

# Parliamentarians' Declaration for Shared Responsibility in Sovereign Lending

## Background to the issue

Democratically-elected parliamentarians bear responsibility for the behaviour of their governments as either lenders or borrowers.

The history of the sovereign debt crisis since the 1980s has shown that loans have often been extended to developing nations with insufficient regard for democracy or citizens' welfare. In many cases, loans were used to buy political support or to fund non-viable projects. Loans have been stolen and misused on a large scale, and parliamentary and citizen consultation in loan decisions has been non-existent or marginal. These loans have been detrimental to the development of debtor countries and the debts which have resulted have commonly been described as "illegitimate" debts. However repayments continue to be demanded by creditors.

For any failed loan, and any breach of international lending standards, there is a shared responsibility between both parties to the contract. However, the reality is that under the current system, all claims on sovereign states are considered valid and the debtor must assume responsibility for the loan while the lender does not share any part of the risk.

This implies a high degree of impunity for lenders. Those who were involved in illegal or questionable loan deals in the past have in most cases not had to suffer the consequences. It has sometimes encouraged reckless behaviour by creditors because they are almost always guaranteed to recover their credits. This in turn has led to an erosion of honest debtor-creditor relationships. But most importantly, it is unacceptable because it puts a disproportionate part of the burden onto the shoulders of the citizens of indebted countries.

These are some of the root causes of the current debt crisis. To prevent repeated rounds of unsustainable and irresponsible lending and borrowing, it is essential to reform current approaches to sovereign lending. Principles of shared responsibility must apply.

In October 2006, the Norwegian government cancelled the debts of five countries admitting major creditor failures and shared responsibility for the debts which ensued. This shows that it is possible for creditors to acknowledge co-responsibility.

As elected representatives of the people who ultimately suffer the consequences of failed lending policies, it is our joint responsibility to ensure that all loans reflect the aspirations of the citizens of debtor countries. This is why this declaration calls for further concrete steps to establish the legitimacy of individual sovereign loan agreements and institute principles of shared responsibility in international sovereign lending.

Please sign this parliamentarian's declaration and **return to:**

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## **Parliamentarians' Declaration for Shared Responsibility in Sovereign Lending**

**Recognising that there have been abuses in international sovereign lending in the past;**

**Recognising that we, as elected representatives of the people, have a right and duty to scrutinise the sovereign lending and borrowing decisions of our countries;**

**We, the undersigned parliamentarians / legislators commit ourselves to:**

- **Support further research into the concept of illegitimate debt as it relates to international sovereign lending in order to develop an international consensus around the issue;**
- **Initiate and support parliamentary audits of existing claims and debts in our own countries, in order to distinguish between proper and improper lending and borrowing and to encourage responsible lending and borrowing procedures in the future;**
- **Work to give greater legal force to the concept of illegitimacy in international sovereign lending; particularly by initiating and supporting legislation, motions or other parliamentary measures;**
- **Support principles of shared responsibility in sovereign loan agreements;**
- **Support far greater parliamentary participation in loan contraction processes to ensure judicious public scrutiny of the purpose, financial terms and conditions of loans.**

**Signature of Parliamentarian or Legislator:**

**Parliament and affiliation:**

For more information on this initiative, please see: [www.debtdeclaration.org](http://www.debtdeclaration.org)