



Recommendation 1870 (2009)¹

Protecting financial aid granted by Council of Europe member states to poor countries against financial funds known as “vulture funds”

Parliamentary Assembly

1. At a time when the world economic and financial crisis is affecting the whole population and giving rise to colossal losses in the banking system and certain private investment funds, the Parliamentary Assembly draws the attention of governments to the risks for states and citizens, particularly in the poorest countries, of certain finance companies engaged in debt restructuring transactions, which are regarded as “vulture funds”.
2. “Vulture funds” are investment funds which purchase at a cheap price the borrowings of poor countries, often heavily indebted, then bring court proceedings to wear them down and compel them to pay the nominal value (the initial amount owing) of these debts at the time when the loans were issued, together with the interest on arrears and legal costs.
3. The Assembly strongly condemns the action of these funds which have no compunction in taking advantage of opportunities arising from debt waivers granted by creditor countries, particularly European, or blocking worldwide the assets of the countries concerned and threatening them with bankruptcy.
4. These funds make use of a huge legal arsenal, often bringing debtors to their knees. While international fund providers grant debt remissions for persistent debts (Heavily Indebted Poor Countries Initiative – HIPC) and western governments for their part work to secure debt reduction and remission (the Paris Club, for example), these funds take over the benefits of the programmes, thus jeopardising the United Nations Millennium Development Goals (MDGs). Some “vulture funds” do not hesitate to interfere with the debt rescheduling programmes set up for the poorest developing countries – the HIPC or Heavily Indebted Poor Countries.
5. In the context of an unprecedented global crisis, some states, companies or banks could attempt to negotiate assignments of bad or doubtful debts as discreetly as possible on the over-the-counter loan market. The Assembly deplores the opacity of and lack of control over this type of market.
6. According to Oxfam International, commercial creditors have to date brought at least 40 actions against the Third World countries that are the deepest in debt. The International Monetary Fund (IMF) has voiced concern about the practices of “vulture funds”, but attempts to work out a solution at international level have failed.
7. Nonetheless, the Assembly welcomes the few initiatives taken at national and international level. It subscribes fully to the May 2007 statement by Paris Club creditors who confirmed that they were “committed to the full implementation of the HIPC Initiative” and urged “all official and commercial creditors and HIPC countries to take the necessary steps to implement this initiative”. It also supports the initiatives taken by certain countries such as France and Belgium; in March 2008 the latter’s parliament passed a law to make co-operation aid secure against any attachment or transfer by the “vulture funds” method.

1. *Text adopted by the Standing Committee, acting on behalf of the Assembly, on 29 May 2009 (see [Doc. 11862](#), report of the Committee on Economic Affairs and Development, rapporteur: Mr Wille).*



8. Lastly, the Assembly would like 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 states from being put to inappropriate uses on account of certain creditors.

9. Accordingly, the Assembly calls on the governments of the Council of Europe member states, at national level, to:

9.1. reinforce their legal arsenal in order to curb the action of “vulture funds”, for example by refusing to give effect to foreign judgments or to conduct judgment enforcement procedures in favour of “vulture funds” in cases where the debt arises from unethical speculation;

9.2. insert into the bilateral aid contracts they conclude with developing countries a clause providing that the contract will be void under such circumstances. In this way, if the money is not used for development (in other words, if it is seized), it must return to the original donor country;

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

9.4. 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.

10. Furthermore, the Assembly calls on the governments of the Council of Europe member states, at international level, to:

10.1. take action with the International Monetary Fund and the World Bank so as to ensure that lobbying by “vulture funds” does not prevent a country’s access to a debt reduction programme under the Heavily Indebted Poor Countries Initiative;

10.2. call on the governing bodies of the Bretton Woods institutions to insist that countries granted debt relief employ greater transparency in managing their revenue (from oil, minerals, etc.) and draw up a plan to combat the corruption that could seriously undermine their society, and to establish rules of transparency regarding information and transactions applicable to over-the-counter traded loans markets.