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Third World Debt: after the Okinawa summit

The G8 (Group of Eight industrialised countries) summit was held on the Japanese island of Okinawa between 21 – 23 July 2000. Among the items for discussion was the relatively slow pace that debt relief is being granted to some of the world's poorest countries, despite enhancement of the Heavily Indebted Poor Countries Initiative (HIPC-1) at the Cologne summit in 1999 (HIPC-2) in order to provide faster and deeper debt relief.

This Paper summarises the features of the Cologne debt package, including the main elements of the more generous HIPC-2. The Paper also compares the rate of progress in delivering debt relief under HIPC-2 against previously declared targets.

The Paper also updates the figures on indebtedness in *Cancellation of Third World Debt* Research Paper 98/81.

Mick Hillyard

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Summary of main points

At the G8 (Group of Eight industrialised countries)[1] summit in Cologne (18 to 20 June 1999), the G8 leaders agreed a new package of debt relief measures, known as the Cologne Debt Initiative. A key element of the Cologne Debt Initiative was enhancement of the Heavily Indebted Poor Countries Initiative (HIPC-1) so that the enhanced version (HIPC-2) would provide faster and deeper debt relief.

It was officially announced that this package could lead to a reduction of some $100 billion in nominal terms of external debts for 38 of the poorest countries. This package included $20 billion in debt relief on Overseas Development Assistance (ODA) loans, $30 billion for debt relief on outstanding export credits (so-called commercial loans), which had previously been offered under Naples terms[2] and $50 billion of debt relief provided under the Heavily Indebted Poor Countries Initiative (HIPC) Initiative.[3] In effect, the Cologne Debt Initiative increased the total amount of debt relief available to developing countries from about $53 billion to $100 billion in nominal terms.[4]

At the G8 summit at Okinawa in late July 2000, it was recognised that the pace of granting debt relief had been too slow, with only nine countries receiving interim debt relief under HIPC-2, against a target of 20 to 25 countries by the end of the year. And only one country, Uganda, received debt cancellation. Although recognising that the pace of debt relief was disappointing, the Prime Minister pointed out during his statement on the G8 summit that some progress had been made since Cologne and that the Cologne target of three-quarters (25 countries) could very nearly be met by the end of the year. He said:

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> If, in fact, we get the additional 11 countries through by the end of this year, we will have very nearly met the target that we set in Cologne last year.[5]

According to the G8 communiqué, the G8 governments agreed, amongst other things, to:

Push forward the Heavily Indebted Poor Countries (HIPC) debt initiative.[6]

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1 The Group of Seven (G7) major industrial countries comprises Canada, France, Germany, Italy, Japan, the United Kingdom, and the United States. G8 comprises G7 members plus Russia. Since the Birmingham Summit (1998) Russia has full participation at the summits, although the G7 groups and G8 groupings can still function at formal summits. For convenience, G8 is used rather than G7/8.

2 Under Naples Terms of debt relief indebted countries are given up to 67% debt relief.. Naples Terms superseded Trinidad Terms (up to 50%). The Paris Club agreed Naples Terms in July 1994 following the Naples (G7) Summit..

3 Further debt relief may be available if countries outside the Group of 7 industrialised countries also cancel their aid loans to HIPCs.

4 Apart from expressing figures in nominal terms, the IMF/World Bank often express figures in net present value (NPV) terms, either in 1998 or 1999 prices. In short, figures for the same group of countries may differ simply because the base has changed. Figures may of course also differ between sources owing to one source using more up to date figures. Unless otherwise stated NPV refers to 1998 prices.

5 The Prime Minister's statement to the House on the Okinawa summit, HC 24 July 2000 cc 774

6 *The G8 Okinawa summit Communiqué* http://www.g8kyushu-okinawa.go.jp/e/documents/commu.html July 2000

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I Background

The international debt crisis started in August 1982 when the government of Mexico informed its creditors that it was unable to service its vast foreign debts. Officially the debt crisis was over by 1994 for most middle income indebted countries. However, for a number of heavily indebted poor countries the problem of servicing their external debts continued.

A. Third World Debt

By 1994 the threat to the international banking system from the indebtedness of a number of middle income countries was slight, and in this sense the debt crisis was over for these countries. However, for some 40 plus severely indebted countries, many in sub-Saharan Africa, there remained little or no prospect of them fully repaying their external debts. These poor countries are indebted mainly to creditor governments[7] and multilateral institutions, such as the Regional Development Banks and the IMF/World Bank, rather than commercial banks.

Appendix 1 sets out some basic statistics for the 40 Heavily Indebted Poor Countries (HIPCs). According to the World Bank, the 40 most HIPCs have external debts totalling some \$213 billion compared with \$2,500 billion owed by all developing countries. Despite a number of initiatives to relieve the debt burden of these poorest countries, the case for yet further debt relief has been increasingly recognised.[8] The cancellation of unpayable debt of the heavily indebted poor countries has attracted a great deal of interest and has been promoted by some non-governmental organisations, especially the Jubilee 2000 Coalition, as an appropriate way of celebrating the Millennium. In addition to the 40 HIPCs, Jubilee 2000 is also campaigning for debt cancellation for a further 12 countries, including Nigeria.[9]

B. Putting debt relief in perspective

According to the World Bank's *Global Development Finance*, the debt of the HIPC was, on average, more than four times their annual export earnings, and 120 percent of GNP. However, as the World Bank makes clear, behind these figures lies a human tragedy.

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[7] Bilateral official debts were incurred as a result of the export credit agencies in creditor countries (e.g. the UK's ECGD) paying claims from insured exporters when they failed to receive payments from their foreign buyers. Some bilateral official debts may represent the residual of old aid loans, although these are increasingly being cancelled.

[8] There have been a number of initiatives to alleviate the burden of debt. The various plans are outlined in the Research Paper: *Cancellation of Third World Debt,* Research Paper 98/81.

[9] Further details are available on the Jubilee 2000 website.

> HIPCs are among the poorest countries on earth. Of the 600 million people in HIPC countries, more than one-half live in absolute poverty, defined as living on less than one dollar per day. The average person in a HIPC lives some 13 years less than in developing countries overall, and 7 years less than in other low-income countries. Many more infants will die either at birth or before they reach the age of five than in other developing countries, and far fewer will go to school. Unlike much of the rest of the developing world, the vast majority of people living in HIPCs have seen no improvement in their lives for more than two decades.[10]

According to the IMF, there are some misconceptions about the position of HIPCs. In order to put debt relief into perspective, the IMF produced a short note setting out some key facts. This note is reproduced below:

> Much has been written on the position of heavily indebted poor countries (HIPCs). However, many of the recent reports convey a mistaken impression. To set the record straight:
>
> · HIPCs on average receive twice as much by way of aid flows than they pay by way of debt service. In some countries-such as Mozambique, Tanzania, and Uganda-the ratio is much higher.
>
> · For most HIPCs, budgetary spending on health and education is larger than actual debt-service payments (as opposed to debt service due but not paid).
>
> · Under Enhanced Structural Adjustment Facility (ESAF)-supported programs over the last ten years, health and education spending has risen by average of 5 percent a year in real terms.[11]
>
> · In Mozambique, health and education spending in 1998 was larger (at over $120 million) than debt service paid ($104 million). (And this spending excludes capital spending financed by aid flows.) In 2000, we estimate that if agreement was reached on an enhanced HIPC Initiative along the lines discussed by the G-7 at Cologne, health and education spending would be more than three times debt service paid after HIPC Initiative assistance.[12]

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[10] *Global Development Finance 2000,* World Bank

[11] Through ESAF, the IMF provides assistance on low interest rate terms to low-income member countries, in support of economic adjustment and structural reforms. ESAF has been renamed Poverty Reduction Growth Facility (PRGF).

[12] *Putting Debt Relief in Perspective: Aid Flows, Debt Service, and Social Spending* IMF, June 24, 1999

II Heavily Indebted Poor Countries (HIPC) Initiative

A. HIPC-1: September 1996

The IMF/World Bank endorsed the original HIPC initiative (HIPC-1) in September 1996. HIPC-1 was designed to provide:

> exceptional assistance to eligible countries following sound economic policies to help them reduce their external debt burden to sustainable levels. That is, to levels that will comfortably enable them to service their debt through export earnings, aid, and capital inflows. This assistance will entail a reduction in the net present value (NPV) of the future claims on the indebted country. Such assistance will help to provide the incentive for investment and broaden domestic support for policy reforms. [13]

HIPCs are countries that have a GNP per capita of less than $695 and a net present value (NPV) of debt in 1993 equivalent to more than 220 per cent of exports or 80 per cent of GNP.[14] The aim of the initiative was to reduce the debt burdens of eligible countries to sustainable levels; a level of debt they could afford to service. A defining aspect of the HIPC Initiative was that for the first time debt relief was extended to debt that was owed to international financial institutions, such as the IMF and the World Bank.[15]

A country had to satisfy a set of criteria to be eligible for special assistance under the HIPC Initiative and wait six years before debt cancellation was provided. In order to qualify for entry into the Initiative, countries had to be eligible for concessional finance from the IMF Enhanced Structural Adjustment Facility (ESAF) and World Bank International Development Association (IDA), and have embarked upon a programme of economic reform supported by the IMF ESAF.[16]

A second test was for indebted countries to undergo a maximum period of three years of economic reform, supported by ESAF and traditional concessional assistance from all relevant donors and multilateral institutions, as well as debt relief from bilateral creditors (including the Paris Club). This phase would culminate in the decision point, at which time an assessment would be made of the likely requirement for relief of bilateral and multilateral debts.

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13 *Debt Initiative for the Heavily Indebted Poor Countries (HIPCs)*, IMF, April 7, 2000

14 Net present value (NPV) is the sum that is required to be invested now at the prevailing interest rates in order to generate the equivalent sum to match fully the debt payments over future years.

15 Details on the HIPC Initiative are available from a number of sources. For example, see the websites of the IMF (www.imf.org), Jubilee 2000 (www.jubilee2000.org.uk) or the International Development Committee (www.parliament.uk).

