



## Resolution 864 (1986)<sup>1</sup>

# Debt situation of the developing countries

Parliamentary Assembly

The Assembly,

1. Expressing its grave concern at the size and growth of the total external debt relative to income and/or exports of many developing countries which, unless appropriate measures are taken, constitute a permanent threat to the international financial and monetary system;
2. Noting that a climate of uncertainty has been created by the continuing renegotiation of debt and by short-term palliatives that have led to a relaxation of the effort to find a long-term solution to the debt problem;
3. Recognising that no lasting solution to the debt problem is possible unless economic growth is restored;
4. Underlining that austerity measures prompted by excessive balance of payments deficits do not constitute a real solution to the debt problem, and being of the opinion that international assistance to the debtor countries should be geared as much as possible to positive adjustment policies leading to economic growth and employment;
5. Recognising that private banks have to accept full responsibility for their lending policies and inherent risks, realising, however, that unless confidence in the debtor countries' ability to resume economic growth and development is restored, private banks will not continue providing loans needed for structural adjustment in these countries ;
6. Realising that it is also necessary to give incentives for appropriate foreign private investment to flow into heavily indebted developing countries, and welcoming in this connection the setting up of the Multilateral Investment Guarantee Agency (MIGA) in the framework of the World Bank;
7. Particularly concerned at the problems of the least developed countries, notably in those sub-Saharan countries, where debt burden relative to income has led to a decline in their standards of living to unacceptably low levels;
8. Noting with interest the initiative presented by the United States at the annual meeting of IMF and the World Bank held in 1985, proposing, inter alia, that principal debtor countries undertake comprehensive structural reforms, and that the multilateral financial institutions and private banks grant new loans;
9. Being of the opinion, however, that this initiative should be complemented by domestic and international policies on the part of the industrialised countries-in particular the dismantling of protectionist measures, the improvement of market access, and the promotion of more significant economic growth and lower real interest rates-which allow the debtor countries to tackle the goal of resuming economic growth while continuing to service their debt;
10. Realising that the stabilisation programmes as employed by IMF are often insufficient on their own to resolve the debt crisis, and should be followed by adjustment programmes that fit the needs of the debtor countries, and being of the opinion that IMF conditionality must better take into account the specific requirements for the growth of production and the social and employment situation of each country;

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1. Assembly debate on 22 September 1996 (16th Sitting) (see [Doc. 5618](#), report of the Committee on Economic Affairs and Development). Text adopted by the Assembly on 22 September 1986 (16th Sitting).



11. Considering that a resolution of the debt problem requires the joint political will of creditor and debtor countries to revitalise North-South financial flows designed to allow for an improvement of the development process in the debtor countries;
12. Considering the deliberations of the OECD ministerial meeting (April 1986) and of the Tokyo Summit (May 1986), on stronger co-operation of the international financial institutions and a debt strategy on a case-by-case basis, as well as the Declaration of the Consensus of Cartagena, on urgent proposals for negotiations on the debt problem, adopted in December 1985 in Montevideo;
13. Recalling in this connection the Lisbon Declaration, and reiterating its support for the holding of an international conference on a reform of the international monetary and financial system, where a political dialogue among all interested parties should aim at making significant progress towards the resolution of the international debt problem;
14. Noting the serious nature of the problem of capital flight from certain debtor countries, and urging the governments of debtor and creditor countries, in close co-operation with the international banking community and multinational companies, to find practical ways and means of promoting the return of flight capital to the debtor developing countries and, as far as the debtor countries are concerned, to restore confidence in their economic and monetary policies,
15. Calls on the governments of the industrialised countries :
  - 15.1. to pay greater attention within the appropriate multilateral forums, both generally and on a case-by-case basis, to the debt problems of low income countries-especially in sub-Saharan Africa -with a view to cancelling or considerably relieving the debt burden of these countries;
  - 15.2. to promote special funding programmes within the United Nations and the World Bank for the development of the sub-Saharan countries in Africa;
  - 15.3. to refrain from protectionist measures that jeopardise the debtor countries' ability to increase export revenues and repay foreign debts;
  - 15.4. to liberalise trade in the framework of multilateral negotiations, so as to enable developing countries to have easier access to the markets of the industrial nations;
  - 15.5. to concentrate new flows of credit on accessible terms to the debtor nations which have seriously undertaken adjustment programmes, including export credits, for those programmes or projects which can significantly stimulate their growth;
  - 15.6. to encourage commercial banks, by more appropriate regulations on their surveillance and fiscal treatment, to provide these countries with new loans;
  - 15.7. to support a general capital increase of the World Bank, as well as a replenishment of the International Development Association and the regional development banks' funds to levels which enable them to better finance structural adjustment programmes in the debtor countries;
  - 15.8. to support United Nations specialist agencies which are aimed to act as a cushion against poverty (namely the United Nations Development Programme, the World Food Programme and UNICEF), as the debt crisis causes severe downward pressure on the living standards of the poor in the debtor nations;
  - 15.9. to make progress towards the attainment of the levels of official development aid of 0,7% of GNP for the developing countries and of 0,15% of GNP for the least-developed countries;
  - 15.10. to intensify international monetary cooperation, with a view to stabilising the international monetary system and to considerably reducing real interest rates;
  - 15.11. to support initiatives to be taken by IMF, and to provide the necessary resources in order to enable it to play in future a more active and significant role in the solution of the debt crisis, in close co-operation with the World Bank, the relevant UN organisations (notably UNCTAD) and the international banking community;
  - 15.12. to use their best endeavours within the international financial institutions to enable debtor countries to undertake economic adjustment programmes without provoking social disruption or endangering democratic development;
  - 15.13. to support also the idea of establishing, in co-ordination with IMF, a new instrument to negotiate debt reduction agreements with each debtor country, especially in order to alleviate the debt service burden caused by abnormally high interest rates;

15.14. to work out with the debtor countries a method by which a maximum level of transfer of funds should be linked to an adequate level of economic growth and not claim an unreasonable proportion of export earnings;

16. Calls on developed and developing countries to adhere to the Multilateral Investment Guarantee Agency (MIGA) set up within the World Bank;

17. Calls on the governments of the debtor nations:

17.1. to pursue policies of adjustment, however difficult they may be, to restore economic health and accelerate growth, and at the same time honour in a responsible manner their engagements to service and eventually amortise their debt;

17.2. to take measures designed to fight capital flight and corruption, to reduce exaggerated armament expenditure and, in co-operation with the donor countries, to improve the effectiveness of development aid.