



Africa Gets New International Organization

TUNIS, Tunisia, June 29, 2009/ABC Television-Africa (ABC)/ — A new international organization established to level the field in litigation of debt claims by vulture funds against African countries and in the negotiation of complex commercial transactions, especially on extractive resources, has been created. The African Legal Support Facility will help provide relief to African countries that are being sued or threatened with litigation on their debt held by hedge funds or vulture funds.

Vulture funds buy distressed debt of impoverished countries at low rates and then squeeze those countries for payment of face value plus high interest rates while making inflexible demands and holding out in creditor group negotiations.

The new international organization is a response to persistent demands from African Finance Ministers to the international community for technical legal assistance to prevent exploitation by these so-called vulture funds of resources earmarked for development. The call for assistance was supported in March 2007 by the Report of the Commission for Africa, an interdisciplinary high-level group of eminent international personalities assembled by the government of the United Kingdom and chaired by former British Prime Minister Tony Blair. The Commission for Africa expressed deep concern that the gains from debt relief programs, such as that for Heavily Indebted Poor Countries (HIPC) agreed by the international community and international financial institutions were being stifled by diversion of resources programmed for health, education and other development work to settle claims by vulture funds.

In a case decided just two years ago, the vulture fund Donegal, sued Zambia claiming fifty five million US dollars in English courts. Donegal had bought the Zambian debt from Romania for less than four million dollars. It won judgment for fifteen and a half million dollars. The judgment award was almost four times the purchase price for the debt and almost equivalent to the annual savings from debt relief for the country – relief that was to be used for development purposes.

International concern about vulture funds has reached high levels with British Prime Minister Gordon Brown charging that the vulture funds are further impoverishing African countries by depriving them of essential resources for health and education. Several members of the UK parliament have proposed law to deal with vulture funds and in the United States a bill has been proposed to outlaw their activities.

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Over seventy per cent of the nearly one billion dollars of judgments won by vulture funds have been against African countries. The African Legal Support Facility will help provide resources for African countries to negotiate and litigate to defend themselves adequately.

The Facility will also equip African countries with equally strong legal teams to negotiate for fair, maximum returns and gains from their extractive resources. This aspect of the Facility's mandate responds to a call from the African Big Table convened in February 2007 by the United Nations Economic Commission for Africa and the African Development Bank that brought African ministers of mines and other top experts together in Addis Ababa. The African Big Table asked the African Development Bank to lead in strengthening Africa's negotiating capacity in dealing with third parties on the continents extractive resources.

Countries from Africa, Europe and South America and an international organization have signed the treaty establishing the Facility. More countries and international organizations are lining up to sign. On Monday 29 June in Tunis, Tunisia, at a constitutive assembly the African Development Bank's President Dr. Donald Kaberuka and delegates of countries that have signed the treaty will launch the African Legal Support Facility. Already the Facility has received commitments of over twenty million dollars. The highest body of the Facility will be a twelve person Governing Council representing Africa states, OECD and non-OECD countries, the African Development Bank and other international institutions. The Governing Council will appoint a five member Managing Board and an Executive Director, who shall be the chief executive officer. The Facility will negotiate reduced rates with participating, qualified law firms to render services for client states.

SOURCE: African Development Bank (AfDB)