

Heavily Indebted Poor Countries (Limitation on Debt Recovery) Bill 2012 Third Reading approved

5.3. Mr Teare to move:

That the Heavily Indebted Poor Countries (Limitation on Debt Recovery) Bill 2012 be read the third time and be sent to the Council.

The Deputy Speaker: We move to Item 5.3, Bills for Third Reading, Heavily Indebted Poor Countries (Limitation on Debt Recovery) Bill 2012. I call the Hon. Member for Ayre, Mr Teare, to move.

Mr Teare: Thank you, Mr Deputy Speaker.

Mr Deputy Speaker, Hon. Members, this Bill is the Heavily Indebted Poor Countries (Limitation on Debt Recovery) Bill 2012. The Bill supports the enhanced Heavily Indebted Poor Countries Initiative, which will be referred to as ‘the Initiative’ for ease of reference.

The Initiative is an international Initiative to provide debt relief to heavily indebted low-income countries. This is in support of the Millennium Development Goals set in 2000. At the time, 189 nations pledged to free people from extreme poverty and multiple deprivations by 2015. The Millennium Development Goals include the eradication of extreme poverty, reduction in mortality rates, fighting disease epidemics, and also developing a global partnership for development. It has subsequently become clear that many countries, particularly those in sub-Saharan Africa, will not meet these objectives without the co-operation and support of international creditors.

Ultimate responsibility for the Initiative lies with the International Monetary Fund and the World Bank. In order for the Initiative to succeed, all international creditors must participate. This includes multinational creditors – regional development banks and the World Bank; the official bilateral creditors – governments or their instruments, such as credit export agencies; and also private creditors. Private creditors unwilling to participate in the Initiative threaten its success. These creditors have become known as ‘vulture funds’.

To qualify for relief under the Initiative, countries must be eligible for assistance from the IMF and the World Bank, continue to face an unsustainable debt burden after non-official development aid has been reduced by a factor of 67%, and also have a track record of reform and sound policies under IMF and World Bank supported programmes.

I respectfully remind Hon. Members that there are four stages to the Initiative. These are: (1) the preliminary period, at which point preliminary debt relief should be provided by all creditors; (2) the decision point sees the IMF and the World Bank carry out a debt-sustainability analysis to see if the country qualifies for relief under the Initiative; (3) the interim period sees tailored debt relief provided to the qualifying countries; (4) at completion point, debt relief is irrevocably provided.

The Initiative was never intended to be a permanent mechanism for all countries that experience difficulty in servicing external debt. The list of countries potentially eligible under the Initiative was closed to new entrants in 2006.

This ring-fencing is for three reasons. Under the Initiative, all creditors are expected to provide the same level of debt relief. Although it appears to be at odds with the Initiative itself, external debt is recognised to be a valuable source of financing for developing countries. The ability to raise funds from the international financial community is critical, enabling developing countries in transition to finance their development. This includes equity from foreign direct investment, grants from donors and borrowing from foreign lenders.

All debtor countries will seek comparable treatment from all creditors, including those that do not participate in the Initiative. Failure of some creditors to provide relief increases the prospect of these countries continuing to face unsustainable debt burdens. This underlines the prospects of economic development and poverty reduction.

Some unco-operative creditors are indulging in morally dubious practices. The debt of a country is sold on the open market at a substantial discount. The purchaser of the discounted debt then seeks to recover the full amount of the debt with costs and damages through the courts. Creditors of this type are referred to as ‘vulture funds’. They free-ride on the back of creditors who do provide the level of relief expected under the Initiative. This free-riding diverts the benefit of debt relief from its intended use in the fight against poverty in some of the world’s poorest countries.

This Bill will ensure that the courts of the Isle of Man cannot be used to enforce a judgment in full against a country eligible for the Initiative. If the Bill is enacted, it will ensure that the highest amount of debt that can be recovered by the Isle of Man and its courts will be limited to the level of debt that remains after the reduction factor has been applied. This will ensure that the Isle of Man continues to act as a responsible world citizen that does not sanction attempts to further morally questionable practices.

Mr Deputy Speaker, I beg to move the Third Reading of this Bill.

The Deputy Speaker: Hon. Member for Douglas North, Mr Henderson.

Mr Henderson: Gura mie eu, Lhiass-loayreyder.
I beg to second, sir, and reserve my remarks.

The Deputy Speaker: The motion is as on the Order Paper, Hon. Members: that the Heavily Indebted Poor Countries (Limitation on Debt Recovery) Bill 2012 be read for a third time. All those in favour, please say aye; those against, no. Hon. Members, the ayes have it. The ayes have it.

Thank you, Hon. Members. That concludes the business of the House today.

I am reminded by the Minister for Infrastructure that we are invited to attend a briefing on the Town and Country Planning (Telecommunications) (Permitted Development) Order 2012 in the Barrool Suite at 1.30 p.m. today.

The House will now stand adjourned until the next sitting, which will take place at 10.30 a.m. on 19th June in Tynwald Court. Thank you, Hon. Members.