

Debt Relief: Highly Indebted Poor Countries Initiative

Commitment

“We are committed to fully implementing the HIPC initiative and to supporting debt sustainability in the poorest countries through debt relief and grant financing. To that end, we have asked our finance ministers to:

- Work with other donors and the other international financial institutions to extend the sunset date of the HIPC initiative until December 31, 2006 and to provide the necessary financing for the completion of the initiative, including topping up where appropriate.
- Consider further measures that can help the poorest countries further address the sustainability of their debt.”⁶³⁰

Debt Sustainability for the Poorest

Background

Proposed by the World Bank and IMF and agreed by governments around the world in 1996, the HIPC Initiative was the first comprehensive approach to reduce the external debt of the world’s poorest, most heavily indebted countries, and represented an important step forward in placing debt relief within an overall framework of poverty reduction.⁶³¹ A major review of the program in 1999 resulted in significant enhancements of the original framework, and the establishment of the Poverty Reduction and Growth Facility, which outlined pre-agreed structural reforms a program candidate must adhere to in order to qualify.⁶³² Since that time, good governance has been tied to debt relief.⁶³³ The topping-up of debt relief available to countries at completion point is crucial to ensure that a country remains resistant to exogenous shocks.⁶³⁴ The HIPC Initiative is a program designed under the framework of the UN Millennium Development Goals and its central objective is the propagation of sustainable development. James Wolfensohn, President of the World Bank, describes the initiative as a “comprehensive way to give countries the possibility of exiting from unsustainable debt. It is very good news for the poor of the world.”⁶³⁵

⁶²⁹ Ibid.

⁶³⁰ Office of the Press Secretary. ‘Debt Sustainability for the Poorest’. 10 June 2004. www.g8usa.gov/061004b.htm.

⁶³¹ World Bank. ‘The HIPC Debt Initiative’. September 2002. www.worldbank.org/hipc/about/hipcbr/hipcbr.htm.

⁶³² International Monetary Fund. ‘Poverty Reduction and Growth Facility Fact Sheet’.
www.imf.org/external/np/exr/facts/prgf.htm.

⁶³³ World Bank, ‘The HIPC Debt Initiative’.

⁶³⁴ World Bank, ‘Heavily Indebted Poor Countries Initiative’, March 2003,
www.worldbank.org/hipc/hipcreview/Fact_Sheet_mar03.pdf.

⁶³⁵ James D. Wolfensohn. ‘The HIPC Debt Initiative’. September 2002.
www.worldbank.org/hipc/about/hipcbr/hipcbr.htm.

Assessment

Score	Lack of Compliance -1	Work in Progress 0	Full Compliance +1
Canada			+1
France			+1
Germany			+1
Italy			+1
Japan			+1
Russia			+1
United Kingdom			+1
United States			+1
European Union			+1
Overall: 1			

Individual Country Compliance Breakdown

1. Canada: +1

Canada has partially complied with its debt relief commitments. The G8 African Action Plan has been a priority for Canada and it strongly endorses continued G8 engagement in the support of New Partnership for Africa's Development (NEPAD).⁶³⁶ "Canada supports 100 percent cancellation of sovereign debt, including commercial sovereign debt, for the 'poorest eligible countries.'"⁶³⁷ In September 2004, Finance Minister Ralph Goodale announced that Canada would cancel approximately C\$7 million owed to it by Ethiopia, Senegal and Ghana under the Enhanced HIPC Initiative.⁶³⁸ On 17 January 2005, Goodlae announced that Canada would cancel the C\$21-million debt owed to Ottawa by Madagascar as a further step towards implementing the HIPC Initiative.⁶³⁹

Minister Goodale is also active within British Prime Minister Tony Blair's Commission for Africa. The Commission, which deals with debt relief for African nations as well as a number of other issues facing African countries, began its Canadian consultations on September 20, 2004.⁶⁴⁰ The consultation period ended on December 31, 2004 and its findings are expected to be released early in 2005.⁶⁴¹ While addressing the meeting of the Commission in Addis Ababa on October 7, 2004, Minister Goodale stressed the importance of widening the HIPC program to

⁶³⁶ Canadian International Development Agency. 'Canadian Statement — UNGA Debate on NEPAD'. 18 October 2004. www.acdi-cida.gc.ca/cida_ind.nsf/vLUallDocByIDEn/7BE40E0E86E1EDB885256F33004E0EC3?OpenDocument

⁶³⁷ Social Justice Committee — The Halifax Initiative. 'Canada's Position on Third World Debt.' September 2003. www.halifaxinitiative.org/index.php/Issues_Debt_IMF/475

⁶³⁸ Reuters. 'Canada Cancels Senegal, Ghana and Ethiopia Debts.' 22 September 2004. www.globeinvestor.com/servlet/ArticleNews/story/ROC/20040922/2004-09-22T135414Z_01_N22182296_RTRIDST_0_BUSINESS-ECONOMY-CANADA-DEBT-COL.

⁶³⁹ "Canada Cancels All Debt Owed by Madagascar," Ministry of Finance (Ottawa) 17 January 2005. Date of Access: 17 January 2005 [www.fin.gc.ca/news05/05-005e.html].

⁶⁴⁰ Department of Finance Canada. 'Commission for Africa — General Overview'. 20 September 2004. www.fin.gc.ca/activty/consult/CFA-Gen_e.html.

