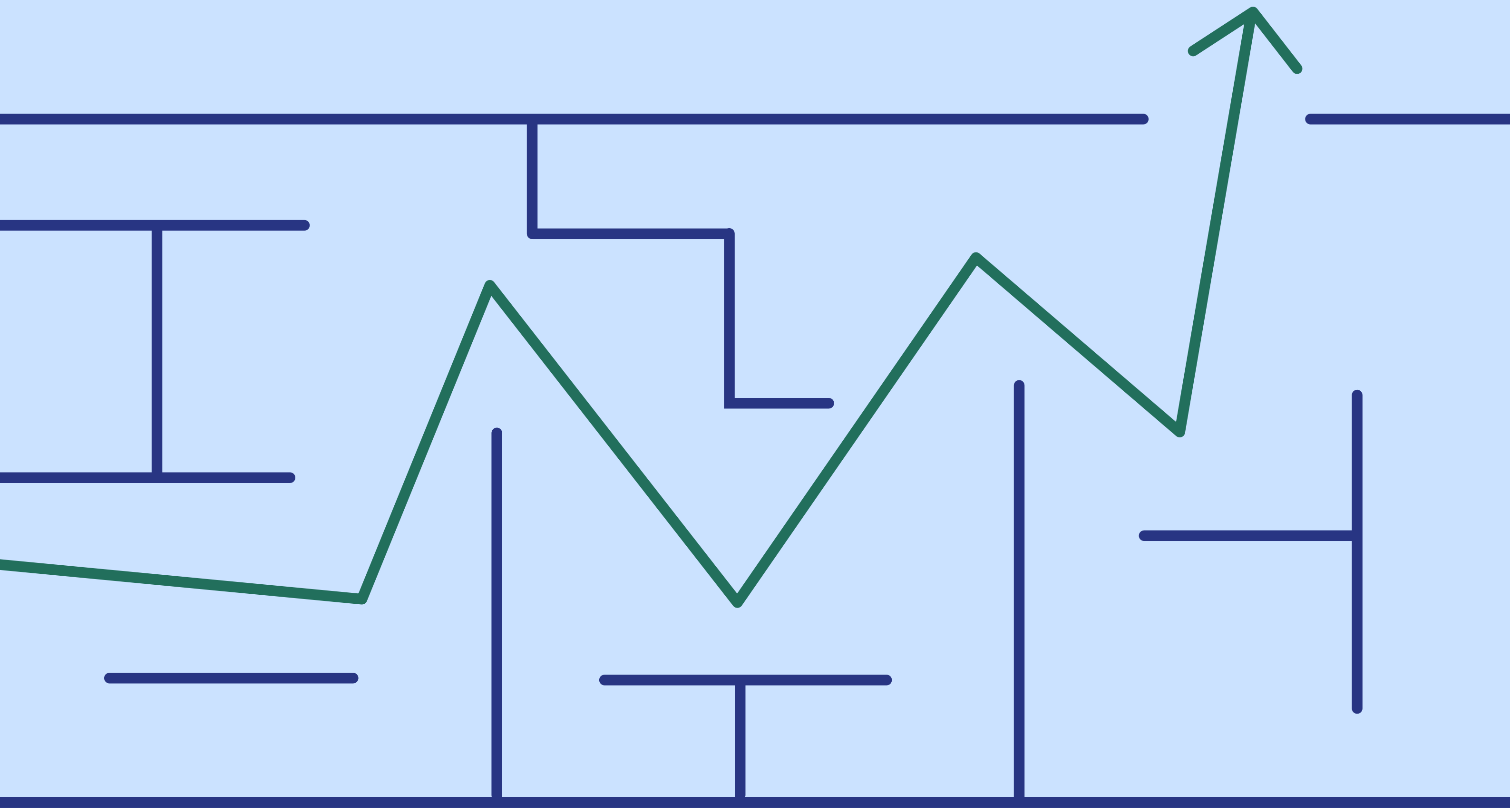
Developing

Best Practice Guidelines for Responsible Private Investments

in Sovereign Debt Instruments



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Sustainable Sovereign Debt Management

*«The 2015 Addis Ababa Action Agenda states that debtors and creditors must **work together**»*

The COVID-19 pandemic presents unique fiscal challenges for many developing countries. In fighting the pandemic, developing countries around the world have accumulated historic levels of sovereign debt from a variety of sources such as private lenders, the International Monetary Fund, multilateral development banks as well as from bilateral lenders[1]. Consequently, some developing countries that are amongst the most vulnerable to COVID-19 are also facing a looming debt crisis[2]. Further, the World Bank (WB), the International Monetary Fund (IMF), the UN and others have stated that many developing countries will struggle to service their impending debt-related financial obligations[3]. As such, developing countries continue to be drained of resources in the absence of an appropriate institutional framework for public debt management and debt crisis resolution. Against this challenging backdrop, it is important to strengthen systems and processes that enhance responsible sovereign lending and borrowing to prevent further accumulation of unsustainable debt.

The 2015 Addis Ababa Action Agenda states that debtors and creditors must work together to prevent and resolve unsustainable debt situations and that the undersigning nations will work towards a global consensus on guidelines for debtor and creditor responsibilities in borrowing by and lending to sovereigns, building on existing initiatives[4]. In the 2021 UN General Assembly`s Second Committees annual resolution on external debt sustainability and development, the member countries resolved to work towards attainment of this goal[5]. In spite of these ambitions, little progress has been made in the past six years. This report aims at bringing the conversation forward by proposing a synthesis of existing frameworks that could form the basis of such a global consensus, building on existing initiatives, but with a specific focus on the role of private investors in sovereign debt instruments.

This report is the first in a series. The scope of the first part of the project is synthesizing existing frameworks and making recommendations on best practices based on this synthesis. The next report will discuss operationalization and implementation of the recommendations of this first part of the project.

While several initiatives have been enacted to advance good practices in sovereign lending and borrowing, robust implementation of such efforts have been lacking by both public and private lenders, as well as some sovereign borrowers. For instance, the UNCTAD Principles on Promoting Responsible Sovereign Lending and Borrowing and G20 Operational Guidelines for Sustainable Financing have seen limited implementation and systems for monitoring of compliance are weak. Additionally, public debt is governed by elusive legal rules and uncertain enforcement mechanisms. Creating a global consensus on principles for responsible sovereign lending and borrowing, and the subsequent operationalising of these principles, is essential in addressing debt vulnerabilities in developing countries and in ensuring responsible lending to sovereigns more broadly. The lack of clear, predictable and enforceable standards play a major role in the accumulation of unsustainable sovereign debt.

Assessing Existing Frameworks

The lack of an appropriate framework for securing responsible lending to sovereigns by private investors is what motivates this report. The aim is, therefore, to develop a concrete and detailed best practice guide for responsible sovereign lending practices for private creditors. Towards this end, the report apprises the quality of existing guidelines to identify gaps in current responsible debt management standards. We have chosen to consider the most influential standard-setting frameworks, including, but not limited to, the UNCTAD Principles on Promoting Responsible Sovereign Lending and Borrowing, the G20 Operational Guidelines, the joint IMF & World Bank Debt Sustainability Framework (the IMF/World Bank DSF) and the UN-supported Principles for Responsible Investment (UN PRI). These frameworks provide all sovereign debt actors with practical ways to protect the integrity of sovereign lending and borrowing practices. As such, this report will benchmark these frameworks against a selection of principles – which are further expanded on below – that will promote responsible investment practices. The benefits of benchmarking and developing best practices include improved public debt management practices, higher performance targets, increased accountability of private creditors and strengthening of our approach towards preventing and addressing debt vulnerabilities in developing countries. While principles for responsible investment in sovereign debt instruments are not legally binding, they help in establishing a broadly recognised consensus around standards on responsible conduct.

The structure of this report is as follows. The first section introduces our best practice principles, which have been developed using a variety of sources, including recommendations from industry experts and industry-specific publications. Having assessed the strengths and weaknesses of existing frameworks, the second section provides a broad summary of our findings. The third section focuses on our recommendations for a best practice guideline for private investments in sovereign debt instruments.

Criteria for Assessment of Existing Frameworks

Aimed at Ensuring Responsible Sovereign Lending and Borrowing or Private Investments in Sovereign Debt Instruments

Common goals

1. PURPOSE

Is there a strong sense of aspirational purpose in the guideline to promote responsible investment in public debt?

An effective guideline sets the stage by clearly communicating the intentions of the framer and the underlying motivations of the document. Purpose and aim are important factors to consider given that it reflects the values and priorities of the guideline.

2. ACTORS AND AGENCY

Which actors does the guideline address?

The guideline should clearly identify which actors it addresses due to the complex nature of parties involved in sovereign debt transactions. In doing so, it contributes to better understanding of roles, rights, obligations, and responsibilities of all stakeholders in the sovereign lending process.

3. DESIGN

Was the guideline designed in cooperation with a variety of stakeholders?

The design process of the guideline provides relevant information on the interplay between various sovereign debt actors. Additionally, design standards influence decisions concerning the approach to framing solutions to public debt challenges. It is important to make effective use of consultation with all stakeholders to ensure non-biased standards. Further, it is important to consider whether the guideline takes into consideration international indicators and standards for assessing social and sustainability issues related to public debt.

