ANNEX 1. IMPLEMENTATION OF THE INITIATIVE AND RESOURCE FLOWS

A. Implementation

109. Since the launch of the Initiative in the fall of 1996, the eligibility of 12 HIPCs has been reviewed by the Boards of the Bank and Fund.[1] Seven have qualified for debt-relief packages, and three countriesXEthiopia, Guinea-Bissau, and MauritaniaXwould be expected to qualify based on preliminary discussions. These ten countries are currently expected to receive assistance totaling US$4.3 billion in net present value (NPV) terms, while the nominal debt-service relief is estimated at about US$8.5 billion over time (see Table 1).

Table 1. HIPC Initiative: Commitments of Debt Relief
(as of March 1999)

Country	Assistance at completion point (US$ mn. In NPV terms)	Estimated total nominal debt service relief (in US$ mn.)	Date assistance to be released
HIPC debt relief already released			
Uganda	347	650	Apr-98
Bolivia	448	760	Sep-98
Commitments of HIPC debt relief			
Burkina Faso	115	200	Apr-00
Guyana	253	500	2nd Quarter 99
Cote d'Ivoire	345	800	Mar-01
Mozambique	1442	2900	mid-99
Mali	128	250	Dec-99
Subtotal	**3078**	**6060**	...
Possible commitments based on Preliminary HIPC Document issued; 1/			
Guinea-Bissau 2/	300	600	...
Ethiopia 2/	636	1300	...
Mauritania	271	550	Spring-02
Total	**4285**	**8510**	

Sources: Fund and Bank Board decisions, HIPC documents, and staff calculations.

1/ Targets based on majority view in preliminary discussions at Bank and Fund Boards; timing and amount of assistance based on preliminary HIPC documents and subject to change:

2/ Finalization of debt relief packages for Ethiopia and Guinea-Bissau has been put on hold due to armed conflicts.

[1] These are Benin, Bolivia, Burkina Faso, Côte d'Ivoire, Ethiopia, Guyana, Guinea-Bissau, Mali, Mauritania, Mozambique, Senegal, and Uganda.

110. Staff teams from the Bank and Fund are at an advanced stage in their joint work with country authorities to finalize preliminary debt sustainability analyses for several new cases, including Guinea and Niger, as well as Honduras and Nicaragua whose economies were devastated in 1998 by Hurricane Mitch. In addition Guyana's and Mozambique's completion points are expected soon.

Table 2. Country Cases: Earliest Expected and Realized Decision Points

(Countries anticipated in 1997 to have decision points by end-2000)

Country	Assessment Date			Reasons for change	
	1997 1/	1998 2/	1999 3/	Program slippage	Armed conflict
Benin	1997	n/c	n/c		
Bolivia	1997	n/c	n/c		
Burkina Faso	1997	n/c	n/c		
Cameroon	2000	n/c	n/c		
Chad	1998	1999	n/c	**X**	
Congo, Rep. of	1999	2000	n/c	**X**	**X**
Cote d'Ivoire	1997	1998	n/c	**X**	
Ethiopia	1997	1998	1999	**X**	**X**
Guinea	1999	n/c	n/c		
Guinea-Bissau	1998	n/c	2000		**X**
Guyana	1997	n/c	n/c		
Honduras	2000	2001	1999 5/		
Madagascar	1999	2000	n/c	**X**	
Mali 4/	1997	1998	n/c		
Mauritania	1998	1998	1999	**X**	
Mozambique 4/	1997	1998	n/c		
Nicaragua	1999	n/c	n/c		
Niger	1999	n/c	n/c		
Rwanda	2000	n/c	n/c		
Senegal	1997	1998	n/c	**X**	
Sierra Leone	1998	1999	2000		**X**
Tanzania	1999	n/c	n/c		
Togo	1998	n/c	1999	**X**	
Uganda	1997	n/c	n/c		
Vietnam	1998	1999	n/c	**X**	
Yemen	1999	n/c	n/c		
Zambia	1999	n/c	n/c		

Note: n/c means no change from previous assessment.

1/ See Heavily Indebted poor Countries (HIPC): Estimated Cost and Burden Sharing Approaches, IDA/SecM97-306 and EBS/97/127, July 7, 1997

2/ See The Initiative for Heavily Indebted poor Countries: Review and Outlook, IDA/SecM98-480 and EBS/98/152, August 25, 1998.

3/ Current assessment reflected in the costing exercise which will be published in a supplement.

4/ While both Mali and Mozambique reached their decision points later than orginally anticipated, their interim periods were shortened in recognition of their performance records.

5/ Costing to be estimated based on 1999 decision point; this may imply exceptional treatment in light of Hurricane Mitch.

