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Why issues of illegitimate debt and responsible lending should be part of an active debt policy?

by

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The views expressed are those of the author and do not necessarily reflect the views of UNCTAD
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Introduction

- HIPC and MDRI are cornerstones
- Supplemented by cancellation by private creditors and the DRF, we have a comprehensive system
- A lot has been done, a lot of debt has been cancelled
- However, many poor countries still struggle with old and unsustainable debt burdens.
- Debt cancellation is not just about charity and sustainability. It is also about fairness; reduce burden from past mistakes.
- This is where our work on odious/illegitimate debt comes in and becomes a part of our debt policy.
- Norway does not necessarily share the debt campaigner’s wide definition of odious debt, but we think the issue should be examined further.
Odious/illegitimate debt

- Not just ex-ante (the next panel).
- However, ex-post and ex-ante are related, the same way illegitimate debt and responsible lending are.
- Coups, dictatorships, harmful use of credits, corruption and unexceptable behaviour on the lenders’ side are all examples of variables that should be examined more closely, both ex post and ex ante
- Legally there is a challenge
  - The concept of illegitimate debt lacks unanimous support in international law
  - We need something robust legally when dealing with contracts
- It is easier to avoid doing the same mistakes again through better guidelines for responsible lending.
The way forward

- Ex-ante approach, one avenue, but not enough. Could also be helpful for the ex-post approach.
- Good Public Debt Management. Crucial also with responsible borrowers. UNCTAD’s DMFAS; Norway is the largest donor. DMF in the World Bank.
- Norway finances UNCTAD’s project “Promoting Responsible Sovereign Lending and Borrowing, including developing guidelines and criteria for assessing Legitimacy of Sovereign Debt”.
- Important that the developing countries speak their mind. The discussion should not be left only to the BWIs and the international NGOs.
- UNCTAD and this meeting is therefore important. Look forward to the discussion.