If not now, when?

Urgent recommendations on debt cancellation for a strong and prosperous Africa

A report by the UK All Party Parliamentary Group on Heavily Indebted Poor Countries for the Commission for Africa, based on Parliamentary hearings from African parliamentarians and civil society, from NGOs and academics, and from the Secretary of State for International Development, Rt. Hon. Hilary Benn, MP.

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‘I hope that in the next year the debt relief that we achieve will ensure that there is money for education and for health and for the relief of poverty, and I hope that it makes it possible for your children to go to school and to have healthcare.’

Rt. Hon. Gordon Brown MP, Chancellor of the Exchequer, July 1999
Phone call to Elinata Kasanga in Zambia

‘If we, knowing what we have to do, fail to act now, we will not only fail the poor this time but they will never believe our promises again… So when the need is pressing, when it is our generation that has made historic commitments, the simple questions that, to use the words of an American President, we must ask are:

If not now, when?
If not us, who?
If not together, how?

Not left to some other time and some other people but now and us, working together.’

Rt. Hon. Gordon Brown MP, Chancellor of the Exchequer, 16th February 2004
Speech on ‘Making globalisation work for all’.

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Introduction

This report is published at a critical moment in the history of international efforts to combat global poverty. The avoidable deaths of 30,000 people every day should always be an incentive to action. But 2005 offers unique opportunities for progress that must be grasped.

Britain's hosting of the G8 prompted Prime Minister Tony Blair to establish the Commission for Africa, to whom this report is addressed. Chancellor of the Exchequer Gordon Brown is seeking support from the G8 for an International Finance Facility, designed to deliver the funds needed to meet the Millennium Development Goals, conscious that in September the United Nations Special Session to review progress will be forced to conclude that too little is being done too late, unless there is a dramatic change of policy from the wealthiest nations.

Expectations have accordingly been raised. Seven years ago Jubilee 2000 made debt a major international issue. This All Party Parliamentary Group was part of the response to that inside the House: MPs alerted to the issue – and regularly reminded of it by their constituents – determined to play their part in ensuring the world's poorest countries were given a fresh start. Now there is a new coalition of aid agencies, faith groups, trade unions and others who are campaigning not only for debt cancellation, but also for more and better aid and trade justice to make poverty history in 2005.

Everyone is more aware than ever before of the inter-relationships between aid, trade and debt – all impact each other and action on all of them is needed if the scourge of poverty is to be defeated. This report focuses on debt simply because there remains a need for urgent action – millions are still looking for that 'fresh start'. Much has been achieved; it is the evidence of positive results that is the best incentive to look for more. And while debt cancellation cannot in itself provide all the resources needed to end poverty, it is an absolutely essential ingredient in the mix of measures required.

But it is not simply that a bit more money should be found for debt relief. This report's host of recommendations shows that there is a long list of issues to be addressed if action on debt is to deliver the maximum benefit for people who are poor – by the International Financial Institutions, by the G8 – and not least, by African governments themselves, resourced and empowered to deliver effective poverty reduction as a result of debt cancellation.

That's why we are delighted to make our contribution to this urgent matter as a group of Parliamentarians. The search for an open and transparent process to deal with debt is one that can and must strengthen democracy and ensure that our colleagues in Africa can exercise their full and proper responsibilities on behalf of their fellow-citizens. We join with them in their aspiration that 2005 will live up to expectations; we hope this report will contribute to making poverty history.

Julia Drown MP
Ann McKechin MP

Co Chairs, All Party Parliamentary Group on Heavily Indebted Poor Countries

With special thanks to all those who gave evidence to our Parliamentary hearings, and also the Advisory Group for this report:

Tony Baldry MP
Hugh Bayley MP
Sally Keeble MP
John McFall MP
Stephen O'Brien MP
Jenny Tonge MP

Executive Summary

The facts are clear:

- Debt relief has already made a difference to millions of people who are poor.
- Finance released by debt relief has overwhelmingly been used for poverty reduction.

But

- The HIPC Initiative has failed to provide an exit from unsustainable debt for the world's poorest countries.
- It will be impossible for the Millennium Development Goals to be met without an immediate 100 per cent debt cancellation for Africa's heavily indebted poor countries.
- Some impoverished African countries with unsustainable debt are not being considered within the current HIPC initiative.
- Conflict, corruption and undemocratic processes are barriers to debt cancellation for effective poverty reduction

Therefore, in summary, we recommend:

- The unpayable debts of Africa's impoverished countries should be cancelled immediately, in full, releasing funds for poverty reduction.
- The current HIPC Initiative should be urgently and radically reformed so that debt cancellation for all heavily indebted African countries can proceed rapidly under a fair and transparent process that reinforces the positive and active involvement of African national parliaments, other democratic institutions and processes, particularly in Africa, and the broadest definition of African civil society. This process should be established in consultation with democratic African institutions, build on the best practice for the application and monitoring of debt relief for poverty reduction and take into account the processes already initiated by NEPAD to counteract corruption.
- IMF gold should be sold immediately to maximise its contribution to rapid debt cancellation, using a process that protects the legitimate interests of the gold-producing countries and avoids significant impact on the price of gold.
- Special attention should be given to dealing urgently with debt owed to non-OECD bilateral and commercial creditors which are not participating in the HIPC Initiative, including establishing a rapid response legal technical assistance facility, independent of the IMF and World Bank, to protect African nations from predatory lawsuits.
- While it is legitimate to insist that money released by debt cancellation is spent for agreed purposes of poverty reduction and national development, and to advise national governments on the economic implications of different policy options, the international financial institutions must stop imposing economic policies on poor countries as a condition for debt cancellation, and be made more accountable to African nations for their behaviour in Africa as a whole and in individual nations.
- Each impoverished African country should be empowered and enabled to develop, own and monitor its own unique and comprehensive development programme that will meet the 2015 Millennium Development Goals and which includes a

comprehensive financing plan – encompassing all issues of grants, loans, debt (both international and domestic, private and commercial and including export credit debt), taxation and international trade.

- These national development programmes should receive guaranteed and sustained funding from the world's richest nations, with a strong bias towards grants. Grants should target poverty, without compromising environmental and human rights standards, and be free of undemocratic and economically damaging conditionalities.
- These guaranteed and sustained funding agreements, including debt relief proposals, must be able to adapt rapidly so that commodity price variations and other external shocks do not destroy their effectiveness and cause more poverty.
- Each African government has its own opportunities and responsibilities in ensuring debt cancellation results in effective poverty reduction. The Commission for Africa should highlight principles and best practice in this area, indicating how the donor institutions and governments can support rather than hinder this process.
- African countries own efforts to fight corruption should be backed by a coherent and concerted effort to repatriate 'stolen assets', money siphoned off from national finances into private bank accounts, much of it from loans now being repaid by national governments. This should draw on the legislation and experience gained from the measures taken to combat the laundering of income from the illegal drugs trade and the financing of terrorism.
- Any further loans made to impoverished African countries should only be made in an open and democratically accountable manner, with clear targets of poverty reduction, without economically damaging conditionalities, and subject to an agreed insolvency process as described below. Calculations of debt sustainability must be based on human development factors, rather than on economic growth and export earnings.
- A fair, transparent and comprehensive international insolvency process should be created to allow creditor and debtor countries to resolve future debt crises without compromising the ability of poor countries to meet the basic social needs of their peoples, and without forcing poor countries to repay what the insolvency process determines to be odious debts.

These recommendations to the Commission for Africa will also be the basis for continuing political activity within the UK Parliament, the European Union, the countries of the G8 and the International Financial Institutions.

Drop the Debt

The story so far

The origins of the debt crisis in Africa lie in the rapid rise in oil prices in the 1970s, which gave banks large amounts of cash available for loans at a time when interest rates were relatively low. But rising oil prices put pressure on African government budgets, and a rapid rise in interest rates and falling commodity prices made debt repayments increasingly expensive. In addition, many loans were made to undemocratic and corrupt regimes, many were for the purchase of weapons or other purposes far removed from the eradication of poverty, and many were tied to the purchase of goods and services from the lending country.

As the amount of unpaid – and increasingly unpayable – debt grew, assistance was given, with the result that through the 80s and 90s commercial debt – money owed to banks – largely became money owed to the World Bank and the International Monetary Fund as debt was reprocessed. New loans were given either to repay old debts, or simply to keep countries going – on condition that specific economic policies were put in place under the highly controversial Structural Adjustment Programmes, widely assessed as having had a seriously negative impact on the lives and prospects for the poorest people of Africa.

By the mid-90s, therefore, as the HIV/AIDS epidemic exploded, many countries were paying more in debt service than they were on the health and education of their own people, and the poorest countries were often attempting to make repayments for loans from which they had received no benefit, often contracted and stolen by regimes now removed from office.

The 1996 HIPC Initiative, enhanced in 1999, was the attempt by the bulk of the creditors to establish a method by which the most heavily-indebted countries could regain a 'sustainable' level of debt – in other words, to reduce their debt to a position where they could afford, in financial terms, to pay their debt service requirement.

34 of the 42 countries regarded as heavily indebted under the terms of the HIPC Initiative are in Sub-Saharan Africa: 23 of these have received some debt relief. Since 1970 Africa has paid back in debt service slightly more than it has received in loans, but its current debt stock, $295 billion, is still about half of that total. Africa paid an average of $19 billion a year in debt service between 2000 and 2002; HIPC countries contributed $4.2 billion of this – and this is expected to rise to $6.2 billion a year for the next four years.

In summary, therefore:

- Many of the world's poorest countries are still carrying an enormous debt burden
- Many of the world's poorest countries are still spending money repaying debt that could be used for the health and education of their own people
- Many of the world's poorest countries currently have no prospect of being freed from the burden of debt
- Many of the world's poorest countries currently have no prospect of finding sufficient funds to meet the Millennium Development Goals

The Jubilee 2000 campaign to cancel the unpayable debt of the world's poorest countries under a fair and transparent process, backed by 24.3 million signatures from 165 countries, looked for a fresh start that would end the outrage of poor countries paying out more on debt than they received in aid – and save lives. In 2005 30,000 people die every day as a result of poverty: the need for a fresh start remains; urgent action is still needed.

[Detailed information about debt and the HIPC Initiative in Africa will be found from page 39]

100 per cent cancellation

'Tanzania has shown dramatic improvements in essential social services after getting partial debt relief. Clearly much more can be done to meet the Millennium Development Goals if we can get total debt cancellation'.

President Mkapa of Tanzania, letter to Jubilee Debt Campaign, February 2004

There is ample evidence from a number of African countries that have received debt relief under the HIPC initiative that it can be extremely effective in contributing to poverty reduction.

In Tanzania, for example, since debt relief was granted in 2001 the primary school population has increased by 66 per cent; 45,000 classrooms and 1,925 new primary schools have been built; 37,261 new teachers were recruited between 2000 and 2004, and another 14,852 retrained. Ghana's savings from HIPC funds helped provide microcredit to about 43,000 farmers, and provided 563 sanitation and 141 water projects. Mozambique has been enabled to introduce free immunisation for children. School fees for primary education have been abolished in Malawi, Tanzania, Uganda and Zambia.

Dr Donald Kaberuka, Rwandan Finance Minister, clearly indicated in his evidence to the Parliamentary hearings the advantages of debt relief over other forms of assistance for poverty reduction: it is predictable, it is front-loaded, it is flexible; debt relief enables budgets to be reassigned.

The UK Government has endorsed this view, in addition arguing that it encourages country ownership, because debt relief allows governments to spend their resources according to their own priorities for poverty reduction; it has advantages of neutrality and stability, and also comes with low transaction costs.

'Debt relief is effective. The benefits include predictability, being non-cyclical, lower transaction costs. We want to go further, hence the UK proposal around IMF gold. We have demonstrated our desire to move the debate on, we have provided resources, we want to persuade others.'

Rt.Hon. Hilary Benn MP, Secretary of State for International Development

It is equally widely acknowledged that progress towards meeting the Millennium Development Goals is being seriously affected by an enormous funding gap. The 2002 Monterrey Financing for Development Conference estimated the sum required to be an additional $50 billion dollars a year, doubling the amounts currently being made available.

'And at best on present progress in Sub Saharan Africa: primary education for all will be delivered not in 2015 but 2130 - that is 115 years too late; the halving of poverty not by 2015 but by 2150 - that is 135 years too late; and the elimination of avoidable infant deaths not by 2015 but by 2165 - that is 150 years too late. So when people ask how long, the whole world must reply: 150 years is too long to wait for justice; 150 years is too long to wait when infants are dying in Africa while the rest of the world has the medicines to heal them; 150 years is too long for people to wait when a promise should be redeemed, when the bond of trust should be honoured now in this decade.'

Rt. Hon. Gordon Brown MP, Chancellor of the Exchequer, 8th December 2004

It has been clearly demonstrated that it will be impossible for heavily indebted African countries to meet the Millennium Development Goals without 100 per cent debt cancellation.

Debt cancellation is in itself not a sufficient resource to meet this funding gap; but the funding gap cannot be met without it.

‘The Enhanced HIPC Initiative and the Evian Terms are falling way short of the debt relief Africa needs to fund the MDGs. The top priority now is to frontload the liquidity impact of debt relief to accelerate MDG spending, through 100 per cent debt service cancellation until 2015.’

Development Finance International, September 2004 "Long-term Debt Sustainability for Africa"

‘Africa’s massive and unsustainable external debts remain a major obstacle to growth. It deters private investment, threatens the sustainability of reforms, disrupts the smooth functioning of the state and calls into question the very survival of some of our economies. Africans, I believe, would not always want to rely on external aid; like anyone else in the world, poor as we are, we yearn for the self respect which comes from earning your own living in a fair exchange of goods and services.’

J.A.Kufuor, President of Ghana, 26th January 2005

Recommendations

- The unpayable debts of Africa’s impoverished countries should be cancelled immediately, in full, releasing funds for poverty reduction.

- Countries that have already demonstrated their ability to effectively use debt relief for poverty reduction should immediately receive full debt cancellation; in countries where issues of conflict, governance or commitment to poverty reduction call into question the likelihood of debt relief immediately having a positive impact on poverty, debt service payments should be placed in a trust fund so that finance can be released for poverty reduction as soon as appropriate.

- Debt cancellation should not be limited to those countries currently defined as qualifying for HIPC debt relief. If debt relief is limited to HIPCs, only half of Africa’s debt can be cancelled. Debt cancellation proposals should be extended to all African nations where debt cancellation is a prerequisite for their ability to meet the Millennium Development Goals.

- Debt cancellation should be matched by appropriate financing being made available to those African nations that have relatively low levels of debt but lack the resources to meet the Millennium Development Goals.

- The Commission for Africa, and the UK government, should encourage other creditor nations to follow the UK proposal to cancel its share of multilateral debt in order to achieve 100 per cent cancellation of multilateral debt.

- While indicating that debt cancellation is a highly effective form of transfer of resources to indebted countries for poverty reduction, and should therefore be a priority for financing to help those countries meet their Millennium Development Goals, debt relief alone will not be sufficient for countries to achieve the MDGs. So as well as debt relief, existing aid projects must to be maintained and more grant finance provided so that the MDGs can be met.

- Effective measures to respond rapidly to the impact of external shocks should immediately be put in place: for example
  - Including all “probable shocks” in baseline BWI programme scenarios
  - BWI programmes should support countries’ efforts to reduce vulnerability to shocks through, for example, export diversification, food buffer stocks, enhanced climate prediction methods, and more flexible and reliable aid disbursement mechanisms by donors

  - Much higher and more rapid grant contingency financing, triggered immediately by IMF or EU analysis of the scale of shocks and their impact on availability of liquidity for financing the MDGs
  - Financing such funding through IMF gold sales and/or a proportion of the intended IFF funding

- Proposals for debt cancellation should fully take into account national levels of domestic debt and commercial debt, especially when making any judgement about debt sustainability.

- Assessments of debt sustainability must be made on the basis of human development factors and the cost of meeting the Millennium Development Goals, rather than simple and simplistic economic considerations relating to potential exports earnings and speculative predictions of growth.

'There is now a consensus that a permanent solution to the external debt crisis, along with increased official development assistance and enhanced trade based on a level playing field, are critical to sustainable growth and development and to meeting the development challenges facing the African continent, including the Millennium Development Goals.'

Debt Sustainability: Oasis or Mirage? UNCTAD report, 2004

'In principle debt relief is among the most desirable types of external development finance, because it is more stable, predictable, counter-cyclical, has no financial cost, is high value for money, (if PRSPs live up to their promises) promotes ownership and poverty reduction, and has a positive effect on other flows such as domestic and foreign private investment and budget support aid. However, the way in which relief is currently being delivered is undermining its desirability by making it highly conditional, ownership-reducing, unpredictable, high in transaction costs, and excessively oriented to overhang reduction rather than the financing of the MDGs.'

Development Finance International, September 2004 "Long-term Debt Sustainability for Africa"

100 per cent debt cancellation: debt stock or debt service?

Cancelling debt stock effectively means removing the debt entirely from the country's books. This was proposed by the African Union in 2003, and builds on the 100 per cent debt stock cancellation already agreed by most OECD bilateral creditors. Thus it would largely concern multilateral creditors and non-OECD governments.

The great advantage of this proposal is that it would completely remove the debt overhang, as well as ending debt service payments; it would therefore give Africa the fresh start that the Jubilee movement was looking for before 2000. The cost would be $295 billion if applied to all African countries, and $142 billion if applied only to HIPCs. This cost would also be up front, and therefore carries the risk of prioritising debt relief over other forms of development financing, which even those who acknowledge the advantages of debt relief in this respect recognise could be unfair on poor countries that are not highly-indebted.