111. Regarding the **pace of implementation,** Table 2 presents a comparison of initial and the latest assessments of the Bank and Fund with respect to earliest expected decision point dates until the year 2000. In approximately two-thirds of the cases, the decision point as assessed in 1997 remains unchanged. However, in about one-third of the cases the decision point has been pushed back, reflecting program slippages and armed conflicts. The original assessments and current assessments envisage that 25 countries could reach their decision points by end-2000, by which point 15 countries would be expected to qualify for HIPC debt relief.[2]

112. The HIPC Initiative called for the broad **participation of all creditors** to bring about debt sustainability. As a result, a new level of creditor coordination has evolved. Multilateral creditors, for instance, have met on a twice-annual basis to discuss their participation in debt relief. The African and Inter-American Development Banks, the largest multilateral creditors after the Bank and IMF, have also participated in several debt sustainability analyses (DSA) missions. On the basis of these DSAs and the HIPC documents, close coordination has taken place with all MDBs as well as with bilateral creditors. Paris Club creditors have regularly discussed the various HIPC cases.

113. Approximately 54 percent of debt relief approved to date will be covered by **multilateral creditors**. With 25 percent and 9 percent of total costs, respectively, the World Bank's and the IMF's share of costs under the Initiative are the largest among multilateral creditors. Other multilaterals account for the remaining 20 percent of the total costs although in some country cases regional development banks, such as the IADB in Bolivia and in Guyana, may have the largest costs among multilaterals.

[2] Eligibility based on 1998 costing analysis.

Table 3: Expected Costs for Multilateral Creditors of Early HIPC Cases Reviewed to Date[1]

Multilateral Creditor	HIPC debt relief In NPV terms at completion point (U.S. dollar millions)	Percentage Share among Multilaterals (Percent)
World Bank	755	46
IMF	287	17
AfDB/AfDF	209	13
IDB	203	12
EU/EIB	42	2.5
CAF	39	2.4
CMCF	29	1.8
IFAD	26	1.5
OPEC Fund	20	1.2
BADEA	17	1.0
BCEAO, BOAD, CDB, IsDB, NDF, Fonplata	4 – 10	<1
EADB, ECOWAS Fund	<1	<0.1
Total	1,659	100

Source: HIPC Documents and staff estimates.

1/ This includes commitments for Bolivia, Burkina Faso, Côte d'Ivoire, Guyana, Mali, Mozambique, Uganda, and estimated potential commitments for Ethiopia, Guinea-Bissau, and Mauritania. Besides the Bank and the Fund, the multilateral institutions which have costs in the first ten HIPC cases include the African Development Bank/Fund (AfDB/F), the Arab Bank for Economic Development in Africa (BADEA); the Banque Centrale des Etats d'Afrique de l'Ouest (BCEAO), the Caribbean Development Bank (CDB), the Caricom Multilateral Clearing Facility (CMCF), the Central American Bank for Economic Integration (CABEI), la Corporación Andina de Fomento (CAF), the East Africa Development Bank (EADB) the Economic Community of West African States-Fund for Cooperation Compensation and Development (ECOWAS Fund), the European Union (EU) and the European Investment Bank (EIB), the Fund for the Financial Development of the River Plate Basin (FONPLATA), the Inter-American Development Bank (IDB), the International Fund for Agricultural Development (IFAD), the Islamic Development Bank (IsDB), the Nordic Development Fund (NDF), the Organization of Petroleum Exporting Countries-Fund for International Development (OPEC Fund), and the West African Development Bank (BOAD).

114. The **Bank and Fund** are committed to meeting their full share of the costs under the current HIPC framework. The Bank has been meeting the bulk of its share of costs by way of IBRD net income transfers to the HIPC Trust Fund. IBRD's Governors have authorized cumulative net income transfers in the amount of US$850 million to date. In addition, a significant amount of assistance has been provided by way of grant funding (in lieu of credit funding) of a portion of IDA's lending program to eligible HIPCs. For the first ten cases (under the current HIPC framework), it is expected that up to 30 percent of the Bank share of debt relief will be provided by way of grant funding of a portion of IDA's lending program. Similarly, the IMF has set up the ESAF-HIPC Trust which has received bilateral contributions so far from nine countries of approximately US$50 million. In addition, the IMF's Executive Board has agreed to make contributions to the ESAF-HIPC Trust from the

Fund's ESAF Trust Reserve Account, totaling around US$120 million for FYs 1998 and 1999, and has authorized the temporary[3] transfer of up to US$350 million from the ESAF Trust Reserve Account to help meet the Fund's commitments under the HIPC Initiative.

115. All **other multilateral creditors** have also agreed in principle to participate in the HIPC Initiative. However, while some have committed to financing their share of the cost, others depend (and will continue to depend) on the support of their shareholders, and on the generosity of bilateral donors (through the HIPC Trust Fund).

