Statement by Hilde F. Johnson
Minister of International Development and Human Rights,
Norway
on behalf of the Nordic and Baltic Countries
HIPC

1. The enhanced HIPC Initiative, endorsed in principle during the Spring Meeting by the Development Committee, reconfirmed the need for debt relief providing a clear exit from unsustainable debt burdens. In Cologne, G7-countries made a number of specific suggestions to provide faster, deeper and broader debt relief for the poorest countries, demonstrating their commitment to economic and social reform and poverty reduction. The suggestions made are fully in line with principles for debt relief advocated by the Nordic and Baltic countries for a long time. Consequently, the Nordic and Baltic countries are fully behind the enhanced HIPC.

2. Great effort and considerable work is needed - by all actors - in order to avoid losing the promising momentum created by the G7-meeting in Cologne. An enhanced HIPC Initiative requires extensive new financing. The G7 proposals carry a price tag on multilateral debt relief, which requires funding of a magnitude that cannot be met without a reasonable burden-sharing formula. Thus we expect the G7 countries to follow up their recommendations with funding.

3. The multilateral institutions are unlikely to fully finance their part of the enhanced HIPC through internal resources without compromising their financial integrity. In the case of the World Bank, the use of internal resources implies a negative impact on the financing available through concessional windows such as IDA. This is unacceptable. Neither can we accept that the participation in such financing places a disproportional burden on borrowers through increased loan charges. Consequently, bilateral donors should provide additional financing where multilaterals are unable to finance themselves, according to a formula of fair burdensharing.

4. The proposal put forward by the staffs of the Bank and the Fund for strengthening the link between debt relief and poverty reduction would be a very bold step towards reaching the international development targets set for the 21st century. What is envisaged is a major shift in the way not only debt relief but also ODA in general is provided. While debtor countries promote sound economic and social policies and poverty reduction based on broad participation and support, the Bretton Woods institutions must commit themselves to increase their direct support for the achievement of the targets of these efforts. Such a partnership must rest on a long term commitment and joint review of progress, and has the full support of the Nordic and Baltic countries.

BANK GROUP CAPITAL ADEQUACY

5. During recent years, the Bank's net income has decreased alarmingly while risks have increased. This is not least due to extensive lending following the Asian crisis. The decreasing strength of the Bank's financial base gives reason for concern, as does the Bank's decreasing ability to absorb shocks. The Nordic and Baltic countries attach great importance to maintaining the financial capacity of the Bank. In the present situation, the Bank needs to keep the Capital Adequacy issue under constant review.
6. The Bank needs to consider all potential measures to strengthen its financial position. In the first place, alternative options to a GCI should be explored, among them the issue of waivers should be included in the more long-term discussion on the Capital Adequacy of the Bank.

7. On the use of net income, reserves have first priority. However, the Nordic and Baltic countries attach great importance to providing funds for the poorest countries, such as allocations to the HIPC Initiative and the IDA, and wish to maintain a high level of transfers to these countries from the net income.

DEVELOPMENT AS A MULTIFACETED PROCESS

8. The Nordic and Baltic countries are encouraged by the increased understanding, triggered by the Asian crisis, that development is a multifaceted process where financial and monetary issues can not be seen as isolated from structural and social issues. Neither can development be promoted in isolation. All relevant actors must be involved in the strategic and analytic work that forms the basis for development. In this context, we especially welcome the steps taken towards enhanced cooperation between the Bank and the Fund, i.a., expressed in the proposed joint Poverty Reduction Strategy Paper.

9. The Poverty Reduction Strategy Paper should be seen in the context of the CDF. Within this framework, the World Bank has a central role in dealing with the structural and social dimensions not only of crisis but also in long term development. Such a response - with sustainable poverty reduction as the guiding principle - should ensure that the most vulnerable groups are protected and the process for longer-term development sustained. It is important to learn from the work done in preparing the forthcoming WDR on poverty and to draw on its conclusions when further developing the Bank's policies on how to address the social dimension of a crisis. The Social Protection Sector Strategy that is currently under preparation in the Bank should also be fed into the process of establishing sound social principles for addressing crisis situations.