4. APPLICABILITY

Which type of transactions does the guideline apply to?

Given that public institutions will employ various financial instruments to raise funds for development objectives, the guideline should specify which types of financing it addresses. It should also contain criteria for explicit information on the purpose of issued funds (e.g., purchase of government bonds or financing of a specific project). This will help ensure that hidden liabilities and debt owed to private creditors is sufficiently accounted for in assessing the debt sustainability of a country.

5. IMPLEMENTATION

What is the form of implementation?

The form of implementation is an important indicator to better anticipate application and interpretation of recommendations in the guideline. Form of implementation determines whether an institution can enforce or incentivise compliance with the guideline. Consequently, it can ultimately decide the outcome and/or effectiveness of the guideline.

6. FAIR BURDEN SHARING

To what extent does the guideline emphasise the need for fair risk-sharing and shared accountability among all parties regarding responsible lending and borrowing?

There should be information regarding the allocation of fair burden and risk sharing in the guideline to align responsibilities and goals of all sovereign debt actors, including, but not limited to, creditors, debtors, intermediaries, and credit rating agencies. It should also include criteria related to excessive accumulation of risk and risk-shifting behaviour. In this way, the guideline may contribute to eliminating moral hazard and free rider issues on part of all relevant actors during a debt contracting and restructuring process. It is important to note how failure to reduce such incentives, and thereby possibly lending beyond a borrower's reasonable capacity to repay, not only risks a default on the loan in question, but also adversely affects the position of all other previous creditors of that sovereign debtor.

7. COMPLIANCE WITH INTERNATIONAL LAW AND STANDARDS

Does the guideline promote compliance with international agreements and obligations relating to human rights, corruption, political and civil rights, etc (e.g., United Nations Security Council Consolidated List)? Does it consider international indicators for assessing poverty reduction, sustainable development, and institutional governance such as the Sustainable Development Goal indicators?

A guideline should endorse compliance with broader international laws and standards to benchmark debt transactions against international standards and indicators to preserve effective governance and ethical integrity of its mandate. Endorsing other well-regarded agreements and conventions also promotes a consistent approach to responsible investment.

8. SANCTIONS

What sanctions or consequences, if any, follow from non-compliance with the guideline, on the part of the creditor?

The guideline should recommend enforcement of repercussive or remedial measures for non-compliance. Violation of responsible standards relating to investment in public debt is governed by elusive and uncertain legal and enforcement mechanisms. As such, penalties and sanctions for non-compliance provide a strong incentive to meet debt sustainability assessment or evaluation requirements.

9. DEBT SUSTAINABILITY

Does the guideline stipulate requirements for sustainable lending by the creditor, and if so, what are they?

A guideline should clearly articulate the definitions of debt sustainability risk categories and the indicators that are considered. The definition is an important point of reference to understand the guideline's approach to resolving debt sustainability matters. It is important to have a broader definition of debt sustainability that takes into consideration human and social indicators beyond traditional macroeconomic parameters for debt management.

Criteria for Assessment of Existing Frameworks

10. TRANSPARENCY

Does the guideline stipulate requirements for publicly accessible shared information regarding the creditor's internal compliance and due diligence procedures and the results of these assessments?

To ensure responsible financing and debt management, the guideline should require creditors to disclose information pertaining to their internal control systems for evaluating a financing contract and the results of such assessments. In this way, the public can hold creditors accountable for potentially issuing unsustainable and/or irresponsible debt to a sovereign debtor. The information requirements should include terms of agreement, debt sustainability assessments, availability of information regarding the lending process, penalties and/or project cycle.

11. DOCUMENTATION

Does the guideline require public disclosure of relevant terms of loan or investment agreements, and does it stipulate requirements to monitor and disclose information on subcontractors receiving funds?

The guideline should stipulate public disclosure and documentation requirements to ensure transparency, accountability, and integrity of financing agreements, as well as to receive public comments on debt matters. Documentation is vital for creditors and rating agencies to assess sovereign creditworthiness, accurately price debt instruments, to avoid corruption and ensuring public accountability more generally. The guideline should stipulate documentation requirements that include all terms of agreement and information on transactions related to associated parties receiving funds to allow oversight in public borrowings.

Investment principles and guidelines for the lender/ Requirements for the lender

12. DUE DILIGENCE

Does the guideline provide due diligence standards for the creditor, and if so, what does the due diligence assessment entail?

For creditors, a due diligence investigation is essential to assess financial, legal, social, and operational risks associated with public debt transactions, and to make responsible credit decisions. Concrete due diligence standards are instrumental to accurately evaluate the debtor's financial standing and to reduce the potential for defaults. A comprehensive due diligence investigation should also consider whether the debtor is acting in the public interest.

13. DUE AUTHORIZATION

Is the creditor responsible for ensuring that the debtor has necessary authorizations for uptake of loans or has obtained due authorization from appropriate authorities?

The guideline should ensure that the debt transaction is made on sound legal and empirical basis that serve the public interest through necessary authorizations from appropriate authorities. Further, the guideline should also address due authorization requirements to guarantee that loan contracts are enforceable under relevant primary jurisdictions in the international financial markets. Illegitimate and/or irresponsible debt incurred by public institutions should not become a citizenry burden.

14. MONITORING

In relation to project loans, does the guideline have post-disbursement reviewing and assessment requirements with regards to the debtor's credit position and project impact, including civil, social, environmental, financial and operational implications?

Due to frequent changing circumstances of development and debt in low-income countries, a guideline should enforce requirements for periodic review of circumstances to ensure the efficacy of underlying assumptions, including debt sustainability indicators and whether investment objectives are met.

15. GOOD FAITH

Is the lender required to exercise cooperation in good faith in restructuring negotiations and does the guideline emphasise fair burden sharing amongst all relevant parties?

It is important that the guideline requires all stakeholders to behave fairly, justly, and reasonably toward each other to discourage perverse incentives. The power imbalance between sovereign debt actors in low-income countries and creditors necessitates that the latter act in good faith during debt negotiations to avoid protracted negotiations and holdout problems during debt restructurings. A responsible guideline should also require the inclusion of CACs in debt contracts.

Summary of Findings

«Many principles in current guidelines remain too vague to implement into practice»

Despite the fundamental importance of an inclusive framework to encourage responsible conduct in relation to sovereign financing, there are presently no widely adopted international standards that are unanimously endorsed by all sovereign debt actors. Further, having assessed the strengths and weaknesses of existing frameworks related to responsible investments in sovereign debt instruments, there are some recurring themes that should be addressed to pave the way for a well-executed path of action for responsible lending and borrowing. To this end, the following section provides a summary of strengths and weaknesses related to current frameworks.

The Problem of Debt Sustainability Definition

A recurring criticism of existing standards and best practices related to sovereign debt management is the way in which debt sustainability is defined. Existing frameworks primarily fall short in two ways, firstly, the definition of debt sustainability is often defined in obscure and non-transparent terms. Secondly, debt sustainability is frequently equated to public sector solvency[6].

In the IMF/World Bank DSF, debt sustainability is mainly explained in terms of the debtor's repayment capacity. This definition does however not address concerns pertaining to how debt servicing costs can undermine a sovereign's ability to meet welfare needs of its population. The necessary fiscal space for public investment in Sustainable Development Goals (SDGs) and other domestic infrastructure development across differing circumstances in the global financial market needs to be taken into account when defining debt sustainability. An inclusive definition of debt sustainability should, therefore, consider metrics such as human development, financing needs to comply with international obligations in relation to human rights and other international commitments (ie Paris Agreement on Climate Change, Agenda 2030 on SDGs or Beijing Action Plan on gender equality) and debt service to fiscal revenue.

By way of addressing the issue of obscure and non-transparent parameters for assessment of debt related risks, our findings suggest that many existing guidelines do not disclose their internal control parameters for sustainable debt. This begs the question as to what some investors consider sustainable. This issue is highlighted by civil society organisations who state that without having this definition subjected to public commentary, sovereign debt investors are free to lend into potentially unsustainable situations. Moreover, some guidelines adhere to debt sustainability standards set by the IMF/World Bank DSF. This subsequently leads them to inherit the flaws of the IMF/World Bank DSF, which has also been criticised for limited disclosure of its debt burden thresholds[7]. Debt risk definitions and categories should, therefore, be publicly disclosed in the interest of public accountability. Additionally, publicly disclosing risk definitions and categories could allow for more reliable and predictable levels of funding according to internationally agreed standards of debt.

