December 22, 2000

DEBT RELIEF FOR THE POOREST COUNTRIES: MILESTONE ACHIEVED

Joint Statement by Horst Köhler and James D. Wolfensohn

In this millennium year, the Bretton Woods Institutions have been determined to play their part in tackling one of the most pressing challenges of our time—helping the poorest members of the world community to share in the prosperity enjoyed by so many. A key element has been debt relief for the heavily indebted poor countries (HIPCs).

In 1996, the International Monetary Fund and the World Bank launched an initiative with many other partners to reduce the debt of the HIPCs to sustainable levels as a way to renew their prospects for growth and to free up resources for vital social needs. Last year, we committed to strengthen that initiative to provide faster, deeper, and broader debt relief. When progress still seemed too slow, we pledged to make every effort to permit at least 20 countries to benefit from debt relief by the end of this year. This goal has been reached and even exceeded.

In recent weeks, our Executive Boards and staffs have worked intensively to finalize debt relief for many HIPCs. These efforts will lift some $34 billion in debt service obligations from the shoulders of 22 eligible countries, 18 of them in Africa. As a result, after they reach their completion point and receive the full assistance under the enhanced HIPC Initiative, these countries will see their foreign debt reduced by almost half on average. Combined with existing debt relief programs—such as those of the Paris Club of creditor nations—these countries will see their debts fall, on average, by about two-thirds.

Much hard work and commitment has been required. The countries concerned have shown their willingness to put debt relief to effective use to improve the lives of the poor. They have formulated strategies to reduce poverty, to invest in their people's future, and to create the basis for sustained growth in their countries.

These countries face a continuing challenge to remain focused on long term goals—even in the face of difficult circumstances, not least the AIDS pandemic affecting so many of them. Together we have laid a strong foundation, and will continue to make every effort to build upon it in all of these 22 countries.

We shall also continue working to bring debt relief to the remaining heavily indebted poor countries which have yet to qualify for HIPC Initiative assistance. Their already difficult situations are, in many cases, compounded by civil conflict or its immediate aftermath. An end to these conflicts is an essential first step for these countries to rebuild economically and truly benefit from debt relief.

To ensure that the relief is translated into poverty reduction, the beneficiary countries must continue with their economic, social, and governance reforms. In this context, they will need to design and implement nationally owned poverty reduction strategies. Our institutions and many other partners look forward to helping poor countries in these efforts. We will continue to offer our advice and financial assistance in support of their programs of human development, good governance, and sound economic management.

But the international community must play its full part to improve the lot of poor countries, for there cannot be a good future for the rich nations if the poor nations do not share prosperity. The combination of improved policies and debt relief will not be enough in most cases. We need to make sure that the HIPC Initiative is supported by all creditors, including official bilateral and commercial creditors that have yet to provide the required debt relief. Also, it is important to resolve remaining funding issues for some multilateral creditors, and to ensure that financing for the HIPC Initiative is truly additional and does not come at the expense of other aid flows. More broadly, we call upon industrial countries to raise their official development assistance towards internationally agreed levels. And we urge them to open their markets to the exports of the poor countries, giving them a better chance to succeed on their own. The international community also has an important role in conflict resolution, especially in Africa.

At the turn of the millennium, many parts of the world are enjoying unprecedented prosperity. But we also know that too many people can not yet meet their very basic human needs. It is time to redouble our efforts to make the global economy work for the good of all.

Table 1: Debt Relief Committed Under the Enhanced HIPC Initiative

Status as of end-December 2000

(In billions of U.S. dollars)