⁶⁴¹ DFC. 'Consultations on the Commission for Africa.' October 2004. www.fin.gc.ca/activty/consult/Af_Dev_e.html.

provide relief for other poor nations while still “maintain[ing] the financial integrity of the IFIs.”⁶⁴² The Minister also commented that “Chancellor Brown’s proposal is a step in the right direction” (see section on the United Kingdom), although he did not commit Canada to the same bilateral forms of debt relief upon which the United Kingdom embarked this year.⁶⁴³

On October 2, 2004, the Minister addressed the International Monetary and Financial Commission in Washington, D.C. He applauded the progress made by the Enhanced HIPC Initiative, but cautioned that an extension of the sunset clause was necessary so that 11 African nations who had yet to fully implement peace accords could effectively stabilize their political situations prior to entering the Initiative.⁶⁴⁴ The staff of the IMF has proposed that the sunset clause of the Enhanced HIPC Initiative be extended to end-2006, in line with the Sea Island commitment to seek an extension of the HIPC sunset clause.⁶⁴⁵ This recommendation was endorsed by the Boards of the IMF and World Bank at their September 2004 meeting where the sunset date was indeed extended to December 2006.⁶⁴⁶ The one proviso was that the HIPC deadline extension would be restricted to “IDA-only and Poverty Reduction Growth Facility (PRGF) eligible countries that have not yet benefited from HIPC debt relief and are assessed to have external public debt in excess of the enhanced HIPC Initiative thresholds after full application of traditional debt relief mechanisms based on end-2004 debt data.” The IMF and World Bank also agreed to consider further extending the deadline beyond 2006 if warranted, “giving the challenges facing some countries.”⁶⁴⁷ Nevertheless, the agreement reached by the IMF and World Bank has still been criticized as “not sufficient” by Paul Toungui, the Minister of Finance for Gabon.⁶⁴⁸

On January 7, 2005, the Finance Ministers of the G7 announced that they would suspend all debt service receipts from nations affected by the Asian Tsunami until the IMF and World Bank has properly analyzed affected nations’ financial assistance needs.⁶⁴⁹ The Ministers will also seek assistance of this form from the Paris Club at its meeting on January 12, 2005.⁶⁵⁰ They did note, however, that no decision would be in violation of the laws of creditor countries.⁶⁵¹

⁶⁴² DFC. ‘Commission for Africa. Submission by: Ralph Goodale, Minister of Finance, Canada.’ 11 November 2004. www.fin.gc.ca/activty/consult/Af_ovr_e.html.

⁶⁴³ Ibid.

⁶⁴⁴ International Monetary and Financial Committee. ‘Statement by Mr. Goodale’. 02 October 2004. www.imf.org/external/am/2004/imfc/statem/eng/cane.pdf. p. 4.

⁶⁴⁵ IMF. ‘Highly Indebted Poor Countries (HIPC) Initiative: Status of Implementation.’ 20 August 2004. www.imf.org/external/np/hipc/2004/082004.pdf. p. 20.

⁶⁴⁶ “The HIPC Initiative — Frequently Asked Questions” Department for International Development (London) October 2004. Date of Access: 15 January 2005 [www.dfid.gov.uk/mdg/debt-hipc-faqs.asp#top].

⁶⁴⁷ “IMF Executive Board Discusses the Status of Implementation of the Enhanced HIPC Initiative” International Monetary Fund (Washington D.C.) 30 September 2004. Date of Access: 14 January 2005 [www.imf.org/external/np/sec/pn/2004/pn04111.htm].

⁶⁴⁸ IMF. ‘Transcript of African Finance Ministers’ Press Conference.’ 03 October 2004. www.imf.org/external/np/tr/2004/tr041003a.htm.

⁶⁴⁹ G7 Finance Ministers. ‘Statement by G7 Finance Ministers on Assisting Countries Devastated by the Indian Ocean Tsunami.’ 7 January 2005. www.g8.utoronto.ca/finance/fm050107.htm.

⁶⁵⁰ Ibid.

⁶⁵¹ Ibid.

2. France: +1

France has partially complied with its Debt Relief commitments. France has long relied on debt relief as a primary component of its Official Development Assistance (ODA). In fact, in 2002, HIPC debt relief accounted for almost a quarter of France's ODA.⁶⁵² In particular, the OECD has lauded France's use of C2D (contrats de désendettement et de développement), a new instrument that "refinanc[es] ODA debt repayments from HIPCs through grants."⁶⁵³ Through these instruments, France has partially eliminated the debt of several HIPCs.

On October 3, 2004, France provided a total of €2 million to the Fiduciary Fund of the Republic of Burundi.⁶⁵⁴ More impressively, however, France effectively wiped out all of Senegal's debt to the French state as well as to private French financiers.⁶⁵⁵ An accord between the French and Senegalese governments was announced on November 29, 2004 wherein the total debt owed by Senegal to all French sources (private debts were subsumed by a State holding company) — amounting to €217 million — were to be eliminated.⁶⁵⁶ As well, through the auspices of the Paris Club, France participated in canceling or restructuring the debts of the Democratic Republic of Congo, Madagascar, Ethiopia and Ghana.⁶⁵⁷ The Minister of the Economy, Finance and Industry, Nicolas Sarkozy, also announced in September that the budget for the French Development Agency (AFD) would increase by 5%, which would be used in part to comply with the Enhanced HIPC Initiative.⁶⁵⁸ Despite France's positive contributions toward the Enhanced HIPC Initiative, it has not openly published a plan for the elimination of debt held by non-G8 nations or multilateral institutions.

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⁶⁵² OECD. *France. DAC Peer Review: Main Findings and Recommendations*. 2004.

www.oecd.org/document/11/0,2340,en_2649_33721_32070731_1_1_1_1,00.html.

⁶⁵³ Ibid.

⁶⁵⁴ World Bank. 'France Provides a Grant of Two Million Euros to the Fiduciary Fund For the Payment of Burundi's Multilateral Debt.' 03 October 2004.

web.worldbank.org/WBSITE/EXTERNAL/TOPICS/EXTPOVERTY/0,,contentMDK:20265382~menuPK:336998~pagePK:64020865~piPK:149114~theSitePK:336992,00.html.

⁶⁵⁵ Libération. 'Le Chiffre: 217 millions d'euro'. 29 November 2004.

www.liberation.fr/page.php?Article=257829&AG.