Lack of Concrete Standards

The lack of concrete standards for operationalising existing guidelines has persisted as a gap in the sovereign borrowing and lending space. Many principles in current guidelines remain too vague to implement into practice. This overarching deficiency is compromising the possibility of implementing concrete international standards and the feasibility of enforcing existing standards and best practices. As discussed above, this lack of explicit benchmarks in guidelines also compromises our ability to understand the defining parameters of debt sustainability in many existing frameworks. Thus, a more enforceable sovereign lending process requires the formulation of concrete international standards for a variety of contexts and situations. Rather than stating vague principles with opaque paths of implementation, a focused and detailed guideline would enable more robust implementation of responsible sovereign lending practices. Assuming that a core characteristic of a best practice framework is to prevent and avoid

«Comprehensive information should be provided for public inspection»

negative outcomes, explicit standards could encourage stakeholders to remain compliant preemptively rather than pushing the boundaries to discern legitimate behaviour in relation to sovereign lending. That is, standards that contain actionable objectives clearly outline recommended conduct by debtors and creditors. Deviations or misconduct under these standards by any stakeholder is clearly identified, and is in turn, more easily held accountable for wrongful actions. From a practical standpoint, adopting more concrete standards, therefore, ensures that best practices are not only straightforward to implement and enforceable, but that misconduct and non-compliance is accountable. While lacking concreteness is a repeated issue throughout all the frameworks analysed in this report, the following section discusses the most notable instances of limitations to the existing frameworks.

Transparency

While various existing frameworks recognise that transparency is an important prerequisite to achieve debt sustainability and responsible sovereign lending, few concrete steps have been taken to enforce this principle. One key area of focus in the discussion on transparency standards is the incorporation and operationalisation of the Institute of International Finance (IIF)'s Voluntary Principles for Debt Transparency, which include, amongst others, criteria for good governance, sound risk management practices, ethical conduct, fiscal discipline and transparency[8]. Ensuring compliance with these principles would be a first step in improving the opaque nature of transparency requirements in many existing frameworks. Although many sovereign finance stakeholders, including the OECD, the IMF/World Bank and the G20, have endorsed the IIF's Principles for Debt Transparency, steps to enforce the detailed scope of disclosure recommendations by the IIF are lacking. Current debt

transparency initiatives should ideally find it`s form in a public registry with binding disclosure of information[9]. A possible binding disclosure of the IIF Debt Transparency requirements would entail a strengthening of transparency related aspects of responsible sovereign lending practices, but would not alone suffice as an overall strengthening of responsible lending to sovereigns by private investors seeing as the scope of the principles is not sufficiently comprehensive.

Document Disclosure

Commonly used frameworks also advocate for enhanced documentation disclosure; albeit, many of them have failed to provide concrete standards for what kind of and when information should be made public. In the interest of public accountability, to ensure that the purpose, goals and objectives of sovereign financing is clear; processes and negotiations are transparent and timely, comprehensive information should be provided for public inspection. Thus, key documents should be easily accessible to the public, including, but not limited to budgets, impact assessments, performance reports, contractual terms of loans and accounting standards. For instance, Afrodad's Borrowing Charter and Eurodad's Responsible Finance Charter have codified clear disclosure standards for the sovereign loan contracting process, which includes detailed accounts of all debt transactions and suggestions for an improved legal framework to tackle debt management practices. These standards have designed and suggested accessible means to facilitate transparency in sovereign lending. Thus, other international standards should follow similar recommendations, and formulate concrete criteria for improved information sharing by all parties to a sovereign loan. The guidelines should also encourage dialogue with parliamentarians, field experts, civil society, and other interest groups to improve information openness.

Due Diligence and Due Authorization

Much like vague transparency standards, many commonly used frameworks also exhibit similar shortcomings in relation to due diligence and due authorization standards. Instances such as unsustainable lending to Argentina and Mozambique's debt crisis since 2016 exemplify the need to undertake due diligence against concrete standards in order to review risks associated with investment in sovereign debt instruments. While echoing international consensus on the need for such criteria, many existing guidelines remain vague on due diligence and authorization responsibilities for public and private creditors, even though they include avoidance of unsustainable debts. However, some of the frameworks do not include clear guidance on what standards to conduct its due diligence against. Again, an effective guideline should include specific and robust due diligence provisions for all parties to a sovereign debt transaction. Moreover, creditors should also be required to frequently report on their due diligence activities with records including, amongst others, relevant contractual terms, beneficial owners of partner companies, ESG-risks[10], country risks, etc. If any risks or potential adverse impacts have been identified in relation to the investment, the guideline should also require creditors to publicly disclose their mitigation strategy. Norfund's Operating Principles for Impact Management provide some concrete codes of conduct for due diligence procedures that can be replicated and improved upon more broadly in other guidelines[11]. Another aspect that is inadequately addressed in many frameworks are standards to ensure that the investment object is a legitimate contracting party and that the financing is used for legitimate purposes – the latter being a particularly important due diligence requisite for debt financed projects. For public accountability, it should be possible to substantiate that lending supports a borrowing country's economic and social progress.

«The guidelines should also seek to include concrete safeguards»

Good Faith and Fair Burden Sharing

Many of the commonly used frameworks fall short in terms of outlining responsibilities of private investors in contributing to fair burden sharing and acting in good faith. While many of them briefly discuss the importance of cooperation, few of the well-regarded frameworks, particularly the IMF/World Bank DSF, provision creditors to act in good faith during debt restructuring episodes. Moreover, in many existing frameworks, the contents of a good faith obligation is vague. As previously discussed, the power asymmetries between creditors and debtors in developing countries necessitates that the former fulfil and implement their contractual responsibilities equitably and in good faith. To this end, explicit standards contained in the guideline should aid in creditor coordination, impartiality and protecting the interests of all parties when engaging in debt restructurings. Further, clear details on preferred norms of behaviour in the guideline allows for accountability in cases of creditor misconduct, such as abusive hold-out behaviour. The guidelines should also seek to include concrete safeguards and measures in ways that strengthen shared responsibility and accountability.

Recommendations for Best Practice Principles

for Ensuring Responsible Private Investments in Sovereign Debt Instruments

The table below provides a recommendation for best practice principles for responsible sovereign lending and investments in sovereign debt instruments. These recommended principles are compounded from the strengths of several prominent frameworks (see Appendix) and addresses some of the latter's weaknesses. It is important to note that this guideline is primarily aimed at creditors. The scope of the recommendations are limited to the realm of what creditors could reasonably be expected to have influence over. The scope of this due diligence is therefore focused on the private investors obligation to act in a responsible manner. This means that the aim is primarily to ensure the responsible and ethical conduct of the private inverstor, in the hopes that this will contribute positively to a country`s debt sustainability. The recommended best practice does not aim at influencing aspects of the borrowing process that is and should be the sovereign borrowers sole responsibility with regards to responsible borrowing practices. Where this line should be drawn is not self-evident, but when implementing these recommendations identifying this balance is vital. Moreover, while the principles of this guideline are intended to cover the majority of investments in sovereign debt instruments in both the primary and secondary market, these differences should be addressed in more detail during later research.

Table 1: Recommended Best Practice Principles

Principle(s)	Feature	Analysis
Purpose	The guideline should clearly and unambiguously formulate its purpose and aim to its users.	To make clear the purpose and aim of the guideline, it should clearly and comprehensively state its commitment to responsible sovereign investment practices. The guideline should communicate the parties adopting the guideline, why it is being adopted, and what is being adopted. The purpose statement in the guideline should also reflect the specific topic it intends to address.
Actors and Agency	The guideline should contain a detailed description of which actors it addresses.	The guideline should clearly delineate which actors it is concerned with to ensure the proper allocation of roles and responsibilities. If relevant, this includes subcontractors and other third parties receiving funds.
Design	The guideline should be designed in a participatory manner through consultation with a broad variety of creditors, debtors, field experts, international organisations and other relevant stakeholders in order to secure process legitimacy.	A central tenet of an effective guideline should be inclusive design with respect to all stakeholders. It should be developed independently of any stakeholder's personal interests or preferences. To this end, the guideline should be designed through a participatory approach, and should also include joint problem-solving mechanisms. In this way, various grievances are addressed, ensuring that the guideline objectives are met. All consulted parties should be disclosed in the guideline.
Applicability	The guideline should clearly communicate the nature of transactions it addresses.	Given the diversity of the current debt landscape, which goes beyond public external debt, the guideline should concretely tackle the issue of applicability to operationalise the best practice principles. This is because there is a need to apply different guidelines in accordance with the type of financial instruments, such as general government bonds and project finance.

Principle(s)	Feature	Analysis
Implementation	The creditor should state explicit obligation to adhere by the principles of the guideline.	The guideline should include strong incentive structures to ensure enforcement of the guideline.
Fair Burden Sharing	The guideline should formulate concrete criteria for fair burden sharing amongst all stakeholders.	The guideline should include criteria that are designed to guarantee fair burden sharing. To this end, the guideline should strongly support the inclusion of last generation CACs in all debt and project contracts. It should also recommend retroactive implementation of CACs in sovereign debt contracts and, where applicable, state contingent clauses. Due to the varying capabilities of sovereign actors, the guideline needs to explicitly advocate for fair burden sharing amongst all stakeholders to deter moral hazard and free rider behaviour. Further, the criteria should address excessive accumulation of risk and risk-shifting behaviour.
Compliance with International Law and Standards	The guideline should require compliance with international standards, legislation and regulations with respect to human rights, UN sanctions, transparency, terrorism, bribery, corruption, etc.	The guideline should require compliance with the UN Human Rights Declaration, ESC Rights Pact, the UNCTAD PPRSLB, UN PRI, Agenda 2030 for Sustainable Development and the IIF's Voluntary Principles for Debt Transparency.
Sanctions	Ramifications for violation of the guideline or remedial mechanisms should be explicitly stated in the guideline.	The guideline should include sanction mechanisms for non-compliant actors. These sanctions should reflect the capabilities of the various actors.
Debt Sustainability	The guideline ought to state an explicit definition of debt sustainability risk categories under which the guideline operates. These parameters should be publicly disclosed. These definitions should also include clear requirements with respect to human development and citizens' welfare.	This is particularly important to understand under which debt sustainability assumptions the creditors are operating. Creditors should also be required to conduct regular debt sustainability assessments throughout the project cycle.