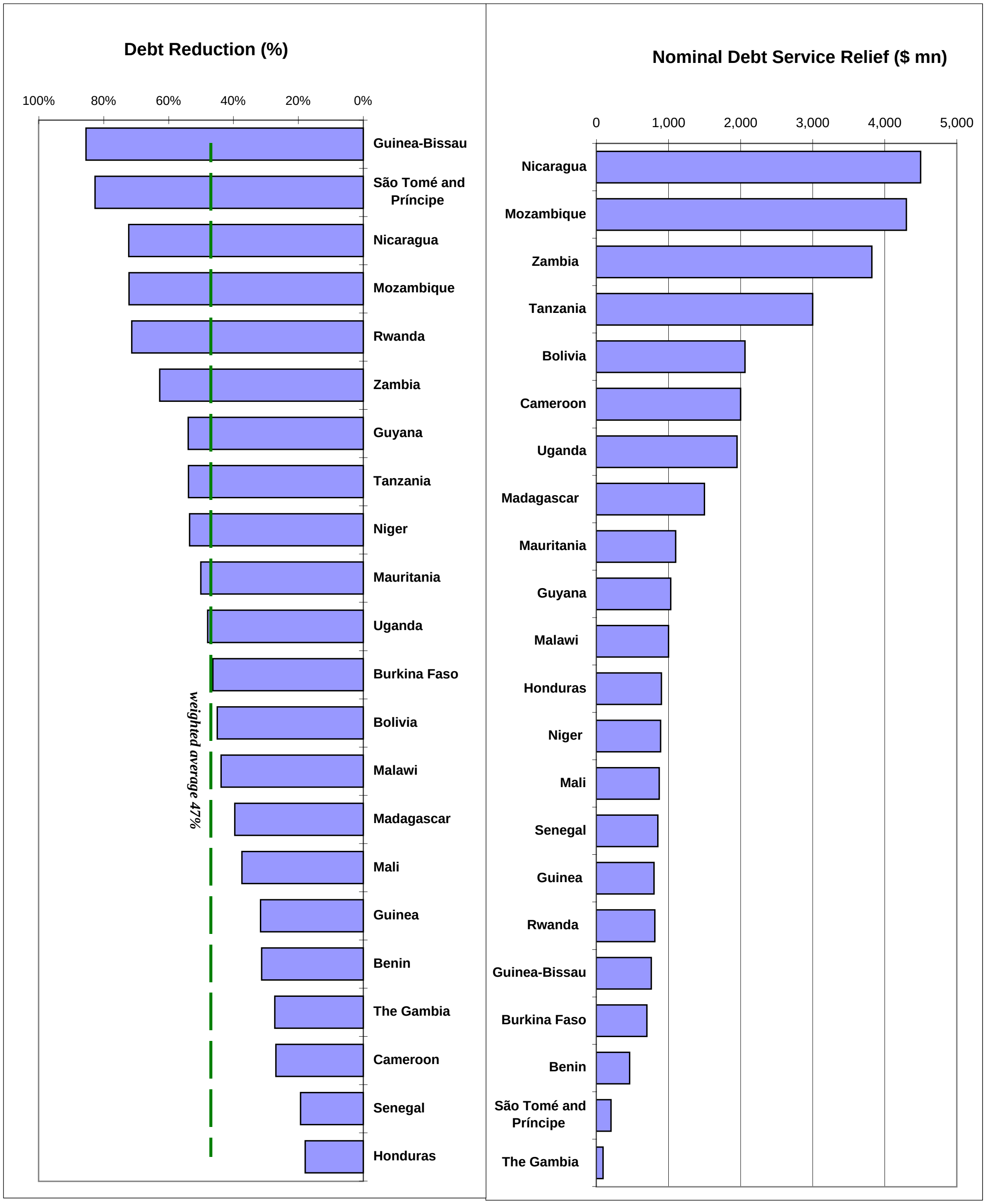
Country	NPV Debt Reduction		Nominal Debt Service Relief 3/
	Committed Debt Relief	*Percentage Reduction 1/ 2/*	
TOTAL	**20.3**	**47** 4/	**33.6**
African Countries	**14.6**	**46** 4/	**25.1**
Benin	0.3	31	0.5
Burkina Faso	0.4	46	0.7
Cameroon	1.3	27	2.0
The Gambia	0.1	27	0.1
Guinea	0.5	32	0.8
Guinea-Bissau	0.4	85	0.8
Madagascar	0.8	40	1.5
Malawi	0.6	44	1.0
Mali	0.5	37	0.9
Mauritania	0.6	50	1.1
Mozambique	2.0	72	4.3
Niger	0.5	54	0.9
Rwanda	0.5	71	0.8
São Tomé and Príncipe	0.1	83	0.2
Senegal	0.5	19	0.9
Tanzania	2.0	53	3.0
Uganda	1.0	48	2.0
Zambia	2.5	63	3.8
Latin American Countries	**5.7**	**49** 4/	**8.5**
Bolivia	1.3	45	2.1
Guyana	0.6	54	1.0
Honduras	0.6	18	0.9
Nicaragua	3.3	72	4.5

Source: World Bank and IMF staff estimates.