16 See Research Paper 98/81 and *Debt Relief and the Cologne G8 Summit*, Fourth Report by the International Development Committee (IDC), HC 470 1998-99

Once judged eligible for assistance under HIPC-1, a country had to pass a third test involving a further three-year track record of good performance under IMF/World Bank-supported programmes. This three-year phase culminated in the completion point at which point final assistance (in the form of debt cancellation) would be provided. During this phase, bilateral and commercial creditors would generally be expected to reschedule obligations falling due, with up to 80 percent reduction in net present value terms, which was more generous than was previously the case. Multilateral creditors would be able to advance some of the assistance planned for the completion point.[17]

Typically, therefore, under HIPC-1 countries would have had to wait six years to get the level of debt relief that they were assessed to need.

It is important to note that when a country is classified as a HIPC it simply means that it is potentially eligible for debt relief under the HIPC initiative. For debt relief to be granted, a HIPC would need to pass the various tests. There are currently 40 countries classified as HIPC[18] of which 36 have been assessed as having unsustainable debt levels.[19] Appendix 1 shows the various country groupings.

However, very early on HIPC-1 attracted criticism and, in the tradition of previous debt relief plans, was widely seen as providing too little debt relief too slowly to too few countries even though it had been designed to take account of such shortcomings.[20]

> The HIPC Initiative reflected a decision to undertake deeper cuts, in a shorter time frame, and attached to significant policy redirection, yielding a significant reduction in debt burdens.[21]

B. Reviews of HIPC-1

In September 1998 after widespread pressure, including from the UK government, the Executive Boards of the IMF and World Bank reviewed the implementation of the HIPC Initiative and agreed to extend the initial deadline for countries to enter the first phase

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17 *ibid* and the IMF website (http://www.imf.org/external/np/hipc/hipc.htm), July 2000

18 The 40 Heavily Indebted Poor Countries are set out in appendix 1. Originally there were 41 HIPCs. Nigeria and Ghana, which were originally included on the list, are now non-HIPC on the grounds that they are not eligible for purely concessional loans (i.e. IDA only). Malawi was added to the list following a Debt Sustainability Analysis in 1998. Debt relief under HIPC will not be available to Ghana since it has stated that it is not seeking relief under HIPC. Liberia, Somalia, and Sudan are excluded from creditor-specific costing breakdowns because of the relatively poor database and uncertainty regarding the treatment of their large arrears. In short, the costings apply to 36 HIPC.

19 Countries not classified as HIPC may nevertheless receive assistance with their debt from the Paris Club of official bilateral creditors. There are a variety of terms that may be offered to a debtor country, in the form of debt reduction for the poorest countries and debt rescheduling. HC Deb 19 January 2000 cc479-80W

20 HIPC were already receiving from debt relief under the so-called traditional methods such as Paris Club re-negotiations, cancellation of aid debts and commercial bank debt buy-backs which gave discounts of about 85 percent.

21 *Global Development Finance 2000*, World Bank

from September 1998 to December 2000. During their discussions, the Boards emphasised the link between debt relief and policies to promote social development in HIPC countries. An additional element of flexibility was also agreed which allowed post-conflict countries to use programmes supported by post-conflict emergency assistance from the IMF to count, on a case-by-case basis, as part of the first phase track record.

Despite these changes member governments of the IMF and non-governmental organisations called for further revisions to the HIPC Initiative. The IMF described the position in a paper in July 1999:

> In response to this criticism the IMF and World Bank prepared a paper on options for changing the HIPC Initiative in April 1999. Subsequently, the Interim and Development Committees endorsed a strengthening of the current framework of the Initiative to provide deeper debt relief in a way that strengthens the incentives to adopt and implement economic and social reform programs, and provides a clear exit from unsustainable debt burdens. Proposals to enhance the framework of the HIPC Initiative will be considered by the IMF and World Bank Boards in the run-up to the IMF-World Bank Annual Meetings in late September.
>
> In this context, the IMF and World Bank have launched a two-stage consultative process and, through their web sites requested the views of interested parties on the HIPC Initiative.
>
> The Initiative is not a panacea and cannot solve all the problems of the heavily indebted poor countries. Even if all of the external debts of these countries were forgiven, most would still depend on significant levels of concessional external assistance; their receipts of such assistance have been much larger than their debt-service payments for many years.[22]

As part of the first phase, the staffs of IDA and the IMF prepared a paper entitled *Heavily Indebted Poor Countries (HIPC) Initiative: Perspectives on the Current Framework and Options for Change*.[23] The paper considered the effect of changing various aspects of the HIPC Initiative, reflecting the international consensus that more debt relief was required for countries committed to eradicating poverty.

Under the second phase of the HIPC review, views were sought on how to strengthen the link between debt relief and poverty reduction in the HIPC Initiative.[24] Subsequent proposals were agreed at the Cologne summit in June 1999 (see below) and endorsed by

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22 *Debt Initiative for the Heavily Indebted Poor Countries (HIPCs)*, IMF, 28 July 1999

23 The paper was supplemented by a note on costings as well as a joint statement by the Managements of the Bank and Fund on guiding principles that could be used to assess the various proposals for changing the current framework.

24 *Joint DFID and Treasury papers to the Review team*, setting out UK ideas and proposals are available in the Library.

the World Bank and Fund Boards in early September 1999 and at the IMF-World Bank Annual Meetings in late September 1999. The Bank and Fund Boards concluded that:

- HIPC Initiative debt relief must be closely linked to poverty reduction strategies.
- Transparency and accountability were important features of any poverty reduction strategy and would help ensure effective use of debt relief.
- Poverty reduction strategies should be based on clear goals and indicators.
- A new comprehensive vehicle - a Poverty Reduction Strategy Paper (PRSP) - would be introduced to strengthen countries' poverty reduction efforts and the effectiveness of the assistance of the IMF and Bank. In principle, a PRSP should be in place when a country reached its decision point under the HIPC Initiative. However, in the transition period, the decision point could take place while a PRSP was being formulated, provided progress in implementation of the PRSP is made before the completion point.

The UK's papers on the review have been deposited in the Library and are available on the Internet.[25] It was widely expected that a more generous debt strategy would be agreed at the Cologne summit.

III G8 Cologne summit: Cologne Debt Initiative

At the G8 summit in Cologne (18 to 20 June 1999), the G8 leaders agreed a new package of debt relief measures, amounting to $100 billion in nominal terms,[26] known as the Cologne Debt Initiative. Among the elements of the Cologne debt package was HIPC-2, which is an enhanced version of the original HIPC-1. According to the IMF:

> The [Cologne Debt] Initiative is a comprehensive, integrated, and co-ordinated approach to debt reduction that requires the participation of all creditors—bilateral, multilateral, and commercial. Central to the Initiative is the country's

[25] *Review of the HIPCI: Phase 1: UK Papers*, DFID, 1999, Deposited Papers 99/1376. See also DFID website.

[26] When something is expressed in nominal terms it is simply the face value of the debt. It is important to distinguish this from net present value (NPV). Net present value is an economic concept that is often used when dealing with debt relief. Net present value is the value now of a sum, or sums, of money arising in the future. A given sum of money is worth more now than in the future, both because of uncertainty and because it could be invested now to produce a greater sum in the future. A given sum of money is also worth more now than in the future because of inflation. However, the concept of net present value would be relevant even in a world free of inflation. Converting nominal to NPV is an imprecise art and depends upon the terms of the individual debts. As a rough and ready rule, these nominal debt figures can be divided by 1.8 to find an estimate in NPV terms. Thus as a rough guide, the $100 billion is close to $60 billion when expressed in NPV.

> continued effort toward macroeconomic adjustment and structural and social policy reforms. In addition, the Initiative focuses on ensuring additional finance for social sector programs—primarily basic health and education.

The central objective of the debt relief initiative was to provide a greater focus on poverty reduction by releasing resources for investment in health, education and social needs.[27] According to the *Financial Times*:

> This [plan] should guarantee far more debt relief, but only where it will be well used by the recipients.[28]

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27 See *The G8 Cologne summit Communiqué,* 1999 (Final)

28 "Group of Seven", *Financial Times,* (editorial), 14 June 1999

A. Main Features

The main features of the Cologne Debt Initiative are outlined in table 1.

Table 1

The Main Points of Cologne Debt Initiative

	Pre- Cologne	**New relief agreed under Cologne**	**Post Cologne total package**
Paris Club debt relief:	$30bn of debt relief is expected to be given under traditional (Naples)[29] terms.	-	$30 bn
HIPC initiative	HIPC-1 Initiative in process, with some $12½bn (NPV) or $22½ bn (in nominal terms) supposedly in place	More generous terms agreed, so that the overall costs of the HIPC-2, rose from just over $12½ bn to some $27bn (NPV).	HIPC-2 is estimated to be worth $27bn (NPV) or some $50bn (nominal) package, which represents the cost to the international community, and is split roughly 50/50 between bilateral creditors and multilateral institutions.
Aid Debts:	-	All G7 aid debts to HIPCs to be cancelled (guesstimate: $20 bn in nominal) and request that non-G7 countries cancel aid debts to HIPCs. This latter relief could amount to another $20 bn.[30]	$20 bn
Total[31]	**$53 bn**	**$47 bn**	**$100bn**

Overall, under the plan the stock of external debt of some 38 qualifying HIPCs should fall by $100 billion to between $60 billion and $80 billion in nominal terms ($44 billion to $33 billion in net present value (NPV) respectively).[32] As set out above, this $100 billion

[29] Under Naples terms debt relief of up to two thirds of eligible debts is available.

[30] DFID has cancelled the debts of over 30 countries, worth over £1.2 billion since 1978. In September 1997, the UK launched the Commonwealth Debt Initiative, announcing that remaining aid debt due to the UK from lower income Commonwealth countries would, subject to certain conditions, be cancelled. HC Deb 27 April 1999 c136W. The UK has cancelled practically all its aid loans to HIPCs. There is less than £100, 000 outstanding to one country.