⁶⁵⁶ Ibid.

⁶⁵⁷ Paris Club. 'News'. 16 December 2004. www.clubdeparis.org/en/index.php.

⁶⁵⁸ 'Intervention de M. Nicholas SARKOZY, ministre d'État, ministre de l'Économie, des finances et de l'Industrie. Réunion des ministres des Finances de la Zone franc.' 23 September 2004. www.minefi.gouv.fr/guide/index.phtml.

⁶⁵⁹ IMF. 'Highly Indebted Poor Countries (HIPC) Initiative: Status of Implementation.' 20 August 2004.

www.imf.org/external/np/hipc/2004/082004.pdf . p. 20.

⁶⁶⁰ "The HIPC Initiative — Frequently Asked Questions" Department for International Development (London) October 2004. Date of Access: 15 January 2005 [www.dfid.gov.uk/mdg/debt-hipc-faqs.asp#top].

end-2004 debt data.” The IMF and World Bank also agreed to consider further extending the deadline beyond 2006 of warranted, “giving the challenges facing some countries.”⁶⁶¹ Nevertheless, the agreement reached by the IMF and World Bank has still been criticized as “not sufficient” by Paul Toungui, the Minister of Finance for Gabon.⁶⁶²

On January 7, 2005, the Finance Ministers of the G7 announced that they would suspend all debt service receipts from nations affected by the Asian Tsunami until the IMF and World Bank has properly analyzed affected nations’ financial assistance needs.⁶⁶³ The Ministers will also seek assistance of this form from the Paris Club at its meeting on January 12, 2005.⁶⁶⁴ They did note, however, that no decision would be in violation of the laws of creditor countries.⁶⁶⁵

3. Germany: +1

Germany has partially complied with its Debt Relief commitments. Out of the 15 countries that have reached completion point in the HIPC initiative⁶⁶⁶ (this being the requirement for the countries to be considered for debt relief, cancellation or deferment), Germany forgave the debt of one since the Sea Island Summit: Ethiopia (€67 million, which is about 90% of the country’s external debt).⁶⁶⁷ Madagascar’s debt has also been rescheduled according to the HIPC initiative and will be repaid at a later date. Although Tanzania’s debts to Germany have not been cancelled, it receives substantial financial aid from Germany in the form of Financial and Technical Cooperation (€87.7 in 2004 out of a total of €1,303.2 million to be paid out until December 31, 2005).⁶⁶⁸ Along with the majority of the Paris Club creditors, Germany has offered to ‘provide complete write-off’ of Guyana’s debts if there is consensus between the members of the Club.⁶⁶⁹ Although Germany has not remitted the debt of the rest of the countries, it has been providing grants and technical assistance to most of them.

Altogether, Germany has spent approximately €32 million towards bilateral support and €290 million in debt cancellation⁶⁷⁰. The entire amount that Germany has committed to debt

⁶⁶¹ “IMF Executive Board Discusses the Status of Implementation of the Enhanced HIPC Initiative” International Monetary Fund (Washington D.C.) 30 September 2004. Date of Access: 14 January 2005 [www.imf.org/external/np/sec/pn/2004/pn04111.htm].

⁶⁶² IMF. ‘Transcript of African Finance Ministers’ Press Conference.’ 03 October 2004. www.imf.org/external/np/tr/2004/tr041003a.htm.

⁶⁶³ G7 Finance Ministers, ‘Statement by G7 Finance Ministers on Assisting Countries Devastated by the Indian Ocean Tsunami.’

⁶⁶⁴ Ibid.

⁶⁶⁵ Ibid.

⁶⁶⁶ World Bank: Debt Department. ‘List of Heavily Indebted Poor Countries (38 countries)’. September 2004. web.worldbank.org/WBSITE/EXTERNAL/TOPICS/EXTDEBTDEPT/0,,contentMDK:20260049~menuPK:528655~pagePK:64166689~piPK:64166646~theSitePK:469043,00.html.

⁶⁶⁷ Auswärtiges Amt. ‘Foreign Policy: Ethiopia’. 13 December 2004. www.auswaertiges-amt.de/www/en/ausgabe_archiv?archiv_id=6600.

⁶⁶⁸ Auswärtiges Amt. ‘Country and Travel Information: Tanzania’. October 2004. www.auswaertiges-amt.de/www/en/laenderinfos/laender/laender_ausgabe_html?type_id=14&land_id=168.

⁶⁶⁹ IMF, ‘Heavily Indebted Poor Countries (HIPC) Initiative: Status of Implementation’, p. 92.

⁶⁷⁰ The Times of Zambia. ‘Germany Ponders Direct Budget Support’. 20 December 2004. allafrika.com/stories/200412200058.html.

reduction/forgiveness under the HIPC initiative will total US\$6 billion⁶⁷¹. In a speech at the tenth meeting of the International Monetary and Financial Committee in October, 2004, the Finance Minister of the Federal Republic Hans Eichel pledged that Germany will continue to ‘forgive the bilateral debt of the eligible countries, in total worth over €6.5 billion, and to raise the debt relief adopted by the Paris Club for these countries to 100 percent’ once they have reached completion point. He also said that Germany will increase the development and debt relief spending as part of its GNP to 0.33% (because the country has been experiencing fiscal constraints) despite the official agreement for donor countries to contribute 0.7%.⁶⁷²

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4. Italy: +1

Italy has partially complied with its Debt Relief commitments. Italy’s role in the advancement and restructuring of the Enhanced HIPC Initiative appears to be a largely passive one. Finance

⁶⁷¹ Auswärtiges Amt: Foreign Policy. ‘Developing country and emerging market debt’. January 2004.

www.auswaertiges-amt.de/www/en/aussenpolitik/aussenwirtschaft/entwicklung/schulden.html.

⁶⁷² IMFC. ‘Statement by Mr. Eichel’. 02 October 2004. www.imf.org/External/AM/2004/imfc/statem/eng/deue.pdf.

