
STATES OF JERSEY



LEGISLATION TO ASSIST IN THE PROVISION OF DEBT RELIEF TO POORER COUNTRIES: UPDATE

Presented to the States on 31st January 2012
by the Chief Minister

STATES GREFFE

REPORT

Members will be aware that my predecessor launched a consultation on 15th September 2011 (R.114/2011) seeking views on whether Jersey should consider introducing legislation to limit practices that could undermine international debt relief efforts.

The consultation closed on 8th December 2011. We received 25 substantive responses from private individuals, companies and representatives of non-governmental organisations as well as the United Nations. We also received a large number of pre-prepared postcards and emails flowing from a campaign organised by the Jubilee Debt organisation.

I have considered the responses to this consultation as well as the views of members of the high level working party convened to consider this matter. Together with my Assistant Chief Ministers, I have decided to instruct officials to prepare drafting instructions for legislation to limit practices that could undermine international debt relief efforts. Jersey has a responsibility to play its part in the global effort, expressed in the UN Millennium Declaration, to support debt relief efforts designed to assist the world's most heavily indebted countries.

The maintenance of the Island's international reputation in matters of law and commerce remains a key consideration. The proposed legislation will seek to strike the correct and necessary balance between supporting international debt relief efforts and upholding the sanctity of contract law and compliance with our human rights commitments. In doing so, the Island's reputation will be maintained as a transparent, well-regulated, co-operative and respected international finance centre that is conscious of the contribution it can make to the well-being of the world's developing and most heavily indebted poor countries.

Background

On 21st July 2009, the UK government consulted on proposals to introduce legislation to prevent creditors of Highly Indebted Poor Countries (HIPCs) pursuing full recovery on their debts through the UK courts and undermining the debt relief effort provided by other creditors (such as the UK government). The consultation generated an e-mail campaign urging legislative action and 23 written responses from businesses, organisations and individuals.

The Debt Relief (Developing Countries) Act 2010 was enacted on 8th April 2010 and came into force on 8th June 2010. In broad terms, it worked to limit the proportion of a sovereign debt recoverable by any commercial creditor (whether primary or secondary) through the UK courts. The permitted recovery levels referenced those set under the World Bank and International Monetary Fund's HIPC Initiative. The Act was initially temporary, with a 'sunset clause' ensuring that it continued in force only until 8th June 2011. In May 2011 the Act was made permanent.

On 7th June 2011, the previous Chief Minister explained to members that a high level working party had been constituted to consider the issue of debt relief, particularly in the context of the Debt Relief (Developing Countries) Act 2010 having been made permanent in the UK. The working party met several times to examine the UK legislation and to consider the case for enacting similar legislation in Jersey and concluded that the issues were of sufficient complexity and public interest to merit a public consultation. The Jersey consultation was launched on 15th September 2011 and closed on 8th December 2011.