[31] Nominal terms.

[32] Different country groupings are possible since not all 40 HIPCs are expected to qualify. On the previous calculations the value of the debt relief under HIPC Initiative amounted to $12.5 billion. See *IMF News Brief No. 99/33 June 22 1999 and Supplement Costings, table 5*, IMF website. However, to the extent that the HIPC Initiative had previously failed to deliver this relief it could be argued that the $27 billion would be an extra cost. Any bilateral debt forgiveness of official aid would be additional to this. For example, see *UK Chancellor spells out reforms which could cancel two-thirds of the poorest countries' official debts*, Treasury press release 100/99, 17 June 1999.

package includes $20 billion in debt relief on Overseas Development Assistance (ODA) loans,[33] $30 billion of debt relief on outstanding export credits and $50 billion in the form of revisions to HIPC-1 so that more generous relief on multilateral and bilateral debts could be provided under its successor, (HIPC-2).[34] In effect, the Cologne Debt Initiative increases the total amount of debt relief available to developing countries from about $53 billion to $100 billion in nominal terms, with some $47 billion is presented as new debt relief.[35] A figure of $100 billion is often quoted, although some commentators prefer to refer to $70 billion by excluding the $30 billion of traditional debt relief on the grounds that this was previously agreed.

Despite the increase in debt relief provided by the Cologne package, the Prime Minister told the House at the time of the Cologne summit:

> I would like to see us go further still on debt; it is an issue whose time has come. I will personally do whatever I can to make that happen. However, the impact of the agreement that we reached this weekend should not be underestimated: more than two thirds of the official debt owed by the world's poorest countries will now be completely written off.[36]

A key feature of the modifications to HIPC-2 under the Cologne package is that debt relief assistance, in the form of interim relief on debt service payments, can be given after a maximum three year track record instead of six years under HIPC-1. Countries still have to wait up to six years for debt stocks to be cut to the assessed sustainable levels.[37]

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33 There is also the vague possibility of more debt relief if non-G-7 countries cancel their ODA debt to HIPCs.

34 Further debt relief may be available if countries outside the Group of 7 industrialised countries also cancel their aid loans to HIPCs.

35 The figure of $47 billion of new debt relief combines $27½ billion for the difference between HIPC-1 and HIPC-2 plus the $20 billion for ODA loans.

36 HC Deb 21 June 1999 c762

37 Interim relief in the form of lower debt service payments will have a similar effect as debt cancellation. During the phase of interim debt service relief the creditor meets the debt service payments themselves which has the effect of a debt stock reduction. Some debtor countries may wish to make the choice between having lower debt service payments or debt stock reductions. For example, earlier relief on the debt service payments may provide support for health and education programmes more quickly than debt stock reductions.

B. Detailed elements of the Cologne Debt Initiative

The Cologne Debt Initiative comprises the following elements (some new, some old and some enhancements).

a. Debtors will continue to be considered for Naples terms

- Debtor countries will continue to be considered for debt relief on Naples terms, which could result in two-thirds of eligible debts being cancelled. Nominal value of this debt relief is provisionally estimated at $30 billion.

b. More generous traditional debt relief within HIPC-2:[38]

- After Naples terms are given, Paris Club creditors then apply further debt relief on a burden-sharing basis, with G-7 countries offering up to 90% debt relief on eligible debts, or even more in individual cases. .[39]

c. Easier qualifying terms for debt relief under HIPC-2:

- Qualifying thresholds were lowered from 40 to 30 percent in the case of the export-to-GDP ratio, and from 20 to 15 percent in the case of the public revenue-to-GDP ratio.
- Agreement to reduce the target for the ratio of net present value of debt to exports in indebted countries to 150 per cent from a range of 200 to 250 per cent.
- Agreement to reduce the target for the ratio of debt to government revenues from 280 per cent to 250 per cent.

d. Quicker debt relief under HIPC-2:

- Assistance in the form of interim relief on debt service payments to be given after a maximum three year track record instead of six years under HIPC-1, although countries will have to wait up to six years for debt stocks to be cut to the target levels.[40] This aspect of granting interim debt relief was proposed by the UK

[38] A major feature of the Cologne Debt Initiative is a more generous framework for the Heavily Indebted Poor Countries Initiative (HIPCI). This revision to the HIPCI is referred to as HIPCI-2.

[39] On 29 September 1999 the US governments announced that 100% debt relief on export credits could be available. The UK government has also announced a similar commitment. More details are given later. For poor countries not qualifying under the HIPC Initiative, the Paris Club could consider a unified 67 per cent reduction under Naples terms and, for other debtor countries, an increase of the existing limit on debt swap operations. See Communiqué. *The Cologne Debt Initiative*, Focus International (formerly Briefing Paper) Foreign and Commonwealth August 1999

[40] Interim relief in the form of lower debt service payments will have similar effect as debt cancellation. During the phase of interim debt service relief the creditor meets the debt service payments themselves which has the effect of a debt stock reduction. Some debtor countries may wish to make the choice between having lower debt service payments or debt stock reductions. For example, earlier relief on the debt service payments may provide support for health and education programmes earlier than debt stock reductions. As the UK Treasury makes clear: the balance between stock and flow relief is an important

Government with a view that it would release much needed resources for anti-poverty spending.[41]

- Interim debt relief could be available from the IMF and IDA provided that the country stays on track with its IMF - and IDA - supported programme. In addition, Paris Club creditors, and possibly others, are expected to grant debt relief on highly concessional terms.
- At the end of the second stage, when the completion point has been reached, the IMF and IDA will provide the remainder of the committed debt relief in the form of debt cancellation. Paris Club creditors will also consider granting highly concessional debt cancellation to the country involved. Other multilateral and bilateral creditors will need to contribute to the debt relief on comparable terms.[42]

e. More debt relief:

- Overseas development assistance (oda) debt owed by HIPC to G-7 countries, with an estimated nominal value of $20 billion, to be cancelled.
- Overseas development assistance debt, owed by HIPC to non-G-7 countries, possibly up to a nominal value of $20 billion, may also be cancelled.

f. New strategies for poverty reduction:

- Debtor countries will need to demonstrate that debt relief will be used to reduce poverty.
- Poverty Reduction Strategies will be prepared by the governments of the countries themselves, in consultation with representatives from civil society, and working with officials from the World Bank and the IMF.
- Resources are expected to be targeted on providing basic education and health, including prevention and treatment of AIDS and measures to reduce infant mortality.

Jubilee 2000, which has been campaigning for debt cancellation for a number of years, also estimates that the total debt relief package is valued at about $100 billion in nominal terms, although it estimates that about $50 billion was already on offer. Like other debt campaigners, such as Christian Aid, Jubilee 2000 also calls for debt cancellation to be extended to some 52 countries and not just the 33 to 38 countries that formed the basis of costings for HIPC-2. According to Christian Aid:

> The 52 of the world's poorest countries owe the rich world something in the region of £213 billion (US$355 billion). Annual repayments total £14 billion (US$23.4 billion) - the majority of this from countries where most people are living on less than one dollar a day.[43]

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issue for the country. It is also important to creditors planning how to absorb debt reduction. [Source: A UK's submission to phase two of the HIPC review]

41 The balance between debt stock cancellation and debt service reductions is also important to creditors planning how to absorb debt reduction

42 IMF website (www.imf.org), July 2000

43 See http://www.oneworld.org, July 2000

Summary of Key Terms of the Initiative

Decision point: Time when the Executive Boards of the World Bank and the IMF formally decide on a country's eligibility and assistance under the Initiative and the point at which this assistance is calculated. This point would typically be reached after three years of sound performance under IMF- and World Bank-supported adjustment programs.

Completion point: A point at which the country receives the bulk of its assistance under the HIPC Initiative. Under the original HIPC Initiative framework, the timing depended on the completion of a second track record period of good performance, the length of which was specified at the decision point.[44] Under the enhanced Initiative, the "floating" completion point is reached when the Boards of both institutions decide that the country has met the pre-agreed conditions for assistance under the Initiative, including in structural reforms, macroeconomic stability and implementation of its poverty reduction strategy paper (PRSP).

Second stage: Period between decision and completion points. The commitment of assistance would be made at the decision point, based on the country's debt burden at the decision point, and the assistance would be delivered at the completion point. Some creditors may provide interim assistance during the second stage.[45]

Modalities: Creditors are free to deliver this assistance according to their own modalities. Possible methods include up-front debt reduction or debt-service reduction (e.g., from the Paris Club), debt-service reduction (World Bank), or grants used to service debt as it falls due (IMF).

Source: World Bank

Christian Aid states that although official creditors have agreed to cancel $100 billion, "poor countries need $300 billion of debt cancelled". Therefore, "rich leaders have so far agreed to cancel "a third of what is needed!"[46] That $100 billion represents only a third of what is needed is based on Christian Aid's own estimate of what indebted countries need to spend on development in order to meet internationally agreed developmental targets.

44 This second phase is usually another 3 years, making 6 years before reaching completion point.

45 The interim relief is usually in the form of relief on debt service payments, which has much the same effect as a reduction in the stock of debt, which is provided at the completion point. However, interim debt relief is only provided by the IMF, World Bank and Paris Club members. Regional Banks are not providing interim relief as yet, which restricts its availability.

46 Christian aid website (www.christian-aid.org.uk), July 2000

The UK Treasury estimates that up to 67% of the poorest HIPC countries' official debts would be cancelled, depending upon the definition of debt used.[47] The figure of two-thirds of eligible official debt excludes publicly guaranteed debt.