Principle(s)	Feature	Analysis
Due Diligence	The guideline should explicitly communicate due diligence standards for its users.	All sovereign debt actors should be required to implement robust due diligence practices, such as conducting environmental and human rights impact assessments as well as free, prior and informed consent from local and indignous communities in the case of project loans, in accordance with field relevant international standards. Creditors should also be required to disclose their due diligence procedures publicly.
Due Authorization	The guideline should direct all creditors to ensure that the contracting party is duly authorized to enter into the contract.	The contracting party should have necessary authorizations from relevant public bodies to enter into the credit agreement in the relevant jurisdiction. The debt should be considered illegal and unenforceable if provisioned in breach of this principle.
Monitoring	Regarding project financing, creditors should monitor and document the implementation and use of funds in the investment project, along with regular performance assessments.	Such reviews should take place regularly and be easily accessible for public scrutiny. We note that this does not pertain to sovereign bonds and loans.
Transparency and Documentation	The guideline should stipulate clear debt transparency requirements, including public disclosure of terms and conditions of loan contracts, contracting parties, monitoring assessments, etc.	The guideline should not only promote debt transparency, but transparency requirements should be improved on both the debtor and creditor sides. Beyond broad statements on transparency, the guideline should explicitly state transparency requirements and standards to ensure concrete transparency objectives. To enhance transparency, the guideline should also implement requirements for how soon after entering a contract the information should be publicly available.
Good faith	The guideline should hold creditors to standards of honesty, fairness, and good faith, particularly during debt negotiations and restructurings.	All creditors should be required to act in good faith and in a cooperative manner during the entirety of the debt cycle. The good faith principle should be formulated in such a way that it deters opportunistic behaviour, especially in the case of aiding and abetting corruption.

Appendix

Appraising the quality/ scope of existing guidelines

Table 1: UN Principles for Responsible Investment (PRI)

Principle(s)	Analysis
Purpose	UN-supported Principles of Responsible Investment (PRI), launched in 2006, are aspirational principles for dealing with environmental, social and governance (ESG) issues in investment practices across asset classes. The PRI communicates its purpose and issues covered in broad terms.
Actors and Agency	The PRI is a comprehensive and broad framework that is applicable to a range of asset classes, companies, and investors. The PRI has 4,197 signatories that comprise of asset owners, investment managers and service providers. [12]
Design	The PRI was devised by the UN in cooperation with global institutional investors and experts from civil society and intergovernmental organisations.
Applicability	The PRI provides a broad framework for considering ESG issues in relation to a range of transactions and asset classes, including equity investments, project financing, commodities, and private equity.
Implementation and Endorsement	The PRI are "voluntary and aspirational" principles that promote the integration of ESG in investment practice. [13] While the implementation of the principles is voluntary, all signatories must produce reports on their implementation efforts in accordance with PRI's reporting framework. The PRI also produces multiple guidelines and case studies to support the implementation of the principles.
Fair Burden Sharing	Although the PRI does not formally address fair burden sharing, due to the broad nature of the principles, one could argue that the PRI vaguely tackles cooperation and equitable burden sharing. However, the power of these principles is limited due to the lack of concrete measures on how to allocate fair burden sharing among all relevant actors.
Compliance with International Law and Standards	The PRI recommends adoption of other international initiatives, standards, and codes of conduct for responsible investment, such as the UN Global Compact.
Sanctions	The PRI is a soft power initiative that does not have any sanction mechanism to deter non-compliance.
Debt Sustainability	The PRI does not have a formal definition of debt sustainability. Instead, the PRI holds that following the principles should lead to more sustainable debt.
Due Diligence	Principle 6 of the PRI deals with integrating some form of ESG-related due diligence within investment practices. To support implementation, the PRI launched a detailed ESG-oriented due diligence questionnaire for infrastructure investments in 2018. The PRI should extend the applicability of such a questionnaire to include other asset classes.
Due Authorization	The PRI does not address due authorization standards for investors.
Monitoring	The PRI encourages investors to develop an active ownership policy that is consistent with the PRI. In extension of this, the PRI encourages regular monitoring of investee companies on ESG issues and tracking of results relating to the implementation of the principles.
Transparency and Documentation	The PRI's transparency standards are twofold. First, the principles state that companies should disclose ESG issues in investment objects. Second, companies should also report on their own "activities and progress towards implementing" the PRI. This includes information on how ESG issues are integrated into business practice and active ownership activities. The PRI also recommends disclosing ESG issues within annual financial reports. Some PRI practical guidance reports related to listed equities also provide additional document disclosure recommendations for ESG engagement activities. However, the transparency and documentation requirements of the PRI could be significantly improved and concretized.
Good faith	While the PRI encourages collaborative engagements in dealing with ESG matters, it does not directly state that investors should act in good faith.

Table 2: IMF's Debt Sustainability Framework for Low-Income Countries (LIC-DSF)

Principle(s)	Analysis
Purpose	The IMF's debt sustainability framework for Low-Income Countries (LIC-DSF) is an assessment framework for conducting standardized debt sustainability analysis in developing countries. This is to meet development needs though sovereign debt financing, while accounting for debt sustainability. Having been introduced in 2005, the current LIC-DSF was revised and implemented in 2018.
Actors and Agency	The LIC-DSF guides lending decisions of multiple international finance and development institutions, including, but not limited to, the IMF, the World Bank, the OECD, the African Development Bank and the Asian Development Bank. Other sovereign debt actors, including institutional investors, multilateral development banks and debtor countries, consult the LIC-DSF when making borrowing decisions. The LIC-DSF is not formally applicable to private sector lenders.
Design	The LIC-DSF is jointly developed by the IMF and the World Bank. It undergoes a regular reviewing process, having undergone multiple modifications since its debut – the latest being 2018. According to the IMF, the reviews and modifications to the LIC-DSF were informed by consultations with authorities from developing countries, staff of multilateral development banks, discussions in international forums and feedback from civil society organizations. The IMF and the World Bank has also produced multiple policy papers and guides to aid the implementation of the LIC-DSF. [14]
Applicability	The LIC-DSF assesses all multiple public sector debt components, including domestic and external. It also covers both public debt and publicly guaranteed debt. A weakness of the LIC-DSF is that it does not include private domestic debt of the borrowing country or implicit. The LIC-DSF informs the IMF's Debt Limit Policy in IMF-supported lending programs and determines the International Development Association's (IDA), which is a part of the World Bank, grant allocation.
Implementation and Endorsement	Lending decisions by the IMF and the World Bank are mandated to follow the LIC-DSF. While the recommendations of the guideline are not mandatory to follow, most lending decisions of the IMF and the World Bank are governed by the LIC-DSF, particularly in relation to countries that are considered in high debt distress.

Principle(s)	Analysis
Fair Burden Sharing	A major flaw of the LIC-DSF is that it does not address the need for shared responsibility between creditors and debtors in relation to lending decisions. Further, the guideline should also stress shared responsibility among all stakeholders to avoid accumulation of unsustainable debt.
Compliance with International Law and Standards	Since the guideline largely focuses on assessing the financial capacity for repayment of debt, it does not suggest any international laws or standards for its adherents to follow. Given the broad support and influence that the LIC-DSF has among sovereign debt actors, a major improvement of the guideline would be to commit its adherents to follow other well-regarded laws and standards.
Sanctions	A major critique of the LIC-DSF is that it does not have any sanction mechanisms for dealing with any breaches of the guideline. Since the LIC-DSF is dependent on accurate data to assess debt sustainability, it should include some remedial or corrective measures to sanction the dissemination of flawed or inaccurate data by any stakeholder.
Debt Sustainability	The LIC-DSF uses several debt indicators to assess debt sustainability. This includes the CPIA[15] and a set of macroeconomic variables. The macroeconomic framework forecasts potential for growth of an economy, using multiple assumptions and predictions, such as world growth, GDP growth and foreign exchange reserves of the borrowing country, etc. The macroeconomic projections are subsequently stress tested to assess whether a country's debt path is realistic. The LIC-DSF has received widespread criticism regarding its definition and assessment of debt sustainability. Most notably, many civil society organisations, including Eurodad, have criticised the guideline's definition of debt sustainability for being too focused on a borrower's repayment capacity. Eurodad suggests that the LIC-DSF should have a more poverty-centred approach that considers human development. The guideline should also consider whether debt servicing is compromising a borrowing country's ability to deliver welfare services to its citizens. Additionally, the guideline is criticised for its overreliance on the CPIA, which is, in turn, criticised for its one-size fits all approach to ideal development policies. The latest version of the LIC-DSF has moved away from only considering the CPIA when assessing debt carrying capacity of a debtor.

