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SECOND COMMITTEE
Agenda item 85

EXTERNAL DEBT CRISIS AND DEVELOPMENT

Guatemala: draft resolution

Furthering international co-operation regarding the external
debt problem between developing and developed countries,
multilateral financial institutions and commercial banks

The General Assembly,

Recalling its resolutions 3201 (S-VI) and 3202 (S-VI) of 1 May 1974, containing the Declaration and the Programme of Action on the Establishment of a New International Economic Order, 3281 (XXIX) of 12 December 1974, containing the Charter of Economic Rights and Duties of States and 3362 (S-VII) of 16 September 1975 on development and international economic co-operation,

Reaffirming its resolution 41/202 of 8 December 1986 on strengthened international economic co-operation aimed at resolving external debt problems of developing countries,

Noting with appreciation the part of the Final Act of the seventh session of the United Nations Commission on Trade and Development entitled "Resources for development including financial and related monetary questions",

* On behalf of the States Members of the United Nations which are members of the Group of 77.

1/ Official Records of the General Assembly, Thirty-third Session, Supplement No. 15 (A/33/15), vol. I, part two, annex I.

Recalling also Trade and Development Board resolutions 165 (S-IX) of 11 March 1978 1/ and 222 (XXI) of 27 September 1980 2/ and the relevant recommendations of the mid-term global review of progress towards the implementation of the Substantial New Programme of Action for the 1980s for the Least Developed Countries, 3/

Taking note of the reports of the Secretary-General on the international debt situation in mid-1987 4/ and on the current international monetary situation, 5/

Recognizing that the lack of a durable solution to the debt problem of the developing countries has become a major impediment to the recovery of a reasonable rate of growth on a sustained basis in those countries and a source of instability in world financial markets and that it distorts trade flows, negatively affecting the ability of debtor countries to import and achieve their development objectives, as well as the capacity of creditor nations to export and secure sustained growth and employment,

Recognizing also that in spite of the aspirations of debtor developing countries to meet their commitments related to external indebtedness, the external debt of developing countries cannot be serviced under present international conditions and without sustained economic development, including just remunerative commodity prices,

Recognizing further that in the absence of a jointly developed debt strategy, debtor developing countries may be increasingly forced to suspend the servicing of their debt temporarily in order to permit a recovery of the levels of their economic activity and of their foreign exchange reserves,

Deeply concerned by the increasing debt burden and rapidly deteriorating debt situation of Africa, which has become a major impediment to the economic recovery and development of the continent, including the implementation of the United Nations Programme of Action for African Economic Recovery and Development 1986-1990, 6/

Profoundly concerned that tremendous efforts by the developing countries to deal with the debt crisis have been seriously undermined by the lack of an appropriate debt strategy jointly formulated and implemented by the debtors and creditors,

2/ Ibid., Thirty-fifth Session, Supplement No. 15 (A/35/15), vol. II, annex I.

3/ Resolution 40/205, annex.

4/ A/42/253.

5/ A/42/555.

6/ Resolution S-13/2, annex.

Deeply concerned about the further increase of the external debt-service burden and its devastating impact on the critical social and economic conditions of developing countries, and convinced therefore that the problem of the external debt of developing countries requires political treatment and a comprehensive approach,

1. Considers that, in order to restore the development process of developing countries, a comprehensive growth and development-oriented strategy that gives due regard to their economic and social needs, including the link between debt service and their real capacity to pay, should be designed and implemented by all parties concerned, particularly creditor developed countries and debtor developing countries, multilateral financial institutions and commercial banks, on the basis of shared responsibility; this strategy should, inter alia, consist of the following measures:

(a) The debt burden should be reduced by lowering the debt overhang, interest payments and related costs;

(b) There should be significant lengthening of consolidation, maturity and grace periods, as well as reduction of interest rates and elimination of bank margins and commitment fees, in the context of debt restructuring;

(c) Governments of creditor developed countries should introduce appropriate measures and regulations that would give commercial banks flexibility to reschedule interest payments on debts contracted before 1987 and that would encourage them to provide new loans to indebted developing countries and to take debt-relief measures, such as restructuring debt to its real value;