It is important to note that **debt cancellation** occurs at the end of the HIPC-2 process, at the completion point. However, prior to that point, indebted countries are likely to receive interim debt relief at the decision point as creditors forgo debt service payments for eligible debt. The effect on the cash flow of indebted countries should be the same regardless of whether the assistance is given in the form of debt service relief or debt cancellation. Both forms of debt relief will release funds for poverty reduction compared with full debt service payments. By the start of the Okinawa summit, creditors had agreed interim debt relief for nine countries, of which one (Uganda) had reached the completion point under HIPC-2 and received cancellation of some of its debt stock. Although the effect on cash flow may be the same for both forms of debt relief, there are two major differences between giving assistance by debt cancellation and interim debt relief. First, debt cancellation is irrevocable whereas interim debt relief is conditional on continued good policies by indebted governments with a strong focus on poverty reduction. Second, the nominal value of the "debt overhang" of external debt will only be reduced when the debt is actually cancelled at the completion point. Given that debt servicing is essentially being forgiven under interim debt relief, the continued existence of an "overhang" of external debt is unlikely to have much effect on the indebted country in the short term.

In a move that will provide additional debt relief to HIPC, G7 creditors have individually announced their intention to cancel 100% of eligible bilateral debts to qualifying HIPC. President Clinton announced at the IMF-World Bank meeting in September 1999 that the US Government would make it possible for eligible indebted countries to receive 100 percent debt cancellation on **bilateral** debts owed to the US. On 21 December 1999 the Chancellor, Gordon Brown, and International Development Secretary, Clare Short, announced that the UK Government will, subject to certain conditions, cancel 100% of all official **bilateral** debts owed to the UK by the world's poorest countries. In short, under the UK's policy of 100 per cent debt forgiveness, once countries have reached their decision point under HIPC-2, they can immediately stop making payments on all their outstanding debts to the UK Government. Of the nine countries that have reached their decision point under HIPC-2, eight owed money to the UK. For these countries all payments to the UK Government have now ceased. A further 11 countries are expected to reach decision point by the end of 2000. When they do, the total amount that the UK Government would be writing off for these 20 countries would be £659 million.[48]

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[47] "Chancellor spells out reforms which could cancel two-thirds of the poorest countries' official debts", UK Treasury press release, 100/99, 17 June 1999.

[48] HC Deb 28 July 2000 c964W

All G7 creditors have now announced plans to cancel 100% of eligible debts. The cancellation of bilateral debts to 100% is additional to the Cologne debt initiative.

IV G8 Okinawa summit

> **The Prime Minister** told the House:
> Debt relief is important, but I am completely convinced of one thing--unless all the problems are tackled together, debt relief on its own will not do the business and will not produce the goods in Africa. We need to deal with the problems of health, trade and untying aid. We also need to deal with the problems of information technology.[49]
>
> *Financial Times:*
> For the first time, in the Okinawa summit communiqué, the G8 has made an explicit
> acknowledgement that the problems of debt, health and education are inextricably linked, and at the heart of the economic challenges facing underdeveloped countries.[50]

The G8 summit was held on the Japanese island of Okinawa between 21 – 23 July 2000.[51] It had been agreed that the Okinawa summit would discuss the progress - or more accurately the lack of progress - of HIPC-2. When the Prime Minister met the Japanese Prime Minister in April 2000 in the run up to the summit, it was reported that they both agreed on the importance of discussing debt issues in Okinawa.[52] Lord McIntosh outlined the UK Government's position to the Lords:

> My Lords, debt is an important issue on the Okinawa Summit agenda. Heads of Government plan to review and encourage progress on the HIPC debt relief initiative with a view to meeting the target set at last year's Cologne Summit of seeing three-quarters of eligible countries receiving debt relief by the end of this year. The UK Government remain committed to this target and will continue to do all they can to ensure that these countries receive the debt relief they so urgently need.
>
> The UK has taken a leading role in the development of the HIPC debt relief initiative and our bilateral policy of 100 per cent debt forgiveness underlines our commitment.[53]

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[49] HC Deb 24 July 2000 cc773-4
[50] "Debt, disease and development", *Financial Times*, (editorial) 25 July 2000
[51] *The G8 Okinawa summit Communiqué* has been deposited in the Library and the Prime Minister made his statement on the summit on HC Deb 24 July 2000 cc 763-777.
[52] HC Deb 17 May 2000 c264W
[53] HL Deb 20 June 2000 c154

Lord McIntosh also said that UK officials had been working to get debt on the agenda and that the UK Government would be

> pushing hard for a better outcome from HIPC 2.[54]

In his statement on his return from the summit the Prime Minister told the House:

> The G8 agreed to make a renewed effort to implement the Cologne agreement on debt relief. Already, nine countries receive additional relief under the heavily indebted poor countries scheme, worth more than $15 billion. We agreed to quicken the process to get another 11 countries through to decision point by the end of this year--a further $20 billion of debt relief--and to reach out to the countries currently in conflict to see how they can be brought into the process.[55]

Although recognising that the pace of debt relief had been disappointing, the Prime Minister pointed out there that some progress had been made since Cologne and that the Cologne target of three-quarters could very nearly be met by the end of the year. He said:

> If, in fact, we get the additional 11 countries through by the end of this year, we will have very nearly met the target that we set in Cologne last year.[56]

The Prime Minister told the House:

> The right hon. Gentleman mentioned the $100 billion Cologne target. However, only £50 billion of that is the HIPC initiative, with the rest being commercial debt and so on. I shall break down that $50 billion. Currently, with the nine countries that have gone through the process, there has been $15 billion of debt relief. If the 11 other countries get through the process by the end of the year, $35 billion of the $50 billion will be used for relief. That is very much approximating what we said at Cologne we would do. The other $15 billion is really to do with the countries that are in conflict.
>
> Therefore, although I understand the frustration of all the campaigners on the issue and support very much the work of organisations such as Jubilee 2000 - as the right hon. Gentleman knows, we have been at the forefront on these issues for the past couple of years - we have to make it clear that in some countries there are problems which prevent us from getting that money through. [57]

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54 HL Deb 20 June 2000 c155
55 HC Deb 24 July 2000 c763
56 The Prime Minister’s statement to the House on the Okinawa summit, HC Deb 24 July 2000 cc 774
57 HC Deb 24 July 2000 cc 768-9

Reproduced below is the extract from the G8 Okinawa summit communiqué relating to debt:

> Last year in Cologne, we agreed to launch the Enhanced HIPC Initiative to deliver faster, broader and deeper debt relief, releasing funds for investment in national poverty reduction strategies. We welcome endorsement of this initiative by the international community last autumn.
>
> Since then, while further efforts are required, progress has been made in implementing the Enhanced HIPC Initiative. Nine countries (Benin, Bolivia, Burkina Faso, Honduras, Mauritania, Mozambique, Senegal, Tanzania and Uganda) have already reached their Decision Points and are seeing the benefits of the Initiative. Total debt relief under the HIPC Initiative for these countries should amount to more than US$15 billion in nominal terms (US$8.6 billion in Net Present Value).
>
> We welcome the efforts being made by HIPCs to develop comprehensive and country-owned poverty reduction strategies through a participatory process involving civil society. IFIs should, along with other donors, help HIPCs prepare PRSPs and assist their financial resource management by providing technical assistance. We are concerned by the fact that a number of HIPCs are currently affected by military conflicts which prevent poverty reduction and delay debt relief. We call upon these countries to end their involvement in conflicts and to embark quickly upon the HIPC process. We agree to strengthen our efforts to help them prepare and come forward for debt relief, by asking our Ministers to make early contact with the countries in conflict to encourage them to create the right conditions to participate in the HIPC Initiative. We will work together to ensure that as many countries as possible reach their Decision Points, in line with the targets set in Cologne, giving due consideration to the progress of economic reforms and the need to ensure that the benefits of debt relief are targeted to assist the poor and most vulnerable. We will work expeditiously together with HIPCs and the IFIs to realise the expectation that 20 countries will reach the Decision Point within the framework of the Enhanced HIPC Initiative by the end of this year. In this regard, we welcome the establishment of the Joint Implementation Committee by the World Bank and the IMF. We for our part will promote more responsible lending and borrowing practices to ensure that HIPCs will not again be burdened by unsupportable debt.
>
> We note the progress made in securing the required financing of the IFIs for effective implementation of the Enhanced HIPC Initiative, and welcome pledges including those to the HIPC Trust Fund. We reaffirm our commitment to make available as quickly as possible the resources we have pledged in the spirit of fair burden sharing.[58]

[58] *The G8 Okinawa summit Communiqué* http://www.g8kyushu-okinawa.go.jp/e/documents/commu.html), July 2000

The G8 governments agreed, amongst other things, to:

> Push forward the Heavily Indebted Poor Countries (HIPC) debt initiative.[59]

The G8 governments also agreed to support concrete quantitative targets for reducing deaths from AIDS, malaria and tuberculosis by 25 to 50 per cent over the next decade and backed those up with a commitment to provide increased resources.[60] The US government announced a $300m programme to provide school meals for children in the developing world.

V Assessment of the Cologne Debt Initiative

It is perhaps timely to assess the Cologne Debt Initiative, incorporating HIPC-2, in terms of the amount of debt relief provided and the number of countries receiving debt relief since the debt package was agreed in Cologne in June 1999.

A. Aggregate figures

The debt relief measures agreed at Cologne and endorsed at Washington were based on aggregate figures. The figures were set out to the House by the Chancellor:

> Subject to the terms of the agreement, two thirds of the official debt of the poorest countries will be written off. That includes £20 billion in Overseas Development Administration loans, $30 billion from the previous package--for which my predecessor as Chancellor should be congratulated on leading the way several years ago--and £50 billion, or $70 billion, as a result of the negotiations.[61]

As noted above, in total, the package will reduce the nominal value of third world debt by some $100 billion, or some two thirds of HIPC debt. According to the Secretary of State for International Development, Clare Short, the proportion of debt relief is about right. Clare Short said:

> Countries have to be responsible about their borrowing, but HIPC will reduce it to reasonable proportions. [...] Beyond that, we should help countries to get their debt down to manageable proportions and to drive forward by borrowing wisely and receiving aid, not focusing on ever-increasing amounts of debt relief. HIPC is about right and we should speed up implementation. [62]

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59 *The G8 Okinawa summit Communiqué*
60 HC Deb 24 Jul 2000 cc 763-4
61 HC Deb 24 June 1999 cc1275-6
62 Clare Short, HC Deb 1 March 2000 c 413

To put the amount of debt relief into context, the total debt package of $100 billion (or £70bn), is broadly equivalent to about 2,000 years of donations to Christian Aid.[63] However, as noted above, to date, total committed assistance is estimated by the IMF as about $15.5 billion (nominal), representing an average NPV stock-of-debt reduction of 45 percent on top of traditional debt relief mechanisms.[64]

B. The number of countries qualifying for debt relief

There are 40 HIPC countries of which 36 have unsustainable debt burdens and are expected to qualify for assistance under the enhanced HIPC Initiative.[65] The four countries that have been assessed as having sustainable debt burdens are Angola, Kenya,Vietnam and Republic of Yemen. The different country grouping are set out in appendix 1.