Principle(s)	Analysis
Due Diligence	The LIC-DSF includes firm standards for due diligence on macroeconomic data. The guideline outsources some due diligence responsibilities by using the CPIA for underlying analytical assumptions. Overall, the LIC-DSF should direct its adherents to consider a broader and more concrete due diligence procedure.
Due Authorization	None of the principles in the guideline address the need for due authorization in relation to sovereign debt financing. Introducing due authorization standards will help ensure that creditors behave responsibly.
Monitoring	The LIC-DSF does recommend monitoring of the country-specific debt sustainability situation since a widening investor base could give rise to new vulnerabilities in low-income countries. To help monitor the borrower's debt situation, the guideline also advocates for additional assessments of the short-term debt situation in conjunction with the LIC-DSF. Moreover, the LIC-DSF recommends states that creditors should monitor the sovereign's debt management performance of.
Transparency and Documentation	While the LIC-DSF encourages increased transparency and disclosure of all debts of the borrowing country, it does not pose similar requirements for creditors. Another critique of the LIC-DSF has been that while it advocates for enhanced debt data disclosure, some debt sustainability thresholds were kept confidential due to market sensitivity. As such, the guideline should introduce standards to address transparency and disclosure issues, such as legal and financial terms of debt contracts.
Good faith	The LIC-DSF does not address any good faith requirements for any stakeholders, compromising its ability to safeguard the integrity of the sovereign debt management process. While notes published by the IMF have addressed the use of CACs in sovereign restructurings pertaining to debts involving private creditors, it does not directly address this issue in the LIC-DSF.

Table 3: UNCTAD's Principles on Promoting Responsible Sovereign Lending and Borrowing (PPRSLB)

Principle(s)	Analysis
Purpose	The purpose and aim of the PPRSLB is to establish a common set of principles and practices to guide sovereign financing practices. The principles seek to contribute to better debt management strategies, and to serve as a point of reference for policymakers to promote responsible sovereign financing.
Actors and Agency	The broad scope of the principles lends itself to guide government policymakers and other actors involved in sovereign lending and borrowing towards responsible sovereign debt practices. The 15 principles address responsibilities of both sovereign lenders and borrowers.
Design	According to UNCTAD, an expert group composed of field experts, private investors and civil society contributed to the drafting of the principles. Representatives from the IMF, the World Bank and the Paris Club participated as observers of the expert group. While the UNCTAD principles echo and compliment sentiments of the IMF and the World Bank standards, they are intended as stand-alone set of principles.
Applicability	The comprehensive scope of the guidelines captures the whole debt cycle; that is, the principles stipulate both ex-ante and ex-post measures for responsible and sustainable investment practice. As such, the scope and applicability of the PPRSLB include a broad range of debt transactions.
Implementation and Endorsement	The PPRSLB is a soft law instrument that is voluntarily implemented and adhered to by sovereign debt actors. There has been a push for consolidating the PPRSLB with international law relating to sovereign debt practices; albeit the results have been limited.
Fair Burden Sharing	In the PPRSLB, fair burden sharing across all debt actors is a clear goal.
Compliance with International Law and Standards	The guidelines stipulate that lenders "have a duty to comply with [UN] sanctions"[16]. It also recommends compliance with international and national laws against corruption and other illegal behaviours. An improvement to the PPRSLB would be to delineate in more detail which international laws and standards to follow.

Principle(s)	Analysis
Sanctions	There are no sanctions or enforcement actions in the PPRSLB. Nor does it offer any remedial or corrective measures for non-compliance.
Debt Sustainability	Although the guideline stresses the need for prudent design and implementation of debt management strategies that takes into consideration a country's debt sustainability, it does not inform the elusive debate on how to define debt sustainability.
Due Diligence	While the PPRSLB notes that relevant due diligence should be conducted, it does not offer concrete due diligence standards. It does, however, state that the lenders should ensure that the sovereign is informed and educated on the risks and benefits of the debt transaction.
Due Authorization	The PPRSLB shows great strength in directing lenders to ensure that the parties to sovereign debt contracts have due authorization to partake in the process. In operationalising the principles, UNCTAD should also provide suggestions as to how confirmation of due authorization should be conducted (e.g. parliamentary approval).
Monitoring	The PPRSLB outlines multiple ex-post measures for ensuring the productive use of sovereign financing. For instance, the PPRSLB suggests post-disbursement monitoring of a wide range of project implications, including financial, civil, cultural, etc. The guideline also recommends frequent audits of how the proceeds are used, and whether it is in accordance with country-specific debt sustainability assessments. This is a major strength of the PPRSLB, which offers more concrete suggestions on how to operationalise the monitoring principle.
Transparency and Documentation	Transparency is an important tenet of the PPRSLB. The guideline tackles multiple transparency and disclosure measures throughout. The PPRSLB states that governments should implement a "legal framework that clearly defines procedures, responsibilities and accountabilities". Further, the PPRSLB recommends transparency to operate on both the transactional level (e.g., disclosure of relevant standards and audits) and the aggregate government sector level, including guarantees made by public entities (e.g., state-owned enterprises). However, the PPRSLB shows deficiencies in not outlining equally firm transparency standards for lenders. An equitable debt management process necessitates transparency and accountability of all parties.
Good faith	The PPRSLB emphasises the need for all creditors to act in good faith and in a cooperative spirit. In their operationalization, the PPRSLB principles are also conducive to including CACs in sovereign debt contracts. The guideline advocates for good faith in the debt management process and rejects abusive behaviour by creditors.

Table 4: OECD's Recommendation on Sustainable Lending Practices and Officially Supported Export Credits

Principle(s)	Analysis
Purpose	The OECD aims to help boost sustainable public investment in developing countries through official export credits. OECD's principles build upon pre-existing OECD guidelines and recommendations, including, but not limited to, the 2007 Debt Sustainability and Responsible Lending: 2007 Statement of Principles on Unproductive Expenditure. The guideline recognises that export credits to the public sector can result in run-up of unsustainable external debt. As such, the principles clearly delineate its purpose and aims.
Actors and Agency	The OECD Recommendation on Sustainable Lending Practices and Officially Supported Export Credits (the OECD Recommendation) principles are endorsed by the Members of the OECD Working Party on Export Credits and Credit Guarantees (ECG) and are applicable to the whole OECD membership. The principles are primarily directed at official export credit agencies of the OECD member states.
Design	The OECD Recommendation is based on previous OECD guidelines and standards for sustainable investment in lower income countries, including the Principles and Guidelines to Promote Sustainable Lending Practices in the Provision of Official Export Credits to Lower Income Countries (the Principles and Guidelines), which were enforced in 2016. The Principles and Guidelines were changed into the official OECD-recommended practice in 2018. The guideline echoes and endorses the standards of the Joint World Bank-IMF Debt Sustainability Framework for Low Income Countries.
Applicability	The principles of the OECD Recommendation are applicable to all officially supported export credits, including loans, loan guarantees and risk insurances, of the OECD memberships. As per OECD, although the OECD Recommendation is not legally binding, the guideline stipulates the common position of the entire OECD membership, and therefore, entails some form of political commitment by Member governments. Yet, it is unclear how the OECD enforces this political commitment.
Implementation and Endorsement	The guideline is managed by the members of the OECD Working Party on Export Credits and Credit Guarantees (ECG) and is implemented by OECD member countries.

Principle(s)	Analysis
Fair Burden Sharing	The OECD Recommendation does not direct its Membership to account for fair-burden and/or risk-sharing in their investment practices.
Compliance with International Law and Standards	The OECD Recommendation purports that investors should take into account the IMF and the World Bank's recommendations on limits to public sectors non-concessional borrowing and country-specific debt sustainability analyses (DSA) when investing in developing countries. While the OECD Recommendation does not stipulate requirements for upholding international standards and laws pertaining to human and social conditions themselves, it commits to upholding such standards through its commitment to the IMF's debt sustainability framework.
Sanctions	A deficiency of the OECD Recommendation is that it does not stipulate any corrective measure or sanctions for transgression of the guideline.
Debt Sustainability	The OECD Recommendation defines debt sustainability in accordance with the IMF's debt sustainability framework for low-income countries (LIC -DSA). As such, the OECD Recommendation inherits the same analytical shortcomings of the LIC -DSA's definition of debt sustainability.
Due Diligence	While the OECD Recommendation does not stipulate any specific due diligence requirements related to the provision of officially supported export credits, its adherents are mandated to conduct sustainability assessments in line with the LIC -DSA.
Due Authorization	The OECD Recommendation stipulates that investors should ensure that they are not lending outside of the IMF's Debt Limits Policy or the World Bank's Non-Concessional Borrowing Policy. However, the guideline does not directly deal with making sure that proper authorization is in place from appropriate government authorities in the debtor country.
Monitoring	Although the OECD Recommendation does not detail any specific requirements for monitoring, it does direct its adherents to assess that official export credits are not provided for unproductive purposes and that they are in line with aims set by the IMF DSA for these countries. The guideline also instructs the ECA to monitor the implementation of the recommendation. The OECD Recommendation could be improved by way of asking the ECA to publicly disclose update reports on the implementation of the guideline.

