



DET KONGELIGE
FINANSDEPARTEMENT

*Royal Ministry of Finance
The Minister of Finance*

Mr. Alistair Darling
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HM Treasury
1 Horse Guards Road
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Dear Colleague,

These trying times call for wise and timely action by policymakers globally. We are confronted with a severe economic and financial crisis that is affecting jobs and livelihoods for millions of people. The world economy is facing big challenges, and Norway welcomes the G20 devoting its full attention to the handling of the difficult issues raised by the crisis.

The crisis has revealed flaws in the regulation and supervision of the financial systems in several countries, and weaknesses in the risk management of financial institutions have been exposed. It is important to focus both on crisis management and on measures to prevent similar developments in the future. There is a need for increased transparency, international cooperation on supervision and better regulation of financial markets. Regulations should cover the whole financial market and be consistent between the different parts of the market. There are also lessons to be learnt for the formulation of macroeconomic policy.

With its broad competence, political support and established surveillance of member countries, it seems appropriate for the IMF to have a more comprehensive role in the surveillance of the financial markets. Steps should also be taken to ensure that the IMF is capable of meeting borrowing needs of member countries that might arise in the current crisis. To that end, Norway is exploring a possible contribution of financial resources to the IMF.

Capital flows to developing countries are now declining considerably. The role of the Multilateral Development Banks in helping developing countries gain access to finance

is vital. There is, however, also a need to develop guidelines and methodologies for counter-cyclical interventions, such as World Bank contributions to IMF-lead financial packages. Norway is prepared to consider the potential need for capital increases in the development banks on a case-by-case basis - within each Bank's own governance structure and processes.

In these difficult times, it is of the outmost importance that we do not repeat the faults of the 1930s and rebuild trade barriers. We should therefore reaffirm a strong stance against protectionism. Open trade is complementary to the monetary and fiscal stimulus currently being provided in most countries. Similarly, we should reaffirm a strong stance in favour of maintaining an open investment climate.

Of equal importance is that our work against the current economic and financial crisis does not weaken the combat against global warming. Climate change is a long term challenge, but calls for urgent actions. Norway is strongly committed to an international climate agreement in Copenhagen that will trigger a substantial reduction of the global emission of greenhouse gases. Furthermore, developed countries must live up to their commitments on development assistance. The Norwegian government remains committed to the Millennium Development goals, and is engaged in several initiatives - particularly in the field of health - to protect the most vulnerable groups from the effects of the crisis.

I think it is crucial that the G20-initiative is given an institutional and multilateral foundation. It is therefore important that the recommendations and initiatives offered by the G20 process are directed to and grounded in multilateral institutions with a broad country representation, notably the IMF, the Multilateral Development Banks and the UN at large.

Please, find enclosed for your information a Norwegian position paper on the main issues for the upcoming G20 meeting.

Yours sincerely,


Kristin Halvorsen