In April 2000, the IMF reported that of the 36 countries with unsustainable debt burdens **up to 20** countries were expected to reach their decision point before the end of 2000 and be provided with interim debt relief.

> It is expected that potentially up to 20 countries could reach their respective decision point by the end-2000. The actual timing of HIPC Initiative country documents will largely be dependent on performance of reform programs and the pace at which countries are able to prepare their interim-PRSPs (Poverty Reduction Strategy Papers).[66]

This is a lower target than was previously set. For example, the Cologne summit called for the international financial institutions (IFIs) and the Paris Club to ensure that three quarters (about 25) of eligible countries reached their decision point (when interim debt would be relief given) by the year 2000.[67] The UK Chancellor's debt initiative launched in 1997, known as the Mauritius Mandate also aimed for three-quarters of eligible countries to have reached their decision points by the end of 2000.[68]

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63 According to figures on Christian Aid's website, donations and appeals amounted to some £32 million in the latest year.

64 *Benin to Receive Around $460 Million in Debt Service Relief: IMF and World Bank Support Debt Relief for Benin Under the Enhanced HIPC Initiative*, IMF press release, 00/44, 18 July 2000

65 Twenty-nine countries are sub-Saharan African countries. Of the 36 countries, 9 are retroactive cases, which means that the countries had already reached their decision points under HIPC-1 and are being re-assessed to determine additional assistance under HIPC-2. .

66 *Background Note on the Timetable for the Implementation of the Initiative for the Heavily Indebted Poor Countries (HIPCs)*, IMF, 14 April 2000

67 HC Deb 13 July 1999 c186W

68 Mauritius Mandate was out in a speech to Commonwealth Finance Ministers 1997. Given that the HIPC-2 related to 33 HIPC, then a target of three-quarters would represent 25 countries. HC Deb 3 July 1998 cc 324-5W.

In January 2000 the Chancellor gave a speech in which he mentioned that the target was to have around 10 countries receiving debt relief by April 2000 and repeated the target of 25 countries by the end of the year. The relevant extract is reproduced below:

> But spurred on and encouraged by Oxfam and other NGOs, agreement was reached at the Cologne summit in June on the principle of enhanced relief. And last autumn - at the annual meetings of the IMF and World Bank - agreement came on a new framework for financing that strategy.
>
> And we agreed a millennium target not just for new qualifying criteria for enhanced debt relief but for the numbers of countries gaining debt relief, and for the actual amount of debt which will be wiped out, cutting the debts of the world's poorest countries by 100 billion dollars. And we resolved that when a decision is agreed, countries get the benefits of debt relief immediately, and do not have to wait three years - three more years of misery.
>
> The challenge now is to implement this enhanced relief.
>
> Within a month, the first countries - Uganda, Bolivia and Mauritania - should start receiving funds from enhanced debt relief. By April, our target is to have decisions to enable around ten countries, including Tanzania, Mozambique and Benin to receive relief.
>
> By the end of 2000, our target is to have more than 25 countries receiving debt relief.
>
> It was crucial that we concentrated first on getting and funding the international agreement on multilateral debt relief. That is worth 100 billion dollars and ensures that additional unilateral relief benefits the poor countries.[69]

In the event, by the time of the Okinawa summit (July 2000) just nine countries (Benin, Bolivia, Burkina Faso, Honduras, Mauritania, Mozambique, Senegal, Tanzania and Uganda) had reached their decision points, when interim debt relief becomes available. And only one country, Uganda, had reached its completion point with some of its debt being cancelled. A tenth country, Mali, is now expected to reach its decision point under HIPC-2 around September 2000.[70] Details for the nine countries are set out in table 2. A further 16 countries would need to reach their decision points before the end of 2000 in order to fulfil the earlier target of three quarters, or 11 countries if the lower figure of 20 countries is to be met in the remaining 5 months of 2000.

In addition to the nine countries that have reached their decision points under HIPC-2, a further three countries (Côte d'Ivoire, Guyana and Mali) have received debt relief under HIPC-1. Thus 12 countries have received debt relief when HIPC-1 and HIPC-2 are combined.[71] Four more countries have had preliminary reviews completed: Ethiopia,

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69 *Oxfam's Gilbert Murray Memorial Lecture by The Chancellor of the Exchequer,* 11 January 2000

70 Jubilee 2000 was anticipating that 10 countries would reach their decision points around the time for the Okinawa summit in 21-23 July 2000. See *Island Mentality*

71 As noted above, there are nine retroactive cases. All 12 countries but Honduras, Tanzania and Mauritania are retroactive cases.

Guinea, Guinea-Bissau, and Nicaragua. Debt relief packages for Ethiopia and Guinea-Bissau have been put on hold due to armed conflicts.

At the Cologne Summit in June 1999, the Heads of Government of the G8 nations stated:

> We call on the International Financial Institutions and the Paris Club to provide faster, deeper and broader debt relief, to work with the HIPC countries to ensure that three quarters of eligible countries have reached their decision point by the year 2000, and to assist the very poorest countries to embark on the HIPC process as soon as possible.

But as the *Financial Times* reported after the Okinawa summit:

> Although the G8 hopes to raise its success rate to 20 countries and $35bn by the end of the year, that would still be a far cry from the $100bn that leaders trumpeted at last year's summit in Cologne. Progress is all the more important given that over the past decade, development funding has fallen, with aid flows in real terms as much as a third below their 1990 level.[72]

In April 2000 the IMF commented that:

> While it is expected that potentially up to 20 countries could qualify for debt relief this year (2000), timing depends significantly on progress made toward developing nationally led and outcome-oriented poverty reduction strategies. At the same time, securing sufficient funding to cover the increased costs of the enhanced framework will become more and more urgent. Over the coming year, countries that are expected to reach their completion point are Bolivia (under the enhanced framework), and Burkina Faso, and Mali (under the original framework). Besides those already listed earlier, and subject to country specific developments, decision points under the enhanced HIPC Initiative framework could be reached in 2000 for Cameroon, Chad, Guinea-Bissau, Guyana, Malawi, Nicaragua, Rwanda, and Zambia. In addition, staffs expect to bring Cameroon, Chad, Malawi, Niger, Rwanda, and Zambia to the Executive Boards for preliminary assessment of eligibility under the enhanced HIPC framework.
>
> Bank and Fund staff will prepare another progress report on the implementation of the enhanced HIPC Initiative for the next Annual Meetings of the Development Committee and the International Monetary and Financial Committee in September 2000.[73]

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[72] "Debt, disease and development", *Financial Times*, (editorial) 25 July 2000
[73] HIPC progress report, 14 April 2000, IMF/World Bank

Table 2 Debt reduction for the first nine countries through enhanced HIPC initiative

$ million, unless stated

	Decision date	Total debt 1998 (nominal)	Total debt 1998 (NPV)	Total debt reduction (NPV)	Total Debt reduction (NPV) (%)	Debt service before HIPC	Debt service after HIPC	Debt service reduction (%)	Education spending	Health spending
First Wave		**28,413**	**17,140**	**6,923**	**40.4%**	**874**	**565**	**2**	**917**	**612**
Uganda	*Feb. 2000*	3,935	2,371	1,003	42.3%	155	50	1	174	126
Bolivia	*Feb. 2000*	6,078	4,933	1,302	26.4%	329	240	0	442	325
Mauritania	*Feb. 2000*	2,589	1,423	622	43.7%	116	80	0	51	17
Tanzania	*Apr. 2000*	7,603	5,682	2,026	35.7%	162	150	0	154	87
Mozambique	*Apr. 2000*	8,208	2,731	1,970	72.1%	112	45	1	96	57
Second wave		***11,909***	***7,800***	***1,652***	**21.2%**	***887***	***725***	***1***	***453***	***335***
Senegal	*Jul. 2000*	3,861	2,710	452	16.7%	275	230	0	174	122
Burkino Faso	*Jul. 2000*	1,399	826	381	46.1%	49	35	0	39	31
Benin	*Jul. 2000*	1,647	1,044	250	23.9%	51	40	0	74	37
Honduras	*Jul. 2000*	5,002	3,220	569	17.7%	512	420	0	166	145
Total		**40,322**	**24,940**	**8,575**	**34.4%**	**1,761**	**1,290**	**3**	**1,370**	**947**

Source: Based on *Island Mentality* , Jubilee 2000, July 2000 but excluding Mali which is expected to reach Decision point in September

C. Cost of debt relief

Jubilee 2000 calculates that the "real cost" of debt cancellation to industrialised countries is equivalent to less than $4 a year per person, or less than 1p a day. The relevant extract is reproduced below:

> So far under HIPC, in 4 years only $13 billion of debt stock has actually been cancelled. Only 9 out of the eligible 41 countries have benefited from HIPC. Since HIPC was enhanced by the G7 last June, countries have received only a 40% reduction, on average, in their debt service repayments.
>
> Jubilee 2000 has estimated that it would actually cost $71 billion to cancel all the debts owed by 52 of the poorest countries (which have a face value of $376 billion). This is the real cost of debt cancellation - only one third of one percent of the annual income of the richest (OECD) countries. Over 20 years, this would cost each person in those countries less than $4 a year – which is less than 1p a day. [74]

D. HIPC-2 and some individual countries[75]

The position of individual indebted countries can vary a great deal. For example, countries differ in terms of their level of indebtedness, their ability to service outstanding debts and their overall debt profile.