In recent months there has been discussion of a US proposal for the multilateral institutions to cancel 100 per cent of the debt stock owed to them by the HIPCs, and offset the loss of debt service to those institutions by reducing the amounts they make in new disbursements. Some see this as a means of permanently reducing the levels of debt – but it has been vigorously resisted by those who see it as a means of effectively making African countries pay for their own debt relief, and not providing ongoing funds for meeting the MDGs.

Cancelling debt service simply means that no more payments are made by the debtor nation, and that the debt stock is cancelled over the period of time of each loan. A 100 per cent cancellation of debt service would go further than the US Congress approved proposal that no poor country should have to pay more than 10 per cent of its budget revenue on debt service.

If 100 per cent debt service cancellation were applied to the whole of Africa until 2015 it would cost $153.6 billion; applied only to HIPCs, it would cost less than $4 billion a year (net of current costs of HIPC relief). HIPC Finance Ministers favour debt service cancellation or reduction over other forms of assistance because it has an immediate impact on their budgets, giving them money to be used on poverty reduction. Those who fear that the full cost of debt stock cancellation will not be found argue that this is the most cost-effective use of limited funds to maximise their impact on meeting the MDGs. It has been proposed that debt service cancellation should be guaranteed until 2015: this has the advantage of limiting the overall commitment while giving a lengthy period to enable coherent planning and budgeting to take place; the disadvantage is the danger of a renewed debt crisis in 2015, when service would be resumed, and even though the principal would have been reduced, there would be considerable amounts remaining, as some loans are due to be repaid over 30-40 years.

This discussion indicates the danger that if the richest nations cannot find enough money to finance all that needs to be done to meet the Millennium Development Goals, then corners will be cut and the necessary solutions applied incompletely and therefore far less effectively – which means that many more will die unnecessarily. It also emphasises the need for the situation of each country to be assessed individually, so that the levels of debt stock, the amount of annual debt service and the resources needed to meet the MDGs can all be taken into account, and each low-income country given the right combination of grants, debt stock and debt service cancellation whether or not they are heavily indebted.

‘If we are to make progress in meeting the Millennium Development Goals, more funding for health cannot be at the expense of education, more funding for education cannot be at the expense of infrastructure. And more money for education and health cannot be at the expense of more writing-off of debt.’

Rt. Hon. Gordon Brown MP, Chancellor of the Exchequer, 16th February 2004

- The World Bank is owed $19.4 billion
  The World Bank has promised to write off $6.4 billion
  The World Bank needs to cancel a further $13 billion to reach 100 per cent cancellation

- The IMF is owed $7 billion by the poorest countries
  The IMF has promised to write off $2 billion
  The IMF needs to cancel a further $5 billion to reach 100 per cent cancellation

Source: Debt and Development Ireland

UK to Provide Deeper and Wider Debt Relief for Poor Countries

Too many countries are still being forced to choose between servicing their debts and making the investments in health, education and infrastructure that would allow them to achieve the Millennium Development Goals. While many donors - including the UK - provide 100 per cent bilateral debt relief to the world's poorest countries, in practice only 50 per cent or less of multilateral debt is being cancelled.

That is why the UK is proposing to the international community that we match bilateral debt relief of up to 100 per cent with multilateral debt of up to 100 per cent. This will need to be financed through additional resources, to assist the world's poorest countries to meet the MDGs while ensuring that debt burdens remain sustainable, and to preserve the international financial institutions' capacity to assist all low-income countries.

We will continue to call for a revaluation or off-market sale of further IMF gold to fund the IMF's share of further multilateral debt relief. But for the World Bank and African Development Bank, additional donor resources are required.

Although there is no international agreement to provide this additional funding as yet, the UK will lead the way. We will pay our share of the debt service owed to the World Bank and African Development Bank's concessional financing arms on behalf of eligible countries. On the basis of our contributions to the last replenishment round of the World Bank's IDA, we estimate our share to be just over 10 per cent.

How will it work?

The UK's additional unilateral support will be provided until a comprehensive multilateral agreement can be reached, or until debt sustainability has been achieved in the context of the MDGs.

To ensure greater predictability of the flow of debt relief, it would continue as long as the savings are being used for poverty reduction, or until the MDGs are achieved.

The UK will be strongly pressing other donors to join with us in providing this relief, and will use its influence to ensure that debt relief is kept at the top of the international agenda, particularly during Britain's presidency of the ED and G8 in 2005.

Eligibility

This additional debt relief will be available to all low-income (IDA only) countries with sufficiently robust public expenditure management systems to ensure that the additional financing aids progress towards the MDGs. The list will therefore include all those countries that have graduated from the HIPC Initiative (Benin, Bolivia, Burkina Faso, Ethiopia, Ghana, Guyana, Mali, Mauritania, Mozambique, Nicaragua, Niger, Senegal, Tanzania and Uganda), as well as a number of other countries, such as Vietnam and Armenia, where the countries are capable of absorbing direct budget support. The list will not be closed - any country that comes to meet the eligibility criteria will be entitled to relief.

How will this additional relief be funded?

In the recent Spending Review, the Chancellor announced a large increase in the UK's aid budget. He announced that by 2007-08, total UK aid will rise to nearly £6.5 billion a year, representing 0.47 per cent of GNI, a real terms increase of 140 per cent since 1997.

Part of the increase in DFID's budget was specifically earmarked for the provision of multilateral debt relief, and it is these earmarked funds that will be used to fund the UK's share of providing multilateral debt relief.

Official statement from UK Treasury, 27th September 2004

The UK government is proposing that this debt relief should be available to:

1. All **post completion point HIPCs** (15 countries to date, December 2004);
2. All IDA-only countries with *"suitably robust public expenditure management systems to ensure savings are directed towards poverty reduction"*, which may be defined as those countries that have benefited from a Poverty Reduction Support Credit (PRSC).

This gives a list of 21 countries as follows (African countries in bold):

Beneficiary Countries (at end-2004)	Beneficiary Countries (at end-2004)
Benin	**Niger**
Bolivia	**Senegal**
Burkina Faso	**Tanzania**
Ethiopia	**Uganda**
Ghana	Albania*
Guyana	Armenia*
Mali	Mongolia*
Madagascar	Nepal*
Mauritania	Sri Lanka*
Mozambique	Vietnam*
Nicaragua	

*IDA-only countries

African countries therefore not included in this proposal:

Interim period HIPCs	Middle-income More Indebted
Cameroon	**Gabon**
Chad	**Tunisia**
DR Congo	
Gambia	**Low-Income Less Indebted**
Guinea	**Equatorial Guinea**
Guinea-Bissau	**Eritrea**
Madagascar	**Lesotho**
Malawi	
Rwanda	**Middle-Income Less Indebted**
Sao Tome and Principe	**(not seeking debt relief)**
Sierra Leone	**Algeria**
Zambia	**Botswana**
	Cape Verde
Pre-Decision Point HIPCs	**Djibouti**
Burundi	**Egypt**
CAR	**Libya**
Comoros	**Mauritius**
Congo Republic	**Morocco**
Cote d'Ivoire	**Namibia**
Liberia	**Seychelles**
Somalia	**South Africa**
Sudan	**Swaziland**
Togo	
Low-Income Severely-Indebted	
Angola	
Kenya	
Nigeria	
Zimbabwe	

IMF gold

'The slate has never been wiped clean; a one off gesture needs to be made. Gold sales are a unique opportunity to do this: they provide the resources to do it.'
Sony Kapoor, advisor to Tobin Tax Network, Tax Justice Network and Jubilee Research

It has been a feature of discussion on debt cancellation over recent years that while the G7 nations have to varying degrees promised to cancel the debt owed to them by the world's poorest countries, the IMF and the World Bank have consistently argued that using their own resources to cancel the debt owed to them would seriously affect their financial soundness and sustainability, and therefore must be ruled out.

More recently, however, there has been a recognition that the IMF has largely identified sources of funds for the HIPC debt that it has already committed to cancel, and that it has enough resources to fund the cancellation of all of the additional HIPC debt owed to it. It has also been argued that the International Bank for Reconstruction and Development (IBRD) has enough resources to fund the cancellation of all of the $13 billion (NPV) additional HIPC debt owed to the World Bank group.

The key to unlocking the door to debt cancellation by the IMF and World Bank is consideration of the use of their own resources, particularly the IMF's gold reserves. At the annual meetings of the IMF and World Bank in September 2004 the IMF was charged with preparing proposals for the use of its gold reserves in order to cancel debt owed to the IMF.

It is reported that the UK government considers the *'IMF's gold reserves are an under-utilised resource that could be used to finance further debt relief by the IMF' (December 2004)* But because gold '*provides a fundamental strength'* to the balance sheet of the IMF, the UK government supports a further revaluation or off-market sale of IMF gold, and has reinforced the request for the IMF to examine a range of technical approaches to using IMF gold to part-finance debt relief. It is hoped that an agreement on a mechanism can be reached in 2005.

Recommendations

- If this matter has not been resolved and acted upon when the Commission for Africa reports, then it should press for immediate action; the UK government should use all its influence to ensure there is no further procrastination. While it is vital that the detailed mechanisms proposed take into account the interests of gold-producing nations in Africa, there is no justification for any delay: the creditors should take the responsibility of using their own resources to cancel this debt in pursuit of poverty reduction, especially as it has been shown that this can be achieved without jeopardising the financial stability of the IFIs or disturbing the equilibrium of the gold market.
- Our evidence showed that a managed sale of gold offers the most effective and equitable method of releasing this resource for debt cancellation.
- The UK government has stated that any further debt relief from the internal resources of the International Development Association (IDA) and African Development Bank (AfDB) will *'inevitably result in a dollar-for-dollar reduction in new disbursements to low-income countries'* That is why the UK government has announced that it will pay its share of debt service from eligible countries to the World Bank and AfDB from 2005 until 2015. The objective is to put the World Bank and the AfDB in a position to provide 100 per cent cancellation on outstanding loans. But it is not inappropriate for the sale of IMF gold to be used to partially fund the cancellation of debt owed to the World Bank and other development banks, and the Commission for Africa should urge an immediate examination of this option.

Export Credit Debt

According to the most recent statistics available at the Organisation for Economic Cooperation and Development (OECD) all aid recipient countries had by the end of the year 2002 an external official – public sector – debt of over US$ 1,064 billion. The official debt of these countries is divided into three categories: multilateral debt, bilateral debt and export credit debt.

The multilateral debt is owed to institutions such as the World Bank, the IMF and the regional development banks. The bilateral debt is owed to individual OECD member countries, and most of it originates from loans provided to developing countries as part of development cooperation schemes.

Export credit debt is the least well-known type of public debt. It is generated by the so-called export credit agencies (ECAs) and fluctuates between 30-40 per cent of the total official public sector debt, turning the private risks of corporations into debt for developing countries

External official debt (million US$) of all aid recipients by the end of 2002

(source: OECD)

Global total

Multilateral	489,738	46%
Bilateral	206,477	20%
Export Credits	**368,503**	**34%**
TOTAL	1,064,718	

Sub-Saharan Africa

Multilateral	70,296	50%
Bilateral	25,165	18%
Export Credits	**45,361**	**32%**
TOTAL	140,822	

North Africa & Middle East

Multilateral	27,385	21%
Bilateral	25,786	20%
Export Credits	**74,441**	**58%**
TOTAL	127,612	

HIPC countries

Multilateral	79,578	58%
Bilateral	30,419	22%
Export Credits	**28,201**	**20%**
TOTAL	138,198	

Zambia

Multilateral	3,711	67%
Bilateral	702	13%
Export Credits	1,137	**20%**
TOTAL	5,550	

Uganda

Multilateral	3,476	95%
Bilateral	108	3%
Export Credits	93	**3%**
TOTAL	3,677	

Sudan

Multilateral	3,463	45%
Bilateral	1,060	14%
Export Credits	3,093	**41%**
TOTAL	7,616	

Nigeria

Multilateral	2,981	22%
Bilateral	1,612	9%
Export Credits	13,851	**75%**
TOTAL	18,444	

Cameroon

Multilateral	1,776	30%
Bilateral	1,671	28%
Export Credits	2,459	**42%**
TOTAL	5,907	

Congo, Democratic Republic

Multilateral	2,797	27%
Bilateral	2,473	24%
Export Credits	4,894	**48%**
TOTAL	10,119	

Ivory Coast

Multilateral	3,507	42%
Bilateral	2,935	35%
Export Credits	1,930	**23%**
TOTAL	8,372	

Export Credit Agencies (ECAs)

All industrialised countries have one or more ECAs to provide government support to the domestic business sector in promoting exports and investments abroad. Some ECAs are government agencies (e.g. Britain's ECGD) while other ECAs are private companies running export credit programmes on behalf of their government (e.g. Dutch Atradius-DSB).

ECAs provide at least three types of official export credit support:

- Direct credits
- Guarantees
- Insurances

ECAs always charge a premium and/or interest for the financial services provided. Official – government supported – export credits require less premium and interest to be paid than those charged for commercial – market based – export credits. A government supported ECA also assumes more risks and offers support for even those transactions that cannot find export credit support in the financial markets. Within the so-called Arrangement on Officially Supported Export Credits of the OECD, all ECAs have agreed to mutually binding common principles. A fundamental aspect of the premium rules in the Arrangement is that the participants need to charge a so-called Minimum Premium Rate (MPR), and that the premium rates 'shall be risk based, shall converge and *shall not be inadequate to cover long-term operating costs and losses*' (Articles 23, 22, italics added). In practice this does not happen.

How ECA support is turned into debt

The fundamental purpose of official export credits is to support domestic corporations in doing business abroad, in particular in riskier markets such as developing countries. This means that, in return for the payment of premium and/or interest for ECA support, a company gets the certainty of obtaining the anticipated revenues from its business. In case the counterpart in the developing country does not pay up, the ECA will compensate the company. Because of the ECA support, the private risk of the company is effectively transferred to the public sector ECA.

After the company has been compensated, the ECA will try to recover payment from the developing country. A key characteristic is that the support of an ECA for an export or investment deal includes a so-called counter-guarantee from the government of the developing country pledging payment in case of default. Many ECAs have for this reason a specific debt collection or recovery department that will apply pressure on governments of developing countries to negotiate and enforce repayment schemes for export credit debt. Due to the counter-guarantee mechanism, the ECA is able to shift the original private risk of the company involved to the government of the developing country. That is how ECAs became responsible for 30-40 per cent of the total external official debt of developing countries mentioned above.

This is how it works in theory: a manufacturer of medical systems wants to sell US$ 10 million worth of high-tech equipment to a private clinic in Uganda. The manufacturer requests an export credit from a commercial bank to finance the transaction. This bank will only do so after obtaining an export credit insurance from an ECA. With the premium for the export credit insurance and the interest of the export credit itself incorporated in the price of the equipment, the manufacturer obtains a deal, and the medical systems are exported.

If the private clinic fails to pay for the exported equipment, the manufacturer and its bank will submit a claim with the ECA. The ECA will provide compensation under the insurance scheme on behalf of the domestic government. This government will claim the full nominal amount of the original transaction from the government of Uganda, and add this to other export credit claims on that country. In the meantime the private clinic will be deprived of any necessary maintenance or the supply of spare parts.

The Coco Palm Apartments and La Palm Beach Hotel, Ghana

In 1994, the ECGD underwrote two loans made by the Bank of Scotland worth £22.3 million ($35.5 million) for a UK company, International Generics Ltd, to build two hotel and luxury apartment complexes, in Accra, Ghana. International Generics Ltd is owned by the Tamman family, who are based in the UK and have close links to the wife of Jerry Rawlings, the former President of Ghana. In the same year the House of Lords ruled in a case concerning the company's tax liability that it owed the UK Inland Revenue corporation tax of over £1 million.

The hotel and luxury apartments were meant to be built within two years, but took seven, by which time both projects were crippled with large debts and surrounded by allegations of serious financial mismanagement. There were suggestions that the original loans from the Bank of Scotland had disappeared and that money from Ghana's state Social Security Pension Fund (SSNIT) had been used to take on the debts when the Fund bought a 70 per cent share in the project.

The Ghana Commercial Bank (GCB) had provided a further $36 million worth of loans, backed by a sovereign guarantee from the Ghanaian Ministry of Finance. As of the end of 2001, these loans had not even begun to be repaid, and the GCB had initiated proceedings to recover them. Tamman had apparently made at least £8.5 million ($13.6 million) from the sale of 44 of the 46 Coco Palm chalets between 1998 and 2000, but had not used the money to pay back the loans.

The ECGD provided export credit cover for this project "following a request from the Ghanaian Ministry of Finance". Former Finance Ministry officials are heavily involved in the project or have benefited from it: one is now said to own one of the Coco Beach apartments.

The ECGD recognises that there were serious corruption issues with this project. In 2001, it reported to Parliament that it had "carried out extensive inquiries into this project, the results of which were passed to the DTI [Department of Trade and Industry] Companies Investigation Branch and the Serious Fraud Office (SFO).The DTI and SFO informed ECGD that they did not consider these cases suitable for investigation owing to the difficulty in finding a criminal offence that had occurred within UK jurisdiction which they could investigate and prosecute." This is the only known case in which the ECGD has passed on information concerning corruption allegations to external investigatory authorities. It has promised to cooperate fully with any investigation undertaken by the Ghanaian authorities.

By late 2002, the ECGD had paid a total of £18.4 million on the two projects of which it had recovered £10 million from the government of Ghana. The ECGD has subsequently written off £31.1 million ($49.8 million) of Ghana's debt owed to it.