10. The Nordic countries, in collaboration with the World Bank, recently organized a workshop on “Making Partnership Work on the Ground”. The Governments of Tanzania, Uganda and Vietnam participated as well as the private sector and the donor community in the three selected countries. There was a firm commitment to the process of building stronger partnerships, involving changes in attitudes as well as practices among both donors and recipients. The main conclusion was that recipient partners must own their development agendas and that the CDF could be helpful in this respect, but that donors must take a back seat and not push particular approaches. The workshop recommended better integration of development assistance into the host country's programs, participatory consultations with stakeholders, capacity building in the area of financial management and a move away from a traditional project approach to various forms of program support. A step was taken from “donorship” to “ownership”.
FINANCIAL ARCHITECTURE

11. The Nordic and Baltic countries put great emphasis on maintaining the BWIs as the central foras for dialogue and discussion on the international financial system. The recent creation of a group of 20 by the G7 countries needs further clarifications as to the mandate of the group. Informal grouping outside the Bretton Woods institutional framework reduces transparency and representativeness. Efforts to improve global discussion and decision making concerning the international financial architecture should build on the Bretton Woods framework. Only in this way can transparency and global participation be secured.

12. In this context, it is more important than ever to increase the efficiency of the IC and the DC, and thereby strengthening them. Certain measures have been taken in this respect, and several proposals for reorganization have been put forward. At this year's Annual Meetings, efforts have been made to avoid duplication of discussion in the two committees. Even so, it is important to maintain the IC and the DC as separate fora for discussion. We welcome the steps taken to increase the efficiency of IC and DC – among others the joint IC/DC session on HIPC, although we had hoped for more than incremental adjustments of the committees.

13. We would like to reiterate the view expressed by the Nordic Baltic countries at the spring meetings that the basic principle for reforms is the need for symmetry between financial and monetary issues, and structural and social issues. Giving the Bank president privileged treatment in the Interim Committee – important as it is - is hardly sufficient to strike this balance. The Asia crisis provided a momentum for reforming the committees in such a way that they – together – cover the totality of development. This momentum has in our view not been fully utilized. We believe it is necessary to further strengthen the committees in order for them to deal with the increasingly complex issue of economic and social development. One of the reform proposals was the so-called “double hat” structure. We believe this option should have been further elaborated.

14. The two committees cover the financial, monetary, structural and social issues on the international agenda and in the development process of a country, be it in crisis or non-crisis situations. A clear understanding of the mandates of the two committees and how they are interlinked is the starting point for securing close and efficient cooperation between the IMF and the World Bank.

DEVELOPING COUNTRIES AND THE INTERNATIONAL TRADE AGENDA

15. The private sector plays an important part in creating sustainable development. This is not least the case as regards trade. As we enter a new round of trade negotiations, we will be focusing in particular on ensuring that developing countries participate actively and with strength in the upcoming round of WTO negotiations. It is especially important to address the needs of the LDCs in the new round of negotiations.
16. Trade should not be regarded as isolated from the development measures implemented by the World Bank and others. Coherence between development assistance and trade policies will help to promote development. This interaction is illustrated in the Comprehensive Development Framework as well as in the great need for capacity-building in the developing countries, as this will enable these countries to participate in the negotiations and implement the policies agreed upon in the WTO and other relevant bodies.

17. Coordination among all the six organizations under the Integrated Framework for trade related technical assistance to Least Developed Countries is crucial. The existing arrangements should therefore be further implemented by integrating the framework in the organizations’ current activities. It is important that the Integrated Framework have a practical impact on the way the institutions work together. In this respect, further elaboration from staff would be welcomed on what the framework implies – or could potentially imply – for the Bank.

CLOSING REMARKS

18. The interlinkages between sound monetary, financial, social and structural issues, between trade and aid, between debt relief and development all show us the same thing. Not only must development take place in a concerted and coordinated way - it must also be part of a concerted and coordinated effort aiming at the same goal: creating sustainable development on a global level, with ownership on the country level.