1/ Calculated on basis of net present values of debt and assistance committed -- see Chart A.
2/ Cumulative reduction, including traditional debt relief, is estimated at about two-thirds -- see Chart B.
3/ Estimates based on HIPC Initiative assistance in net present value terms (NPV) as approved by the Executive Boards of the IMF and the World Bank.
4/ Weighted average based on debt stocks in NPV terms.

Chart A. Enhanced HIPC Initiative
Comparative Debt Reduction and Debt Relief for 22 Decision Point Countries

Status as of end December 2000



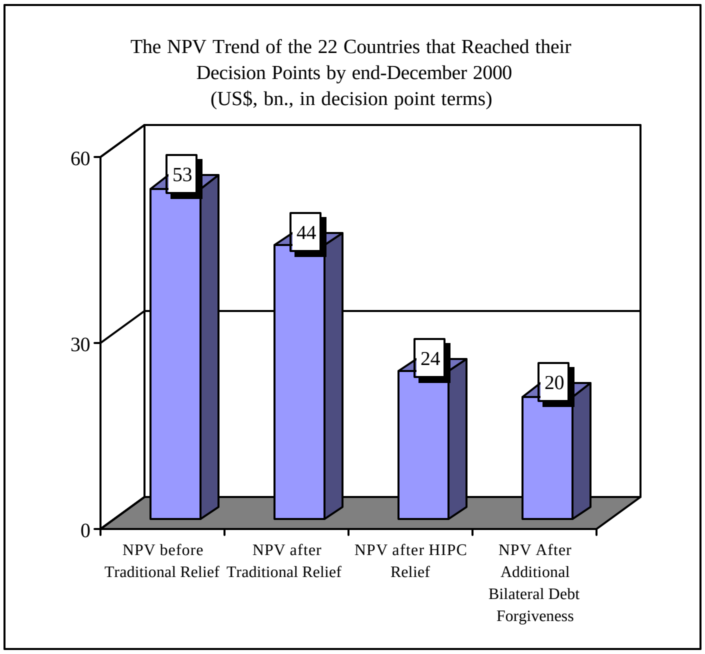
Note: -- Debt reduction is measured by the common reduction factor. This refers to the percentage by which each creditor needs to reduce its debt stock at the decision point so as to enable the country to reach its debt sustainability target. The calculation is based in net present (NPV) information.

-- For Bolivia, Burkina Faso, Guyana, Mali, Mozambique and Uganda assistance under the original and enhanced frameworks is combined.

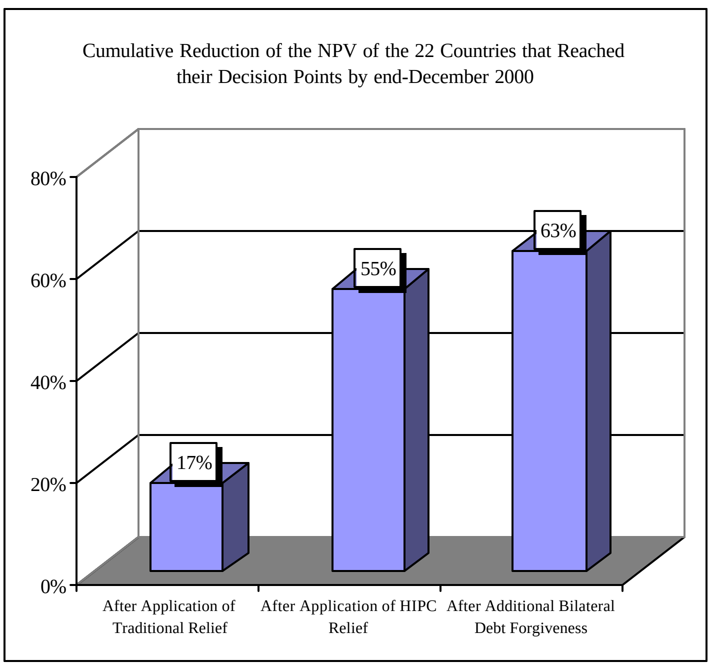
Chart B. Enhanced HIPC Initiative

Debt Service Reduction for 22 Decision Point Countries

Status as of end December 2000



Note: The debt stock before any relief is estimated at US$53 billion in NPV terms or US$73 billion in nominal terms.



Sources: HIPC Documents, Review Paper and staff estimates.