

Intervention from Debt Justice Network Norway on Debt crisis prevention and resolution, December 9 2014

Thank you Ms. Moderator,

You ask what the biggest deficiencies in the present approaches to debt crisis prevention and resolution are. Our answer is a system that is governed by major creditors, which by definition cannot be impartial parties in the matter.

The ad hoc approach, which too often has ended in the bail out of private creditors, while providing too little debt relief too late, is not a way to encourage responsible lending and borrowing.

That is why we urge the member states to make 2015 the year where the power of resolving debt crisis in developing countries is shifted from the international finance institutions to the hands of the United Nations.

The General Assembly has already started this shift by adopting the resolution for a multilateral legal framework for sovereign debt restructuring.

On Friday December 5th the Resolution on Modalities passed with an overwhelming 128 countries for, while only 16 countries voting against. However, in order for a new global debt workout mechanism to see the light of day we need all countries on board.

Our hope is that the FfD negotiations will build on the strong commitment from the G-77, and also the important work of Unctad and Undesa.

We note that some member states see the introduction of Collective Action Clauses as instruments that reduce the urgency to address debt problems further.

We see CACs as a useful tool in themselves, but they are by no means sufficient as they only address the question of creditor coordination, and do not introduce measures to secure a fair and comprehensive debt restructuring that will secure long-term debt sustainability.

□

For the NGO community it is important that a debt workout mechanism is independent of creditors, is comprehensive in the way that it deals with all types of debts, has a human needs based approach, holds lenders and borrowers accountable for irresponsible behaviour and finally, includes all stakeholders' right to be heard and give evidence.

We encourage the Second Committee to take the opportunity the FfD conference gives to create a debt workout mechanism based on these parameters, to secure sustainable financing of development.