Principle(s)	Analysis
Transparency and Documentation	The guideline recommends its adherents to annually disclose data on transactions to lower income countries to the IMF and the World Bank through the OECD Secretariat. However, this vague principle does not provide details on what data should be disclosed. The OECD Recommendation could improve by improving its transparency requirements for its adherents.
Good faith	The OECD Recommendation does not tackle the matter of good faith, which is a limitation to the guideline.

Table 5: G20 Operational Guidelines for Sustainable Financing (the G20 Guideline)

Principle(s)	Analysis
Purpose	The aim of the G20 Guideline is to ensure responsible sovereign financing for development purposes while safeguarding debt sustainability and a transparent debt contracting process.
Actors	The G20 Guideline is directed at all parties to sovereign debt contracts in G20 countries. In particular, the G20 Guideline is focused on creating sustainable financing practices by creditors.
Design	The G20 Guideline, which was primarily developed for G20 members, has been implemented beyond its memberships. The guideline is intended to provide an operational implementation framework of the principles in the Addis Ababa Action Agenda. The scope of the guideline is broad, which is rendering the principles vague. To improve implementation, the IMF and the World Bank has also developed a diagnostic tool to aid in the implementation of the principles.
Applicability	The G20 Guideline provides a broad framework for considering a range of debt instruments, including direct loans and officially supported export credits and guarantees. It also advocates for the use of new contractual clauses and debt instruments to minimize litigation issues in sovereign financing.
Implementation and Endorsement	The G20 Guidelines are a voluntary set of principles, endorsed by the G20 Finance Ministers and Central Bank Governors in 2018. The guideline is also endorsed and supported by the IMF and the World Bank.
Fair Burden Sharing	The G20 Guidelines advocate for burden sharing and shared responsibility among sovereign creditors and debtors to maintain sustainable debt levels. The principles also advocate for cooperation among all stakeholders of sovereign debt transactions.
Compliance with International Law and Standards	The principles promote the consideration of IMF's Debt Limits Policy (DLP) and of the International Development Association's Non-Concessional Borrowing Policy (NCBP). The guideline also recommends creditors to consult with the latest country specific DSAs prior to an investment. Beyond this, the G20 Guideline commits the G20 countries to supporting UNCTAD, the IMF, the World Bank and other international initiatives that enhance sovereign debt management.
Sanctions	The G20 Guideline does not detail any sanction mechanisms for non-compliance. Nor does it provide any information on corrective measures to deal with a potential breach of the guideline.
Debt Sustainability	The G20 Guideline uses the IMF's DSA to assess the macroeconomic and financial situation of the borrowing country. As such, the guideline inherits some of the shortcomings of the IMF's approach to assessing debt sustainability.
Due Diligence	The guideline does mandate due diligence responsibilities for creditors, including avoiding the accumulation of unsustainable sovereign debt. However, beyond increased transparency and debt sustainability, the guideline is imprecise in terms of what due diligence standards to implement.
Due Authorization	While the G20 Guideline vaguely touches upon due authorization by way of ensuring that creditors contribute to debt sustainability in the borrowing country, the guideline does not address the matter in concrete terms.
Monitoring	The G20 Guideline emphasises the need for long-term financing options for developing countries. It is also unique in suggesting technical assistance to debtor countries in order to enhance debt management capacities. However, the guideline is inadequate in terms of monitoring standards.
Transparency and Documentation	A major strength of the G20 Guideline is that it advocates for information-sharing and enhanced transparency in the debt management process. The guideline also states that creditors should disclose information on debt and indirect liabilities to the IMF and other international financial institutions. Additionally, the guideline states that information on past debt restructurings should be publicly disclosed. An area for improvement of the G20 Guideline is to include more concrete standards on transparency and disclosure requirements.
Good faith	The guideline stipulates that all stakeholders should act in good faith during debt restructurings. It also states that sovereign debt contracts should include CACs to avoid protracted and litigious debt negotiations.

Table 6: The African Borrowing Charter by Afrodad (Afrodad's Borrowing Charter)

Principle(s)	Analysis
Purpose	Afrodad's Borrowing Charter outlines nine principles and three undertakings.[18] The purpose of the guideline is to foster inclusive and sustainable growth in Africa by promoting responsible debt management principles.
Actors and Agency	Although Afrodad's Borrowing Charter mainly addresses responsibilities of African Government actors, it briefly ascribes responsibilities on the part of the creditor to ensure the legality of public debt contracts and the purposes for which the money is borrowed. The principles of the Charter should, however, improve on this by concretising and elaborating on the responsibilities of multiple debt actors.
Design	Principles and guidelines of Afrodad's Borrowing Charter are derived from UNCTAD's Principles on Promoting Responsible Sovereign Lending and Borrowing, recommendations from the African Union, and good practice experiences from multiple African countries, including South Africa, Kenya, and Nigeria. Afrodad has also adopted some standards from the West African Economic and Monetary Union (WAEMU).
Applicability	Afrodad's Borrowing Charter is applicable to all public liabilities, including public guarantees and debt financed projects.
Implementation and Endorsement	Afrodad aims to promote the Borrowing Charter as an "authoritative, legal guiding Charter for governmental borrowing".[19]
Fair Burden Sharing	The Borrowing Charter briefly states the need for equitable debt restructurings and the need for shared risk between the public and private sectors.
Compliance with International Law and Standards	Afrodad's Borrowing Charter states that all public debt should be secured by the African Charter on Human and People's rights. Though, the Borrowing Charter does not explicitly address compliance with international law or standards beyond that.

Principle(s)	Analysis
Sanctions	While Afrodad aims to promote the Borrowing Charter as a legally binding document, it does not tackle any sanctions or remedial efforts for violation of the principles or non-compliance.
Debt Sustainability	The Borrowing Charter has a brief and vague definition of debt sustainability that touches upon the need for legitimacy and a forward-looking understanding of sustainable debt accumulation. It recommends an annual public debt ceiling of 50% of GDP, as adopted by the WAEMU.
Due Diligence	Afrodad's Borrowing Charter shows strength in emphasising the need for an ex-ante and post-ante due diligence assessment of, among others, financial, operational, social and environmental implications of the project and funding. Yet, it could improve by providing more specific standards for due diligence assessments.
Due Authorization	Another strength of Afrodad's Borrowing Charter is its detailed emphasis on ensuring due authorization of the incurred public debt. Afrodad's Borrowing Charter outlines suggestions for creating a robust legal framework to ensure that government borrowing is approved by a legitimate government body, and issued on legitimate terms.
Monitoring	Afrodad's Borrowing Charter also advocates for frequent reporting, monitoring and assessment of the debt management situation to confirm that planned investment objectives are adequately met.
Transparency and Documentation	The Borrowing Charter places great importance on transparency and provides suggestions for disclosing terms and conditions of loans obtained by public institutions.
Good faith	While the Borrowing Charter recognises the need to uphold conditions of debt contracts, it also recognises that the sovereign should not be bound by illegitimate debt contracts. Afrodad's Borrowing Charter could develop in the area of good faith by encouraging the use of CACs[20] in debt contracts and equitable burden sharing amongst all parties.

Table 7: Eurodad's Responsible Finance Charter (Eurodad's Charter)

Principle(s)	Analysis
Purpose	Eurodad's Charter consists of several technical standards to prevent unsustainable and irresponsible financing and investments in developing countries. In the introduction, Eurodad clearly highlights the fundamental values and guiding principles of the Charter, which includes a fair and transparent sovereign debt process.
Actors and Agency	Eurodad's Charter is directed at contracts that are signed by IFIs and DFIs with investee companies and projects with a development mandate.
Design	Eurodad's Charter draws from multiple well-regarded international treaties and conventions; including, but not limited to, the World Bank's safeguard policies, IFC's Performance Standards, the Equator Principles, and the ILO's core labour standards.
Applicability	Although Eurodad's Charter mostly covers public and publicly guaranteed direct investments, loans and private lending by development institutions, the Charter is relevant for private creditors.
Implementation and Endorsement	While Eurodad recommends national governments and creditors to adopt the Charter as legally binding legislation, it is yet to be implemented in this manner.
Fair Burden Sharing	The Charter highlights the need for amicable and equitable debt resolution standards, such as the inclusion of CACs to achieve fairer restructurings. Further, the Charter also stresses the need for shared responsibility for sustainable lending among all debt actors.
Compliance with International Law and Standards	Eurodad states that all parties to a loan must comply with all relevant international and national laws and regulations.