Extracted from Susan Hawley, Turning a Blind Eye – Corruption and the ECGD, 2003

Debt cancellation

The government supported ECAs of industrialised countries have a major responsibility for the fact that the risks taken by their domestic private companies are becoming the burden of developing country governments and their citizens. Together with other bilateral debt, the export credit debt of these countries amounts to more than half of all external official debt. In the cases that indebted countries are not able to pay off their debt, they have to call on the Paris Club to negotiate a rescheduling of the unpayable debt. (The Paris Club is an informal group of official creditors who consider it their role to find 'coordinated and sustainable solutions to the payment difficulties experienced by debtor nations'. The Paris Club has 19 permanent member countries, while other creditor countries may be invited on a case-by-case basis.) In line with their responsibility for debt collection, representatives of ECAs are generally part of the delegations of creditor countries to such negotiations.

A rescheduling agreement generally includes a partial cancellation of the unpayable debt. Any such debt cancellation results in the removal of part of the outstanding, and – due to interest accrual – ever growing export credit debt claims from the balance sheet of a creditor country. The Development Assistance Committee (DAC) of the OECD allows creditor countries to report such expenses as Official Development Assistance (ODA).

Recommendations

- **ECAs should cancel all export credit debt to developing countries**

The fundamental purpose of official export credits is to support domestic corporations in doing business abroad, in particular in riskier markets such as developing countries. At the end of 2003 the ECAs of all OECD member countries agreed so-called Common Approaches for evaluating their environmental impacts. Similarly the ECAs decided to introduce limited safeguards to prevent corruption and bribery. Also initial agreements were made to avoid support for unproductive (military) expenditures in heavily indebted poor countries.

All these agreements, however, not so much enable ECAs to contribute to sustainable development; they simply make ECAs avoid some of the negative impacts of the transactions they support. It is customary knowledge that unpayable debts as generated by ECAs present an insurmountable obstacle for any sustainable development in the South. In light of this it is hard to perceive how ECAs can ever make such a contribution without the cancellation of all export credit debt.

- **Cancellation of export credit debt should not be reported as ODA but as additional non-ODA expenses**

Currently all export credit debt that is cancelled after debt-rescheduling agreements in the Paris Club may be reported as ODA expenditure. According to the DAC of the OECD, only one country – unfortunately not named – creates the excellent precedent of not reporting such expenses as ODA. To achieve the Millennium Development Goals as adopted by the United Nations substantial extra funds are necessary. In the case of the Netherlands annually an amount of € 300 million is reserved for export credit debt cancellation. This costs 10 per cent of the annual ODA-budget at the expense of other development programmes.

Although it may be argued that any debt cancellation is good for developing countries, it needs to be said that the transactions that resulted in the export credit debt did not necessarily serve any development purpose. Export credits often back projects thought to be environmentally and socially destructive rather than serving the public good. This must be considered as another reason to report the cancellation of export credit debt as additional non-ODA expenses.

- **ECAs should ensure that the premiums they charge fully cover long-term operating costs and losses, including the costs for the cancellation of all unpayable export credit debt**

Corporations receiving financial backing from ECAs are required to pay premiums and/or interest for such support. The legally binding Arrangement on Officially Supported Export Credits of the OECD requires that the premium rates are fully adequate to cover long-term operating costs and losses. For this reason all ECAs are required to charge at least a

Minimum Premium Rate for country and sovereign credit risk. Similar legal requirements are reflected in other documents, such as the EU-Directive on Medium and Long Term Export Credit Insurance.

Such requirements imply that any losses due to the cancellation of export credit debt are to be covered by the income of ECAs generated by premium and interest. In summary the multilateral legal requirements for the ECAs do actually imply that they are not allowed to shift the private risk of a company to developing country governments, and therefore should stop such practices immediately.

Debt relief and defining Official Development Assistance

According to OECD definitions, all money used to fund debt relief is counted as part of the donor/creditor country's Official Development Assistance (ODA.) This applies to debt relief for HIPCs as well as for non-HIPCs, for example through Paris Club reschedulings. Debts cancelled by the Export Credit Guarantee Department (ECGD) are also included within the UK's ODA, despite the fact that the initial credit may have been awarded for purposes unrelated to poverty reduction.

As already demonstrated, debt relief when applied to poverty reduction is a highly-effective, high priority form of development assistance, so from this perspective it is legitimate to include it as Official Development Assistance. But counting debt relief as part of the aid budget can be problematic if it obscures important issues regarding the funding of poverty reduction to meet the MDGs.

Many have a genuine concern, for example, that if debt relief is funded using existing aid money, then while some heavily indebted countries may benefit, poor countries as a whole will not receive any extra money to fund poverty reduction programmes, and this may undermine equity between countries.

Moreover, it is argued, one of the central messages of the Jubilee 2000 campaign was that creditors should take responsibility for their role in creating the debt crisis. Creditors have lent money irresponsibly to corrupt governments, or imposed conditions on their lending that in many cases have worsened rather than improved the economic situation of the countries they were supposed to be helping. In these cases providing debt relief should amount to an acknowledgement by creditors that they need to take their share of the costs of past mistakes. If they use existing aid money to fund debt relief, it is other low-income countries who pay for these mistakes, not the creditors.

Both these points reinforce the need for the financing for development to be assessed on a country-by-country basis, so that an appropriate combination of debt relief and grants, as well as trade measures, is agreed in each case together with the commitment to fund it fully. In this way division between indebted countries and other low-income countries can be avoided, and the required financial support for debt relief and grant provision can be clearly identified.

The All Party Parliamentary Group has welcomed the significant increase in the UK's commitment to international development, which has seen a growth from 0.26 per cent in 1997 to the current level of 0.34 per cent, and more recently the commitment to reach the UN agreed target of 0.7 per cent by 2013 – and sooner if there is agreement to the proposed International Finance Facility.

We believe, however, that for the sake of clarity and comparison it would be helpful for funds used for debt relief to be specifically identified in each country's published figures for ODA.

Year	**UK ODA/GNI including debt relief**	**UK ODA/GNI excluding debt relief**
2000/01	0.32	0.31
2001/02	0.32	0.29
2002/03	0.31	0.27
2003/04	0.34	0.32

Recommendations

We therefore recommend that

- Any resources necessary to fund further debt cancellation should be separately identified from other forms of aid. This acknowledges that debt cancellation will not in itself be sufficient to enable the Millennium Development Goals to be met, and is therefore in addition to recommendations for increases in grants for development assistance.

- The Commission for Africa should press for a new agreement on the reporting of ODA which categorises all funds, including debt relief, designated for poverty reduction, and ensures that debt relief and grants are accounted for, and announced, separately. This will be particularly important in assessing the use and impact of finance-raising initiatives such as the International Finance Facility, for example.

- This reporting should indicate clearly the financial impact of debt cancellation on poverty reduction.

- Cancellation of export credit debt should not be reported as ODA but as additional non-ODA expenses.

Nigeria – the case for debt cancellation

- Nigeria is the giant of Africa - one in five Africans is a Nigerian. Whether Africa meets the Millennium Development Goals depends on progress in Nigeria.
- Despite its oil wealth, Nigeria is one of the poorest countries in the World: 1 million children under five die each year; 7 million primary age children (mostly girls) are not in school; 75 million Nigerians are living in poverty.
- Nigeria receives less aid per person than any other country in Africa (just $3 per person compared to an average for sub-Saharan Africa of $21 per person).
- The net resource flow to rich countries is over a $1 billion a year.
- Nigeria owes $34 billion to external creditors.
- Nigeria is not currently within the HIPC process and has not benefited from any of the global debt initiatives.

'Regarding the creditor agreement to an 80 per cent debt forgiveness for Iraq ("Iraq debt agreement ends stand-off" November 22), it would be unconscionable for Paris Club creditors to grant debt cancellation to Iraq without simultaneously extending debt cancellation to Nigeria. Like Iraq, Nigeria is a debt-ridden, oil-exporting country struggling to consolidate democracy following a long period of dictatorship.

Nigeria's need for debt cancellation is dramatic. While Iraq's life expectancy is 68 years, Nigeria's is 51 years. While infant mortality in Iraq is 52 out of every 1,000 births, Nigeria's infant mortality rate is 110 out of every 1,000 births. Nigeria's extreme poverty reflects in part the fact that its oil export earnings per person are roughly one-sixth of Iraq's.

Nigeria's creditors continue to drain the government and people of budget funds vitally needed to save lives and re-establish economic growth. President Olesegun Obasanjo has made this point for years. The neglect of Nigeria's urgent needs by its creditors comes despite its remarkable recent progress in re-establishing democratic institutions, fighting corruption and reforming the economy. As usual, Africa comes last in the queue for help from the world.'

Jeffrey D. Sachs, Director, Earth Institute, Columbia University, New York
Letter to the Financial Times, November 2004

'There is also need to consider those countries that have not been included in the HIPCs debt relief initiatives, debt strategies and participation in the Economic Governance Initiative, to ensure that countries are able to absorb the extra resources. Africa needs substantial debt relief. The truth is that if we are serious about development in Africa, the debt burden must be eliminated. Africa will not develop or make progress when its meagre resources are sucked away by debt servicing. To put it bluntly, penalties, interests and all sorts of questionable rescheduling are strangulating our economies and peoples. Our creditors should deal with us with some humane consideration, compassion and true commitment to our development objectives'.

President Obasanjo of Nigeria, November 2004

Recommendation

There should be urgent discussions involving the Nigerian government, all its creditors and actual and potential donors to agree a financing for development package for Nigeria that ensures the funds are used for poverty reduction, enabling the Millennium Development Goals to be met and therefore including the probable requirement for 100 per cent debt cancellation.

Reinforcing democracy, fighting corruption

Conditionality

'We believe it is inappropriate and ineffective for donors to impose policies on developing countries.'

Partnerships for Poverty Reduction, UK Government, September 2004

The UK Government's draft policy paper "Partnerships for Poverty Reduction" (September 2004) critically examines the use of conditionality by the UK government, and sets its agenda for influencing the international community on this issue. It notes the weak track record of donor conditionality in terms of poverty impact, sustainability, ownership and accountability.

There is general agreement that basic 'fiduciary conditions' to ensure money is spent for its stated purposes are acceptable, as are conditions requiring adherence to international environmental and human rights standards. The main objections to broader policy conditionality are:

1. **Conditionality is unfair**. Donors are abusing their influence in an already asymmetrical relationship by threatening to withhold urgently needed debt relief and aid unless conditions are met. This is especially unjustifiable where conditionality raises questions about donor conflicts of interest – for example, investment liberalisation where Transnational Corporations based in donor countries will be major beneficiaries, or trade related conditions that undermine developing country bargaining positions in bilateral and multilateral trade negotiations such as at the WTO.

Zambia's tariff rates on goods at the WTO, agreed as part of the Uruguay round, are all in the range of 35 to 60 per cent. The vast majority are 40 to 45 per cent. Yet the actual tariffs practised since IMF and World Bank imposed trade liberalisation in the early 1990s, are: 0, 5, 15 and 25 per cent. None of the WTO negotiated rates will ever be applied under the four tariff line system devised with the IMF; 69 per cent of tariffs are 15 per cent or below and 21 per cent are completely duty free. Not only does this render the outcome of the Uruguay Round talks on tariffs meaningless, it undermines Zambia's position in future trade rounds as it has little or nothing to bargain with.

2. **Conditionality is undemocratic**. It gives significant policy influence to actors who are outside the domestic political sphere and not answerable to the electorate. Those actors – the IFIs and donor governments that dominate the boards – have their own ideological, commercial and geopolitical interests which inevitably influence how conditions are used, and make disinterested conditionality unlikely if not impossible. Conditions also go to the heart of the domestic political process, and have often over-ridden parliamentary processes. One-size fits all conditions also foreclose the policy choices which are the lifeblood of a democratic system.

In early 2003 the Ghanaian Parliament passed a budget that included as just one element of a much broader programme to stimulate productivity, increases in tariffs on imports of poultry, from 20 to 45 per cent, and on rice, from 15 to 20 per cent. These tariffs - consistent with the country's flexibility within WTO rules – were sponsored by the ministries of agriculture and trade, in an effort to protect local farmers and industries against cheap subsidised imports, and to allow breathing space for modernisation. But the IMF put huge pressure on the Ghanaian government to suspend this tariff increase. Faced with the prospect of losing virtually all of its foreign aid - once a country has argued with the IMF, other countries become highly reluctant to give or lend money - the government agreed to suspend the tariff, going against the wishes of the Parliament.

3. **Conditionality undermines accountability.** This happens in two ways. First, if conditionality leads to poor policy outcomes, there are no formal mechanisms to hold donors accountable. This can breed recklessness in donors' advice, leading them to promote unproven and risky policy experiments. Second, conditionality skews accountability away from electorates and towards the donors, and publicly signifies a lack of ownership – outsiders are 'signing off' on government actions. Accountability is weakened further by a fundamental lack of transparency about how conditions are identified and agreed.

At the behest of the World Bank and IMF, Senegal liberalised its groundnut sector with the dissolution of SONAGRAINES (a parastatal) in 2002, which provoked a near state of famine in rural areas. As a result of the 'reform', less than 30 per cent of the groundnut crop was collected, farmers lost millions of dollars in income, the government had to step in with a bail-out package worth some $23 million and economic growth was cut in half. The people of Senegal have no way of holding the IMF and World Bank to account for this failure. And despite this failure, the liberalisation of the rest of the groundnut sector is one of the conditions for Senegal to receive debt relief. This places Senegal's government in an impossible position: implement a policy that could spell disaster for your economy or not get debt relief.

4. **Conditionality has exacerbated poverty.** For over twenty years, the World Bank, IMF and bilateral donors have made the provision of aid, loans and debt relief conditional on the implementation of free market policy reforms by poor countries. This has not been shown to reduce poverty and has, in many instances, made matters worse.

The United Nations Conference on Trade and Development (UNCTAD) has found that the rapid and extensive trade liberalisation undertaken by the least developed countries during the 1990s, often as a result of conditionality, failed to benefit the poor. In fact, it was associated with rising poverty, with the countries worst affected being those that had liberalised most. Between 1990 and 2000, per capita growth in sub-Saharan African countries averaged at minus 0.3 per cent. In contrast, although during the 1990s the IMF ranked Mauritius as one of the world's most protected economies, between 1975 and 1999 the country achieved an average annual per capita growth rate of 4.2 per cent and a reduction in income inequality. Since 1988 the country has not owed the IMF any money under its Structural Adjustment Programmes so has not been subject to IMF conditionality. While there are many reasons for poverty in Africa, conditionality is clearly an important factor.

The thread that runs through most discussions on conditionality is "country ownership", with the new UK Government policy paper advocating giving space to recipient countries to decide their own policies. The paper does however, leave open the possibility of using conditions as a way of ensuring policies are carried through.

This begs the question, if a policy is widely supported and the product of a domestic decision-making process, why use conditionality at all? The rationale given is that, *"Reformers in developing countries often favour 'conditionality', as it can signal that they are serious about reform."* However, no development planning process can be perfect, and economic, political and social circumstances can change, making subsequent political checks and balances vital. For example, in the UK, media exposure, parliamentary scrutiny and public debate often result in significant changes or even reversals in policies. Conditionality denies the opportunity for this entirely legitimate process to take place. Using conditionality to enforce policy implementation also places donors in the questionable political territory of deciding who are, and are not, 'legitimate reformers', thereby undermining country ownership.

Recommendations

- While it is legitimate to insist that money released by debt cancellation is spent for agreed purposes of poverty reduction and national development, and to advise national governments on the economic implications of different policy options, the international financial institutions must stop imposing economic policies on poor countries as a condition for debt cancellation, and be made more accountable to African nations for their behaviour in Africa as a whole and in individual nations.

- The Commission for Africa should demand a commitment from all bilateral donors and the international financial institutions that they will end all economic policy conditions for all sources of official development funding including aid, new loans, bilateral debt cancellation and multilateral debt cancellation.

This can be done by building on the UK Government conditionality paper through the following steps:

- defining clearly what is meant by ownership, recognising that real ownership may entail developing countries doing some things with which creditors fundamentally disagree. According to the IMF and World Bank ownership is simply the willingness of a government to meet the conditions of a programme. This is not a definition compatible with the common understanding of democracy.

- an agreed policy of not using conditions as the deciding factor in resolving policy differences in recipient countries.

- The UK Government's new policy paper states that in sensitive policy areas such as privatisation, the UK would only use conditions to support reform after the full range of policy options has been debated in country (including where appropriate in Parliament), and that partner government decisions should always be informed by clear country-specific evidence of the benefits to poor people. The UK "strongly supports the use of poverty and social impact analysis (PSIA) for this purpose." It would be a step towards meaningful country-ownership, all creditors should be committed to this position, pending a broader commitment to abandoning economic conditions all together.

- There should be an agreement that PRSPs are not undermined in this way by key policy commitments being made through the IMF adjustment programme, the PRGF, before the PRSP process has even started, or being identified separately in the World Bank's Country Assistance Strategy (CAS). The World Bank's own evaluations find that where PRSPs develop policy proposals that are unacceptable to donors, they are typically either jettisoned, often at the drafting stage, or ignored in the PRSC, which is intended to make the PRSP operational.

- There are international standards in areas such as environment and human rights which most governments have signed. Using these standards as the basis for conditionality and selectivity (e.g. suspending aid where UN sanctions are imposed, or making aid conditional on compliance with key human rights criteria) could potentially remove many of the political problems associated with conditionality and should be fully explored.

- There is currently a heavy reliance by bilateral donors on compliance with IMF conditionality in particular as a 'signal' to start and stop aid flows which leads to potentially devastating volatility. Donors should actively seek alternatives to this 'on-off' switch.

