



**STATEMENT ON BEHALF OF THE GROUP OF 77 AND CHINA BY MR MAHLATSE MMINELE, DEPUTY PERMANENT REPRESENTATIVE OF THE REPUBLIC OF SOUTH AFRICA TO THE UNITED NATIONS, AT THE SECOND WORKING SESSION OF THE AD HOC COMMITTEE ON A MULTILATERAL LEGAL FRAMEWORK FOR SOVEREIGN DEBT RESTRUCTURING PROCESSES (New York, 28 April 2015)**

Mr Chairman,

At the outset let me express my sincere gratitude to you and other Members of the Bureau of the Ad Hoc Committee for hosting the Second Working Session on Sovereign Debt Restructuring Process. Once again, the Group of 77 and China looks forward to giving you and your team all the necessary support you may need in steering Member States to a successful multilateral legal framework for sovereign debt restructuring processes.

Let me also thank the engagement of all Member States during the process that led to the adoption of the General Assembly Resolution 69/247. Pursuant to this afore-mentioned Resolution, it is the wish of the Group of 77 and China that all Member States and observers of the United Nations will indicate their commitment by fully participating in this process and providing all necessary elements for the multilateral legal framework. During the first Working Session, we noticed that most of our development partners did not attend that historical meeting. We call on all of our partners to attend and participate actively in this Session. We also call on the relevant stakeholders, including the international financial institutions, to participate in accordance with their respective mandates and the established practices of the United Nations. Without the involvement of all relevant stakeholders in a transparent inter-governmental process, the desired debt restructuring processes which would be legitimate and characterized by sound practices on sovereign lending and borrowing would be compromised. Views from all spectrums will thus be of paramount importance in order to assist discussions on sovereign debt restructuring processes to move in this direction that will be beneficial not only to developing countries, but to all. This is the fight we all need to embark on. Failure to do so, would have a potential to destabilize regional and worse, global economies.

Today I have the honor to deliver the Statement on behalf of the Group of 77 and China. In this regard, the Group of 77 and China is deeply committed to this process and would like to reiterate the following points:

- Firstly, a full range of discussions and thorough consultations among Member States that led to the inter-governmental negotiations during the first Working Session and the current Session of the Ad Hoc Committee on a multilateral legal framework for sovereign debt restructuring will engender an increased efficiency, stability and predictability of the international financial system. Such an international financial system will be geared towards achieving sustained, inclusive and equitable economic growth and sustainable development, in accordance with national circumstances and priorities. We are of the firm view that through dialogue we can come up with solutions to benefit all humanity, as far as external debt is concerned.
- Secondly, the Group of 77 and China attaches a special importance of a timely, effective, fair, comprehensive and durable solution to the debt management challenges affecting developing countries, in order to secure their economic growth and development as well as financial stability nationally and globally.

- Thirdly, the Group of 77 and China calls for the intensification of efforts to prevent debt crises by improving debt management practices and enhancing international financial mechanisms for crisis prevention and resolution. This should be carried out in cooperation with the public and the private sector as well as international financial institutions with a view to finding acceptable solutions.
- Fourthly, we wish that the implementation of the General Assembly Resolution 69/247 will be fully implemented as there has been an ongoing debate over this issue since the 1970s. During the First Conference for Financing for Development held in Monterrey in 2002, our leaders expressed their commitment to work on an international debt workout mechanism. A similar commitment was also made in the Second Conference for Financing for Development held in Doha in 2008. As such, a need for a multilateral legal framework for sovereign debt restructuring to complement existing mechanisms, such as contractual clauses, is not a new debate. Also, for many years the Secretary General in his reports on debt has been insisting on the need to tackle this issue and made recommendations on the establishment of a specific mechanism.
- Fifthly, the debt problem and debt restructuring is not merely a financial, judicial or even jurisdictional problem. It is a problem that concerns the whole world and all countries, both developed and developing. Accordingly, the lack of a structured fallback mechanism, after all other avenues have been exhausted, reflects once again the deficiency of the current international financial architecture. This deficiency has led to among other issues, too long delays in debt restructuring, inconsistent outcomes and loss of value for both debtors and creditors. The lack of a debt restructuring mechanism on the multilateral level also leads to economic turmoil and in some cases recession, negatively affecting domestic capacities for long-term, stable, equitable and sustainable development.
- Sixthly, any debt restructuring exercise should have at its core, the element of a balance between real repayment capacity of borrowers and their obligations to their lenders. If both the real repayment capacity of any country and their obligations to their lenders are not properly addressed, the original restructuring may require more time for further restructuring. Such outcome would further affect growth and good faith creditors.
- Finally, the Group of 77 and China expresses deep concern about vulture fund litigations. Debt-restructuring processes and debt sustainability itself are at present facing serious risks, related to the actions of speculators endeavouring to gain excess and predatory profits from countries already in an orderly restructuring process in cooperation with majority of debtors, thereby placing them in vulnerable situations. The Group of 77 and China believes that a viable way must be found to prevent vulture funds from paralyzing or negatively affecting the debt-restructuring efforts of developing countries.

Mr Chairman,

In Conclusion, the G77 and China wishes to reaffirm the roles of the United Nations and the International financial institutions in accordance with their respective mandates, and encourages them to continue to support global efforts towards sustainable development and to find a durable solution to the problem of the debt management of developing countries as indicated in the General Assembly Resolution. Additionally, UNCTAD, the World Bank and the IMF have a role to play in mapping the way forward on sovereign debt issues as it pertains to providing analytical tools and policy guidance on this issue. All inputs are thus welcome.

The Group of 77 and China would like to assure you Mr Chairman that we will engage constructively on all the Working Sessions of the Ad Hoc Committee on Sovereign Debt Restructuring Processes, in order to make a meaningful input to these discussions in reaching a common understanding with all Member States.

I Thank You.