

## What you can do

- Join the **online action** at the campaign website: [www.defusethedebtcrisis.org](http://www.defusethedebtcrisis.org)
- Organisations can sign the **campaign statement** to become supporters of the campaign.
- Order **postcards** and send them to the French President Nicolas Sarkozy – chair of the G20 in 2011.
- Order or download this **flyer** to distribute in your network to gather more support and signatures
- Have a look at our website for **upcoming events** internationally and in your country.
- Find others from your country to **cooperate** with on campaigning activities from the list of organisations which support the campaign at [www.defusethedebtcrisis.org](http://www.defusethedebtcrisis.org).

**For more information or to order material:**  
[www.defusethedebtcrisis.org](http://www.defusethedebtcrisis.org)

## What is the campaign statement?

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 impedes development and prevents 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.
2. We lack a fair mechanism for dealing with sovereign debt crises. A fair and independent Debt Court assessing both the sustainability and legitimacy of debt is needed and easy to establish.
3. At present, power is in the hands of the lenders, including analysis, definitions and decisions regarding debt relief. Borrower governments are not included in the decision-making process.
4. By holding lenders as well as borrowers to account for irresponsible and undemocratic behaviour, a fair Debt Court contributes to more responsible, just and accountable lending and borrowing. Honest lenders will benefit from such a process too.
5. A fair Debt Court also helps to achieve the Millennium Development Goals (MDGs).
6. Peoples' movements can influence the world of global finance.
7. We must target the G20. We demand a resolution for a fair and independent Debt Court at the G20 Summit in November 2011. Together we can make a difference.

For the full text of the Statement, see [www.defusethedebtcrisis.org](http://www.defusethedebtcrisis.org)



**An international  
civil society  
campaign**

**DEBT  
JUSTICE  
NOW!**

[www.defusethedebtcrisis.org](http://www.defusethedebtcrisis.org)



## What is the goal of the campaign?

France holds the Presidency of the G20 until the next Summit in Cannes on 3<sup>rd</sup>/4<sup>th</sup> November in 2011. The G20 is a group of the most powerful economies in the world. It is not a legitimate, representative body for developing countries, but the G20 can help bring the debt workout issue onto the political agenda.

**A coalition of organisations and individuals from all over the world call on the G20 and the French President Nicolas Sarkozy to:**

- 1) recognize that current measures for sovereign debt resolution do not make the grade, and
- 2) establish rules for debt justice by
- 3) giving support to a truly fair and independent Debt Court to address debt disputes in case of repayment difficulties and over the legitimacy of debt claims.

**The main campaign goal is to get a favourable message in the outcome document of the G20 Summit in November 2011.**



## Why we need a structural reform

If a person or a company goes bankrupt, a court decides on the basis of existing insolvency law if and which debts are relieved and under which conditions. For states there is no international insolvency law. Creditors alone decide which debts to relieve or not, based on advice from the International Monetary Fund (IMF). The IMF is a creditor itself, but also acts both as an «independent expert» and executor.

The affected people in an over-indebted country have no chance to assert their basic rights, such as the right to food, education and health care, or minimum infrastructure. Moreover, there is no mechanism to assess the legitimacy of the claims. Many countries in the South have had to repay huge amounts of illegitimate debt resulting from irresponsible loans from Northern lenders.



## Is an international debt court possible?

Chapter 9 of the U.S. insolvency code applies to municipalities and demonstrates that principles of insolvency procedures can be applied to bodies with governmental powers. Based on this we suggest the creation of a new fair and independent Debt Arbitration Court to deal with debt problems in highly indebted countries.

The Court would need to be: neutral (not controlled by creditors); comprehensive (treat all debts); accessible to all debtor countries and their people; and legally enforceable.

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.



## Why now?

The recent global financial and economic crisis was caused by greedy banks and speculation in the North, and it struck many countries in the South hard. By mid-2009, 13 out of 26 low-income countries that had recently obtained debt relief were at high risk of renewed debt distress.

The crisis also struck hard in the North. Many countries experienced sudden increases in debt. In 2010 the European Union (EU) agreed on a multibillion euro bailout for bankrupt member countries at the cost of taxpayers. In contrast, the commercial banks weren't held responsible.

Taking up new loans to pay off old debts is however not a sustainable solution to the debt problem. So far nobody has come up with a sustainable solution for countries in the South.

Debt relief initiatives such as the Heavily Indebted Poor Countries Initiative (HIPC) and the Multilateral Debt Relief Initiative (MDRI) have contributed to reduce unsustainable debt burdens in the past, but they have not solved the problem of poor countries' debt.

Both HIPC and MDRI have their weaknesses. Neither of these initiatives considers creditors' co-responsibility for unsustainable and illegitimate debt. Moreover, the assumption that over-indebtedness was a temporary, exceptional problem that could be overcome through a one-off operation has turned out to be false.