- It is important that there is a broad consultation on the ideas contained in the UK draft conditionality paper in order to establish a strong consensus; in the UK this would mean across DFID (especially the country offices), other government departments and civil society organisations, particularly in developing countries.

- It is essential that an operational directive is developed. Otherwise recommendations become discretionary and there will be no way of knowing if they are being implemented. Staff should be formally required to follow basic operational guidance, record for each programme agreement how the new policy has been applied, and the information posted on the web with other details of the programme.

- It is often unclear what and how many conditions each developing country faces, making public and parliamentary scrutiny difficult, and impeding streamlining processes. The IMF and World Bank should catalogue the combined conditions faced by individual countries from bilateral and multilateral donors, and publish the information on the internet. There should be more qualitative evaluation of the impact of the policy on ownership and poverty impact to establish where it is and isn't working.

- Conditionality is currently not a rules-based system, with clear criteria for judging compliance usually lacking, resulting in a lack of transparency and consistency over when and why debt relief or aid is withheld. The exact requirements of donors and countries should be clearly documented and publicly available, both for bilateral programmes and IFI programmes.

- The current World Bank and IMF reviews of conditionality should not just be technical exercises looking at the amount of conditionality and its success/failure, but also address the fundamental question of whether conditionality is compatible with democratic decision-making i.e. should the World Bank and IMF be using conditionality in the first place and, if so, what kind of conditionality is acceptable.

- Conditionality, and the process by which conditions are identified, is intertwined with the use of technical assistance (TA) as an influencing tool. Donors and creditors should be required to critically examine their TA programme, and undertake concrete steps to ensure that it supports local capacity and explores policy alternatives.

- To improve country ownership and reduce transaction costs, fiduciary conditions should be slimmed down and focused on those issues needed to ensure money is spent for its stated purposes.

The All Party Parliamentary Group will pursue these matters directly with the UK Government, urging them to implement them as UK Government policy, and use their influence on the IFIs and other governments to follow suit.

Ensuring effective poverty reduction

It could be argued that finding the political will – and therefore the funds – for immediate debt cancellation is only one side of the challenge; the other is ensuring that debt cancellation leads to effective poverty reduction.

The evidence that debt relief already put in place has been matched by significant increases in expenditure on health and education is to be welcomed, while recognising that there must be care not to define poverty reduction too narrowly in terms of the range of public expenditure.

The evidence of effective performance by African governments in this respect is of crucial importance, not only in itself, but also to the extent that it builds confidence in debt relief as a mechanism for poverty reduction and makes it easier to gather support for further immediate action for debt cancellation. This is not just the concern of sceptics in the North needing to be convinced; it is a legitimate and understandable concern of Africans themselves, who have seen the continent crippled by the impact of inadequate governance by the political and financial institutions and national governments of both the North and Africa itself.

There are enormously encouraging signs: the principles and processes established by NEPAD – in both recognising the need for progress and in taking responsibility for the peer review mechanism to ensure that progress is real – and the models of open monitoring and review by elected politicians and civil society being pioneered in a number of African countries.

If debt cancellation is to be effective in terms of poverty reduction then there are serious issues of corruption, conflict and governance to be addressed. So it was encouraging to hear a parliamentary delegation from Kenya explain how they were taking up the challenge of fighting corruption. Their views illustrated the extent to which the key in all these areas is of encouraging African governments and institutions to take up their responsibilities for decisive action; for effective involvement of politicians and a wide range of groups within civil society; and for ensuring the North plays its part not only by ending its own activities that encourage corruption in the North and in Africa, that exacerbate and finance conflict, but also positively supporting – with finance, information and political will – African initiatives designed to reduce corruption, reduce conflict and thereby reduce poverty.

> *'The Zambian PRSP has a governance section – this is part of the fight against poverty. People need education about their rights, for example, to be able to fight corruption. Reducing poverty is key to fighting corruption. There is the peer review mechanism – Africans are concerned about oversight of how money is spent. People should not be punished for bad governments. Promoting democracy is vital. There needs to be political commitment at the national and international level – a global partnership is needed.'*
>
> *Charity Musamba, Jubilee Zambia*

Recommendations

Monitoring

- The Commission for Africa should indicate basic principles and publicly endorse models of good practice already in use in Africa, so that openness and transparency of process become even further embedded in the fabric of African governance.

- The amounts and terms for debt cancellation should be clearly published; the monitoring and review of the use of funds released by debt cancellation should be owned by national parliaments and involve civil society.

Combating corruption

- The Commission for Africa should reinforce the anti-corruption principles and processes already proposed under NEPAD, highlighting examples of success and progress in specific countries.

- Financial support for these national anti-corruption processes should be viewed by donors as a legitimate dimension of poverty alleviation measures and therefore included as part of development assistance.

- All financial agreements made by donors with national governments, whether for debt cancellation or further grants and loans, should be reported to and endorsed by national parliaments and made readily available to the public, so that there is widespread awareness of the amount and purpose of all development assistance.

- The Commission for Africa should urge effective international support, politically and financially, for processes designed to repatriate stolen assets, including applying the same methods adopted to counteract drug money laundering and the financing of terrorism to identify and re-appropriate funds stolen from the public purse.

- There should be further publicity and political support given – in both African countries and countries of the North – to the principles and practical processes encompassed in the 'Publish what you Pay' campaign, designed to ensure that commercial deals do not create further opportunities for corrupt personal financial gain.

Conflict

- As conflict is one of the greatest inhibitors of effective development in Africa, and specifically prevents countries receiving debt cancellation for the purpose of poverty alleviation, the Commission for Africa should stress the actions that need to be taken by African countries and African institutions, as well as the governments of the North and transnational corporations, to end current conflicts and prevent further outbreaks. These will include measures on arms sales, resource extraction, rapid response mechanisms and peace-keeping forces – and other significant issues.

- Special attention should be given to countries currently affected by conflict, where debt cancellation is likely to finance military expenditure rather than poverty alleviation. Innovative mechanisms must be used to prioritise the needs of the poorest and most vulnerable people; where debt service payments cannot be immediately be used for effective poverty alleviation, they should be held in a trust fund ready for use in development and reconstruction once the conflict is over.

- Post-conflict countries are equally in need of special attention. While it is vital to ensure there are principles and procedures in place that will deliver poverty alleviation, it is also essential that debt relief plays a full and rapid role in the financing for development package that can help to ensure that peace, once gained, is not easily lost. Countries desperately in need of finance for reconstruction and development should not have to continue debt service payments. Urgent attention should be given to issues of odious debt, so that in situations where non-democratic leaders have been overthrown in favour of elected governments, people are not forced to continue to pay the costs of loans taken to finance oppression.

- Post-conflict countries have faced specific problems: some have had their reconstruction programmes delayed as they have tried to secure funding to clear their arrears to the multilateral institutions; some have diverted funds from poverty reduction to reduce their debt arrears; some have failed to be given debt relief that was sufficiently front-loaded to reduce their debt service immediately, and therefore took on new loans for reconstruction. This highlights the need for creditors to give special attention to encourage rapid and high impact debt relief to enable reconstructions and poverty reduction to move ahead, and thus contribute to further stability.

Governance

- The Commission for Africa should highlight models of best practice in all areas of governance and as they relate to poverty alleviation in particular. Action on governance should include a programme to combat corruption, but also highlight practical issues such as maximising revenue collection, delivery of poverty alleviation programmes and building government capacity. There should be a renewed commitment to transparency and accountability in all decision-making processes on debt.

The best way to ensure that African countries take responsibility for maintaining their own long-term debt sustainability is further to enhance various programmes to build their capacity to analyse and implement strategies to keep their debts sustainable, and to extend them to non-HIPC African countries. These programmes will need to focus even more clearly on analysing domestic debt and private sector debt, as well as new financing …

In addition, these initiatives need to change their focus considerably, by engaging much more actively with African parliaments and civil society organisations, to build their capacity to analyse and scrutinise government debt management and economic policies and their impact on poverty reduction, in a PRSP context.

It is also essential to continue to support initiatives (UNECA Big Table, HIPC Ministerial Network, SPA, African Union meetings, Commonwealth HIPC Ministers, NEPAD Presidents at G8) which provide a greater voice for African debt-distressed countries in international fora.

Development Finance International, September 2004, "Long-term Debt Sustainability for Africa"

'Because we want to be very sure that any resources freed up because of debt cancellation really do go to meet the social needs of Zambia, we must put in place some safeguard for this money. Jubilee-Zambia has been promoting a 'debt mechanism', a legal arrangement to guarantee that funds are handled in a transparent, participative and poverty-related way. It would involve:

1. *A tripartite committee composed of representatives of civil society (e.g. NGOs, churches, trade unions), Members of Parliament, and officials from relevant government ministries (e.g. Finance, Community Development), to oversee the distribution of funds.*
2. *A social fund where debt relief resources would be placed, to be distributed only to poverty eradication programmes in an accountable and transparent way.*

Something very clear and very public should be put in place immediately, so that funds are not diverted away from the poor. Arrangements like this have worked in other African countries. Why can't they work in Zambia?'

Jubilee Zambia

'We need a partnership, with rich countries delivering on aid, trade and debt relief, and poor countries taking action on corruption and governance.'

Rt.Hon. Hilary Benn MP, Secretary of State for International Development

Reforming the World Bank and IMF

'There needs to be a voice for poorer countries in the international arena where decisions are taken.'

Dr Donald Kaberuka, Minister of Finance and Economic Planning, Rwanda

The UK's strategic position

The UK is the fourth largest shareholder in the institutions, chairs the IMFC and is a governor of the Development Committee, the highest bodies of the IMF and the World Bank respectively; one of only two OECD countries where oversight authority over the World Bank resides within the development ministry; one of only two OECD countries with a standing international development committee; and poised to head both the G8 and the EU in 2005. It is thus uniquely positioned to scrutinise and press for reform of the World Bank and IMF.

Broad statements, minimal action

The UK Government's Globalisation White Paper of 2000 called for work towards a "stronger and more effective" voice for developing countries in the international institutions. And internationally in 2002, there was some consensus around the Monterrey agreement "to enhance the participation of developing countries and countries with economies in transition in the decision-making of the World Bank and IMF". The issue of enhancing the participation of developing countries within the BWIs has been on the agenda of every meeting of the Development Committee (DC) since that time.

September 2002: DC asks boards "to prepare a background document to facilitate consideration of these important issues at our next meeting."
April 2003: DC requests "a progress report for our next meeting"
September 2003: DC "looks forward to concrete action by our spring meetings"
April 2004: DC "looks forward to receiving reports … and to further discussion."
October 2004: DC "looks forward to receiving a report regarding the feasibility of these options to allow us to address the necessary political decisions at our next meeting."

Little progress

There have been some steps towards enhancing the administrative and technical capacity of large multi-country constituencies – for example through DFID's support of the Analytical Trust Fund to support the research and analytical capacity of African Executive Directors' offices. While this is welcome, it should in no way be seen as a substitute for fundamental reform of the inequitable governance structure. Reform of the board structure and the voting weights remains unaddressed.

The European Union (EU) is currently represented by 9 Executive Directors in the IMF Executive Board and 8 Executive Directors in the World Bank. This over-representation of the European Union comes largely at the expense of developing countries. Denmark has a larger IMF quota than South Korea. Belgium has a quota that is 52 per cent larger than that of Brazil. The EU has nine executive directors in the IMF, when 47 sub-Saharan African countries are represented by only two. The Executive Boards of the World Bank and IMF do not give all countries an equal opportunity to represent themselves. Seats and votes are allocated to countries according to their economic size or historical significance. Rich country Executive Directors currently control over 60 per cent of the votes at the World Bank and IMF. The US government has a veto on some decisions. The dominance of the richer countries remains despite the increasing levels of income to the Bank and Fund from borrowing country loan repayments.

Recommendations

IFI Governance:

The Commission for Africa should recommend reforms of the governance structure of the Bank and Fund that will create a more equitable representation of developing countries through changes to the BWI Leadership selection process, the Board structure and voting weights, and urge the UK Government to take a lead on this process.

1. *Rebalancing board composition and voting power*

- The reallocation of Board seats and votes would ensure fair and equal representation of all member countries.
- There should be no more than 10 countries per constituency, and a rotation of Board members among different countries in the constituency;
- No one country should have a veto on any decisions.

2. *Better transparency by the BWIs*

The World Bank and IMF have made progress in recent years in the transparency of some of their documentation. This has not, however, extended to the Boards of the institutions. Since the decisions taken by the institutions affect the welfare of people across the world, citizens have a right to know what positions their representatives are taking within their governing structures.

We recommend:

- The publication of the agenda, transcripts, summaries and minutes of World Bank and IMF Board meetings to allow parliamentarians, civil society groups, academics and others to scrutinise the positions taken at these important institutions. Exceptions to this principle should be narrowly drawn and based on a clear indication of harm that would result from disclosure of specific information.
- Board members should express their position with formal votes rather than informal indications of position.

On the basis of a survey of OECD Executive Director's offices on their accountability to legislators, we recommend the following additional best practices be adopted:

- Release of transcripts of interventions to the boards of the institutions, both oral and written; clarification that the aforementioned transparency in Bank monitoring and evaluation reports should include Country Policy and Institutional Assessments (CPIA);
- Posting of countries' objectives for the spring and annual meetings of the IMF and World Bank at least ten working days in advance of the meetings;
- Scrutiny of these objectives at an appropriate parliamentary meeting; for example, in the UK at the International Development Committee;

- Debate on the annual reports of the IMF and the World Bank in national parliaments;

- The recent comprehensive spending review would suggest that DFID will be channelling a considerably increased amount of its funds via the World Bank. An independent audit should be planned of all UK contributions to the BWIs. Only one such audit has been conducted by an OECD country in the sixty years of the institutions (Canada in 1992). The Commission for Africa should commend this to other governments.

3. Open leadership selection

The leaders of the World Bank and IMF play an important role in defining the directions of the institutions, chairing their boards and representing them publicly. They are currently selected in a non-transparent process which limits applications on the grounds of nationality. The European countries nominate the IMF Managing Director while the USA nominates the World Bank President and the IMF Deputy Director. This is unacceptable. The minor steps agreed recently to improve the selection processes have not gone nearly far enough.

We recommend:

- The introduction of a transparent process for selecting the heads of both institutions. This should entail the involvement of all member countries and significant stakeholder groupings in the assessment of candidates on merit, regardless of their nationality. Geographical diversity of candidates should be actively encouraged.

4. Reversing mission creep

The World Bank and the IMF have taken on so many roles that they have branched out to cover areas and issues way beyond their mandate and competence. This encroachment on the mandates of other multilateral institutions, deprives UN specialized agencies and bodies with expertise in particular fields of the freedom to propose effective policies. Indirectly this has also undermined the participation of developing countries in global policy-making and agenda-setting.

We recommend:

- The renegotiation of the Relationship Agreements between the IMF, World Bank and the UN to clarify the responsibilities of the IMF and World Bank to the UN, and enhance the ability of the UN to ensure that international financial institutions fully respect the jurisdiction of other agencies, funds and bodies. The IMF's responsibilities should be defined so as to include working for poverty reduction.

Parliamentary scrutiny of IFIs:

To date, over 350 parliamentarians worldwide have signed a petition demanding a greater role in scrutinising the operations of International Financial Institutions (IFIs) of which 144 are from the UK.

We the undersigned Parliamentarians:

Noting that this is the 60th anniversary year of the creation of the International Monetary Fund (IMF) and World Bank – the Bretton Woods Institutions (BWIs).

Recognising that the IMF and World Bank have voiced a commitment to ensuring individual countries determine their own economic policies.

Noting that key economic policies continue to be imposed by both the World Bank and IMF as conditions for receiving debt relief and new loans, with the Boards of the BWIs retaining the power of veto over all measures including those in Poverty Reduction Strategy Papers.

We therefore call on the BWIs and their principal shareholders to ensure that the democratically elected representatives of recipient nations are the final arbiters of all economic policies in their countries.

It is vital that national parliaments in recipient nations have the right and obligation to be fully involved in the development and scrutiny of all measures associated with BWI activities within their borders, and hold the final power of ratification.

Ensuring the primacy of sovereign national parliaments in this way will improve implementation of measures to reduce poverty, enhance good governance, and foster democracy.

Despite agreeing that aid works better if it supports national ownership of development decisions, loans are still agreed in a highly secretive manner, parliamentarians still find their role reduced to rubber-stamping the development proposals of these institutions and are overruled if they try to challenge them.

We thus recommend:

1. Mechanisms for strengthening the capacity for effective parliamentary oversight of national economic policy-making and interaction with the IFIs.

    - Ensure that the democratically elected representatives of recipient nations are the final arbiters of all economic policies in their countries. National parliaments have the right and obligation to be fully involved in the development and scrutiny of all measures associated with BWI activities within their borders, and should hold the final power of ratification. Approval of the PRSP must be shifted from boards of Bank/Fund to the national parliaments of recipient countries.

    - The IFIs should withdraw conditions attached to loans if these are rejected by democratically elected parliaments. Donors must provide financial and technical support to increase the capacity of parliaments to analyse and formulate policy alternatives and scrutinise multilateral agreements.

- The UK parliament must play a greater role in scrutinising and overseeing the government's involvement in the Bank and Fund. Parliamentarians in the UK have a responsibility to oversee the activities of the Bank and Fund which their contributions support. Therefore they must be informed of the government's actions in the institutions.

- Welcome best practice examples such as the annual report on the Fund and the forthcoming reports on Bank.

