

## Inputs from the Delegation of Japan

October 17, 2008

### External debt

41. We welcome the progress that debt indicators of developing countries as a whole have shown since the adoption of the Monterrey Consensus. Debt relief under the Heavily Indebted Poor Countries Initiative, the Multilateral Debt Relief Initiative and the Evian treatment in the Paris Club, together with debtor countries' efforts and ongoing initiatives, such as the World Bank/International Monetary Fund (IMF) Debt Sustainability Framework, have contributed to achieving such progress. **The HIPC initiative is expected to provide a total of US\$ 71 billion to 41 eligible countries, while the MDRI is expected to provide an additional US\$ 33 billion.** Borrowing countries have also enhanced their debt management programmes and many have built reserves, thus reducing vulnerabilities. **These achievements have enabled heavily indebted countries to increase their expenditures on poverty reduction and other measures aimed at the achievement of the MDGs.**
42. We recognize that important challenges remain. Debt service in a considerable number of low and middle-income countries is still too high. **All creditors, including emerging donors and private creditors, should become involved in the existing international debt resolution mechanisms to ensure the debt sustainability of low income countries.** ~~The existing international debt resolution mechanisms, including the Paris Club, cannot guarantee equivalent treatment of all creditors and just treatment of creditors and debtors, hindering the establishment of predictable debt resolution procedures.~~ There is concern about increasing vulture fund litigation. In addressing these situations, we need to enhance the international financial mechanisms for debt crisis prevention and resolution by finding internationally agreed solutions. These mechanisms need to be underpinned by principles that have served us well in dealing effectively with many debt problems. These include the need to ensure that debt resolution is a joint responsibility of all debtors and creditors; to recognize that furthering development is the ultimate objective of debt resolution and that debt relief should not detract from ODA; to strengthen transparency and accountability among all parties; to promote responsible lending practices, improved debt management and national ownership of policies; and to facilitate equivalent treatment of all creditors.
43. The number of creditors to developing countries and countries with economies in transition has grown, in the light of an increase in new official and private creditors. We will seek to enlarge creditor coordination to reduce risks of debt overhang in borrowing countries and to improve interaction among all relevant actors during debt renegotiations. In those renegotiations, ~~we agree that~~ all relevant actors will pay special attention to the need to respect debtors' policy space, ~~in particular the room~~ of debtors for investments in infrastructure, and measures linked to attaining the internationally agreed development goals, including the Millennium Development Goals. **At the same time, all creditors should follow the framework made in OECD or Paris Club regarding responsible and cooperative lending, and debt treatment respectively.**
44. Technical assistance to address debt problems can be crucial for many countries, in particular those facing acute structural problems, those seriously affected by climate change and those emerging from conflict. In spite of existing debt relief initiatives, many developing countries still continue to face obstacles to achieving debt sustainability and may require ~~further collaboration with donor countries special assistance.~~ We underline that sound macroeconomic policies and public resource management are key elements in reducing national vulnerabilities. We will redouble efforts to provide them with the needed technical help, including specific legal training to help countries faced with

external debt litigation. The Bretton Woods institutions **and other relevant organizations** UNCTAD should continue to play a major ~~and increasing~~ role in this field. Particular attention should be paid to keeping the debt sustainability frameworks under review to enhance the effectiveness of monitoring and analysing debt sustainability. Increased transparency and information-sharing are needed in the choice of debt service scenarios and construction of debt indicators, including sufficient consideration of the domestic public and private debt situation and achieving development goals. Also, for these countries, bilateral donors and multilateral financial institutions should seek to increasingly provide grants and concessional loans as the preferred instruments to ensure debt sustainability.

45. We recognize that a shift ~~has occurred~~ from official to commercial borrowing and from external to domestic public debt, **as well as increased lending by new official creditors,** ~~are, and that this is~~ creating new vulnerabilities. We note the need to address this situation, including by improved data collection and analysis.