Appendix Table 7

Principle(s)	Analysis
Sanctions	While Eurodad's Charter recommends sanction mechanisms for non-compliance of debt contract terms and conditions by any creditor or lender, it does not detail any suggestions for sanction mechanisms.
Debt Sustainability	The Charter recommends a more inclusive definition of debt sustainability - beyond traditional macroeconomic criteria - to include human indicators and basic development needs.
Due Diligence	Despite the Charter stating the need for due diligence assessments, it does not elaborate on what factors to include in such an investigation.
Due Authorization	Eurodad states that any loan and investment contract process should include parliamentary and citizens' participation, and that the creditor should ensure that the debt is incurred with the public's consent.
Monitoring	Eurodad's Charter calls for periodic review of changes in the host country's debt circumstances and debt contract terms. Such reviews should be transparent and subject to due process of approval in accordance with host country's laws and regulations. According to Eurodad's Charter, contract renewals should be subject to renegotiations.
Transparency and Documentation	Eurodad's Charter highlights multiple suggestions for how to improve transparency in debt contract processes; albeit more concrete transparency requirements would be beneficial for contract negotiations.
Good faith	Eurodad's Charter states that debt arbitrations should be based on good faith by all parties. An elaboration on how good faith should successfully be exercised could add to the strength of the recommendations.

Table 8: Eksfin's Sustainable Investment Policy Framework

Principle(s)	Analysis
Purpose	Eksfin's Sustainable Investment Policy consists of three principles: 1) promoting Norwegian exports; 2) sustainability; 3) responsibility. While Eksfin's sustainability policy and strategy communicates their intention of combating social, governance and operational issues, the guideline is narrow in scope, and does not tackle the issue of responsible financing in specific terms.
Actors and Agency	Eksfin's guideline outlines their own responsibilities in relation to risks and impacts associated with their offers of loans and guarantees. The guideline, however, does not detail how the principles apply to other stakeholders involved in Eksfin's value chain.
Design	Eksfin's guideline is partly derived from multiple well-regarded international standards and laws by OECD and the UN; albeit this does not include UNCTAD's sustainable debt framework.
Applicability	Eksfin's guideline states that the sustainability policy is applicable to all their loan and guarantee activities. An improvement of Eksfin's guideline would be to concretise the guideline's applicability by further detailing the types of transactions, and how the guideline is practiced in relation to different transactions.
Implementation and Endorsement	Eksfin is required to apply the principles of their guideline in relation to all its business activities. Eksfin's CEO and the Board are responsible for approving sustainability related guidelines and policy.
Fair Burden Sharing	Eksfin's guideline does not address the issue of fair burden and risk sharing.
Compliance with International Law and Standards	They are committed to upholding multiple international principles and standards pertaining to responsible and sustainable business conduct, including UN Global Compact and OECD Guidelines for Multinational Enterprise, in Eksfin's Sustainable Investment Policy.

Principle(s)	Analysis
Sanctions	Eksfin does not reflect on their remedial approach to conflict resolution during potential debt negotiations. Nor does Eksfin elaborate on any disciplinary measures should there be any violation of standards set by the guideline.
Debt Sustainability	Eksfin's guideline does not elaborate on their definition of debt sustainability or sustainability standards beyond ESG factors. Eksfin is committed to follow OECD Recommendation on Sustainable Lending Practices and Officially Supported Export Credits to prevent developing countries from incurring unsustainable levels of debt.
Due Diligence	As per Eksfin's guideline, they are required to assess risks and impacts of its financial instruments; albeit more comprehensive information regarding their due diligence assessment is not disclosed.
Due Authorization	Due authorization and legitimacy of financing is not addressed in Eksfin's guideline.
Monitoring	As part of its due diligence process, Eksfin also follows up on projects and activities during the loan or guarantee period. These reviews and assessments vary depending on the type of transaction.
Transparency and Documentation	The guideline states that Eksfin will publish information regarding their sustainability work in Eksfin's annual reports. As part of its commitment to OECD Common Approaches, Eksfin will also provide information regarding projects that could potentially have high or medium negative social impact, which is then considered by the OECD's Secretariat and made publicly available on the latter's website. Eksfin should potentially take it upon themselves to additionally share such information directly with the public to better facilitate input on debt matters.
Good faith	Eksfin does not address the issue of fair burden and risk sharing within its own guideline; as such, information on Eksfin's approach to fair burden sharing is limited.

Table 9: NBIM's Framework for Approving Financial Instruments, Markets, and Issuers of Government Bonds (NBIM's Guideline for Responsible Investment)

Principle(s)	Analysis
Purpose	NBIM's responsible investment policy establishes a clear sense of purpose towards achieving ethical investments and sustainability. It puts forward 23 principles to make systematic assessments of investment and operational risks.
Actors and Agency	NBIM's guideline and investment policy primarily outlines its own obligations and responsibilities in relation to the Norwegian government.
Design	NBIM's responsible investment policy is derived from multiple international standards and principles to ensure sustainable business conduct, including the OECD Guidelines for Multinational Enterprises and the UN Global Compact.
Applicability	NBIM's Guideline for Responsible Investment provides some information regarding their investment policies pertaining to various financial instruments; however, this information is vague.
Implementation and Endorsement	NBIM's responsible investment policy is compulsory and operationalised for all its investment activities. The Council on Ethics for the GPFG [21] is responsible for screening and recommending investment entities for exclusion. The board of the Central Bank approve issuers of government bonds based on a detailed routine aimed at securing responsible lending though investments in government bonds.[22]
Fair Burden Sharing	The guideline does not contain any specific statement on the need for fair risk sharing and accountability amongst relevant debt actors.
Compliance with International Law and Standards	Through its adoption of international standards and principles, NBIM has committed to ensure corporate responsibility in its activities.
Sanctions	NBIM utilizes divestment based on ethical exclusion, observation, positive screening of investment objects prior to incorporation into the index, approval of issuers of government bonds, risk-based divestment, active ownership dialogues as well as voting and shareholder proposals in their active ownership strategy. All of these strategies have concrete sanction mechanisms, most notably approval of issuers of government bonds and divestment.
Debt Sustainability	The fund's principles for responsible investment reference the UNCTAD principles on promoting responsible sovereign lending and borrowing as useful guidance. NBIMs routine for approval of issuers of government bonds has a broad definition of debt sustainability incorporating such aspects as political stability, rule of law, sustainability, standard of living, labor rights, risk of corruption, creditworthiness, and the ability of state finances to withstand exogenous shocks, to mention a few.
Due Diligence	The fund's investment managers, the Council on Ethics and the Board of the Central Bank are jointly responsible for NBIM's execution of due diligence. The scope of NBIM's routine for securing due diligence in investments in government bonds is detailed, broad and concrete. The criteria are clearly stated and the process of approval is embedded in the funds mandate.
Due Authorization	NBIMs routine for approval of issuers of government bonds does not detail a prerequisite for the securing of due authorization explicitly.
Monitoring	NBIM's mandate states that the approval of investment instruments such as government bonds are subject to periodic review.
Transparency and Documentation	NBIM's responsible investment policy places importance on being transparent about their activities with investment partners and ensuring a principles-based approach to investments. The guideline also states that NBIM is committed to becoming even more transparent. NBIM's responsible investment policy places some limitations on the scope of their transparency policy due to it potentially compromising investment objectives. However, NBIM should be more concrete about their transparency guidelines. Further, NBIM's code of conduct in terms of investment is fragmented, with some information provided in annual reports and others in the guideline. Moving forward, NBIM should consolidate this information for improved access and transparency. When looking at approval of government bonds specifically it is a strength that the criteria by which the board approves issuers of government bonds, the process by which the board approval is executed and that the list of approved issuers are publicly available at NBIMs website.
Good faith	NBIM's responsible investment policy does not address the issue of fair risk and burden sharing, nor their approach to debt negotiations. When an issuer of government bonds no longer fulfill the criteria for approval the fund will sell off this investment. This entails that the fund in most instances will have allready sold their shares if and when an issuer of government bonds stand the risk of default.

Table 10: KLP's Guideline for Responsible Investment

Principle(s)	Analysis
Purpose	KLP's guideline for responsible investment clearly states its purpose to ensure that the KLP's funds act as responsible investors and owners. They also emphasize the need for corporate social responsibility and sustainable value creation. KLP's Guideline for Responsible Investment consists of six overarching principles pertaining to being a responsible investor.
Actors and Agency	According to KLP's Guideline for Responsible Investment, the principles govern KLP's funds and their investments. They concern responsibilities in relation to their investors and customers as capital owners.
Design	KLP's guideline is anchored in other well-regarded international conventions and standards, including, but not limited to, OECD's Guidelines for Multinational Enterprises, ILO's core conventions and UN Universal Declaration of Human Rights.
Applicability	KLP's guideline is applicable to investment activities in all funds managed by KLP Kapitalforvaltning. According to KLP, the guideline applies to all investments and asset classes in the funds.
Implementation and Endorsement	Compliance with the guideline is compulsory, and the board is responsible for ensuring that the guideline is adopted by KLP's funds. The guideline is also approved by the Board of KLP Kapitalforvaltning.
Fair Burden Sharing	KLP's guideline is mainly focused on their own responsibilities and lacks information on the need for equitable risk-sharing to achieve sustainable lending.
Compliance with International Law and Standards	KLP has committed themselves to the UN PRI and UN's Global Compact principles, which in turn is based on other well-regarded international conventions and standards. KLP's guidelines also echoes the ethical guidelines of the GPFG.
Sanctions	KLP does not specify any repercussive measures for non-compliance of the guideline. Nor does it provide any information regarding how KLP copes with resolution of a potential guideline breach. However, KLP does have sanction mechanisms in place to freeze purchases or divest from debt instruments if the investee company breaches KLP's principles.

