



**INTERVENTION POINTS ON BEHALF OF THE GROUP OF 77 AND CHINA BY
A 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)**

**Intervention points on latest developments in contractual approach and why it is not
enough**

Mr Chairman,

It is my honour to deliver these intervention points on behalf of the Group of 77 and China.

The Group of 77 and China attaches a special importance to a timely, effective, fair, comprehensive and durable solution to the debt problems of developing countries in order to secure their economic growth and development. The Group calls for the intensification of efforts to prevent debt crises by enhancing debt management practices and the promotion of international financial mechanisms for crisis prevention and resolution

The Group would like to firmly underscore that prudent sovereign financing practices are a matter of truly international concern. It affects all countries, whether developed or developing.

Mr Chairman,

All Member States, in particular those of the OECD and the international financial institutions are strongly encouraged to participate in the forthcoming sessions of the Ad Hoc Committee established by UN General Assembly resolution 68/304, to elaborate through a process of inter-governmental negotiations a multilateral legal framework for sovereign debt restructuring processes. The expertise of the IMF, the World Bank and the private sector in the area of sovereign debt restructuring will greatly contribute to the work of the Ad Hoc Committee. We therefore, call on all these important stakeholders to add their critical voices in these discussions, so as to assist this process to be as inclusive and all-encompassing as possible.

As Member States, we should study and analyze recent work on the strengthening of collective action clauses (CACs) and "pari passu" clauses on sovereign debt contracts and discuss the level and quality of legal protection they offer against external legal litigations by the vulture funds against countries who have expressed their interest to pay out their debt.

Mr Chairman,

It is common course that the CACs alone would not provide solutions on external debt challenges. It is important to note that litigation processes utilized in the developed countries fail to remain objective and impartial in balancing the rights and responsibilities of both debtors and creditors.

The Group 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 debt management in developing countries. A multilateral mandate to handle external debt issues would allow Member States to provide their requisite inputs, in solidifying its operations

and where appropriate, assisting in improving its work.

The lack of a legal framework for sovereign debt restructuring has been a vulnerable point in the international financial architecture.

Mr Chairman,

The Group of 77 and China notes the extensive work of UNCTAD's initiative on the Consolidated Principles for Promoting Responsible Sovereign Lending and Borrowing, which would assist in establishing best practices on sovereign debt issues.

The Group also notes the Secretary-General's Report on External debt and sustainability and development, "the adoption of sound practices in the management and governance of sovereign debt by both lenders and borrowers is the first line of defence against debt fragility and crises." Possible elements to be crafted by an inter-governmental process involving all Member States would be this line of defence.

Mr Chairman,

The Group of 77 and China believes that it is an opportune juncture for Member States to discuss openly and frankly the pros and cons of a multilateral legal framework for debt restructuring, structured with due diligence on principles of mutual understanding. As the Group of 77 and China has stated before, any multilateral legal framework should complement existing mechanisms, such as contractual clauses, and act as a structured fallback mechanism after all other avenues have been exhausted.

I thank you.