⁶⁷³ IMF. ‘Highly Indebted Poor Countries (HIPC) Initiative: Status of Implementation.’ 20 August 2004.

www.imf.org/external/np/hipc/2004/082004.pdf. p. 20.

⁶⁷⁴ “The HIPC Initiative — Frequently Asked Questions” Department for International Development (London) October 2004. Date of Access: 15 January 2005 [www.dfid.gov.uk/mdg/debt-hipc-faqs.asp#top].

⁶⁷⁵ “IMF Executive Board Discusses the Status of Implementation of the Enhanced HIPC Initiative” International Monetary Fund (Washington D.C.) 30 September 2004. Date of Access: 14 January 2005 [www.imf.org/external/np/sec/pn/2004/pn04111.htm].

⁶⁷⁶ IMF. ‘Transcript of African Finance Ministers’ Press Conference.’ 03 October 2004.

www.imf.org/external/np/tr/2004/tr041003a.htm.

⁶⁷⁷ G7 Finance Ministers, ‘Statement by G7 Finance Ministers on Assisting Countries Devastated by the Indian Ocean Tsunami.’

⁶⁷⁸ Ibid.

⁶⁷⁹ Ibid.

Minister Siniscalco, when addressing the IMFC in October 2004, stated that he approved of the extension of the HIPC Initiative's sunset clause, as this would allow "the remaining countries ... [to] join the initiative."⁶⁸⁰ He also called for greater surveillance of those nations that have completed the initiative and for broader support from other creditors in order for 'fair burden-sharing.'⁶⁸¹ In a speech to the Board of Directors of the IMF on the following day, Mr. Siniscalco expanded on his comments. He remarked on the need to retain country-specific debt analyses as the basis of HIPC debt relief, saying that a 100% debt reduction for all HIPCs would result in a departure from this earlier foundation and a significant moral hazard. Any deviation from the original program would represent "a failure of the HIPC initiative itself."⁶⁸² At a joint British-Italian Summit in July, 2004, Prime Ministers Blair and Berlusconi both stressed their support for the full implementation of the HIPC Initiative, but also recognized that aid must rely on other facets of economic development as well.⁶⁸³ On 27 October, 2004, the Italian government signed an accord with the Democratic Republic of Congo to forgive €45 million.⁶⁸⁴ Through the auspices of the Paris Club, Italy also participated in the reorganizations of the debts of the following HIPCs: Madagascar, Ethiopia, Ghana and Senegal.⁶⁸⁵

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⁶⁸⁰ IMF. 'International Monetary and Financial Committee: Statement by Mr. Siniscalco.' 02 October 2004.

www.dgt.tesoro.it/Aree-Docum/Relazioni-/Discorsi/Discorso-d16/discorso-Washington---2-ottobre-2004.pdf. p. 10.

⁶⁸¹ Ibid.

⁶⁸² IMF. 'Statement by the Hon. DOMENICO SINISCALCO, Governor of the Fund for ITALY, at the Joint Annual Discussion.' 03 October 2004. www.imf.org/external/am/2004/speeches/pr36e.pdf. p. 3.

⁶⁸³ 'UK-Italy Summit, London, 13 July 2004: Joint Statement'. 13 July 2004.

www.britishembassy.gov.uk/servlet/Front?pagename=OpenMarket/Xcelerate/ShowPage&c=Page&cid=1089125953217.

⁶⁸⁴ Paolo Lambruschi. 'Congo, taglio al debito'. *Avvenire*. 27 October 2004.

www.db.avvenire.it/avvenire/edizione_2004_10_27/oggi_frontiere.html.

⁶⁸⁵ Paris Club. 'News'.

⁶⁸⁶ IMF. 'Highly Indebted Poor Countries (HIPC) Initiative: Status of Implementation.' 20 August 2004.

www.imf.org/external/np/hipc/2004/082004.pdf. p. 20.

⁶⁸⁷ "The HIPC Initiative — Frequently Asked Questions" Department for International Development (London) October 2004. Date of Access: 15 January 2005 [www.dfid.gov.uk/mdg/debt-hipc-faqs.asp#top].

⁶⁸⁸ "IMF Executive Board Discusses the Status of Implementation of the Enhanced HIPC Initiative" International Monetary Fund (Washington D.C.) 30 September 2004. Date of Access: 14 January 2005 [www.imf.org/external/np/sec/pn/2004/pn04111.htm].

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5. Japan: +1

Japan has partially complied with its Debt Relief commitments. Despite the fact that Japan was the second largest donor nation by volume of ODA flows in 2003, its development assistance programs do have some troublesome implications for the Enhanced HIPC Initiative.⁶⁹³ In particular, partly because of the Asian Financial Crisis, Japan has become the largest bilateral foreign donor of all OECD countries, and its loans to Least Developed Countries (LDCs) are growing.⁶⁹⁴ As a result, Japan is gradually becoming more and more involved in the Enhanced HIPC Initiative, although the role of lending in its ODA strategy has yet to change. During the past six months, Japan has issued loan aid, in the form of debt relief, to the following HIPCs: Nicaragua (¥12.91 billion); Malawi (¥28.225 billion); Yemen (¥6.417 billion); Togo (¥1.79 billion); Nepal (¥21.116 billion); Niger (¥2.533 billion); Guinea (¥8.175 billion); Senegal (¥9.804 billion).⁶⁹⁵ A bilateral agreement on debt reduction between Japan and Madagascar was delayed due to technical problems, but is nevertheless expected to be completed.⁶⁹⁶ This would represent a further reduction of Madagascar’s debt to Japan, the present value of which is approximately US\$344 million.⁶⁹⁷

Despite this, Japan has expressed concern over both the extension of the HIPC Initiative and the expansion of possible member countries. Japan has also stated its reluctance to further reduce the debts of HIPCs beyond the amounts previously agreed.⁶⁹⁸ Rather, Japan would prefer to see increased debt forgiveness by the Multilateral Development Banks.⁶⁹⁹

⁶⁸⁹ IMF. ‘Transcript of African Finance Ministers’ Press Conference.’ 03 October 2004.

www.imf.org/external/np/tr/2004/tr041003a.htm.

