STATEMENT ON BEHALF OF THE GROUP OF 77 AND CHINA BY AMBASSADOR BYRON BLAKE, PERMANENT MISSION OF ANTIGUA AND VARBUDA TO THE UNITED NATIONS, AT THE INFORMAL REVIEW SESSION OF THE GENERAL ASSEMBLY ON CHAPTER FIVE OF THE MONTERREY CONSENSUS: EXTERNAL DEBT (New York, 10 March 2008)

Co-Chairs,

I am pleased to make this statement on behalf of the Group of 77 and China. The Group wishes to compliment you on organizing this session to review the external debt aspect of the Monterrey Consensus and for the very informative panel discussion on the issue.

The Monterrey Consensus identified four sources through which new and additional resources for investment in development activities in developing countries can be provided. These are: domestic resources, foreign private resources, foreign public resources or official development assistance and external borrowings. Given the nature and magnitude of the development challenge and, therefore, the volume of investment resources required by the developing countries as a group, it was anticipated that all four sources would need to make significant net contributions to fill the resource gap.

In regard to external borrowing, the Monterrey Consensus recognized that developing countries as a group were transferring significant levels of resources to developed countries and institutions for debt servicing, and that many were "facing unsustainable debt burdens" which threatened their financial viability and constrained opportunity for further borrowing. It therefore adopted a strategy with respect to debt involving inter alia:

- Debt contributing positively to resources for growth and development;

- Debtors and creditors sharing the responsibility for preventing and resolving unsustainable debt situations;

- Debt relief to liberate resources for sustainable growth and development;

- Commitment to speedy, effective and full implementation of initiatives already underway such as the Highly Indebted Poor Countries (HIPC) initiative;

- A flexible mix of instruments to respond appropriately to countries' different economic circumstances and capacities.

The Monterrey Consensus also

(a) Emphasized the importance of putting in place a set of clear principles for the management and resolution of financial crises that provide for fair burden-sharing between public and private sectors and between debtors, creditors and investors.

(b) Encouraged the exploration of innovative mechanisms to comprehensively address debt problems of developing countries, including middle income countries and countries with economies in transition.

Co-Chairs,

It is against those specific commitments and expectations of the Monterrey Consensus that performance with respect to external debt and its contribution to resources for development must be assessed.

In the assessment, what does the evidence show?

1. The external debt to GDP ratio of developing countries has improved from 86% in 2002 to 68% in 2005. Much of the improvement has been due to GDP growth in some developing countries and to significant debt repayment by some developing countries. However, the external debt-to-GDP ratios, while declining, remain above 90% percent and 100% percent for low-income countries and heavily indebted poor countries, respectively.

2. Developing countries have improved their macroeconomic policies and policy environment significantly. This has been recognized in World Bank, IMF and Secretary-General reports. Most developing countries now have debt management programs in place.

3. Debt relief through debt cancellation or reduction for 23 HIPC countries and for 2 non-HIPC countries has contributed to the reduction in the debt burden of these countries, to reduction in the debt to GDP ratios and to reduction in the rate of growth of the overall debt stock.

4. Much of the bilateral debt relief has been financed from ODA or from programs for concessionary and not from new resources to developing countries. The debt relief component of ODA increased from 13 percent in 2002 to 23 percent in 2006.

5. The HIPC process has not been expeditious. To date only 23 of 41 eligible HIPC countries have reached completion points. The conditionalities attaching to the HIPC program have reduced the policy space of recipient countries and have been burdensome, especially for countries with limited technical capacities. Further, some lenders are tending to regard relief under HIPC as "default" and so access to new borrowing has been constrained and some countries have encountered legal challenges. In respect to the sustainability of debt in the HIPC countries which have received such relief, it is sobering to note that in the short period since the operationalization of the program about half of the countries has slipped back into unsustainability.

6. There has been no new initiative or mechanism to address the debt problem of developing countries in a comprehensive manner or even the debt problem of middle income countries and countries with economies in transition. This in spite of the repeat call by leaders in the 2005 United Nations Summit for action in this area.

7. There has been continued and increasing net outward flow of investible resources from developing countries, particularly for debt servicing to the multilateral banks and to build-up reserves to protect the currency against instability.

8. There has been no clear set of principles for the management and resolution of financial crises and there are no inclusive institutional mechanisms for evolving such principles. One result of the absence of principles for the management of financial crises is the present crisis arising from the failure of the United States sub-prime market which not only threatens to create general instability but could also increase the cost of borrowing by developing countries and hence the debt burden.

9. The competence of many credit rating agencies, which have significant bearing on the cost and access of developing countries to credit, has been called into question. There is an absence of

regulation and transparency in respect of the operations of these agencies. This is an issue which demands immediate attention.

Co Chairs,

Performance in almost every commitment relating to debt has fallen short of the expectation in the Monterrey Consensus. This is particularly so in respect of the commitment to new resources through debt relief and the non-diversion of ODA to financing debt relief resources. In that context of lack of performance and with the current increasing international financial crisis, the Doha Conference will need to fashion new specific and bold proposals if the objectives set in the Monterrey Consensus are to be met in any reasonable time frame.

In the view of the G-77, such new measures must include:

1. Specific, time-bound arrangements for reform of the international financial infrastructure, including for increasing the voice and participation of developing countries in institutions that set international financial policies, including debt, manage international debt and set standards for financial management and institutions. The strategy adopted in the Monterrey Consensus, to leave reform in these areas to voluntary action by existing institutions, has proven inadequate.

2. Establishment of an inclusive mechanism to address issues such as performance standards, responsibilities and supervision of credit rating agencies / institutions. This could be a specific but urgent activity in the arrangements for the overall reform of the global financial infrastructure.

3. Firm arrangements for additional resources to meet any new debt relief measures in accordance with the commitment in the Monterrey Consensus both for the provision of additional debt relief and for the financing of such relief not to impact negatively on ODA for development.

4. A mandate for a comprehensive review of the current debt sustainability frameworks in the IMF and the World Bank for effectiveness, including in facilitating all developing countries to meet their MDG commitments, to respond in situations of external shocks and to deal with the imperative of economic growth.

5. Support, where required, for the implementation of debt management programs by developing countries which do not now have such programs.

6. A mandate for technical work on the structure of the debt of developing countries, including the currency / currencies in which the debt is held and the implication for long-term debt sustainability.

7. Recommitment, that measures, to enhance the contribution of debt to the financing of development would respect the agreed focus on national ownership and not constrain the policy space of national governments.