In most cases it is too early to assess with any precision the final effect that the Cologne debt relief measures will have on individual countries. The explanation for this was set out in a Written Answer:

> The impact in each case will depend on the economic circumstances of the country at the time, the precise manner in which the debt relief is delivered and, for some countries, up-to-date information on their total indebtedness. For the many countries still to be assessed for HIPC relief, the estimate of their total indebtedness is uncertain, and the nature of their debt is not fully known. We are pressing the World Bank and IMF to provide information, including on various options for delivering debt relief, and the timeframe over which the costs of these would fall. We are also pressing the World Bank and the IMF to speed up the process by which countries are assessed for debt relief, so that three-quarters of countries will have reached their Decision Point by the end of year 2000.[76]

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74 *Ten questions about Jubilee 2000*, Jubilee 2000 website.
75 Source: IMF website
76 HC Deb 15 July 1999 c283-284W

In a more recent Written Answer the Economic Secretary to the Treasury (Miss Melanie Johnson) told the House:

> The specific amount of extra debt relief that a country will receive in any one year cannot be known until the amounts and way in which their multilateral HIPC debt relief will be given is known - in particular, the effect of any debt rescheduling of official bilateral creditors agreed by the Paris Club. This is why the Government is working with the International Financial Institutions to ensure that countries come forward for multilateral relief as soon as is possible.[77]

Debt campaigners and official creditors disagree over the significance of the proposed debt relief for particular countries. According to official creditors, the amount of debt relief can be significant. For example, the Prime Minister told the House:

> In Bolivia and Uganda, projects are under way and spending has been put in hand on schools, hospitals, infrastructure and jobs. The help for people in those countries is already visible as a result of the cancellation of debt. That shows how important it is to get the other countries through the process.[78]

Debt campaigners, on the other hand, often point out that some indebted countries could, even after debt relief, pay more in debt service than they spend on health or education.

The following section sets out the position of a few selected countries.

1. Uganda

Uganda, the first country to benefit from the new debt initiative, will be using money originally earmarked for debt repayments to improve its education facilities, specifically to halve the primary education teacher/student ratio from one teacher to 100 students to one teacher to 50 students during the next 12 months. In addition, Uganda will build permanent classrooms for all primary-age schoolchildren.[79] However, just recently, Uganda's prospects looked less promising when, owing to armed conflict, its meeting with the Paris club of creditors was postponed. Moreover, the decision by the Ugandan government to purchase a presidential jet also seemed to threaten its case for debt relief. Clare Short told the House:

> Uganda received debt relief of $347 million in 1998 under the original HIPC initiative, and, earlier this year, qualified for a further $656 million relief under the revised HIPC framework. The Government of Uganda was scheduled to come to a meeting with the Paris Club of official bilateral creditors on 16 May to implement this element of their debt relief. However, in the week before the meeting, we, and a number of other governments, were concerned to receive

[77] HC Deb 24 January 2000 c110W
[78] HC Deb 24 July 2000 c770
[79] "Uganda first to benefit from new debt initiative," *The Times*, 29 September 1999.

reports of Uganda's role in fighting at Kisangani in the Democratic Republic of Congo. It was therefore agreed that the implementation of Uganda's debt relief should be postponed. I am pleased that the Government of Uganda is responding to these concerns. We hope that the Paris Club meeting will be rescheduled soon. Uganda continues to receive interim relief on its debt service payments to the IMF and World Bank.[80]

2. Tanzania

The case of Tanzania was outlined in a Written Answer by the Parliamentary Under-Secretary of State for International Development (George Foulkes):

> Although it is one of the world's poorest countries, over recent years Tanzania has made important progress in introducing structural reforms and stabilising its economy. Despite limited resources, with help from its international partners including Britain, Tanzania, to its credit, has met most of its very substantial external debt obligations. It has now begun to repay domestic debt arrears and is refocusing its budget on poverty reduction. As a result, the Boards of the World Bank and the IMF agreed last week to support a comprehensive debt reduction package under the enhanced Heavily Indebted Poor Countries (HIPC) Initiative. This will be worth about $3 billion over 20 years from all creditors and will be used by the Government of Tanzania for additional public expenditures on poverty reduction measures. Pending achievement of a number of conditions, including preparation of a comprehensive Poverty Reduction Strategy taking account of the views of civil society, interim relief from the IMF and the IDA will begin this month.[81]

3. Benin

The IMF and World Bank announced on 18 July 2000 their agreement to support a comprehensive debt reduction package under HIPC-2:

> Total relief from all of Benin's creditors is worth around $460 million. This is equivalent to $265 million in net present value (NPV) terms, and about 31 percent of the total NPV of debt outstanding at end-1998 after the full use of traditional debt relief mechanisms. The Fund and IDA will start providing interim debt relief by August 1, 2000.[82]

4. Southern Africa

In the case of Southern Africa, Clare Short in a Written Answer told the House that:

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[80] HC Deb 23 May 2000 c87W

[81] HC Deb 4 April 2000 c409W

[82] *Benin to Receive Around $460 Million in Debt Service Relief: IMF and World Bank Support Debt Relief for Benin Under the Enhanced HIPC Initiative*, IMF Press release, 00/44, 18 July 2000

> Mozambique, Malawi and Zambia are all Heavily Indebted Poor Countries, and in need of the exceptional debt relief provided under the HIPC Initiative. Mozambique received debt relief totalling $1.72 billion in June 1999, and will receive a further $250 million under the enhanced HIPC Initiative. Following the flooding there multilateral and bilateral creditors took special action to free up resources for reconstruction. The World Bank and the IMF agreed to provide 100 per cent. relief on debt service payments in the first year, and the Paris Club has suspended all payments until Mozambique reaches its Completion Point under the revised HIPC framework, which is expected to be early next year. Malawi and Zambia are both working towards qualifying for debt relief under the enhanced HIPC Initiative. To do so they need to maintain progress on economic reform and to develop national poverty reduction strategies.

5. Nigeria

Nigeria has very large external debts. The UK Government supports generous debt rescheduling in the context of an IMF programme. The UK Government is also prepared to consider partial debt cancellation provided Nigeria can establish a strong record of reform and a debt sustainability analysis shows it to be necessary.[83]

6. Rwanda

Clare Short told the House in May 2000:

> My Department's main priority in Rwanda for 2000-01 is to work with Government in a collaborative effort to meet these challenges. We will support Government's own efforts to develop the poverty reduction strategies needed to secure HIPC debt relief. We will provide flexible recurrent budget support to facilitate increased social sector spending, particularly on education and will expand our capacity building support to help Government strengthen its social sector planning and delivery mechanisms. We will be supporting Government's efforts to improve skills at all levels and will be helping Government take full advantage of new opportunities in the field of information and communications technology. We plan to hold development talks with Government later this year to discuss the detail of future UK support and to develop further the positive dialogue already established on a range of economic, social and political challenges facing Government.[84]

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[83] HC Deb 23 May 2000 cc86-7W
[84] HC Deb 22 May 2000 cc314-5W

VI Parliamentary Scrutiny

The International Development Committee (IDC) has published three reports on debt relief and the Heavily Indebted Poor Countries Initiative (HIPC) since 1997.[85] In its Report on Debt Relief and the Cologne G8 Summit, the Committee called for "decisive action to rescue the HIPC Initiative from the brink of failure". In its report, *Debt Relief — Further Developments*, in February 2000, the Committee welcomed the commitments made to grant more generous debt relief for the poorest countries. The Committee called on the UK Government to:

> work to secure the full implementation of the enhanced HIPC Initiative, in particular the spirit of consultation and poverty-focus ... and the provision of funds to provide the necessary relief under the revised terms of the initiative.

In the run-up to the Okinawa summit, the Chairman of the Committee, Bowen Wells, issued a press release summarising the view of the Committee. The relevant section is reproduced below:

> The Committee supported Gordon Brown's Mauritius Mandate targets for all eligible countries to have embarked on the HIPC Initiative process, and for three-quarters of eligible countries to have reached their decision points, by the end of 2000. At the current rate of progress these targets will not be met. The Okinawa Summit will be an opportunity for the leaders of the G7 countries to demonstrate their commitment to the promises made at Cologne of faster, deeper and wider debt relief for the poorest countries. The leaders of the G7 countries must grasp that opportunity, and take determined and decisive steps to translate the rhetoric of Cologne into real progress to deliver the debt relief that is urgently needed.[86]

VII Financing the HIPC Initiative

Arguably the most important aspect of financing the Cologne Debt Initiative concerns the consequences arising from the revisions to the HIPC Initiative.[87] The total costs for all creditors of implementing the HIPC-1 was estimated at $12.5 billion (NPV) in 1998 terms. Under HIPC-2 this cost was expected to more than double to over $27 billion (NPV). In December 1999 the World Bank/IMF provided updated total costs for the HIPC-2. These were estimated at $28.2 billion in 1999 NPV terms. Under the enhanced framework, the shares of HIPC Initiative costs for bilateral and multilateral creditors remain roughly unchanged. In 1999 NPV terms, multilateral cost estimates are as follows: $6.3 billion for the World Bank, $2.3 billion for the IMF, $2.2 billion for the

[85] *Debt Relief*, Third Report, 14 May 1998, HC 563 1997-98*; Debt Relief and the Cologne G8 Summit*, Fourth Report, 11 June 1999, HC 470, 1998-99; *and Debt Relief — Further Developments*, Fourth Report, 7 March 2000, HC 251, 1999-2000.

[86] *Debt Relief and the G7 Summit at Okinawa*, PN33.99/2000, 13 July 2000

[87] Financing other elements of the Cologne Debt Initiative such as more generous Paris Club debt relief will fall to individual creditors.