⁶⁹⁰ G7 Finance Ministers, ‘Statement by G7 Finance Ministers on Assisting Countries Devastated by the Indian Ocean Tsunami.’

⁶⁹¹ Ibid.

⁶⁹² Ibid.

⁶⁹³ OECD. ‘Japan. DAC Peer Review: Main Findings and Recommendations.’ 2004.

www.oecd.org/document/10/0,2340,en_2649_34603_22579914_1_1_1_1,00.html.

⁶⁹⁴ Ibid.

⁶⁹⁵ Ministry of Foreign Affairs. ‘Exchange of Notes in Fiscal Year 2004.’ 30 November 2004.

www.mofa.go.jp/policy/oda/note/loan-4.html.

⁶⁹⁶ IMF. ‘Madagascar: Completion Point Document for Enhanced Highly Indebted Poor Countries (HIPC) Initiative.’ December 2004. www.imf.org/external/pubs/ft/scr/2004/cr04406.pdf. p. 22.

⁶⁹⁷ Ibid., p. 34.

⁶⁹⁸ Development Committee. ‘Statement by the Honorable Sadakazu Tanigaki, Minister of Finance, Japan.’ 02 October 2004. siteresources.worldbank.org/DEVCOMMINT/Documentation/20263895/DCS2004-0036-Japan.pdf.

⁶⁹⁹ Ibid.

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6. Russia: +1

Russia has partially complied with its Debt Relief commitments. In a public statement on 2 October 2004, Finance Minister Alexei Kudrin expressed “support [for] the proposal to extend the HIPC sunset clause to end-2006, and also restriction of potential applicants to those countries that meet HIPC eligibility criteria as of end-2004.”⁷⁰⁷ The proposal would extend the period for HIPC initiative agreements to be reach by two years, and allow for eligibility to be extended until the end of 2004 — this has been proven effective in previous cases when the sunset clause was due to take affect on the initiative.⁷⁰⁸ Mr. Kudrin also points out that debt relief cannot solely address the financial troubles affecting developing countries. Rather, developed nations should encourage “financial discipline” in indebted countries and “display restraint in extending new credit.”⁷⁰⁹ In light of this statement, Russia appears hesitant to commit to an institutionalized system of debt relief or assistance, and has not made an official comment

⁷⁰⁰ IMF. ‘Highly Indebted Poor Countries (HIPC) Initiative: Status of Implementation.’ 20 August 2004. www.imf.org/external/np/hipc/2004/082004.pdf . p. 20.

⁷⁰¹ “The HIPC Initiative — Frequently Asked Questions” Department for International Development (London) October 2004. Date of Access: 15 January 2005 [www.dfid.gov.uk/mdg/debt-hipc-faqs.asp#top].

⁷⁰² “IMF Executive Board Discusses the Status of Implementation of the Enhanced HIPC Initiative” International Monetary Fund (Washington D.C.) 30 September 2004. Date of Access: 14 January 2005 [www.imf.org/external/np/sec/pn/2004/pn04111.htm].

⁷⁰³ IMF. ‘Transcript of African Finance Ministers’ Press Conference.’ 03 October 2004. www.imf.org/external/np/tr/2004/tr041003a.htm.

⁷⁰⁴ G7 Finance Ministers, ‘Statement by G7 Finance Ministers on Assisting Countries Devastated by the Indian Ocean Tsunami.’

⁷⁰⁵ Ibid.

⁷⁰⁶ Ibid.

⁷⁰⁷ IMFC. ‘Statement by Mr. Kudrin.’ 02 October 2004. p. 3.

⁷⁰⁸ IMF and IDA. ‘Enhanced HIPC Initiative: Possible Options Regarding the Sunset Clause.’ 07 July 2004. (III. B.)

⁷⁰⁹ IMF. ‘Statement by Hon. Mr. Alexei Kudrin’. 3 October 2004. Pg. 5.

regarding the possible creation of the International Finance Facility proposed by the United Kingdom in April 2004.⁷¹⁰ Russia has, however, remained committed to a case-by-case review of debt relief,⁷¹¹ and continues to pursue bilateral debt-relief agreements under the framework of the Paris Club HIPC initiative. The most recent agreement was made 27 July, 2004 between Russia and Nicaragua to drop some US\$340 million in debt incurred in arms purchases from the Soviet Union.⁷¹²

The staff of the IMF has proposed that the sunset clause of the Enhanced HIPC Initiative be extended to end-2006, in line with the Sea Island commitment to seek an extension of the HIPC sunset clause.⁷¹³ This recommendation was endorsed by the Boards of the IMF and World Bank at their September 2004 meeting where the sunset date was indeed extended to December 2006.⁷¹⁴ The one proviso was that the HIPC deadline extension would be restricted to “IDA-only and Poverty Reduction Growth Facility (PRGF) eligible countries that have not yet benefited from HIPC debt relief and are assessed to have external public debt in excess of the enhanced HIPC Initiative thresholds after full application of traditional debt relief mechanisms based on end-2004 debt data.” The IMF and World Bank also agreed to consider further extending the deadline beyond 2006 if warranted, “giving the challenges facing some countries.”⁷¹⁵ Nevertheless, the agreement reached by the IMF and World Bank has still been criticized as “not sufficient” by Paul Toungui, the Minister of Finance for Gabon.⁷¹⁶

7. United Kingdom: +1

The United Kingdom has fully complied with its Debt Relief commitments. Great Britain is playing an active and successful role in its commitment to debt relief. The Department of International Development is in “favour of ‘topping-up’ whenever recommended by IMF and World Bank staff and excluding additional bilateral assistance from the topping-up calculations.”⁷¹⁷ In addition, the DFID is working to press the G7 members “for a firm commitment on financing the G7’s share of costs for the HIPC Trust Fund, which [is] estimate[d] at up to US\$1 billion.”⁷¹⁸

⁷¹⁰ ‘IFF proposal: Executive Summary’. April 2004. www.hm-treasury.gov.uk/documents/international_issues/int_gnd_intfinance.cfm.

