

## Comments of the Government of Japan

### Review Session on Chapter V of the Monterrey Consensus “External Debt”

General Assembly  
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#### 1. General principles

Japan’s ODA emphasizes the ownership of developing countries. In particular, Japan’s yen loans, which have concessionary rates, long repayment terms, and fixed repayment schedules, encourage developing countries to make self-help efforts. Yen loans therefore constitute effective assistance for economic and social development.

On the other hand, failed economic policies, political instability and natural disasters and other unforeseen events can plunge developing countries into heavy debt. In its dealings with such countries, Japan has encouraged them to undertake self-help effort. We believe that debt-relief should be extended only when it is truly indispensable, and only after a thorough evaluation of the debt-management capacity of each country. We do not think that debt relief is a panacea for external debt problems. We have accordingly encouraged the countries concerned to carry out necessary economic and social reforms, promote economic growth and reduce poverty based on the principle of ownership.

#### 2. Specific issues and areas

##### (1) Japan’s record with regard to debt relief

On the basis of these principles, Japan has carried out a significant amount of debt relief, based on multilateral agreements such as those of the Paris Club. In line with the Monterrey Consensus, which called for “speedy, effective and full implementation of the enhanced (HIPC) initiative” (paragraph 49), Japan has eliminated 100 percent of bilateral ODA credit and 100 percent of eligible non-ODA credit of HIPC-eligible countries that have met a target of progress in economic and social reforms.

Under the enhanced HIPC initiative, Japan has already cancelled the debt of 22 countries by about US \$4.6 billion. Under debt relief schemes other than the enhanced HIPC Initiative, such as the Evian Approach, Japan also committed to reducing the debt

of Iraq by about US \$6 billion in total in 2005 and of Nigeria by about US \$2.2 billion in total in 2006.

#### (2) Assistance in debt management capacity-building

Debt relief has made significant progress under bilateral and multilateral frameworks, but it goes without saying that the best way to deal with external debt is to identify potential problems and prevent them. Since some debtor countries lack adequate capacity to manage their debt and implement sound macro-economic policies, assistance to help them do so is crucial. Japan is therefore working to build the capacity of debtor countries in the area of debt management, for example, by hosting seminars on strengthening management capacity of public debt. In addition, Japan is actively supporting the development of Poverty Reduction Strategy Papers through the World Bank so that the resources made available as a result of debt reduction will be utilized effectively.

#### (3) Debt sustainability

One issue which has been attracting the attention of the international community is debt sustainability, or in other words the ability of beneficiary countries to manage external economic policy, including new borrowings, after they receive debt relief. Creditors should fully consider the debt sustainability of debtors in order to prevent the occurrence of heavy indebtedness in the first place. And we hope that initiatives to enhance the debt sustainability of developing countries will be implemented on a continuing basis, not only by bilateral donors but also by multilateral bodies such as the World Bank and the IMF, which monitor the economic management of developing countries. In this regard, we welcome the development of the “Principles and Guidelines to Promote Sustainable Lending in the Provision of Official Export Credit to Low Income Countries” by the OECD this January, as they make clear the need to analyze debt sustainability when making decisions about whether to provide export credit to low-income countries.

#### (4) Role of emerging donors

Recently, against the background of rapid economic growth and rising revenue from natural resources, emerging donors have come to play increasingly important roles. Japan hopes that they will contribute to development side by side with traditional donors. In particular, we believe that all donors, including emerging donors, should cooperate to enhance the debt sustainability of developing countries. We strongly hope that all creditor countries and private creditors respect international frameworks and give due consideration to debt sustainability when extending loans.