

# UNCTAD's Seventh Debt Management Conference

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

by

**Mr. Henrik Harboe**

Deputy Director General

Multilateral Bank and Finance Section

Norwegian Ministry of Foreign Affairs

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



NORWEGIAN MINISTRY  
OF FOREIGN AFFAIRS

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

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Henrik Harboe,  
Deputy Director General  
Norwegian Ministry of Foreign Affairs

## 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 unexeptable 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.