African Development Bank (AfDB), $1.1 billion for the Inter-American Development Bank (IaDB), and $2.2 billion for other multilateral development banks (MDBs).[88]

Table 3

HIPC Initiative--Estimates of Potential Costs by Creditor

(US$ billion in 1998 and 1999 NPV terms)

	April Costing Exercise (33 countries)a/	Updated Costing Exercise (32 countries)b/	
	1998 terms	1998 terms	1999 terms
Total costs	**27.4**	**26.6**	**28.2**
of which:			
Bilateral and commercial	14.2	13.3	14.1
Multilateral creditors	13.3	13.3	14.1
World Bank	5.1	5.9	6.3
IMF	2.3	2.2	2.3
AfDB/AfDF	2	2.1	2.2
IaDB	1	1.1	1.1
Other	2.9	2.1	2.2

Source: Heavily Indebted Poor Countries (HIPCs) Initiative—A Progress Report, IMF, April 2000

a/ Excluding Liberia, Somalia and Sudan. Based on the application of retroactivity to historical decision points, as discussed in the July 1999 Modifications paper.

b/ Excluding Ghana, which has not requested HIPC Initiative assistance, and Liberia, Somalia and Sudan. Based on the application of retroactivity to end-1998 data, the latest available at the time of endorsement of the enhanced framework, as discussed in the July 1999 Modifications paper.

Some funding will be produced from aid departments, Paris Club members, the IMF, World Bank and other multilateral creditors. Most attention, however, has focused on arrangements for financing the shares of the IMF, the World Bank and the regional development creditors (including the African Development Bank and the Inter-American development Bank).

At the heart of the funding arrangements are the ESAF-HIPC Trust Fund and the Millennium Trust Fund. The ESAF-HIPC Trust Fund will fund the IMF's share whereas the Millennium Trust Fund will be used to fund the shares of the regional development banks.

[88] *Heavily Indebted Poor Countries (HIPCs) Initiative—A Progress Report,* IMF, April 2000

A. Progress on financing HIPC

Despite substantial financial commitments being made to fund the debt package, a long term comprehensive funding package has yet to be put fully in place. The need to provide full funding for the HIPC initiative over a sustained period was highlighted by the IMF in April 2000.

> The international community will need to secure substantial additional resources to make good the political commitments which government leaders have made. The resource mobilization effort will also clearly need to be sustained for a long time.[89]

The progress of HIPC-2 was discussed in April 2000 in the Development Committee - which is a joint IMF/Bank Committee - and was also reviewed by the Finance Ministers who sit on the International Monetary and Financial Committee (MFC).[90] The funding for the IMF, World Bank and regional banks is considered in further detail in the following sections

B. IMF

The IMF required US$3.7 billion[91] (end 1999 NPV) financing to meet its share of the cost of HIPC-2 and for the subsidy for the continuation of the Enhanced Structural Adjustment Facility (ESAF) or its successor--which is renamed, the Poverty Reduction and Growth Facility--for the period 2001 through to 2004. The cost of HIPC-2 alone to the IMF is about $2.5 billion (end 1999 NPV) or two thirds of the IMF's total financing requirement).

The IMF was fully financed for the current ESAF operations through 2000, but was lacking financing for the subsequent period. The IMF's funding is to be provided on an "as needed" basis. The figures and sources are set out in the following table.

89 *Heavily Indebted Poor Countries (HIPCs) Initiative—A Progress Report*, IMF, April 2000
90 IMFC was held on Sunday 16 April 2000 in Washington (IMF)
91 SDR 3.9 bn

Table 4

Total IMF Financing Requirements and Sources of Financing for the HIPC and ESAF Initiatives

	(In billions SDR) ("as needed")/[92]	*($billions) (end-1998 NPV)/*[93]	*($billions) end-1999 NPV*
Total IMF financing requirements	**3.9**	**3.5**	**3.7**
Of which:			
Cost of the HIPC Initiative to the IMF	2.6	2.3	2.5
Subsidy requirement for the ESAF	1.3	1.2	1.2
Sources of financing	**3.9**	**3.5**	**3.7**
Of which:			
Bilateral contributions	1.5	1.4	1.5
IMF contributions	2.4	2.1	2.2
Of which:			
Investment income from the IMF's off-market gold transactions of 14 million ounces	1.8	1.6	1.7
Other contributions by the IMF [94]/	0.6	0.5	0.5

Source: IMF/World Bank Heavily Indebted Poor Countries (HIPCs) Initiative—A Progress Report
Note: HIPC accounts for two thirds of total package

C. World Bank

Under HIPC-2 the cost to the World Bank rises from $2.4 billion to $5.1 billion in present value terms.[95] Jean-François Rischard, World Bank vice president for Europe, is quoted as saying ahead of the 1999 Cologne summit that the debt agreement would double the HIPC Initiative debt relief costs for the World Bank and that the World Bank did not have the money to meet such a commitment:

> "We don't have a lot of funds," he said. The IMF could pay its part of the relief on debt owed to multilateral agencies by selling gold reserves, which was not an option for the World Bank, he added. Other Bank officials said the changes in the HIPC program would cost an extra $12 billion, of which around $6 billion

92 The term "as needed" refers to the nominal undiscounted sum of the projected delivery of HIPC assistance plus the subsidy needs related to ESAF operations.
93 Assumes an average exchange rate of SDR 1 = US$ 1.4.
94 Transfers to the ESAF-HIPC Trust from the ESAF Trust Reserve Account equivalent to the cost of administering the ESAF for FY 1998-2004 plus transfers of part of the interest surcharge on certain Supplemental Reserve Facility purchases (see Appendices III and IX of the IMF Annual Report.)
95 (http://www.worldbank.org/html/extdr/am99/pbhipc.htm), July 2000

> would have to come from multilateral lenders such as the IMF, the World Bank, and the International Development Association (IDA).
>
> In an interview in *Les Echos* (p.6), World Bank President James Wolfensohn says the Bank has agreed to write off $2 billion [in debt]. That comes directly from its own capital, leaving the Bank to find an extra $2.5 billion it does not have. The African Development Bank (AfDB) and the IDB are in the same situation, Wolfensohn notes.[96]

Since December 1999 the World Bank has continued discussions with existing and potential donors to secure existing pledges and mobilise additional contributions.

> All donors that had pledged during the Annual Meetings have reconfirmed their pledges and additional pledges have been received from Canada, Japan, New Zealand, and Spain. A total of $2.1 billion in donor pledges have been received bringing overall contributions and pledges to $2.4 billion. Contribution agreements have been signed or are currently being finalized with Australia, Canada, the European Commission, Germany, Netherlands, New Zealand, and the United Kingdom.[97]

The funding requirement of the World Bank – at least for the early years - has therefore seemingly been met.

D. Regional development creditors

Table 3 (above) shows the amounts that are expected to be contributed by multilateral regional creditors. For example, the African Development Bank (AfDB) and the African Development Fund (AfDF) are expected to provide $2.2 billion (1999-NPV). The regional development banks are currently examining if they can provide their share of the debt initiative from their own resources. The Millennium Trust Fund will also help a number of regional creditors that are unable to fund their share of the debt package.

In terms of financing the cashflow requirements of the HIPC Initiative, these pledges, and the funding to be made available from the internal resources of the Multilateral Development Banks (MDB), need to be converted into a potential annual stream of funding:

> Under the most favorable set of assumptions, with strong internal resource mobilization on the part of the MDBs, current donor contributions and pledges would cover the initial years of the currently expected debt service costs of the MDBs. However, some donors have indicated that there might be limitations on

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96 "World Bank frets over the cost of debt relief as G-7 summit opens", *Development News*, World Bank website, 18 June 1999 (http://wbln0018.worldbank.org/news/devnews.nsf/eb)

97 *Heavily Indebted Poor Countries (HIPCs) Initiative—A Progress Report*, April 2000

> how flexibly their contributions could be used and a number of MDBs are still concerned about proceeding on a less than full upfront financing basis. If these limitations materialize, aggregate financing problems could arise much sooner: in some scenarios to as early as late 2000. Moreover, should some MDBs facing financing shortfalls, there could be a slowing down of the consideration of specific early country cases.[98]

E. Contributions

By 26 September 1999 following pledges from a number of countries and the European Development Fund, funding to the Millennium Trust Fund rose from $550 million to some $2.5 billion over the course of about one week.[99]

According to Gordon Brown and Clare Short, the UK has persuaded the European Union that the European Development Fund should make available 1 billion euros ($700 million), a large proportion of which will be used to meet the costs of the African Development Bank.[100] Germany is offering some $75 million.[101]

According to the UK Government, overall the UK is contributing $400 million, comprising $221 million to the HIPC Fund and $175 million as the UK's share of the EDF.[102] The US government is contributing, subject to Congressional approval, some $600 million.

Appendices

See tables overleaf

1. Grouping of the Heavily Indebted Poor Countries

2. The 40 Heavily Indebted Poor Countries (HIPCs) (1998)

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98 *Heavily Indebted Poor Countries (HIPCs) Initiative—A Progress Report*, IMF, April 2000
99 Gordon Brown, Transcript from IMF press conference, Washington, 26 September 1999
100 Dear Colleague Letter and model press release, Gordon Brown and Clare Short, 12 October 1999
101 *Development News*, World Bank, 1 October 1999
102 "Dear Colleague Letter" and model press release, Gordon Brown and Clare Short, 12 October 1999.

