

# Debt Justice Now!

## Statement for an International Debt Court



**1. Countries all over the globe are experiencing worryingly high levels of debt, much of which has been caused by reckless lending. Unsustainable and illegitimate debt is impeding sovereign development and preventing poverty reduction in developing countries. The financial crisis has deepened the problems of sovereign debt. A fair and lasting solution to the debt problem is urgently needed.**

Throughout history, countries have become over-indebted. Debt relief efforts as we know them today will not prevent new debt crises from happening. A sustainable solution tackling the structural causes of debt is needed, not new loans to pay off old debts.

**2. We lack fair procedures for dealing with debt crises. A fair and independent Debt Court assessing both the sustainability and legitimacy of debt is needed and easy to establish.**

Borrowing countries should have the right to an independent assessment of levels and origin of debts. Countries experiencing high levels of debt should have access to just, fast and comprehensive handling of debt problems – just as individuals, companies and local authorities can turn to bankruptcy procedures when they become insolvent. Currently, the law treats businesses better than countries. There is an urgent need to have at least the same level of protection for sovereign debtors. The dignity and very survival of many citizens of developing countries depends on it. The Debt Court could be a new institution, but it could also be part of an existing organisation such as the United Nations. We advocate the creation of a permanent court to ensure a greater coherence and predictability, but see that ad-hoc arbitration courts could be a first step which leads to a more formal institution later on. By using the term Debt Court we mean the same as “debt workout mechanism” or “debt resolution procedure”.

**3. At present, the power is in the hand of the lenders, including analysis, definitions and decisions regarding debt relief. Borrower governments have not enough legal power to defend themselves.**

Debt and debt relief are all too often used as a tool of forcing specific policies onto borrowing countries. Loans which were known to bring damaging effects on the people or environment are nevertheless expected to be paid back. Hence citizens of borrowing countries continue to service unjust debts. Irresponsible lenders are able to lend with impunity. Creditors must fulfil their duties, such as checking whether loans are obviously creating damages or refrain from financing such projects knowing that results will be negative.

Lenders have all the power and are an affected party and judge at the same time. They use this power to defend their own interests, and it allows a continuation of irresponsible lending and collecting of illegitimate debt claims. Borrowing countries are often too weak or at times implicated with the lenders.

**4. By holding lenders as well as borrowers to account for irresponsible and undemocratic behaviour, a fair Debt Court contributes to more sovereign, democratic and responsible, lending and borrowing. Honest lenders will benefit from such a process!**

The process would assess the legitimacy of debts and demand the cancellation of debts in cases where the lender acted in an irresponsible way damaging the people of the borrowing country. By holding reckless lenders to account for their irresponsible behaviour, an independent Debt Court would make creditors and debtors act more responsible and carefully. A predictable procedure and debt cancellation can be a more profitable solution even for lenders, which explains why insolvency procedures are seen as essential in the world of business. It means ‘junk credits’ do not pile up on lenders’ books and it is cheaper than a bail-out of an over-indebted country.

**5. A fair Debt Court also helps to achieve the Millennium Development Goals (MDGs).**

A fair debt workout process based on a human needs approach to debt sustainability would free up

money needed to improve health, education and infrastructure and would help developing countries to develop in a sovereign and equitable manner. By using the resources needed for human development as a basis for debt cancellation it would help to reduce hunger and poverty and contribute to the achievement of the MDGs, and beyond them, eradication of global poverty.

#### **6. Peoples' movements can influence the world of global finance**

The global Jubilee movement has already succeeded in overcoming the richest countries' stubborn refusal to provide debt relief. Far reaching debt cancellation to the benefit of a limited number of the poorest countries was accomplished. Now it's time to take this call for debt relief one step further; and call for a fair and independent Debt Court to deal not only with levels of debt, but with injustice of debt. By holding reckless lenders to account and using human needs as basis for debt cancellation, a Debt Court could prevent another debt crisis and would play a central role in the creation of a more fair and responsible financial system.

We have learnt that citizens and grassroot organizations can indeed influence global financial politics. The time to install a Debt Court is now, before the financial crisis turns back the clock and dozens more countries are plunged into unsustainable and unjust debt. There is no time to waste!

#### **7. The G20 as key actors for the development of a fair and independent Debt Court**

The G20 is a group of the most powerful economies in the world. We are calling for a coalition of organisations and individuals from all over the world to call on the G20 to support our demand for a fair and independent Debt Court at the G20-summit in France in November 2011. Together we can make a difference.

#### **Signed by :**

*Aktion Finanzplatz Schweiz (Switzerland)*

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*EURODAD (international / Brussels)*

*Jubilee Debt Campaign (UK)*

*Jubilee Nederland (Netherlands)*

*Norwegian Coalition for Debt Cancellation – SLUG (Norway)*

*AFRODAD (international / Harare)*

*LATINDADD (international / Lima)*

*Jubilee Scotland (UK)*

*Plate-forme dette et développement (France)*

*Jubilee USA (USA)*

*Association SHERPA (France)*

*Social Justice in Global development e.V. (Germany)*

*One World Party / Partio Unu Mundo (Germany)*

*Jubilee Oregon (USA)*

*Red Jubileo Perú (Peru)*

*Changemaker (Norway)*

*CNCD-11.11.11 (Belgium)*

*Norwegian Solidarity Committee for Latin America – LAG (Norway)*

*Vision du Monde (France)*

*CCFD-Terre Solidaire (France)*

*Y-Global (Norway)*

*International NGO Forum on Indonesian Development – INFID (Indonesia)*

*Norwegian Church Aid – NCA (Norway)*

*Share the World's Resources (UK)*

*Uganda Coalition for Sustainable Development (Uganda)*

*Marianists International (Norway)*

*The Norwegian Union of Municipal and General Employees (Norway)*

*Forum Syd (Sweden)*

*Jubilee Australia (Australia)*

*Jeunesse Active (Côte d'Ivoire)*

*Afrika Europa Netwerk (Netherlands)*

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Divine World Missionaries – SVD (Netherlands)  
Dominican Sisters of Bethany (Netherlands)  
United Reform Church (international)  
Good Shepherd Sisters (USA)  
Africanhiphop.com (international)  
This is Africa (international)  
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CMBR Konfederatie Nederlandse Religieuzen (Netherlands)  
UNA Edinburgh (Great Britain)  
Missionaries of Africa (USA/international)  
Tayside Forensic Voices (Great Britain)  
NUK – Norwegian Catholic Youth Organisation (Norway)  
Little Sisters of St. Joseph (International)  
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Hoogstraatgemeenschap Eindhoven (Netherlands)  
Ev.-luth. Missionswerk in Niedersachsen (Germany)  
Aktion Bundesschluss Hildesheim-Sekhukhune (Germany)  
Genocide Alert: Cologne (Germany)  
EKKW – Evangelische Kirche von Kurhessen-Waldeck (Germany)  
Netzwerk Afrika – Deutschland (Germany – Africa)  
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