⁷¹¹ IMF, ‘HIPC Initiative: Status of Implementation’, Pg. 94

⁷¹² Interfax. ‘Russian [sic] signs Nicaragua debt write-off deal’. 27 July 2004 www.interfax.ru/e/B/0/26.html?menu=2&id_issue=10688118.

⁷¹³ IMF. ‘Highly Indebted Poor Countries (HIPC) Initiative: Status of Implementation.’ 20 August 2004. www.imf.org/external/np/hipc/2004/082004.pdf. p. 20.

⁷¹⁴ “The HIPC Initiative — Frequently Asked Questions” Department for International Development (London) October 2004. Date of Access: 15 January 2005 [www.dfid.gov.uk/mdg/debt-hipc-faqs.asp#top].

⁷¹⁵ “IMF Executive Board Discusses the Status of Implementation of the Enhanced HIPC Initiative” International Monetary Fund (Washington D.C.) 30 September 2004. Date of Access: 14 January 2005 [www.imf.org/external/np/sec/pn/2004/pn04111.htm].

⁷¹⁶ IMF. ‘Transcript of African Finance Ministers’ Press Conference.’ 03 October 2004. www.imf.org/external/np/tr/2004/tr041003a.htm.

⁷¹⁷ Department for International Development. ‘Millennium Development Goals: Aid, Trade, Growth and Global Partnership’. October 2004. www.dfid.gov.uk/mdg/debtfactsheet.asp.

⁷¹⁸ Ibid.

Great Britain has come forth urging the other “G7 nations to follow its example and write off debts owed by the world’s poorest countries.”⁷¹⁹ With regards to long-term debt sustainability, Great Britain supports this by “more grant financing and debt relief so that debt service obligations are not hampering countries’ progress towards meeting the MDGs.”⁷²⁰ Britain also plans to “urge the IMF to consider new options for financing its share of 100 per cent debt relief, including through the use of internal resources as was done in 1999.” The British government is eagerly supporting an international initiative to use the proceeds from a “reevaluation of IMF gold” to forgive the debts of HIPCs to that organization.⁷²¹ “DFID ‘co-funds’ a program of technical advice and assistance for HIPC countries to develop their debt management capacity [thus] helping HIPC countries to establish the level of debt they hold and negotiate their HIPC debt relief.”⁷²² “The programme helps HIPCs to develop a debt management strategy to plan and manage future borrowing.”⁷²³ At a bilateral meeting held between Italy and the UK in July 2004, the two nations “reaffirmed their commitment to providing debt relief and to channeling that relief towards poverty reduction through full implementation of the HIPC initiative.”⁷²⁴ The United Kingdom has also announced that it will further aid those HIPCs with debts to the World Bank and the African Development Bank by paying “by unilaterally paying [its] share of the cost of servicing this debt, i.e. 10%.”⁷²⁵ It is calling for other nations to follow its lead in covering such debt service payments. It believes that the United Kingdom’s own commitment to cancel 100% of all bilateral debts owed by HIPCs should be matched by the multilateral organizations and is actively seeking the support of other national governments to encourage the IMF and World Bank to adopt such measures.⁷²⁶ Bilateral relief as well as efforts to deepen multilateral relief, according to Chancellor of the Exchequer Gordon Brown, will be expanded beyond the confines of the HIPC Initiative to include all poor countries meeting debt load and economic reform requirements.⁷²⁷ Of these other poor nations, International Development Minister Hilary Benn believes that up to ten may be included in the Enhanced HIPC Initiative thanks to the extension of the sunset clause by a further two years.⁷²⁸

The staff of the IMF has proposed that the sunset clause of the Enhanced HIPC Initiative be extended to end-2006, in line with the Sea Island commitment to seek an extension of the HIPC sunset clause.⁷²⁹ This recommendation was endorsed by the Boards of the IMF and World Bank at their September 2004 meeting where the sunset date was indeed extended to December

⁷¹⁹ Alex Kleiderman. ‘Hurdles in Way of ‘Audacious’ Debt Plan.’ BBC. 27 September 2004. news.bbc.co.uk/1/hi/business/3694066.stm.

⁷²⁰ DFID, ‘Millennium Development Goals: Aid, Trade, Growth and Global Partnership’.

⁷²¹ Ibid. p. 6.

⁷²² Ibid.

⁷²³ Ibid.

⁷²⁴ BBC. ‘Brown Pushes Tsunami Debt Relief’. 04 January 2005. news.bbc.co.uk/2/hi/uk_news/politics/4144411.stm.

⁷²⁵ Hilary Benn. ‘Building Capable States in Africa — Priorities for the G8’. Institute for Public Policy Research. 06 December 2004. www.dfid.gov.uk/news/files/speeches/hilarycapstatesafrica6dec04.pdf. p. 6.

⁷²⁶ DFID. ‘UK to Provide Deeper Debt Relief to Poor Countries’. 26 September 2004. www.dfid.gov.uk/news/files/pressreleases/deeperdebt-full.asp.

⁷²⁷ DFID. ‘Debt Initiative — Background Note.’ 26 September 2004.

www.dfid.gov.uk/news/files/pressreleases/NewDebtInitiativenote26Sept04.pdf.

⁷²⁸ Benn, ‘Building Capable States in Africa’, p. 6.