Principle(s)	Analysis
Debt Sustainability	KLP's guideline does not disclose information regarding its definition of debt sustainability.
Due Diligence	KLP conducts assessments of a company's compliance program to detect any breaches of corporate compliance. Further, KLP has outlined compliance requirements, which are based on the Council on Ethics for GPFG's recommendations, for their investments in companies.
Due Authorization	KLP does not specify any requirements for due authorization of their investments beyond what it has committed to as a signatory of international conventions and standards.
Monitoring	KLP's guideline states that the company is required to frequently monitor its investment activities and partners.
Transparency and Documentation	In accordance with relevant industry requirements and standards, KLP is committed to the principle of transparency. The company also says that it will report externally on how the guideline is complied with and disclose relevant underlying assessments. Through UN's PRI, KLP has committed themselves to report on their investment activities and project implementation, and to seek adequate reporting on ESG-related matters from their investment partners.
Good faith	KLP's guideline does not specifically commit themselves to fair risk-sharing or equitable remediate solutions in debt-related issues.

Table 11: Storebrand's Sustainable Investment Policy (Storebrand Standards)

Principle(s)	Analysis
Purpose	Storebrand's guidelines for sustainability clearly states its intentions for integrating sustainability principles and guidelines in its investment activities.
Actors and Agency	The Storebrand Standards are based on multiple analysis criteria on international law and human rights, sovereign bonds, environmental damage, etc. The criteria outline responsibilities of Storebrand.
Design	Storebrand adheres to multiple well-regarded principles pertaining to responsible investment, including UN PRI, UN Human Rights Conventions and Transparency International's CPI. Additionally, Storebrand also follows internal sustainability principles that govern their activities in investment, product development and procurement.
Applicability	While the Storebrand Standard does not provide detailed information on which transactions it is concerned with, it has analysis criteria that govern investments in sovereign bonds.
Implementation and Endorsement	Storebrand's analysis criterion states that it will not invest in countries that are sanctioned by the UN Security Council, are corrupt or suppress basic political and civil rights. The Storebrand Standard was approved by the Board of directors of Storebrand ASA in 2005.
Fair Burden Sharing	The Storebrand Standard does not specifically address fair risk-sharing mechanisms.
Compliance with International Law and Standards	The Storebrand Standard says that it complies with international laws and standards related to human rights, corruption, political and civil rights.
Sanctions	Although Storebrand does not specify any repercussive measures in the event of non-compliance of the Storebrand Standard for themselves, the standard puts forth sanction mechanisms for dealing with non-compliant investment objects, which includes divestment.
Debt Sustainability	Storebrand does not define debt sustainability in the Storebrand Standard, nor is it included as an exclusion criterion for sovereign investments.

Principle(s)	Analysis
Due Diligence	While the Storebrand Standard ascertains due diligence requirements, it does not provide a detailed assessment of the due diligence process.
Due Authorization	The Storebrand Standard does imply the need for due authorization in its guideline but lacks an explicit statement on the matter.
Monitoring	Storebrand's sustainable investment policy includes monitoring and reviewing of its engagement with companies and other related parties. Storebrand states that they set investment objectives and milestones together with other stakeholders in a collaborative manner. They subsequently monitor the defined objectives, and revise objectives if needed.
Transparency and Documentation	Storebrand's sustainable investment policy says that transparency is a guiding principle in its operations; albeit the Storebrand Standard does not outline any specific information sharing requirements for its investment activities. Through UN's PRI, KLP has committed themselves to report on their investment activities and project implementation, and to seek adequate reporting on ESG-related matters from their investment partners.
Good faith	Storebrand's sustainable investment policy does not disclose any information regarding their approach to debt negotiations or restructurings. However, the Storebrand Standard does endorse collaboration among stakeholders.

Table 12: Norfund's Responsible Investment Policy (Norfund RIP)

Principle(s)	Analysis
Purpose	Norfund clearly states its objective of promoting investments to support sustainable development. They also focus on upholding high ESG standards in their investment projects.
Actors and Agency	Norfund's responsible investment policy covers all its financial and advisory activities in, among others, equity investments, fund investments and loans. They also provide business advisory services to partner companies regarding ESG issues. According to Norfund, they commit their investment objectives to uphold responsible business practices as well.
Design	While Norfund RIP is designed internally, it is partly derived from broader well-regarded guidelines, such as the Environmental and Social Performance Standards of the World Bank's International Finance Corporation (IFC Performance Standards) and UN Global Compact.
Applicability	The Norfund RIP is applicable to their entire portfolio and all financial transactions.
Implementation and Endorsement	The Norfund RIP is approved by Norfund's board of directors, latest in July 2020. The policy is subject to regular reviews and modifications, according to Norfund.
Fair Burden Sharing	Although Norfund RIP does not directly address fair burden and equitable risk-sharing mechanisms, their policy emphasises the need for accountability amongst all stakeholders in their transactions. Yet, an improvement of their policy would be to introduce concrete risk-sharing mechanisms.
Compliance with International Law and Standards	Norfund promotes compliance with multiple international best practices related to ESG issues and corporate governance. Additionally, Norfund's exclusion list of sectors and activities that they do not invest in is based on the European Development Finance Institution's (EDFI) exclusion list.
Sanctions	Norfund practices active ownership of investments, enabling them to influence investee behaviour and performance. They also "typically require the right to nominate at least one seat on the Board of Directors of the portfolio company".[22] If there is evidence of mismanagement or inadequate reporting, Norfund states that it reserves the right to withdraw from an investment or reject an investment proposal.
Debt Sustainability	The Norfund RIP does not outline its debt sustainability definition parameters.
Due Diligence	A major strength of Norfund's policy is that it discloses detailed information regarding its multiple due diligence processes, such as ESG research, assessment of economic and financial circumstances and project quality.
Due Authorization	Norfund RIP does not address due authorization in concrete terms. Instead, Norfund states that it conducts business integrity analysis of the investment objects' ownership structure. This, however, falls short in ensuring that investments have necessary authorizations in place and that it serves the public's interest.
Monitoring	Norfund sets a positive example by disclosing extensive details on its post-investment monitoring procedures. For instance, Norfund conducts project impact and ESG compliance monitoring.[23]
Transparency and Documentation	According to Norfund, they are "transparent in its operations and disclosure of portfolio data" to the Norwegian government[24]. Norfund is also committed to upholding reporting standards pertaining to ESG-related issues. However, Norfund's transparency and documentation standards are limited, and more advances in public reporting procedures should be introduced.
Good faith	Norfund's policy states that they are committed to acting in good faith when exiting an investment. Further, Norfund cooperates and communicates non-compliance issues with the relevant stakeholder prior to taking severe measures. Yet, Norfund does not clearly outline information regarding their approach to fair risk-sharing.

Footnotes

1 Wyplosz, 'Debt Sustainability Assessment: The IMF Approach and Alternatives'.
2 https://www.undp.org/publications/unprecedented-opportunity-boost-finance-development#modal-publication-download
3 Kharas, 'What to Do about the Coming Debt Crisis in Developing Countries'.
4 https://sustainabledevelopment.un.org/content/documents/2051AAAA_Outcome.pdf
5 https://undocs.org/en/A/C.2/76/L.25
6 The fiscal ability to meet long-term debts and financial obligations.
7 'IMF Debt Sustainability Review Lacking in Ambition and Transparency'.
8 'Voluntary Principles For Debt Transparency'.
9 https://jubileedebt.org.uk/wp/wp-content/uploads/2019/04/Transparency-of-loans-to-governments_04.19.pdf
10 Environmental, social and governance risks.
11 'Disclosure Statement: Operating Principles for Impact Management'.
12 ''Signatory Directory'.
13 'What Are the Principles for Responsible Investment?'
14 ' International Monetary Fund, 'Applying the Debt Sustainability Framework for Low-Income Countries Post Debt Relief'.
15 A framework, developed by the World Bank, to diagnose a borrowing country's policy and institutional framework for poverty reduction, sustainable growth, and effective use of development assistance.
16 'Principles on Promoting Responsible Sovereign Lending and Borrowing', n.d.
17 'Principles on Promoting Responsible Sovereign Lending and Borrowing', n.d.
18 'African Borrowing Charter'.
19 'African Borrowing Charter'.
20 Collective action clauses
21 Government Pension Fund of Norway
22 https://www.nbim.no/no/organiseringen/styringsmodellen/styrende-dokumenter-fastsatt-av-hovedstyret/rutiner-for-godkjenning-av-finansielle-instrumenter-markeder-og-utstedere-av-statsobligasjoner/
23 'Investment Process'.
24 'Disclosure Statement: Operating Principles for Impact Management'.