Grouping of the Heavily Indebted Poor Countries

40 HIPC Countries

Angola *
Benin
Bolivia
Burkina Faso
Burundi *
Cameroon
Central African Republic *
Chad
Congo *
Congo, Dem Rep. *
Côte d'Ivoire
Ethiopia *
Ghana
Guinea
Guinea-Bissau *
Guyana
Honduras
Kenya
Lao PDR
Liberia *
Madagascar
Malawi
Mali
Mauritania
Mozambique
Myanmar *
Nicaragua
Niger
Rwanda *
Sierra Leone *
São Tomé and Príncipe
Senegal
Somalia *
Sudan *
Tanzania
Togo
Uganda
Vietnam
Yemen, Rep. of
Zambia

36 Unsustainable Cases

Burundi
Benin
Bolivia
Burkina Faso
Cameroon
Central African Republic
Chad
Congo, Dem. Rep. of
Congo, Rep.of
Côte d'Ivoire
Ethiopia
Ghana
Guinea
Guinea-Bissau
Guyana
Honduras
Lao PDR
Liberia
Madagascar
Malawi
Mali
Mauritania
Mozambique
Myanmar
Nicaragua
Niger
Rwanda
São Tomé and Príncipe
Sierra Leone
Senegal
Somalia
Sudan
Tanzania
Togo
Uganda
Zambia

4 Sustainable Cases

Angola
Kenya
Vietnam
Yemen, Rep. of

9 Retroactive Cases

Benin
Bolivia
Burkina Faso
Côte d'Ivoire
Guyana
Mali
Mozambique
Senegal
Uganda

27 Other Eligible HIPCs

Burundi
Cameroon
Central African Republic
Chad
Congo, Dem. Rep. of
Congo, Rep. of
Ethiopia
Ghana
Guinea
Guinea-Bissau
Honduras
Lao PDR
Liberia
Madagascar
Malawi
Mauritania
Myanmar
Nicaragua
Niger
Rwanda
São Tomé and Príncipe
Sierra Leone
Somalia
Sudan
Tanzania
Togo
Zambia

Decision Point expected before end-2000

Retroactive
Benin
Bolivia
Burkina Faso
Côte d'Ivoire
Guyana
Mali
Mozambique
Senegal
Uganda

Other
Cameroon
Chad
Ghana
Guinea
Guinea-Bissau
Honduras
Malawi
Mauritania
Nicaragua
Rwanda
Tanzania
Zambia

Decision Point expected after end-2000

Burundi
Central African Republic
Congo, Dem. Rep of
Congo, Rep. of
Ethiopia
Lao PDR
Madagascar
Liberia
Myanmar
Niger
São Tomé and Príncipe
Sierra Leone
Somalia
Sudan
Togo

Not Seeking Debt Relief

Ghana
Lao PDR

Without IMF Programs

Burundi
Central African Republic
Congo, Dem Rep.
Congo, Rep. of
Ethiopia
Myanmar
Niger
Sierra Leone
Togo

With IMF Programs

Madagascar
São Tomé and Príncipe

Inadequate database

Liberia
Somalia
Sudan

* Conflict affected, as listed in Quarterly Monitoring Report on Conflict Affected Countries, Jan-Mar. 2000. (13 HIPCs)
June 23, 2000

The 40 Heavily Indebted Poor Countries (HIPCs) (1998)

US$ millions unless otherwise indicated

	Country	Class	Total Debt Stocks (EDT)	Population (millions)	Net Present value of debt (NPV)	EDT per capita ($)	NPV per capita ($)	GNP per capita ($)	EDT/ GNP %	GNP (a)	TDS (a)	INT (a)	XGS (a)	TDS/ XGS %	EDT/ XGS %	INT/ XGS %
1	Angola	SILIC	12,173	11.7	11,470	1,040	980	350	282%	4,098	1,353	439	3,930	17%	209%	11%
2	Benin	MILIC	1,647	5.8	1,044	284	180	393	78%	2,280	61	26	571	12%	344%	5%
3	Bolivia	SIMIC	6,078	7.8	4,933	779	632	1,070	73%	8,343	468	192	1,551	36%	402%	12%
4	Burkina Faso	MILIC	1,399	10.5	828	133	79	245	54%	2,569	53	18	495	17%	427%	6%
5	Burundi	SILIC	1,119	6.4	626	175	98	136	128%	872	30	9	76	39%	1077%	12%
6	Cameroon	SILIC	9,829	13.9	8,199	707	590	592	114%	8,232	533	236	2,389	22%	404%	10%
7	Central African Republic	SILIC	921	3.4	573	271	169	305	83%	1,038	30	8	145	21%	414%	6%
8	Chad	MILIC	1,091	7.2	631	152	88	231	67%	1,666	36	12	334	11%	354%	4%
9	Congo Dem. Rep.(Zaire)	SILIC	12,929	46.7	12,169	277	261	133	208%	6,210	19	19	1,664	1%	737%	1%
10	Congo. Rep	SILIC	5,119	2.7	4,678	1,896	1,733	618	280%	1,668	41	23	1,257	7%	323%	4%
11	Cote d'Ivoire	SILIC	14,852	14.2	12,709	1,046	895	719	166%	10,215	1,384	713	5,295	32%	367%	12%
12	Ethiopia	SILIC	10,352	59.8	8,733	173	146	108	168%	6,453	119	50	1,053	11%	1129%	5%
13	Guinea	SILIC	3,442	6.9	2,512	499	364	504	97%	3,476	159	55	817	22%	472%	7%
14	Guinea-Bissau	SILIC	964	1.1	695	876	632	174	374%	191	8	5	31	27%	2562%	10%
15	Guyana	SILIC	1,653	0.8	1,078	1,968	1,283	792	220%	665	136	63	700	19%	197%	9%
16	Ghana	SILIC	5,899	18.0	4,019	328	223	417	90%	7,501	580	190	2,045	28%	352%	9%
17	Honduras	SILIC	5,002	6.0	3,220	834	537	860	113%	5,162	505	208	2,697	24%	223%	9%
18	Kenya	SILIC	7,010	28.6	5,172	245	181	398	70%	11,394	545	165	2,892	19%	242%	6%
19	Lao PDR	MILIC	2,437	4.9	1,121	497	229	250	130%	1,224	31	8	494	6%	544%	2%
20	Liberia	SILIC	2,103	2.9	1,993	725	687	-	-	-	0	0	-	-	-	

Figures are for 1998 unless otherwise indicated

EDT=External Total debt, NPV=Net Present Value, INT=Interest Payments

Class: SILIC=severely indebted low income country, MILIC=moderately indebted low income country, SIMIC=severely indebted middle income country etc.

Source:

(1) Global Development Finance, World Bank

(2) Trends in Developing Economies and World Bank Atlas, World Bank

(3) World Development Indicators, World Bank

The 40 Heavily Indebted Poor Countries (HIPCs) (1998)

US$ millions unless otherwise indicated

	Country	Class	Total Debt Stocks (EDT)	Population (millions)	Net Present value of debt (NPV)	EDT per capita ($)	NPV per capita ($)	GNP per capita ($)	EDT/ GNP %	GNP (a)	TDS (a)	INT (a)	XGS (a)	TDS/ XGS %	EDT/ XGS %	INT/ XGS %
21	Madagascar	SILIC	4,394	14.2	3,273	309	230	259	120%	3,677	125	53	854	15%	520%	6%
22	Malawi	SILIC	2,444	10.3	1,371	237	133	173	108%	1,778	84	24	568	15%	419%	5%
23	Mali	SILIC	3,202	10.3	2,183	311	212	258	116%	2,660	82	27	651	14%	512%	1%
24	Mauritania	SILIC	2,589	2.5	1,423	1,036	569	380	237%	950	110	42	397	23%	498%	9%
25	Mozambique	SILIC	8,208	16.6	2,731	494	165	222	257%	3,680	105	41	581	22%	1185%	10%
26	Myanmar	SILIC	5,680	43.9	4,867	129	111	-	-	-	93	14	1,745	9%	376%	1%
27	Nicaragua	SILIC	5,968	4.7	5,238	1,270	1,114	378	336%	1,777	250	164	981	37%	638%	16%
28	Niger	SILIC	1,659	9.8	1,114	169	114	206	84%	2,020	62	12	337	18%	478%	4%
29	Rwanda.	SILIC	1,226	7.9	682	155	86	255	73%	2,017	21	9	123	19%	944%	8%
30	Sao Tome & Principe	SILIC	246	0.1	144	1,757	1,029	257	659%	36	4	2	12	58%	2294%	22%
31	Senegal	MILIC	3,861	8.8	2,710	439	308	528	76%	4,646	323	106	1,389	23%	222%	6%
32	Sierra Leone	SILIC	1,243	4.8	824	259	172	131	136%	629	20	9	112	17%	982%	8%
33	Somalia	SILIC	2,635	8.8	2,320	299	264	-	-	-	0	0	-	-	-	-
34	Sudan	SILIC	16,843	27.7	15,863	608	573	-	218%	9,220	61	3	625	10%	1530%	0%
35	Tanzania	SILIC	7,603	31.3	5,682	243	182	258	112%	8,063	246	112	1,180	12%	543%	9%
36	Togo	SILIC	1,448	4.4	1,005	329	228	338	98%	1,487	40	12	706	6%	192%	2%
37	Uganda	SILIC	3,935	20.3	2,371	194	117	333	61%	6,764	160	34	676	25%	485%	6%
38	Vietnann	SILIC	22,359	76.7	19,490	292	254	354	97%	27,184	1,083	424	11,625	9%	222%	4%
39	Yemen Rep.	SILIC	4,138	16.0	2,793	259	175	247	88%	3,947	125	52	2,976	4%	109%	2%
40	Zambia	SILIC	6,865	9.4	5,042	730	536	336	203%	3,158	202	70	1,143	21%	521%	6%
	Total	**-**	**212,565**	**588**	**167,529**	**362**	**285**	**-**	**-**	**-**	**-**		**-**	**-**	**-**	**-**

Figures are for 1997 unless otherwise indicated. Equitorial Guinea has been removed from the HIPC as it is no longer IDA only.

(a) GNP= Gross national Product, TDS=Total Debt Service, XGS=Exports of Goods and Service

EDT=External Total debt, NPV=Net Present Value, INT=Interest Payments

Class: SILIC=severely indebted low income country, MILIC=moderately indebted low income country, SIMIC=severely indebted middle income country etc.

Source:

(1) Global Development Finance, World Bank

(2) Trends in Developing Economies and World Bank Atlas, World Bank

(3) World Development Indicators, World Bank