Norway

Statement at the informal review session on Chapter V of the Monterrey Consensus: External Debt
11 March 2008

Mr. Chairman,

As pointed out by many, significant progress has indeed been made since the Monterrey Consensus, in implementing the Heavily Indebted Poor Countries (HIPC) and the Multilateral Debt Relief Initiative (MDRI). But still more needs to be done and new policies needs to be developed to meet new challenges.

The delivery of debt relief by non Paris-Club bilateral creditors and commercial creditors is improving but remains too low. We urge all bilateral official creditors and commercial creditors to contribute their share in the HIPC debt relief efforts.

Even though the Monterrey Consensus called for additionally of the debt cancellation under the HIPC initiative, Norway is still the only country not reporting bilateral debt cancellation as Official Development Assistance. We also continue to hold that there should be full compensation of funds used for multilateral debt cancellation. When funds to bilateral debt relief or multilateral debt cancellation are provided in lieu of grants, poor indebted countries end up paying for their own debt relief.

Norway welcomes the establishment of mechanisms to better address the debt problems of low and lower middle income countries. The main focus should, however, continue to be on low income countries. We also believe that poor post-conflict countries should receive faster, deeper debt relief, even before they are granted HIPC status.
I our deliberations the issue of debt swaps has been mentioned. Norway has made bilateral debt swaps. We have also called for multilaterally co-ordinated debt swaps as another possibility for debt relief for non-HIPCs, under which bilateral creditors join forces in swapping claims for local currency to finance mutually agreed developing efforts that are consistent with the debtor countries' own policies.

Mr. Chairman,

The HIPC initiative is in a mature phase and most of the post Completion Point HIPC-countries are facing the risk of new debt distress. Responsible borrowing and lending is coming more to the forefront as an important policy issue and will require close cooperation of both debtors and creditors.

Another important tool to avoid future debt distress is better public debt management. There is still a lack of funding for programmes and initiative promoting this. Norway is the largest donor to UNs Programme for Capacity Building in Debt Management in UNCTAD, Norway support financially both The World Bank and the IMF's work in this area and we urge other donors to join us and the Providers of Capacity in Public Debt Management in this important task.

The new guidelines in the OECD on new lending are encouraging. From a cost-benefit point of view, new responsible lending practices might be more important than to examine old claims.

However old practices should still be looked into. As it represented a development policy failure, Norway has cancelled all the remaining debt from the Norwegian Shipping Export Campaign (1976-80). We hope to stimulate the debate on creditor responsibilities and responsible lending, and encourage other creditors to take a critical look at their claims vis-à-vis developing countries.

In the wake of HIPC debt relief we have the last years seen aggressive commercial creditors go after post completion HIPC countries in courts in industrialized countries. Lawsuits from these so called Vulture Funds threaten efforts done by the international community. Norway supports intensified efforts to discourage such damaging lawsuit practices.

Norway has contributed financially to the making of The World Bank instrument Debt Reduction Facility – DRF. We urge all donor countries to use and contribute to this effective and important instrument.

The Report from the Secretary General for the 62nd General Assembly, points out the need to work on an internationally accepted debt workout mechanism that involves all creditors. We support looking deeper into this, including looking at the legitimacy of claims based on how the loans were given.

My final point, Mr. Chairman, is to underscore what have been said by the panellist and in many statements during this review session; development is and must be on the center stage. Debt relief alone leads nowhere unless it is accompanied by policies that promotes sustainable development, this includes measures to reach the MDGs, gender equality and the empowerment of women.

Thank you.