2. Benchmarking performance of the IFIs against universally agreed norms such as the MDGs.

Stolen Assets

Parliamentarians from Africa, as well as civil society groups, have emphasised the need for action to repatriate assets stolen by corrupt politicians and officials. This includes money loaned for development purposes, and which is being repaid by the people of African nations even though they have received no benefit from it. In Nigeria, for example, these stolen assets are estimated at $500 million.

Recommendations

- Urgent action should be taken to establish judicial and legislative measures to lay down processes and procedures for the repatriation of stolen assets and to prevent further looting of finance for development.

- Public funds recovered should be used for poverty reduction

- The Commission for Africa should endorse and encourage the stolen assets campaign within Africa and in Europe and the USA, and call on the European Parliament to pass a resolution calling on all banks in Europe to cooperate in the investigation into stolen assets, This should draw on the legislation and experience gained from the measures taken to combat the laundering of income from the illegal drugs trade and the financing of terrorism.

A fair and transparent arbitration process (FTAP)

Many of Africa's current ills are rooted in 25 years of continuous debt problems. Broadly speaking, these troubles arose – and have persisted – because creditors have always controlled decisions regarding need, sustainability and restructuring, and have refused to recognise the obvious insolvency of many debtor economies. Rather, they have treated systemic problems as if they were liquidity crises, endlessly rescheduling unsustainable debt burdens into the future.

In so doing, the IFIs have tended to lock debtor economies into deflationary 'stabilisation' strategies fundamentally designed to protect creditor assets rather than to relieve poverty or promote social welfare. Such policies have failed to eradicate unpayable debt burdens and have further undermined the development of the countries concerned.

The Commission for Africa has specifically asked "where next on debt relief for Africa?" It is imperative to seize this chance to replace the present failed system of debt management with a radically new model that will

1. Rapidly return indebted countries to sustainability (based on their ability to meet the needs of their people as indicated in the Millennium Development Goals)

2. Maintain that sustainability into the future

In order to achieve this outcome, it has been recommended that an independent, fair and transparent arbitration process (FTAP) be established to adjudicate on cases of unsustainable sovereign debt on a country by country basis.

The role of ensuring the neutrality of the panel would be assigned to the Secretary General of the UN.

There would be an automatic stay of debt payments to all creditors during the process, in order to prevent asset grabbing

Key elements of this proposed arbitration process

- **Impartiality of decision making.** Unlike the present system where the creditor plays the role of plaintiff judge and jury, this arbitration process will enshrine the proper independence of the insolvency court.

- **Neutrality of Assessment.** Assessment of the debtor's economic situation will be made by a neutral body which does not represent the interests of either debtor or creditors.

- **Transparency.** Negotiations are open to public scrutiny and recorded.

- **Participation.** Civil society holds the right to access information, and to be heard during negotiations

- **Monitoring.** National parliaments and civil society will have the opportunity to critically review the implementation of the arbitration process outcome

- **Debtor's unconditional right to petition.** Sovereign debtors hold unconditional right to *petition* to enter the insolvency procedure

- **Protection.** Both the sovereignty of the debtor country and the human, social and economic rights of its citizens will be protected, including the country's ability to achieve its MDGs.

- **Conditionalities established by debtor country.** Economic and political measures upon which debt relief under an arbitration process is conditional must serve the poor sectors of the debtor society. These will be proposed to the panel by the debtor government, and subsequently monitored by all stakeholders.

THE BENEFITS OF A FAIR AND TRANSPARENT ARBITRATION PROCESS

- **Restoration of debtor country viability.** The proposed arbitration process would be modelled on Chapter 9 of the US Legal Code which stipulates that the debtor must emerge from insolvency proceedings with adequate prospects of financial and economic stability, including a sufficiency of capital

- **Fairness of outcome.** Because this arbitration process is impartial, it will be fair to both debtor and creditors. The process will discourage both reckless lending and unwise borrowing in the future.

- **Burden sharing among creditors.** BWIs should take their fair share of debt cancellation as adjudicated by this arbitration process.

- **Debtor country autonomy protected.** Debtor country governments will be able to devise and implement their own poverty reduction and development policies free from external coercion.

- **Odious debt.** Illegitimate or odious debt will be objectively determined. (*Outside* such an impartial process, the definition of what is 'odious' is always a subjective decision by one or other party in the dispute.)

- **Domestic debt.** Many poor countries have very high domestic debt burdens, in part arising from the need to service external debt and from creditor-imposed conditionalities, and it is impossible to ensure adequate resources for the MDGs unless these are taken into consideration. This arbitration process will enable a holistic assessment of debt sustainability.

- **Low cost of procedure.** This arbitration process will not require a standing court, but can be convened where necessary, modelled on the many existing examples of independent arbitration procedures for debtors and creditors.

Recommendation

The Commission for Africa should endorse the need for the establishment of a fair and transparent arbitration process, and request the United Nations as a matter of urgency to begin a formal consultative process that would result in concrete proposals by the end of 2005.

Debt: the facts

'The problem of external debt overhang in the poorest countries appears to be mainly an African problem, which is probably not too surprising considering that 34 of the 50 least developed countries, as defined by the United Nations, are African.'

Debt Sustainability: Oasis or Mirage? UNCTAD report, 2004

What does Africa owe?

Africa's total debt is $295 billion. This is 13 per cent of the debt owed by the world's developing countries, but while it is a small proportion of the total, it has a disproportionate effect on a continent in which Sub-Saharan Africa has only 1 per cent of the world's total Gross National Income.

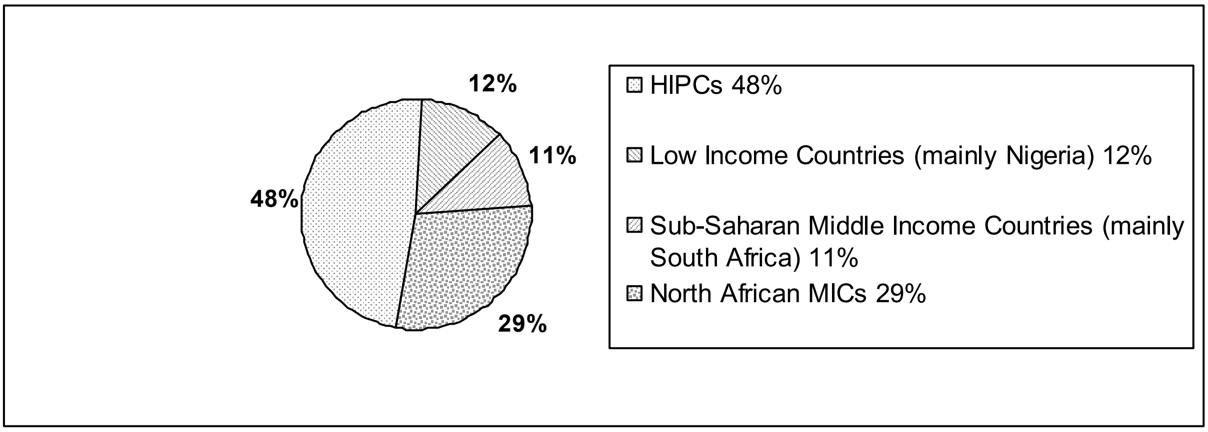
'Did you know that the average Zambian owes over six hundred United States Dollars in external debt?... When you look over the budget expenditures between 1990 and 2000 you see that the Zambian government has been spending nearly 20 per cent of its nominal GDP on servicing the debt, 2 per cent on health and 3 per cent on education."

Jubilee Zambia

'The burden of African debt is twice as much as that of any other region in the world. Therefore, Africa has to cope with 11 per cent of the volume of world debt, yet with only 5 per cent of the world's total revenue. The GDP of sub-Saharan Africa has gone from 308 dollars per inhabitant, whilst exterior debt has reached 365 dollars per inhabitant.'

Christian Adovelande, President of the ECOWAS Bank for Investment and Development

Nearly half of the total African debt is owed by Heavily Indebted Poor Countries – the countries least able to afford payment. Most HIPC debt is multilateral and bilateral; that of Sub-Saharan Middle-Income Countries is largely commercial. But overall, by 2002 80 per cent of Africa's public debt was official rather than commercial, and about one-third was multilateral debt.



Source: Global Development Finance, 2004

Potential costs of the HIPC Initiative by creditor group (Total cost: $54.5 billion)

IaDB	$1.3 billion	2%	Other Multilateral	$4.0 billion	7%
AfDB/AfDF	$3.9 billion	7%	Paris Club	$19.0 billion	35%
IMF	$5.2 billion	10%	Other Official		
World Bank Group	$10.8 billion	20%	Bilateral	$7.5 billion	14%

Sub-Saharan Africa: financial realities

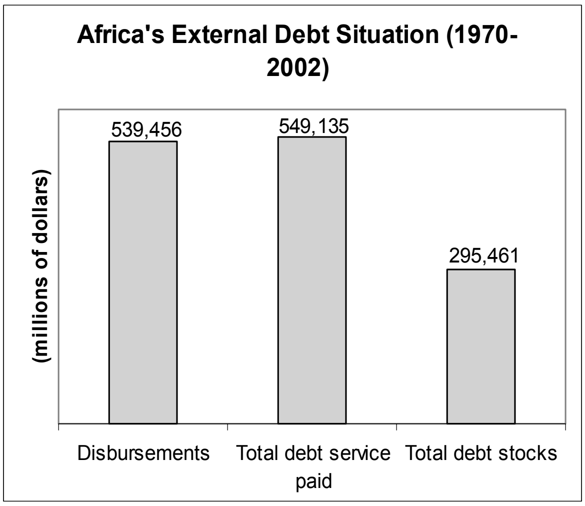
	1999	2002	2003
Foreign direct investment, net inflows in reporting country (current US$)	9.3 billion	7.8 billion	8.5 billion
Total debt service (% of exports of goods and services)	13.5	10.5	9.8
Short-term debt outstanding (current US$)	41.0 billion	29.1 billion	28.8 billion
Aid per capita (current US$)	20.7	28.2	..

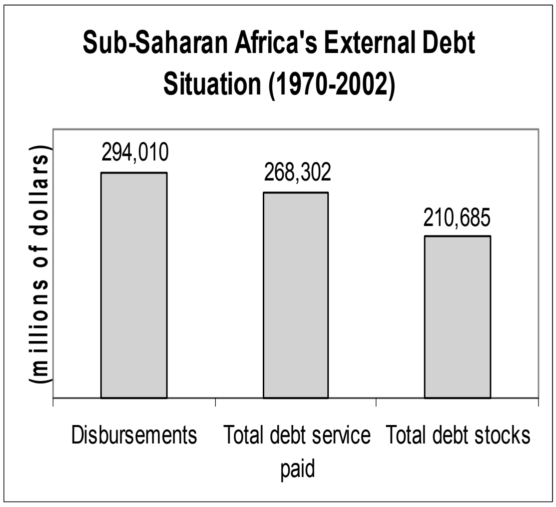
Source: World Development Indicators database, August 2004

What has Africa paid?

Africa actually paid an average of $19 billion each year between 2000 and 2002; HIPCs paid approximately $4.2 billion of this; but they are due to pay $6.2 billion a year over the next four years.

Since 1970 Africa has paid back in debt service slightly more than it has received in loans (disbursements) but still has debt stocks equalling about half of what it has received. The proportions for Sub-Saharan Africa are much the same. Further payment of outstanding debt would mean a reverse transfer of resources – more resources leaving Africa than it has received.





Source: UNCTAD secretariat computations based on World Bank, Global Development Finance, online data. Total debt stocks at 2002. Disbursements and total debt service paid cumulative 1970-2002.

What has HIPC achieved?

It is important to emphasise the evidence of positive action for poverty reduction financed by debt relief. The HIPC initiative has contributed to increased poverty-reducing expenditure for decision point countries in Africa (ratio in percent)

	1999	2003
Poverty-Reducing Expenditure/Government Revenue	**38.6%**	**47.6%**
Poverty-Reducing Expenditure/GDP	**5.5%**	**7.3%**

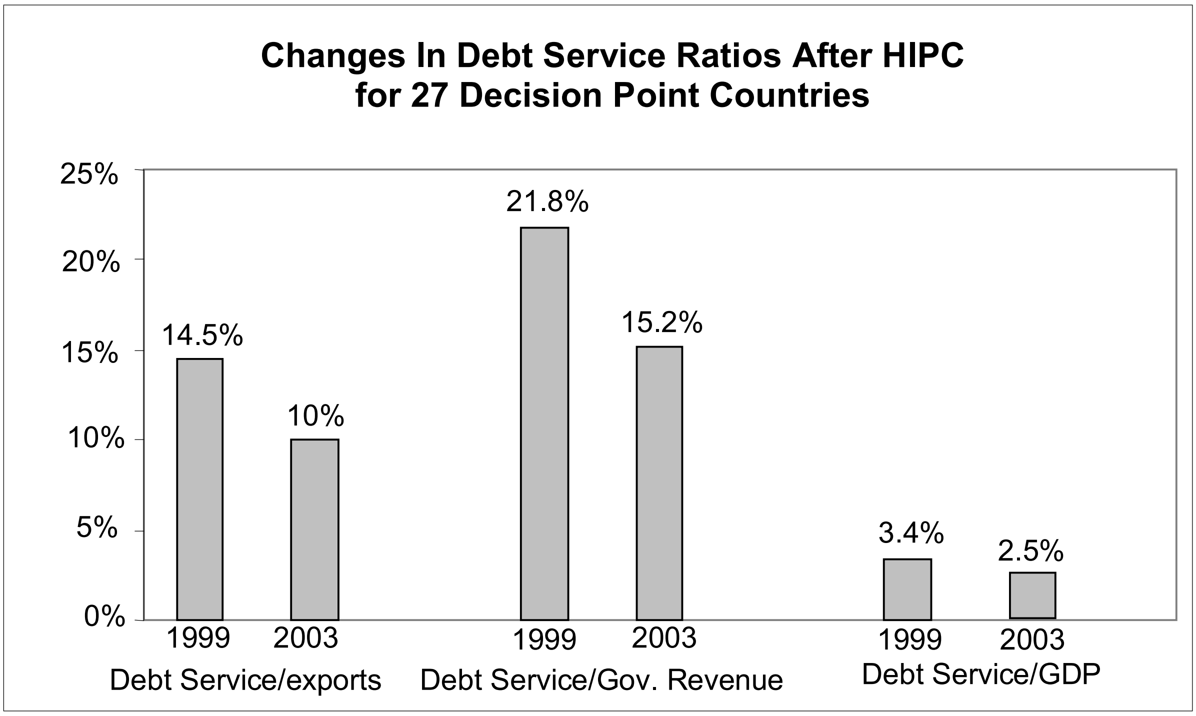
This shift in expenditure is reflected in the positive reports from various African countries of the introduction of free primary school education, resulting in one estimate of ten million more children in school as a result of debt relief. Other countries have been enabled to invest in free immunisation, water and sanitation programmes – all of which is a reminder that debt relief is ultimately not about figures and finance, but about life and death issues for real people. Ultimately the success of HIPC should not be judged by how much debt is relieved, but by how many people are lifted out of poverty.

Debt Stock Reduction in Heavily Indebted Poor Countries (HIPC)

	27 decision point countries	14 completion point countries
Before traditional relief	$80 billion	$37 billion
After traditional relief	$68 billion	$33 billion
After HIPC relief	$32 billion	$15 billion
After additional bilateral relief	$26 billion	$12 billion

Source: HIPC Initiative country documents; and World Bank and IMF staff estimates (2003 Net Present Value terms).

This table shows the reduction in the total debt owed; the chart below shows how the money being spent on debt service has reduced as a proportion of other financial indicators. Many would argue that the crucial figure is the proportion of government revenue; assuming revenue does not reduce in total, then any reduction in debt service potentially releases funds for poverty reduction – and there is clear evidence that this has happened in a number of African countries.



Is the HIPC Initiative having any impact?
The HIPC Initiative has met many of its objectives, especially since the launch of the enhanced version in 1999. For example:

- Relief on debts of over $70 billion has already been agreed for the countries at Decision and Completion Point, and this sum will rise towards the total of $100 billion pledged at the Cologne Summit in 1999 as more countries progress;
- The Initiative has helped increase annual social expenditures in countries receiving HIPC debt relief by around $4 billion since 1999 – equivalent to 2.7 per cent of GDP. On average, health and education spending account for 65 per cent of the use of HIPC debt relief; and
- The 27 HIPC countries now receiving debt relief used to spend an average of 27 per cent of their revenue on debt service – they now spend 11 per cent;

The Initiative has been extended for a further two years, opening the door for a further 10 countries to qualify for debt relief, estimated to be worth $30 billion.

UK Treasury website, January 2005

Note that the World Bank quotes $54 billion for the total of debt relief, UK government quotes $70 billion: figures vary according to whether it is being quoted in nominal terms or in terms of Net Present Value (NPV); then there is an additional question as to whether the figure includes debt relief promised as well as already delivered. Jubilee Debt Campaign quotes $49 billion – the amount of debt relief actually already delivered in nominal terms, figures supplied by Jubilee Research.

How has HIPC failed?