⁷²⁹ IMF. ‘Highly Indebted Poor Countries (HIPC) Initiative: Status of Implementation.’ 20 August 2004. www.imf.org/external/np/hipc/2004/082004.pdf. p. 20.

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On January 7, 2005, the Finance Ministers of the G7 announced that they would suspend all debt service receipts from nations affected by the Asian Tsunami until the IMF and World Bank has properly analyzed affected nations’ financial assistance needs.⁷³³ The Ministers will also seek assistance of this form from the Paris Club at its meeting on January 12, 2005.⁷³⁴ They did note, however, that no decision would be in violation of the laws of creditor countries.⁷³⁵ For its myriad of actions, commitments and proposals on debt relief, the United Kingdom receives a score of +1.

8. United States: +1

The United States has partially complied with its Debt Relief commitments. Despite the entrenchment of support for the HIPC Initiative at the Sea Island Summit, the United States’ main debt relief goal over the past six-months has been to seek complete or near complete forgiveness of Iraqi debt (a non-HIPC country). While the issue of Iraqi debt has been at the forefront of the American campaign, particularly after the US and Germany brokered a compromise on that nation’s debt, the American authorities have taken other steps to realize their original debt relief commitments. In September, the United States urged partial cancellation of poor country debt to the IMF and World Bank, and tabled a proposal that further assistance by the IMF and World Bank to least-developed countries come in the form of grants rather than loans.⁷³⁶ The plan, however, has been criticized for placing the burden for debt forgiveness solely onto the resources of the international financing vehicles.⁷³⁷ Treasury Secretary John Snow has, nevertheless, reiterated the Bush Administration’s commitment to 100% debt cancellation for nations that participate in the HIPC Initiative.⁷³⁸ Mr. Snow has suggested,

⁷³⁰ “The HIPC Initiative — Frequently Asked Questions” Department for International Development (London) October 2004. Date of Access: 15 January 2005 [www.dfid.gov.uk/mdg/debt-hipc-faqs.asp#top].

⁷³¹ “IMF Executive Board Discusses the Status of Implementation of the Enhanced HIPC Initiative” International Monetary Fund (Washington D.C.) 30 September 2004. Date of Access: 14 January 2005 [www.imf.org/external/np/sec/pn/2004/pn04111.htm].

⁷³² IMF. ‘Transcript of African Finance Ministers’ Press Conference.’ 03 October 2004. www.imf.org/external/np/tr/2004/tr041003a.htm.

⁷³³ G7 Finance Ministers, ‘Statement by G7 Finance Ministers on Assisting Countries Devastated by the Indian Ocean Tsunami.’

⁷³⁴ Ibid.

⁷³⁵ Ibid.

⁷³⁶ IMFC. ‘Statement by the Honorable John W. Snow Secretary of the Treasury of the United States of America: International Monetary and Financial Committee Meeting’. 02 October 2004. www.treas.gov/press/releases/js1986.htm?SEARCH.X=28&SEARCH.Y=4.

⁷³⁷ Paul Bluestein. ‘US Wants to Cancel Poor Nations’ Debt’. *Washington Post*. 14 September 2004. p. A06.

⁷³⁸ Associated Press. ‘Economic Power Agree to Help Poor Nations.’ 04 October 2004.

however, that debt relief should also be encouraged in other ways, such as changing the macroeconomic fundamentals of the poorest nations and thereby allowing them to earn a greater national income. This scheme, Mr. Snow claims, would be far more sustainable in the long run than the “‘lend-and-forgive’ cycle.”⁷³⁹

The United States also participated in the Paris Club’s cancellation of US\$1.57 billion of debt for the Democratic Republic of Congo and rescheduling of a further US\$1.45 billion of that country’s debt.⁷⁴⁰ Members of the Paris Club also promised debt reduction of 90% once the DRC reaches its decision point under the Enhanced HIPC Initiative.⁷⁴¹ Other HIPC-based debt relief initiatives that the United States has been involved in, through the Paris Club, include: Madagascar (US\$752 million of debt cancelled)⁷⁴²; Ethiopia (US\$758 million of debt cancelled, with a promise for a further US\$176 billion to be cancelled bilaterally)⁷⁴³; Ghana (US\$673 million of debt cancelled); and Senegal (US\$94 million of debt cancelled).⁷⁴⁴

The staff of the IMF has proposed that the sunset clause of the Enhanced HIPC Initiative be extended to end-2006, in line with the Sea Island commitment to seek an extension of the HIPC sunset clause.⁷⁴⁵ This recommendation was endorsed by the Boards of the IMF and World Bank at their September 2004 meeting where the sunset date was indeed extended to December 2006.⁷⁴⁶ The one proviso was that the HIPC deadline extension would be restricted to “IDA-only and Poverty Reduction Growth Facility (PRGF) eligible countries that have not yet benefited from HIPC debt relief and are assessed to have external public debt in excess of the enhanced HIPC Initiative thresholds after full application of traditional debt relief mechanisms based on end-2004 debt data.” The IMF and World Bank also agreed to consider further extending the deadline beyond 2006 of warranted, “giving the challenges facing some countries.”⁷⁴⁷ Nevertheless, the agreement reached by the IMF and World Bank has still been criticized as “not sufficient” by Paul Toungui, the Minister of Finance for Gabon.⁷⁴⁸

⁷³⁹ John Snow. ‘Development Committee Statement for the Record.’ 02 October 2004.

www.treas.gov/press/releases/20041021350115374.htm?SEARCH.X=28&SEARCH.Y=4.

⁷⁴⁰ Paris Club. ‘Congo’. 16 December 2004.

www.clubdeparis.org/en/news/page_detail_news.php?FICHIER=com11031932770.

⁷⁴¹ Ibid.

⁷⁴² Paris Club. ‘Madagascar’. 16 November 2004.

www.clubdeparis.org/en/news/page_detail_news.php?FICHIER=com11006219390.