(d) Concessional interest rates should be applied in rescheduling official or officially guaranteed loans, or alternative assistance, with an equivalent impact, should be offered to expand the flow of loans and export credits; additional debt-relief measures, such as total or partial writing off of the principal, should be taken;

(e) Increasing of access of debtor developing countries to the secondary market so that those countries can benefit from the discount prevailing, reflecting the new market realities;

(f) Consideration by multilateral financial institutions, as appropriate, of new ways and means of releasing quick-disbursing financing related to an agreed reduction of debt-servicing ratios on loans from those institutions, over an agreed programme period, in accordance with each country's ability to pay;

(g) The duration of drawings from the Fund's regular tranches should be flexible and repayment of resources lent by the Fund should be related to the member's capacity to repay and should not be subject to a fixed and predetermined schedule. Further, the Fund should urgently consider rescheduling credit it has extended;

(h) Establishment of an additional mechanism for concessional financing in order to compensate developing debtor countries in their debt payments from the increase in interest rates without increasing conditionalities;

(i) Conditionality applied by the multilateral financial institutions should be responsive to the growth and development needs of developing countries and that performance criteria in the IMF programmes should be sufficiently flexible and reflect those objectives;

(j) Extension of the procedure of negotiating debt rescheduling of those interested developing countries without prior agreement with the International Monetary Fund;

(k) Equitable and symmetrical international adjustment and in the framework of an effective and strengthened multilateral surveillance to correct present imbalances, promote growth in the world economy and international trade, and restore growth in developing countries;

(l) World trade should be expanded and the participation of developing countries increased, since debt-servicing capacity is seriously impaired by protectionist and other disruptive market practices of developed countries and by depressed commodity markets;

(m) There should be substantial additional financing in order to facilitate the efforts of developing countries to restore growth and development, which would, inter alia, facilitate debt payment;

2. Calls upon the international community to alleviate the debt burden of African countries, in order to help them resume growth, through a set of measures, including an increase in real terms of resource flows from bilateral and multilateral financial institutions on highly concessional terms, reduction of interest rates, and stretching out of payments and grace periods, and invites developed countries to take appropriate measures to increase export credits and official development assistance, as well as its full or partial conversion, as appropriate, into grants;

3. Considers that additional specific actions should be pursued in respect of the indebtedness of the least developed and poorer developing countries, including conversion of official development assistance into grants, substantial increases of concessional finance, essentially in grant form, consolidation and rescheduling of debts within the Paris Club with longer repayment and grace periods, preferably on terms similar to International Development Association credit terms, and stabilization programmes with a longer period for debtor countries in the process of structural adjustment;

4. Requests the Secretary-General to establish an independent high-level group of eminent persons chosen on the basis of their qualifications, including a balanced representation of experts from debtor developing countries and creditor developed countries, as well as multilateral financial institutions and commercial banks, which should prepare, in the light of the present resolution, an analytical and comprehensive report with proposals and recommendations for possible solutions to the external debt problem of developing countries, in order to enable them to resume their economic growth and development; the report should consider ways and means of encouraging the flow of financial resources to developing countries and

should be submitted to the General Assembly for consideration at its forty-third session; an oral progress report on its preparation should be made to the Economic and Social Council at its second regular session of 1988.

5. Invites the International Monetary Fund and the World Bank, in the light of the magnitude of the debt problem of developing countries, to step up their efforts in order to achieve a permanent, just and durable solution of this problem;

6. Requests the Secretary-General to include in the agenda of the next session of the Administrative Committee on Co-ordination, as a priority, the question of the external debt crisis and development;

7. Further requests the Secretary-General to submit to the General Assembly at its forty-third session an updated report on the international debt situation and on the implementation of the strategy set out above; the report should include an expanded section on debt-servicing ratios consistent with the attainment of the growth target for developing countries, set forth in the International Development Strategy for the Third United Nations Development Decade.