The following list summarises the various criticisms that have been levelled at the HIPC Initiative over recent years:

- Slow progress
- Underfunding
- Excessive conditionality
- Restrictions over eligibility – some of the poorest and most indebted countries not eligible
- Political and cost considerations outweighed poverty considerations in determining the countries eligible
- Cumbersome procedures
- Analysis of debt sustainability – using debt to export ratios is unhelpful
- Over-optimistic assumptions of growth
- Countries reaching completion point but still with unsustainable debt
- Domestic and private sector debt levels not taken into account in determining debt sustainability
- Insufficiency of interim debt relief
- Lack of creditor participation
- Doubt over whether funds used for debt relief are genuinely additional to already promised aid
- Failure to effectively respond to post-conflict issues
- Failure to maximise immediate funds for spending to meet the MDGs
- Has not provided predictable and stable flows of relief
- Does not provide a framework for avoiding future debt unsustainability while funding the MDGs
- Has not helped African nations to build their own capacity to analyse and build a debt management strategy

Table 1

PROGRESS ON IMPLEMENTATION OF THE HIPC INITIATIVE, DECEMBER 2004

	Decision point date	Completion point date
Completion point		
Benin	July 2002	April 2003
Bolivia	*February 2000*	*June 2001*
Burkina Faso	July 2000	April 2002
Ethiopia	November 2001	April 2004
Ghana	February 2002	July 2004
Guyana	*November 2000*	*December 2003*
Madagascar	December 2000	October 2004
Mali	September 2000	February 2003
Mauritania	February 2000	June 2002
Mozambique	April 2000	September 2001
Nicaragua	*December 2000*	*January 2004*
Niger	December 2000	April 2004
Senegal	June 2000	April 2004
Tanzania	April 2000	November 2001
Uganda	February 2000	May 2000
Decision point		
Cameroon	October 2000	Floating
Chad	May 2001	Floating
Dem. Rep. of Congo	July 2003	Floating
Gambia	December 2000	Floating
Guinea	December 2000	Floating
Guinea-Bissau	December 2000	Floating
Honduras	*July 2000*	*Floating*
Malawi	December 2000	Floating
Rwanda	December 2000	Floating
Sao Tome and Principe	December 2000	Floating
Sierra Leone	March 2002	Floating
Zambia	December 2000	Floating
Pre-decision point		
Burundi		
Central African Republic		
Comoros		
Republic of Congo		
Côte d'Ivoire		
Lao PDR		
Liberia		
Myanmar		
Somalia		
Sudan		
Togo		

Source: World Bank website, December 2004; Countries in italics are non-African countries.

The main aim of the HIPC Initiative was to provide an exit from unsustainable debt, which it defined in purely financial terms rather than any assessment of meeting people's basic needs. Yet Table 5 (page 49) indicates why – even on purely financial criteria – one recent study concluded: *'Overall, based on African HIPCs' own analyses. taking into account creditor non-participation, high debt service ratios, delay in relief and external shocks, only four African HIPCs have so far reached sustainable debt positions.'*

Development Finance International, September 2004, "Long-term Debt Sustainability for Africa"

Even as far back as 2001 the IMF and World Bank recognised the possibility that the HIPC Initiative might not achieve long-term debt sustainability. One reason for this was the highly optimistic assumption of economic growth at twice the average for 1990-2000, and six times the average for 1980-2000.

Slow progress

Table 1 demonstrates the 1999 enhanced HIPC Initiative has failed to deliver debt sustainability within the anticipated time frame for a significant number of countries. The gap between decision and completion point was intended to be no more than three years. The average delay between the planned and actual completion point has been 15 months, with several over two years. The evidence is that these delays are largely caused by the failure to meet macro-economic conditions laid down by the IMF. Despite some progress on reducing conditionality, it has been very limited.

To reach **completion point**, countries must maintain macroeconomic stability under a PRGF-supported programme, carry out key structural and social reforms, and implement a Poverty Reduction Strategy satisfactorily for one year. Debt relief is then provided irrevocably by the creditors.

To reach **decision point**, countries should have a track record of macroeconomic stability, have prepared an Interim Poverty Reduction Strategy through a participatory process, and cleared any outstanding arrears. The amount of debt relief necessary to bring countries' debt indicators to HIPC thresholds is calculated, and countries begin receiving debt relief on a provisional basis.

Eligibility

HIPCs are defined as IDA-only countries with heavy debt burdens – but Angola and Kenya, which qualify on this basis, are then disqualified from full HIPC Initiative relief because their debt does not exceed the HIPC eligibility criteria after the provision of maximum non-HIPC relief (Naples Terms or 67 per cent debt cancellation by the Paris Club). Two more significantly Indebted nations, Nigeria and Zimbabwe, are excluded for other reasons.

Creditor participation

Not every creditor is participating in the HIPC Initiative. By June 2003 there were still at least 37 bilateral creditors who had not agreed to deliver some or all of their required HIPC debt relief. Non-participation could leave 22 HIPCs unsustainable at completion point. There are also about seven multilateral creditors that by early 2004 had not indicated their willingness to participate in the HIPC Initiative.

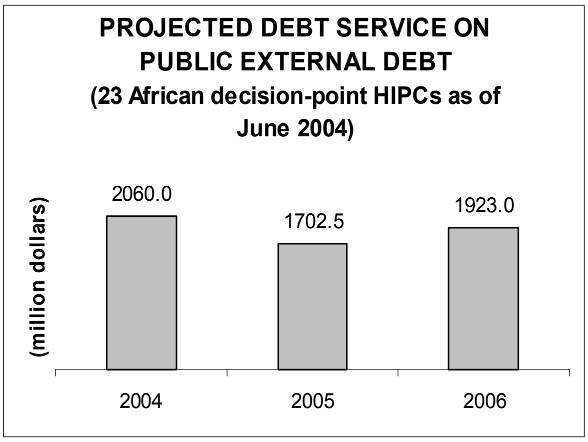
Some commercial creditors have been suing HIPC countries through the courts in order to obtain payment. The proportion of this debt to the total is small – but the impact on particular countries can be significant: Uganda had to pay $28.9 million in interest charges and legal fees after being sued by Iraq, along with commercial creditors from the UK, Spain and former Yugoslavia.

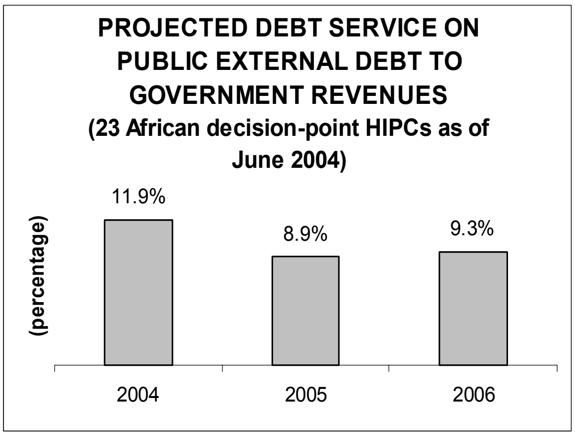
Has debt relief been additional money, or simply existing aid spent another way?

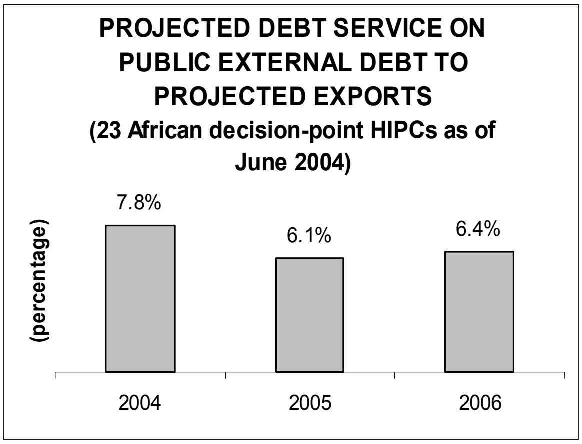
The HIPC Initiative was intended to be funded by additional money for debt relief, not by redirecting funds from existing aid budgets. The evidence is hard to pin down, but the consensus is that at best there has only been a slight increase in overall resource flows to the least-developed countries.

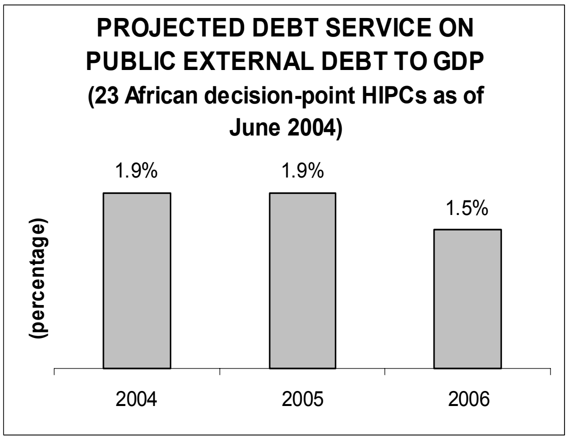
Does the HIPC Initiative mean that HIPC countries are set free of the burden of debt?

The UNCTAD report in 2004 concluded that *'compared to the early 1990s, the financial impact of the HIPC Initiative on actual total debt service payments is quite marginal.'* Table 7 (page 51) shows that 19 of the 27 HIPCs that reached decision point by 2003 were expected to spend at least 10 per cent of their government revenue on debt service through to 2005; some were due to spend more than 20 per cent in at least one of these years. Their total debt service payments were expected to increase slightly during this period, as the charts below show. Table 6 (page 50) demonstrates that without radical change there is very little likelihood of HIPC countries being set free of the burden of unsustainable debt by 2020, as defined by the current financial criteria. Table 3 (page 47) shows that in 2006 nearly $2 billion that could be used for the eradication of poverty will leave Africa to pay debt service.









Source: World Bank data (2004).

'The whole way HIPC was configured – debt sustainability to export figures, spurious debt to export ratios – doesn't have any bearing on whether a country can or cannot afford to pay debts. These are the world's poorest countries, but the debt programme is not meant to meet the needs of countries' poorest people.'

Noreena Hertz, Distinguished Fellow, Judge Institute, Cambridge University

Why should private sector debt be taken into account?

Some low-income African countries have liberalised capital accounts and received large foreign investment and now have a rapidly growing private sector debt – in some countries it is more than 50 per cent of external public debt. This means that not only is it a significant part of the debt burden for some African countries; it is also one which can make the countries vulnerable to foreign exchange crises. But no low-income African country currently has the systems for collecting the data which would allow proper analysis to take place, although some capacity-building assistance is now being given.

Why should domestic debt be taken into account?

If the reason for debt relief is that servicing debt diverts government funds away from reducing poverty, then domestic debt has exactly the same impact as external debt on government expenditure. Some African countries are paying more to service domestic debt than external debt – partly because debt relief has reduced their level of external debt. Kenya's 1999/2000 budget allocated twice as much to servicing domestic debt as external debt – even though external debt stocks were three times as great. Table 8 (page 52) shows why it is recommended that debt sustainability assessments must take domestic debt into account: 21 African countries are paying more on domestic debt service than external debt service, and while some have brought in innovative mechanisms to tackle the problem, there is no system or criteria for taking domestic debt into account when considering debt relief.

How much will it cost to finance 100 per cent debt cancellation?

The Monterrey Conference in 2002 estimated that an additional $50 billion was needed every year if the Millennium Development Goals were to be met. That is a helpful figure to set against the total cost of the cancelling the debt of the 27 HIPCs that had reached completion by the end of 2003, for example: $29 billion. That's why the UNCTAD report could argue *'with sufficient political will to back up total debt write-off, it should not be exceedingly difficult to fund the additional resources involved.'* It pointed out that the real costs of debt relief are spread over the lifetime of the remaining loans, often 30-40 years; therefore, it concludes, *'the annual cost of 100 per cent debt relief, at least for those HIPCs at the decision/completion point as at September 2003, remains relatively small in comparison to the resource requirements for meeting the MDGs.'*

The World Bank's View of the HIPC Initiative

- The HIPC Initiative marks a major innovation in development finance and the fundamental goal of the Initiative – to give a 'fresh start' to the world's poorest countries and most highly indebted countries by cutting their debt to a manageable level – is likely to be achieved, provided that all creditors effectively deliver their full share of debt relief. In fact, 27 countries are already benefiting from significantly lower debt service.
- The HIPC Initiative is highly relevant from political economy, economic and aid effectiveness perspectives.
- The HIPC Initiative has resulted in increased spending on social sectors and pro-poor growth.

'This initiative (HIPC) is a breakthrough … It deals with debt in a comprehensive way to give countries the possibility of exiting from unsustainable debt. It is very good news for the poor of the world.'

World Bank President James D. Wolfensohn

The facts: country by country

Table 2

AFRICAN COUNTRIES DEFINED BY THEIR DEBT STATUS

Post-Completion Point HIPCs	Benin; Burkina Faso; Ethiopia; Ghana; Mali; Mauritania: Mozambique; Niger; Senegal; Tanzania; Uganda
Interim Period HIPCs	Cameroon; Chad; DR Congo; Gambia; Guinea; Guinea-Bissau; Madagascar; Malawi; Rwanda; Sao Tome and Principe; Sierra Leone; Zambia
Pre-Decision Point HIPCs	Burundi; CAR; Comoros; Congo Republic; Cote d'Ivoire; Liberia; Somalia; Sudan; Togo
Low-Income Severely-Indebted	Angola; Kenya; Nigeria; Zimbabwe
Middle Income More-Indebted	Gabon (Severely indebted); Tunisia (Moderately indebted)*
Low-Income Less-Indebted	Equatorial Guinea;* Eritrea;* Lesotho*
Middle-Income Less-Indebted	Algeria*; Botswana*; Cape Verde*; Djibouti*; Egypt;* Libya* (e); Mauritius; * Morocco;* Namibia* (e); Seychelles*; South Africa* Swaziland*

*Data based on period 1999-2001; * = countries not currently requesting debt relief*
(e) = debt burden estimated from secondary sources due to lack of World Bank data

Development Finance International, September 2004 "Long-term Debt Sustainability for Africa"

Table 3

DEBT SERVICE FOR INDIVIDUAL HIPCS THAT REACHED DECISION POINTS, 1999-2006

1999-2003 shows actual figures; 2004-6 are projected figures – all in millions of US dollars.

	1999	2000	2001	2002	2003	2004	2005	2006
Benin	66.0	54.5	36.2	33.0	30.9	30.3	33.5	36.6
Burkina Faso	60.6	57.4	35.3	42.5	51.2	44.1	43.4	49.3
Cameroon	401.0	437.2	260.9	223.1	279.5	283.5	313.1	330.2
Chad	29.6	33.5	14.3	32.3	33.7	48.0	45.3	53.4
Congo (Dem. Rep.)	2.7	...	...	34.2	126.7	91.7	135.0	198.7
Ethiopia	127.0	119.2	188.9	108.4	82.9	90.0	73.2	98.3
Gambia	19.6	20.7	17.9	11.3	14.0	18.3	12.3	14.7
Ghana	521.5	533.2	242.6	267.0	161.0	161.6	135.1	133.2
Guinea	131.5	143.8	72.5	88.0	85.8	88.0	82.2	82.8
Guinea-Bissau	6.0	13.1	0.4	2.2	4.8	5.8	4.0	4.6
Madagascar	106.3	64.9	44.9	50.5	53.6	74.8	72.7	78.4
Malawi	64.6	91.6	82.6	53.9	106.5	53.0	61.6	121.8
Mali	83.6	77.3	54.6	66.5	65.9	73.3	73.1	75.5
Mauritania	81.4	87.2	74.2	74.1	55.2	56.3	55.4	55.6
Mozambique	60.2	18.0	27.1	42.0	49.7	62.2	68.5	78.1
Niger	18.9	22.4	34.1	53.0	24.8	23.1	25.6	30.9
Rwanda	37.0	37.3	17.9	13.6	12.6	13.6	10.0	15.7
São Tomé and Príncipe	2.0	3.9	4.7	4.9	5.5	16.1	6.9	2.7
Senegal	178.0	253.4	242.1	311.8	444.6	203.6	88.5	102.4
Sierra Leone	36.5	52.7	94.7	21.0	19.9	23.6	13.7	10.6
Tanzania	193.0	154.4	92.0	109.0	100.3	129.6	150.0	150.6
Uganda	98.0	103.3	60.6	56.3	60.6	93.0	99.1	112.2
Zambia	126.0	139.1	142.1	122.7	186.9	376.5	100.4	86.6
23 African Countries	**2451**	**2518**	**1841**	**1821**	**2057**	**2060**	**1703**	**1923**

Table 4

THE REMAINING DEBT OF 27 HIPCS THAT REACHED THE ENHANCED DECISION POINT BY END-2003

(Million dollars, Net Present Value terms)

	Enhanced assistance in NPV terms	**Percentage reduction in NPV terms**	**Remaining NPV debt**
Benin	265	31	590
Bolivia	*854*	*30*	*1,993*
Burkina Faso*	324	49	334
Cameroon	1,260	27	3,407
Chad	170	30	397
Dem. Rep. Congo	6,311	80	1,578
Ethiopia	1,275	47	1,438
Gambia	67	27	181
Ghana	2,186	56	1,718
Guinea	545	32	1,158
Guinea-Bissau	416	85	73
Guyana	*329*	*40*	*494*
Honduras	*556*	*18*	*2,533*
Madagascar	814	40	1,221
Malawi	643	44	818
Mali	417	29	1,021
Mauritania	622	50	622
Mozambique	306	27	827
Nicaragua	*3,267*	*72*	*1,271*
Niger	521	54	444
Rwanda	452	71	185
Sao Tome and Principe	97	83	20
Senegal	488	19	2,080
Sierra Leone	600	80	150
Uganda	656	37	1,117
United Rep. Of Tanzania	2,026	54	1,726
Zambia	2,499	63	1,468
Total	**27,966**	**~**	**28,861**

