



**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 FIRST WORKING SESSION OF THE AD HOC  
COMMITTEE ON SOVEREIGN DEBT RESTRUCTURING PROCESS (New  
York, 4 February 2015)**

Mr Chairman,

In our global Statement of yesterday, we emphasized the need for a full range of discussions and thorough consultations among Member States that will lead to an inter-governmental negotiation process during this first working session of the Ad Hoc Committee on a multilateral legal framework for sovereign debt restructuring. Today, we would like to re-iterate the urgent necessity of an open, inclusive and consensus-building process that will bring every United Nations Member State on board as well as inviting inputs from the IMF and the World Bank which are the United Nations Specialised Agencies.

In this regard, Mr Chairman please allow me to deliver the following intervention points:

On the issue of Gaps in the Current Restructuring System the following are the Group's submissions:

- There seems to be a broad recognition among Member States and experts, that the absence of a multilateral legal framework for sovereign debt restructuring to complement existing mechanisms, such as contractual clauses, is one of the major gaps in the international financial architecture and that this should be addressed.
- The G77 and China understands that the clearest gap in current debt restructuring processes is the lack of widespread measures that would presently limit the ability of creditor holdouts from undermining these processes.
- There are also other gaps, such as the problem of having diversified applicable laws and agreed upon jurisdictions for different types of instruments, thus making an across the board solution all the less feasible.
- With regard to the recent judiciary decision, in the absence of clear pari passu clauses, vulture funds were granted the possibility to effectively prevent the majority of creditors from receiving their due payments.
- Inter-creditor equity of similarly situated creditors should also be a main component of sovereign debt restructuring. As it is the case today, this element is missing.
- Consequently, 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 endeavoring to gain excess profits from countries facing excessive debt obligations and repayment processes, thereby placing them in vulnerable situations.
- The Group of 77 and China is of the view that a viable way must be found to prevent vulture funds from paralysing the debt-restructuring efforts of developing countries and also of developed

countries.

- The Group of 77 and China indicated in its Statement of yesterday that, any debt restructuring exercise should have at its core, the element of a balance between real re-payment capacity of borrowers and their obligations to their lenders. If both the real re-payment 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 creditors who are in good faith.

- As it has been pointed out by various speakers and experts in the first session of this Ad Hoc Committee, the lack of guiding principles is a serious challenge as it threatens growth and sustainable development.

- The Group of 77 and China emphasizes the special importance of a timely, effective, comprehensive and durable solution to the debt problems of developing countries in order to promote their inclusive economic growth and development.

I Thank You.