



DRAFT STATEMENT ON BEHALF OF THE GROUP OF 77 AND CHINA BY H.E. AMBASSADOR JEREMIAH NYAMANE KINGSLEY MAMABOLO, PERMANENT REPRESENTATIVE OF THE REPUBLIC OF SOUTH AFRICA TO THE UNITED NATIONS, CHAIR OF THE GROUP OF 77 AND CHINA, AT THE FIRST WORKING SESSION OF THE AD HOC COMMITTEE ON SOVEREIGN DEBT RESTRUCTURING PROCESS, TRUSTEESHIP COUNCIL CHAMBER (New York, 03 - 05 February 2015).

Mr Chairman

At the outset let me express my gratitude to you and other Members of the Bureau for being successfully elected to the Ad Hoc Committee on Sovereign Debt Restructuring Process. 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 show their commitment by fully participating in this process and providing all necessary elements for the multilateral legal framework.

Mr Chairman

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 leading to intergovernmental negotiations during the first working session of the Ad Hoc Committee on a multilateral legal framework for sovereign debt restructuring will necessitate 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?
- Secondly, the Group of 77 and China attaches a special importance of a timely, effective, fair, comprehensive and durable solution to the debt problems of developing countries in order to secure their economic growth and development. A key objective of a multilateral debt restructuring mechanism should be to avoid liquidity crises from turning into solvency crises. In an insolvency situation, a key objective should be to ensure that outcomes restore the basis for future growth and access to credit markets.
- Thirdly, the Group of 77 and China calls for the intensification of efforts to prevent debt crises by enhancing international financial mechanisms for crisis prevention and resolution. This should be done in cooperation with both 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 GA 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 defect and deficiency of the current international financial architecture. This deficiency has led to among other issues, too long delays in debt restructuring, unfair outcomes and loss of value for both debtors and creditors. The lack of 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.
- Lastly, 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 believes that a viable way must be found to prevent vulture funds from paralysing 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 of developing countries as indicated in the General Assembly Resolution.

I wish to assure you of the readiness of the Group of 77 and China to engage constructively on all the working sessions of the Ad Hoc Committee on Sovereign Debt Restructuring Processes.

I Thank You.