Table 5

HIPC DEBT SUSTAINABILITY

COUNTRY	HIPC STATUS	COMMENTS
Angola	Pre-Decision Point	Not sustainable – No IMF Programme or Paris Club Relief
Benin	Post-Completion Point	Not sustainable – PV ratios unsustainable till 2005 and no topping up granted
Burkina Faso	Post-Completion Point	Not sustainable after topping-up, due to export shocks
Burundi	Pre-Decision Point	Not sustainable – decision point delayed post-conflict, possible 2005
Cameroon	Interim Period	Not sustainable – not yet reached completion point
CAR	Pre-Decision Point	Not sustainable – decision point delayed by political instability
Chad	Interim Period	Not sustainable – not yet reached completion point
Comoros	Pre-Decision Point	Not sustainable – decision point delayed by political instability
Congo DR	Interim Period	Not sustainable – not yet reached completion point
Congo Rep	Pre-Decision Point	Not sustainable – decision point delayed post-conflict, possible 2005
Côte d'Ivoire	Pre-Decision Point	Not sustainable – decision point delayed by conflict
Ethiopia	Post-Completion Point	Not sustainable even after topping up – due to creditor non-participation
Gambia	Interim Period	Not sustainable – not yet reached completion point
Ghana	Post-Completion Point	SUSTAINABLE
Guinea	Interim Period	Not sustainable – not yet reached completion point
Guinea-Bissau	Interim Period	Not sustainable – not yet reached completion point
Kenya	Not eligible	SUSTAINABLE according to BWIs after non-HIPC debt relief
Liberia	Pre-Decision Point	Not sustainable – decision point delayed by conflict
Madagascar	Interim Period	Not sustainable – not yet reached completion point
Malawi	Interim Period	Not sustainable – not yet reached completion point
Mali	Post-Completion Point	SUSTAINABLE
Mauritania	Post-Completion Point	Not sustainable – PV ratios (non-participation), and debt service/revenue ratios
Mozambique	Post-Completion Point	SUSTAINABLE
Niger	Post-Completion Point	Borderline even after topping up – due to creditor non-participation
Rwanda	Interim Period	Not sustainable – not yet reached completion point
Sao Tome e Principe	Interim Period	Not sustainable – not yet reached completion point
Senegal	Post-Completion Point	Not sustainable – non-participation by creditors
Sierra Leone	Interim Period	Not sustainable – not yet reached completion point
Somalia	Pre-Decision Point	Not sustainable – decision point delayed by conflict
Sudan	Pre-Decision Point	Not sustainable – decision point delayed by conflict
Tanzania	Post-Completion Point	Not sustainable – due to creditor non participation
Togo	Pre-Decision Point	Not sustainable – decision point delayed by political disputes
Uganda	Post-Completion Point	Not sustainable – export shocks and BWIs forgot to include new borrowing
Zambia	Interim Period	Not sustainable – not yet reached completion point

Source: Development Finance International, September 2004, "Long-term Debt Sustainability for Africa"

Table 6

LIKELIHOOD OF ACHIEVING DEBT SUSTAINABILITY IN 2020 UNDER DIFFERENT SCENARIOS
(figures shown are percentages)

	Based on World Bank /IMF growth rates	**Based on historical rates**
Benin	89.3	42.3
Bolivia	*75.7*	*11*
Burkina Faso	76	1.7
Cameroon	95.9	63.2
Chad	62.3	51.3
Congo	84.4	1.5
Ethiopia	93.1	37.3
Gambia	91.7	94.2
Ghana	89.4	81
Guinea	97.2	37.6
Guinea-Bissau	70	65.1
Guyana	*97.7*	*93.2*
Honduras	*99.5*	*98.7*
Madagascar	99	86.7
Malawi	72.3	44
Mali	75.4	59.9
Mauritania	98.3	25.3
Mozambique	97.8	77.3
Nicaragua	*95.7*	*72.3*
Niger	65.9	2.7
Rwanda	57.3	10
Sao Tome and Principe	66.5	12.4
Senegal	98.7	78.9
Sierra Leone	81.3	1.5
Uganda	67.4	28.3
United Rep. Of Tanzania	83.2	35.9
Zambia	85.3	5.4
Average (All 27 countries)	**83.9**	**45.1**
Average (All 23 African countries)	**82.5**	**41**

Source: Adapted from US General Accounting Office (2004).

Table 7

PROJECTIONS ON PUBLIC EXTERNAL DEBT SERVICE-TO-GOVERNMENT REVENUES, 2003-2005 (Percentages)

	2003	**2004**	**2005**
Benin	5.9	5.3	5.3
Bolivia	*15.8*	*15.2*	*16.2*
Burkina Faso	5.3	4.7	4.3
Cameroon	12.3	12	11.2
Chad	18.3	11.3	10
Dem. Rep. Of the Congo	24.8	28.6	24.6
Ethiopia	6.2	6	5.3
Gambia	26.5	19.8	20.5
Ghana	17.3	10	7.9
Guinea	23.3	19.5	15.4
Guinea-Bissau	12.0	13.6	7.5
Guyana	*18.8*	*14*	*12.9*
Honduras	*17.1*	*13.4*	*12.6*
Madagascar	10.4	12.6	11.2
Malawi	18.9	9.6	11.7
Mali	8.4	8.1	7.7
Mauritania	16.6	17.7	17
Mozambique	8	7.6	7.5
Nicaragua	*17.3*	*12.8*	*13.3*
Niger	9.4	9.7	9
Rwanda	5.8	6.4	5.6
Sao Tome and Principe	23.3	10.7	4.5
Senegal	13.3	11.8	10.7
Sierra Leone	12.8	28	13.7
Uganda	9.3	9.7	9.4
United Rep. Of Tanzania	8.3	9.5	10
Zambia	27.2	31.3	27.5
Weighted average	**13.4**	**12.5**	**11.7**

Source: IMF and World Bank (2003a), appendix table 3.

Table 8

DOMESTIC PUBLIC DEBT OF AFRICAN HIPCS: DEBT STOCK AND INTEREST PAYMENTS, 2000-2002 AVERAGE

	Interest payments due on domestic public debt		**Stock of domestic public debt**	
	Value in $ millions	In % of total interest payments	Value in $ millions	In % of total public debt
HIPC eligible				
Benin	2.2	10.5	43.8	2.5
Burkina Faso	6.9	29.3	138.5	8.5
Cameroon	32.4	10.5	648.7	7.1
Chad	2.3	14.9	45.8	3.8
Dem. Rep. Of the Congo	8.4	3	167.4	1.5
Ethiopia	80	54.1	1600.6	21.3
Gambia	14.5	76.5	289	36
Ghana	288.6	74.1	5772.1	46.5
Guinea (1)	39.1	42.4	781.3	18.9
Guinea-Bissau	0.6	3.4	11.2	1.5
Madagascar	36.4	39.5	728.9	14
Malawi	63.4	71	1268.5	31.6
Mali	2.1	9	42.3	1.4
Mauritania	5.2	17.5	104.6	4.2
Mozambique (1)	5.7	27.4	114.9	3
Niger	2.2	7	44.9	2.7
Rwanda (1)	5.1	32.2	101.7	7.1
Sao Tome and Principe	0.1	2.8	2.3	0.7
Senegal	7.7	15.1	153.6	4.1
Sierra Leone	23.7	56.7	474.8	26.4
Uganda	38.4	50.1	767.1	16.9
United Rep. Of Tanzania	81.2	58.2	1623.9	18.7
Zambia	68.3	58.6	1366.4	19.4
Non-HIPC eligible:				
Angola	-	-	-	-
Kenya	271.5	72.5	5430.2	48.3
HIPC eligibility to be determined:				
Burundi	9.8	46.3	196.1	14.8
Central African Republic	3.1	19.8	61.3	6.3
Comoros	0.1	5.9	2.6	1
Congo	14.9	6.4	298.6	5.8
Cote d'Ivoire	35.5	9.1	710.8	6.3
Liberia	n.a	n.a	n.a	n.a
Somalia	n.a	n.a	n.a	n.a
Sudan	13.5	10.1	269.6	1.7
Togo	3.4	12.4	68.8	4.5

Sources: Calculations based on interest payments on domestic and external public debt as reported in country-specific IMF Staff Reports and World Bank databases; stocks of domestic public debt are estimates based on interest payments on public domestic debt, assuming that the average rate on domestic public debt is 5 per cent.

The Parliamentary hearings

The All Party Parliamentary Group on Heavily Indebted Poor Countries invited a range of distinguished guests to present evidence in Parliament to MPs, Peers and in the presence of members of the public. These hearings took place in October and November 2004.

Those who contributed:

Christian Adovelande, President of the ECOWAS Bank for Investment and Development
Rt.Hon. Hilary Benn MP, Secretary of State for International Development
Noreena Hertz, Distinguished Fellow, Judge Institute, Cambridge University and author of *IOU: The Debt Threat and Why We Must Defuse It*
Dr Donald Kaberuka, Minister of Finance and Economic Planning, Rwanda and Chair of the HIPC Ministerial Group
Sony Kapoor, New Economics Foundation and advisor to Tobin Tax Network, Tax Justice Network and Jubilee Research
Charity Musamba, National Coordinator, Jubilee Zambia
Jeffrey D. Sachs, Director of the Earth Institute at Columbia University, Quetelet Professor of Sustainable Development

These summaries attempt to faithfully record comments made, but have been heavily edited for brevity and clarity; responsibility for the edit lies entirely with the author.

Christian Adovelande

‘The burden of African debt is twice as much as that of any other region in the world. Therefore, Africa has to cope with 11 per cent of the volume of world debt, yet with only 5 per cent of the world’s total revenue. The GDP of sub-Saharan Africa has gone from 308 dollars per inhabitant, whilst exterior debt has reached 365 dollars per inhabitant. The Economic Community of West African States (ECOWAS) is particularly touched by this crisis with 13 out of these 32 sub-Saharan countries being situated in the ECOWAS zone, but no ECOWAS countries have finished the entire debt relief process.’

‘The African development Bank and sub-regional development banks are working to deal with the debt issue on a regional level. This counteracts the accusation that debt relief is not going to the right countries. Through the HIPC Trust Fund, resources can be specified to go to specific financial institutions so that they themselves can distribute the debt relief where it is needed most. With detailed knowledge of African specificities as well as financial expertise, regional organisations are well-placed to deal with the debt problem.’

‘Now Tony Blair offers hope for the ECOWAS countries who do not qualify for the HIPC Initiative such as Nigeria. The UK leading efforts in the Paris Club to obtain the level of debt relief that countries such as Nigeria deserve is an important response to the criticism that countries deserving debt relief are not classified as HIPC countries and are thus excluded from the HIPC Initiative. Furthermore, I sincerely hope that this effort at cancelling debt will put pressure on other G8 members to do the same.’

‘One very important element of financing future debt relief is the Debt Sustainability Framework in Low-Income Countries, being considered by the World Bank and IMF so as to help low income countries manage debts so they do not grow. This framework includes (i) a standardized forward-looking analysis of the debt and debt-service dynamics under a baseline scenario and in the face of plausible shocks; (ii) assessment of debt sustainability guided by indicative country-specific debt-burden thresholds related to the quality of a country's policies and institutions; and (iii) an appropriate borrowing (and lending) strategy that contains the risk of debt distress. This is a fundamental element of debt relief for us because so many ECOWAS countries are having a difficult time managing their debt and the HIPC Initiative alone has not been able to bring them out of poverty.'

'Debt relief and ODA cannot fight poverty alone. The private sector is also fundamental in fighting poverty. We as a bank have the philosophy that the private sector creates wealth, fights against unemployment and promotes jobs. If we could have another round of debt relief, that would help fight against poverty and if we could increase ODA that would help too, but these cannot be to the detriment of allowing African countries to become part of the world economy.'

'I trust that these hearings which will feed into the Commission for Africa's report will influence the UK's presidency of the G8 and the EU to push for greater debt relief and make African countries, both HIPC and non-HIPC, centre-stage for debt reduction.'

Rt. Hon. Hilary Benn MP

'There is progress compared to the situation before HIPC, but it is not sufficient. We need more, hence the UK proposal on debt relief. The need for topping up at completion point demonstrates that having set out to achieve debt sustainability, even using a certain measure of debt sustainability, HIPC doesn't always achieve this. We are trying to move to a new understanding of what we mean by debt sustainability in the context of the MDGs, for which the deadline is only ten years away. We need to move the debate in terms of what we mean by debt sustainability, and move towards what we need for the MDGs.'

'Conditionality is rightly a subject of intense and fierce debate throughout the NGO world, not just in relation to HIPC. The evidence is mixed. There are some uncontroversial aspects – fiduciary processes, money being put to the use for which it is intended. NGOs seem to want conditions in terms of human rights but oppose economic conditions. DfID produced a paper on conditionality, published at the time of the World Bank and IMF annual meetings. It questions the approach. I don't think we have got it right or the World Bank or IMF have. It is open for consultation until the end of the year. I have also persuaded the IMF to review conditionality.'

'The issue should be 'Can you afford the debt?' Economies are built on the basis of debt. But how does the debt compare to other calls on resources? How can we move from the crude measures in HIPC to a system of looking at what countries need? This is the crux of the argument. It also needs to take on board what other resources are available.'

'The economic development process is delivering poverty reduction in China and India. It is happening in Africa through the African Union peer review system. We need a partnership, with rich countries delivering on aid, trade and debt relief, and poor countries taking action on corruption and governance.'

'Debt relief is effective. The benefits include predictability, being non-cyclical, lower transaction costs. It is a question of both [debt relief and grants.] We want to go further, hence the UK proposal around IMF gold. We have demonstrated our desire to move the debate on, we have provided resources, we want to persuade others. On Nigeria in particular, Gordon Brown has said that we need more progress.'

'Progress on world trade talks is of fundamental importance – a chance for countries to earn their way out of poverty. In Hong Kong in 2005 we have to get the talks back on track. A fairer system is needed. At Cancun, developing countries were heard and did veto the deal. They know their own interests. The development of the AU is an assertion of African voice. In Darfur, we are backing the African agenda – their voice. Within the BWIs, the 'voice' agenda is making very little progress. At the annual meetings, it was discussed for seven minutes at the end and no African / developing country representative spoke.'

'The World Bank will look at domestic debt within a new definition of debt sustainability. Decision to grant ECGs is meant to include consideration of poverty impact.'

Noreena Hertz

'There is compelling evidence that HIPC isn't delivering. Example: Zambia, with a million people HIV-infected is paying more on debt service in 2003-2005 than it did between 1998 and 2003. Mali, Sierra Leone, and Niger (the highest infant mortality rate in the world) are paying out more in debt service. There was a lot of talk about what HIPC could deliver in 98/99, five years on not much has happened. The whole way HIPC was configured – debt sustainability to export figures, spurious debt to export ratios – doesn't have any bearing on whether a country can or cannot afford to pay debts. These are the world's poorest countries, but the debt programme is not meant to meet the needs of countries' poorest people.'

'The bottom line is: de-link HIPC from economic conditions. Evidence shows that structural adjustment is not delivering for the poor. Allow countries to make their own decisions. Debt relief monies do reach poor, needy, vulnerable. Replace conditions on macroeconomics for one condition – a condition that debt relief reaches the poor. My suggestion is that monies released from debt relief are ring-fenced into trusts specifically for poverty alleviation and debt relief.'

'On balance, in cases where a country is not democratic, human development indicators are very low – poverty, primary school enrolment figures – so we have to admit the truth: leaders are not prioritising needs of their own people. Nigeria last year spent $350 million on a football stadium, the seventh in two years – twice the amount of money spent on health and education combined. The left say: ring-fencing is a new form of colonialism. But trustees are civil society nationals, so it strengthens civil society, enables them to hold their own governments to account.'

'Governance' is a buzz word for WB and IMF. Good governance - what is meant by it? Eleven countries have been refused debt relief not for abuse of human rights but for not playing by strict economic rules.'

'Gordon Brown's IFF proposal is an innovative way of raising new money for development purposes. It addresses the real issue of creating new money for aid and debt. But there are lots of other innovative ways: $3 billion of remittances going to Latin America could be pooled and turned into development bonds; repatriating corrupt dictators' funds from offshore bank accounts – increasingly possible due to the rolling back of bank secrecy laws post 9/11.

'Grants rather than loans: but debt not always a bad thing, lots of countries have developed by borrowing. But developing countries should borrow less in the future. Emphasis should be on mobilising domestic resources better. American grant rather than loan principle on the whole sensible for world's poorest countries; a right way of thinking about giving new funds.

Dr. Donald Kaberuka

'The enhanced HIPC Initiative was a sea change. Education has been improved, it is delivering better health. But there are two key issues: what is the sustainability of debt? What is the fiscal space for meeting the MDGs?'

'Definition of debt sustainability is a problem: it is based on the simple criteria of export value, but many other things are relevant. When HIPC was defined there was optimism about exports, but it didn't take account of external shocks to countries. Each country has a unique way of obtaining sustainability: debt, policy performance, governance issues, and domestic revenue base – all these have to be assessed on a country by country basis. The domestic revenue issue particularly needs to be bought into the picture.'

'To meet the MDGs we need 7 per cent growth – the same as population growth. But Sub-Saharan Africa average growth is 3.5 per cent, outside the mineral and oil rich countries. So we are running to stand still, having to trade off growth in order to pay debt. There is no point giving debt relief and increasing aid by 20 per cent if access to markets is denied.'

'There needs to be a voice for poorer countries in the international arena where decisions are taken.'

'It is important to demonstrate what resources were going to be used for, but PRSPs are used to get debt relief through HIPC, and not linked to the bigger picture of national development. There has also been over-optimism about commodity markets. Oil prices have increased, coffee prices have not. Next month Rwanda reaches completion point, but will need topping up due to unforeseen commodity prices. This matter requires attention. Thirdly, fewer countries have reached completion point than should have done because they have not met the conditions – there should have been more flexibility. Countries should be left to work out their own scenarios for their financing needs for the MDGs. What is the resources gap? What can sensibly be borrowed from IDA?'