⁷⁴³ Paris Club. ‘Ethiopia’. 15 October 2004.

www.clubdeparis.org/en/news/page_detail_news.php?FICHIER=com10978473200.

⁷⁴⁴ Paris Club. ‘Senegal’. 09 June 2004.

www.clubdeparis.org/en/news/page_detail_news.php?FICHIER=com10868546700.

⁷⁴⁵ IMF. ‘Highly Indebted Poor Countries (HIPC) Initiative: Status of Implementation.’ 20 August 2004.

www.imf.org/external/np/hipc/2004/082004.pdf . p. 20.

⁷⁴⁶ “The HIPC Initiative — Frequently Asked Questions” Department for International Development (London) October 2004. Date of Access: 15 January 2005 [www.dfid.gov.uk/mdg/debt-hipc-faqs.asp#top].

⁷⁴⁷ “IMF Executive Board Discusses the Status of Implementation of the Enhanced HIPC Initiative” International Monetary Fund (Washington D.C.) 30 September 2004. Date of Access: 14 January 2005 [www.imf.org/external/np/sec/pn/2004/pn04111.htm].

⁷⁴⁸ IMF. ‘Transcript of African Finance Ministers’ Press Conference.’ 03 October 2004.

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9. European Union: +1

The European Union has partially complied with its Debt Relief commitments. However, the reasons for this lack of development cannot be attributed to a lack of EU initiative but rather to the fact the EU itself is not a substantial creditor of any kind. Instead, almost all debt owed to the EU is actually owed to directly to member-states. Thus, most of the debt relief programs and activities are implemented through bilateral actions between HIPC's and the separate EU member states within the G8 framework.⁷⁵² The most active states in the debt relief initiative are the United Kingdom, France, Germany and Italy. They have all forgiven the debts of some of the LDCs in Africa. The EU will also prepare a consolidated report "related to goals 7 (covering environmental sustainability) and 8 (covering development assistance, dismantling trade barriers and debt relief) for the UN Millennium Development Goals 'stock-taking' event" this year.⁷⁵³ So far, in addition to bilateral assistance, the EU has pledged to support African development through increased trade, technical assistance and budgetary grants, among other things.⁷⁵⁴ Moreover, at the Africa-Europe Dialogue Third Meeting of the Troikas, experts commented that debt relief in itself will not be sufficient for 'long term debt sustainability' and called for a more 'active participation of the debtor countries in the appropriate fora regarding further discussions on external debt.'⁷⁵⁵ The EU is participating actively in the development of LDCs but it cannot act as a sovereign state which lends or remits debts because such acts are ultimately undertaken by the member states themselves.

On 19 January 2005, the European Commission dispatched a delegation headed by Henry Sprietsma to Zambia to assess the EU's role in alleviating poverty and underdevelopment in that country and across Africa. Sprietsma stated that the Commission will support African countries including Zambia in the problem of foreign debts which he identified as a major cause of poverty in Africa. Furthermore, Sprietsma stated during discussions concerning the Millennium

⁷⁴⁹ G7 Finance Ministers, 'Statement by G7 Finance Ministers on Assisting Countries Devastated by the Indian Ocean Tsunami.'

⁷⁵⁰ Ibid.

⁷⁵¹ Ibid.

⁷⁵² European Commission: DG Development. 'Address by Mr. Theodorakis, Acting Director-General, to the South African Heads of Mission on EU-Africa relations'. 05 July 2004.
europa.eu.int/comm/development/body/eu_africa/docs/address_040705.pdf#zoom=100.

⁷⁵³ daccessdds.un.org/doc/UNDOC/GEN/N04/465/40/PDF/N0446540.pdf?OpenElement, pg. 12

⁷⁵⁴ IMF and IDA. 'Enhanced HIPC Initiative: Possible Options Regarding the Sunset Clause'. 7 July 2004.
[\[siteresources.worldbank.org/INTDEBTDEPT/PolicyPapers/20270812/Sunset%20Clausejuly72004.pdf\]](http://siteresources.worldbank.org/INTDEBTDEPT/PolicyPapers/20270812/Sunset%20Clausejuly72004.pdf).

⁷⁵⁵ African Union. 'Communique, Africa Europe Dialogue Third Meeting of the Troikas'. 04 December 2004.
[\[europa.eu.int/comm/development/body/eu_africa/docs/comm_addis_4_12_2004.pdf#zoom=100\]](http://europa.eu.int/comm/development/body/eu_africa/docs/comm_addis_4_12_2004.pdf#zoom=100).

Development Goals (MDGs) in Lusaka that the commission was considering new forms of taxation and financing and the other options of addressing the debt crisis both within and outside the Highly Indebted Poor Countries (HIPC).⁷⁵⁶

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⁷⁵⁶ “EU Pledges Support to African Countries,” *Times of Zambia* (Ndola) 19 January 2005. Date of Access: 19 January 2005 [allafrica.com/stories/200501190869.html].

⁷⁵⁷ IMF. ‘Highly Indebted Poor Countries (HIPC) Initiative: Status of Implementation.’ 20 August 2004. [www.imf.org/external/np/hipc/2004/082004.pdf] . p. 20.

⁷⁵⁸ “The HIPC Initiative — Frequently Asked Questions” Department for International Development (London) October 2004. Date of Access: 15 January 2005 [www.dfid.gov.uk/mdg/debt-hipc-faqs.asp#top].

⁷⁵⁹ “IMF Executive Board Discusses the Status of Implementation of the Enhanced HIPC Initiative” International Monetary Fund (Washington D.C.) 30 September 2004. Date of Access: 14 January 2005 [www.imf.org/external/np/sec/pn/2004/pn04111.htm].

⁷⁶⁰ IMF. ‘Transcript of African Finance Ministers’ Press Conference.’ 03 October 2004. www.imf.org/external/np/tr/2004/tr041003a.htm.