Parliamentary Assembly
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COUNCIL OF EUROPE
CONSEIL DE L'EUROPE

Doc. 11590
24 April 2008

Protecting financial aid granted by Council of Europe member countries to poor countries against the financial funds known as "vulture funds"

Motion for a recommendation[1]
tabled by Mr Paul WILLE and other members of the Assembly

This motion has not been discussed in the Assembly and commits only those who have signed it

Vulture funds are investment funds which buy up debts from poor and often heavily indebted countries at a cheap price then sue them, aiming to wear them down and compel them to pay the nominal value (the initial amount) of these debts from the time when the loans were issued, together with the interest on arrears. The Kensington Fund, for example, has bought up a debt from the Republic of the Congo for US$1.8 million and intends to gain almost US$300 million from it. These funds do not hesitate to take advantage of opportunities arising from debt waivers granted by creditor countries or to block the assets of the countries concerned worldwide and threaten them with bankruptcy.

They make use of a huge legal arsenal, often bringing debtors to their knees. They get round the international conventions on debt reduction while western governments, for their part, work to secure debt reduction and remission. While international fund providers grant debt remissions for persistent debts, these funds take over the benefits of these programmes, thus jeopardising the Millennium Development Goals (MDGs). Some vulture funds do not hesitate to tackle the debt rescheduling programmes set up for the poorest developing countries – heavily indebted poor countries (HIPCs).

According to Oxfam International, commercial creditors have so far brought at least 40 law suits against this category of Third World countries known as HIPCs. The International Monetary Fund (IMF) has voiced concern at the vulture funds' practices, but attempts to work out a solution at international level have failed.

The purpose of this motion for a recommendation is to prevent financial aid or the benefits of substantial debt remissions that may in future be granted to poor or developing countries by Council of Europe member countries from being put to inappropriate uses on account of some corrupt creditors.

The Assembly therefore asks the Council of Europe member states:

1. to reinforce their national legal arsenals in order to curb the vulture funds' action by giving no effect to foreign judgments and conducting no judgment enforcement procedures in cases where the debt arises from unethical speculation;
2. to insert into the bilateral aid contracts they conclude with developing countries a clause providing that the contract will be void under such circumstances; thus, if the money is not used for development aid (in other words, if it is seized), it must return to the original donor country;

1. Referred to the Committee on Economic Affairs and Development, for re- port: Reference No. 3467 (27th Sitting, 27 June 2008).

3. to establish rules of good conduct to prevent debts being resold to vulture funds engaging in improper and aggressive practices;

4. to offer technical and legal assistance in the area of debt policy and management to the partner countries with which they pursue development co-operation so as to avoid, among other things, legal proceedings with creditors.

Signed (see overleaf)

Signed[2]*:*

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2. ALDE: Alliance of Liberals and Democrats for Europe
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