'Debt relief is better than other forms of assistance – it is predictable, it is front-loaded, it is flexible. Grants can be promised, tied, have one or more tranches. Debt relief enables budgets to be reassigned.'

'PRSPs should be living documents, constantly being reassessed – they are not a five-year plan. Parliaments should adopt PRSPs as part of the national plan and donors should align behind them – PRSPs should not just be linked to getting debt relief.'

'Developing countries and OECD countries need to work together to fight corruption, children should not be condemned because of bad governance.'

Sony Kapoor.

'Countries should have domestic policy control and space. The aid debate has shifted from programme based aid towards budgetary support: debt relief is the most effective form of budgetary support. But HIPC, under the pretext of cancelling debt, makes poor countries service debt they were previously not servicing. Multilateral debt cancellation is much more effective: every dollar of debt not repaid to the World Bank etc. really would be a dollar for development. HIPC does not satisfy the principle of equal creditor burden sharing.

'Parliament needs complete access to information concerning financing and deals and information on the country. NGOs do not have political legitimacy; the only people with legitimacy are parliamentarians.'

'Revaluation of IMF gold is a sham, an accounting trick. It does not generate new money for debt relief; the costs are borne by middle-income countries like Argentina, Turkey, Brazil. But gold sales will generate additional resources. Due to the political climate, certain countries are not going to put more money into pot. Realistically, only 20-25 per cent of the money needed for debt cancellation can be raised in this way. The slate has never been wiped clean; a one off gesture needs to be made. Gold sales are a unique opportunity to do this: they provide the resources to do it.'

‘It is very feasible; it has been done in the past. HIPC finance ministers came out in support of IMF gold sales for debt cancellation; they understood there would be no negative impact on price.’

‘I am a strong believer in not counting human lives like financial flows. Human beings are dying now as we sit here. I’m an optimist in life pushed towards scepticism and cynicism by working in development. The annual losses to developing countries by tax avoidance, capital flight tax and tax competition are huge – it dwarfs the trade/debt/aid agenda. It is a systemic issue. Tax competition is pushing tax rates towards 0 per cent. In the poorest countries effective corporation tax rates are negative – incentives for companies exceed the gains for countries.’

‘The FTAP (fair and transparent arbitration process) Jubilee framework has come off the policy agenda. But from January I’ll be based in the US at a law firm who are supporting us to turn FTAP from loose principles into a legally complete document. We’ll ask policy makers to tell us what they don’t agree with, and reinvigorate the discussion. There is a strongly felt need for sovereign bankruptcy mechanisms: traders need it. They hate the IMF’s sovereign debt restructuring proposal, as do we. The aim is to draw the loose principles together in a legally rigorous and financially complete document. But human life never changes in value. We cannot wait for FTAP: time is of paramount importance.’

Charity Musamba

‘HIPC has positives – technically speaking there has been a big reduction in debt. Practically, using this debt relief for poverty reduction has made some difference. Rural health centres have benefited; teachers houses have been built, clinics have been built. But the HIPC debt relief package has been accompanied by contradictory conditionalities – for example the privatisation package is causing social disharmony. That leaves Zambia with a political choice between keeping people happy or international institutions happy.’

‘HIPC didn’t take into account the HIV/AIDS epidemic, what was really happening on the ground. PRGF, PRSP, HIPC – all the same conditionalities – the same macro-economic agenda applies to HIPC. So there is no link between what is the macro-economic agenda and poverty reduction agenda. National governments should decide how to deliver the PRSP programme. The interests of the international community and African governments may be the same but methods are different. Upcoming Zambian businesses need some protection from external competition to survive.’

‘The Zambian PRSP has a governance section – this is part of the fight against poverty. People need education about their rights, for example, to be able to fight corruption. Reducing poverty is key to fighting corruption. There is the peer review mechanism – Africans are concerned about an oversight of how money is spent. People should not be punished for bad governments. Promoting democracy is vital. There needs to be political commitment at the national and international level – a global partnership is needed.’

‘A robust exit from debt was promised by HIPC, but that has not happened on a sustainable basis. The trade and poverty situation needs to be addressed. HIPC needs a more democratic process: national governments and their people must have a part in implementation. Can’t just put in place an initiative they have not been part of. We need a voice in institutions that have such an impact on our country. Government should give civil society a greater voice in the process. It needs a strengthened Parliament, an independent judiciary and democratised international institutions.’

Jeffrey D. Sachs

‘Most African countries should not be asked to pay anything on debt relief at all.’

‘The World Bank debt sustainability criteria are based on foolish economic number targets; they should be human development based.’

‘There should be no relief for Iraq until Africa has been settled; it will be shocking if there is a debt deal on Iraq before one on Nigeria.’

‘The priority reform for the IFIs should be that their performance should be judged on development goals – currently the IMF aims to balance budgets not make countries meet the MDGs.’

‘The plan should be: cancel debt; make grants for key development/infrastructure needs, then ten years on there should be a sustainable national economy because of prospects of growth.’

Debt hearings: list of written submissions

- Kenya High Commission; October 2004
- Nigeria High Commission; October 2004
- African Economic Outlook (AEO) 2003 – Launched by the OECD; 2004
- Economic Development in Africa – Debt sustainability: Oasis or Mirage? UNCTAD; 2004
- Commission for Africa, Meeting in Addis Ababa – Africa Speech by Tony Blair; October 2004
- Action Aid International UK; October 2004
- ‘Fool’s Gold – The Case for 100 per cent Multilateral Debt cancellation for the Poorest Countries’ by Romilly Greenhill, ActionAid UK; Henry Northover, CAFOD; Max Lawson, Oxfam GB; October 2004
- ‘Delivering development: how Southern governments can make aid work best for poverty reduction’ by Oxfam; November 2004
- The World Development Movement (WDM) reports:
    1. ‘Zambia condemned to Debt’ April 2004
    2. ‘Treacherous Conditions’; May 2003
    3. ‘States of Unrest III’; April 2003
    4. ‘Debt and Destruction in Senegal’; October 2003
    5. ‘States of Unrest II’; April 2002
    6. ‘Structural Damage’; October 2002
- ‘Long-term debt sustainability for Africa’ by Matthew Martin, Alison Johnson, Hannah Bargawi and Cleo Rose-Innes, Debt Relief International; September 2004
- ‘Delivering development: how Southern governments can make aid work best for poverty reduction’, Oxfam; November 2004
- ‘An alternative approach to debt cancellation and new borrowing for Africa’ by Henry Northover, CAFOD; October 2003
- ‘Debt Reduction and Development in Mozambique: Progress and Challenges’ by H. E. Mr António Gumende, High Commissioner for Mozambique ‘; June 2004
- ‘How ECAs turn private risks of corporations into debt for developing countries’ Both ENDS
- ‘Africa’s debt and its economic underdevelopment’ by Purane Ebelegi, Global North-South Dialogue/GNSD

- ‘Double standards and Debt relief: The case for Nigerian IDA reclassification’ by Todd Moss, Scott Standley and Nancy Birdsall, Center for Global development, September 2004

- ‘Civil Society Statement on the Role of International Financial Institutions in Promoting Trade Liberalisation’ Commonwealth Foundation, September 2004

- ‘HIPC in the dock’ by Amos Safo, ISODEC (Integrated Social Development Centre), Ghana; October 2004

- ‘Three years into HIPC: What now for Ghana’ by Charles Abugre, ISODEC; March 2004

Useful websites with resources on debt issues

www.parliament-hipc.org – the All Party Parliamentary Group web site
www.jubileedebtcampaign.org.uk
www.jubileeresearch.org
www.eurodad.org – European Debt and Development
www.debtchannel.org
www.dri.org.uk – Debt Relief International
www.jubileesouth.org
www.jctr.org.zm/jubilee-zambia
www.jubileeusa.org
www.dfid.gov.uk
www.hm-treasury.gov.uk/documents/international_issues/international_development
www.worldbank.org/debt
www.worldbank.org/hipc
www.clubdeparis.org
www.imf.org
www.developmentgoals.org

The All Party Parliamentary Group on Heavily Indebted Poor Countries

All Party Parliamentary Groups bring together members from across the political spectrum from both the House of Commons and the House of Lords. They enable MPs and Peers to meet and co-ordinate parliamentary activities on specialised subjects. Unlike select committees, they are voluntary and receive no parliamentary funding.

The All Party Parliamentary Group on Heavily Indebted Poor Countries (APPG on HIPC) was set up by a group of concerned MPs to campaign for greater debt relief in Parliament. The Group has its roots in the Jubilee 2000 campaign and was inspired by the overwhelming call from the public to cancel Third World Debt.

The aim of the APPG on HIPC is to push debt issues and poverty reduction up the agenda in Parliament, calling for greater and more effective debt relief, and debt cancellation, to the world's poorest countries. Currently, the group has over 170 members – MPs and Peers.

The APPG on HIPC meets regularly to discuss debt relief, the progress of the HIPC initiative, the impact of debt on meeting the Millennium Development Goals (MDGs) and wider development issues affecting the world's poorest countries.

The Group works closely with campaigners and NGOs like Jubilee Debt Campaign to discuss debt and poverty . We host regular meetings for MPs and Lords with speakers and guests from government departments, economists and academics, NGOs, ambassadors from HIPC countries, and international organisations such as the World Bank.

Other main activities of the APPG on HIPC are working on our regular newsletter, briefings on progress with debt relief, suggestions for parliamentary questions, and parliamentary speeches on debt relief. The APPG on HIPC also creates and participates in many events to raise the profile of debt and the MDGs especially within parliament.

Our website provides information about progress on debt relief both in and outside of parliament, with parliamentary questions and debates on debt relief as well as briefings and a list of members of the Group. Please visit our website at: *www.parliament-hipc.org*

Officers of the APPG

The Group is co-Chaired by Julia Drown MP and Ann McKechin MP, with Stephen O'Brien MP and Peter Bottomley MP as vice-Chairs. Andy Reed MP is Secretary and the APPG's Treasurer is Vernon Coaker MP

Jubilee Debt Campaign

Our mission

When 24 million people signed the global Jubilee 2000 petition - the largest petition ever - politicians sat up and noticed.

Sadly, at the end of the Jubilee 2000 campaign in December 2000, it was clear that policies on debt cancellation weren't matching the rhetoric. That's why Jubilee movements in many countries vowed to continue the struggle. Jubilee Debt Campaign is the UK's campaigning successor to Jubilee 2000 and Drop the Debt, comprising much of the UK's original Jubilee 2000 membership. Working closely with our sister organisation Jubilee Scotland, and with partners in other countries, our mission remains the same: an end to all unpayable poor country debts by fair and transparent means.

JDC initiated the marking of May 16th, the anniversary of the Jubilee 2000 'human chain' event in Birmingham, 1998, as World Debt Day.

JDC is a key coalition contributing to the **MAKE**POVERTY**HISTORY** campaign, which is calling for decisive action in 2005 on debt cancellation, more and better aid, and trade justice.

In January 2005 JDC launched its 'Wipe Out Debt' campaign.

How Does JDC Operate?

The focus is on changing UK government policy on debt, including to ensure that the maximum influence is brought to bear on the World Bank and International Monetary Fund (IMF) - on whose governing bodies the UK is represented.

JDC is a coalition of local/regional groups and 60 national organisations – churches, other faith groups, trade unions, aid agencies and campaigning organisations. The work of the Coalition is co-ordinated by a London-based Secretariat under the strategic direction of an elected Board. Local/regional groups and national organisations are equal partners in the coalition, both when it comes to campaigning and as regards policy and direction. Jubilee Scotland - a separate entity - has a reserved place on the JDC Board.

Co Chairs: Stephen Rand, Audrey Miller
National Coordinator: Ashok Sinha

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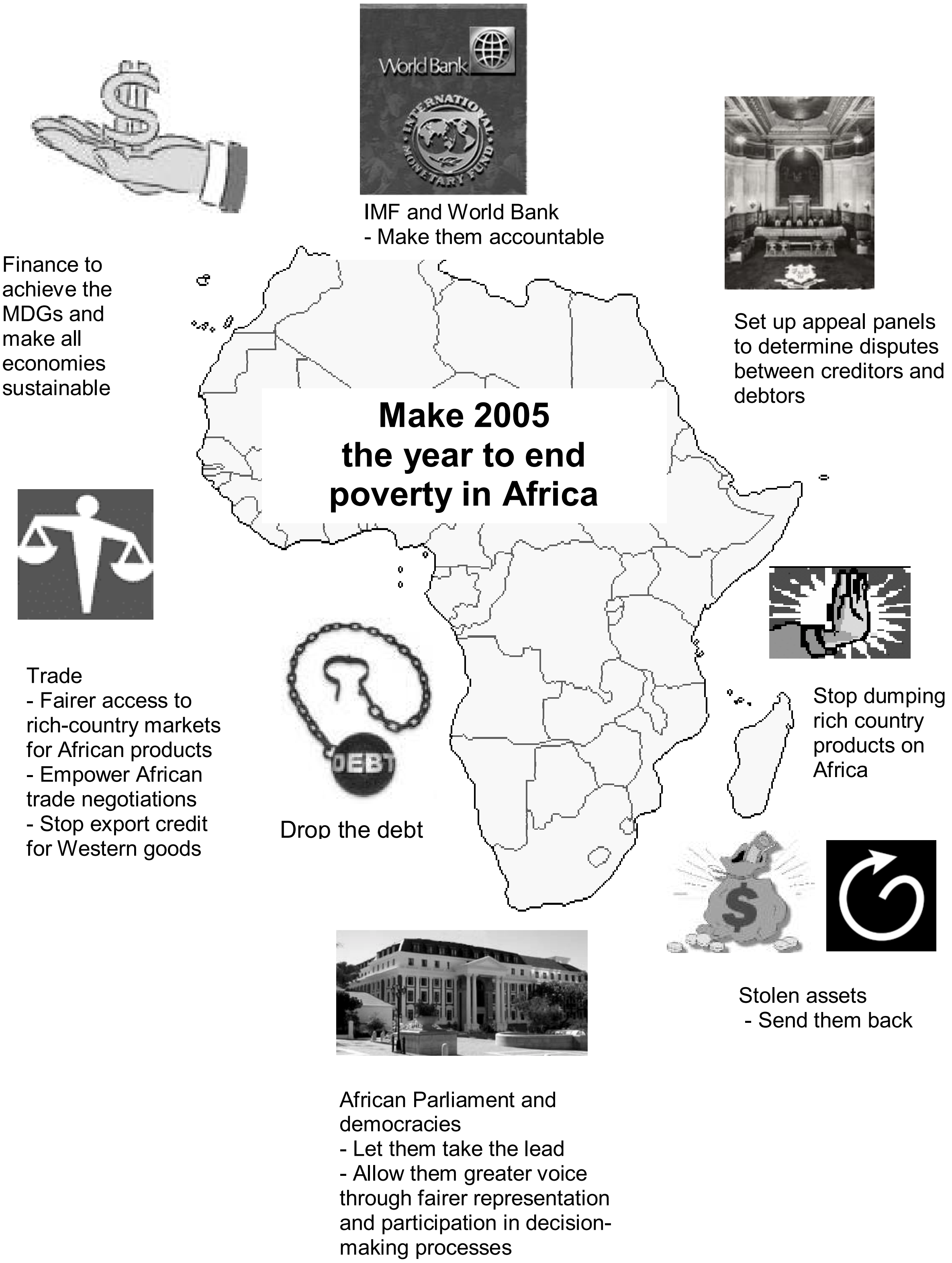
Website: www.jubileedebtcampaign.org.uk

Acronyms and Abbreviations

AfDB	African Development Bank and Fund
APPG	All Party Parliamentary Group
BWI	Bretton Woods Institutions (IMF and World Bank)
CIDA	Canadian International Development Agency
CPIA	Country Policy and Institutional Assessment
DAC	Development Assistance Committee
DBR	Domestic Budget Revenue
DFID	Department for International Development (UK)
EU	European Union
FTAP	Fair and Transparent Arbitration Process
GDP	Gross Domestic Product
GNI	Gross national income
HIPC	Heavily Indebted Poor Countries
IDA	International Development Association of the World Bank
IFF	International Financing Facility of the UK
IMF	International Monetary Fund
JDC	Jubilee Debt Campaign
LICs	Low income countries
LDCs	Least Developed Countries
MDGs	Millennium Development Goals
MICs	Middle Income Countries
NA	North Africa
NEPAD	New Partnership for Africa's Development
NGO	Non-governmental organisation
Non-ODA	Non-concessional loans
OECD	Organisation for Economic Development and Co-operation
PRGF	Poverty Reduction and Growth Facility
PV	Present value
PRS	Poverty Reduction Strategy
PRSP	Poverty Reduction Strategy Paper
SDR	Standard Drawing Rights
SSA	Sub-Saharan Africa
TDS	Total Debt Service
UN	United Nations
UNICEF	United Nations Children's Fund


World Bank
INTERNATIONAL MONETARY FUND
IMF and World Bank
- Make them accountable
Finance to
achieve the
MDGs and
make all
economies
sustainable
Set up appeal panels
to determine disputes
between creditors and
debtors
Make 2005
the year to end
poverty in Africa
Trade
- Fairer access to
rich-country markets
for African products
- Empower African
trade negotiations
- Stop export credit
for Western goods
DEBT
Drop the debt
Stop dumping
rich country
products on
Africa
Stolen assets
- Send them back
African Parliament and
democracies
- Let them take the lead
- Allow them greater voice
through fairer representation
and participation in decision-
making processes

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