116. While the expected share of the other multilateral creditors for the early cases is expected to be approximately 20 percent of the *total* costs, assuring their participation has required considerable effort. Although individual multilateral creditors may have small costs—several with less than 1 percent of the total cost—the burden-sharing principles of the HIPC Initiative require that all creditors participate. For many of the smaller multilateral creditors, this has proven difficult, as the approval process by their respective Boards is often elaborate and time consuming. The debt relief to be provided by these creditors can have a major impact on their balance sheets as they often have a shortage of concessional resources, limiting their modalities and capabilities to deliver debt relief. As a result, active consultations have been ongoing with Bank and Fund staff and potential bilateral donors to determine the HIPC debt relief that individual institutions could cover through their own resources, while maintaining their financial integrity. In addition to their own resources African Development Bank, CMCF, CAF, and Fonplata will be benefiting from financial support by the HIPC Trust Fund to deliver their full share of the HIPC Initiative debt relief. Bilateral contributions and pledges from 19 countries bring the total contributions thus far to about US$440 million (Table 4).[4]

117. The experience thus far with cases having reached the decision point has demonstrated the commitment of creditors to participate, and the willingness of donors to provide the necessary financing, to allow all creditors to participate fully. Financing for this Initiative has evolved as new countries are considered: most creditors have agreed to participate fully, while not considering it necessary to allocate up-front the entire cost of the Initiative. Rather, a case-by-case approach has been followed with some contingency planning for the likely cases during the next calendar year. Experience has shown that this approach has secured, in principle, financing under the HIPC for all countries that have reached their decision point.

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[3] These authorized transfers are meant to serve as temporary financing to help meet the Fund's commitments for special ESAF operations under the HIPC Initiative and are not counted toward securing the overall financing of the ESAF and HIPC Initiatives. It is expected that the Special Disbursement account (SDA) of the IMF will be replenished by any such transfers.

[4] In the case of Mozambique, where an 80 percent reduction of eligible debt by the Paris Club was not sufficient to provide proportional burden-sharing, exceptional measures were taken by bilateral creditors, with some creditors agreeing to go beyond Lyon terms, and additional assistance was committed by the World Bank and IMF on an exceptional basis.

Table 4. Bilateral Support to the HIPC Trust Fund

(US$ million as of February 28, 1999)

Country	Contributions [1/]	Pledges	Total
Australia	5		**5**
Belgium	4	8	**12**
Canada	26		**26**
Denmark	26		**26**
France	21		**21**
Finland	7		**16**
Germany 2/			
Greece	1		**1**
Ireland		16	**16**
Japan	10		**10**
Luxembourg	1		**1**
Netherlands	61		**61**
Norway	41		**41**
Portugal	15		**15**
Spain	15		**15**
Sweden	29		**29**
Switzerland	28		**28**
U.K.	21	50	**71**
US 3/		50	**50**
Total			**442**

Source: World Bank staff estimates

[1/] Includes proposed contributions through reallocation of ISF resources (Interest Subsidy Fund).

[2/] The German government announced that it will make a contribution in 1999; the exact amount has yet to be announced.

[3/] The US Government has included in its budget proposal an allocation of US$50 million; the exact amount has yet to be announced.

118. Under traditional debt relief mechanisms, **Paris Club creditors** provide eligible countries with a concessional rescheduling under Naples Terms, which reduces eligible debt by up to 67 percent in NPV terms. The Paris Club Secretariat has estimated that total debt relief provided under Toronto, London, and Naples terms was US$19 billion in NPV terms over the last ten years.

119. In the context of the HIPC Initiative, the Paris Club agreed to provide up to 80 percent NPV reduction under Lyon terms. The country cases for which there are decisions on HIPC Initiative assistance thus far will cost the Paris Club as a whole US$1.15 billion in NPV terms. This is its share of the costs under the HIPC Initiative, and is additional to the costs of traditional mechanisms (a 67 percent NPV stock-of-debt operation). The Paris Club is currently the only creditor group which provides interim debt-service relief to HIPCs (that have not already had a Naples terms stock operation), by increasing the NPV reduction in the flow reschedulings from 67 to 80 percent.

120. Participation of **non-Paris Club creditors** in the Initiative relies on the traditional mechanism of bilateral negotiations with the debtor along terms at least as concessional as those obtained from the Paris Club. Participation has been slower and less broad among non-Paris Club creditors than amongst other creditors for several reasons. First, there is no overarching coordination mechanism as exists for the Paris Club and the MDBs. Secondly, effective communication between the debtor and the non-Paris Club creditor is sometimes lacking. Finally, some non-Paris Club creditors may feel less bound to participate, as they are less involved in the decision-making process under the Initiative.

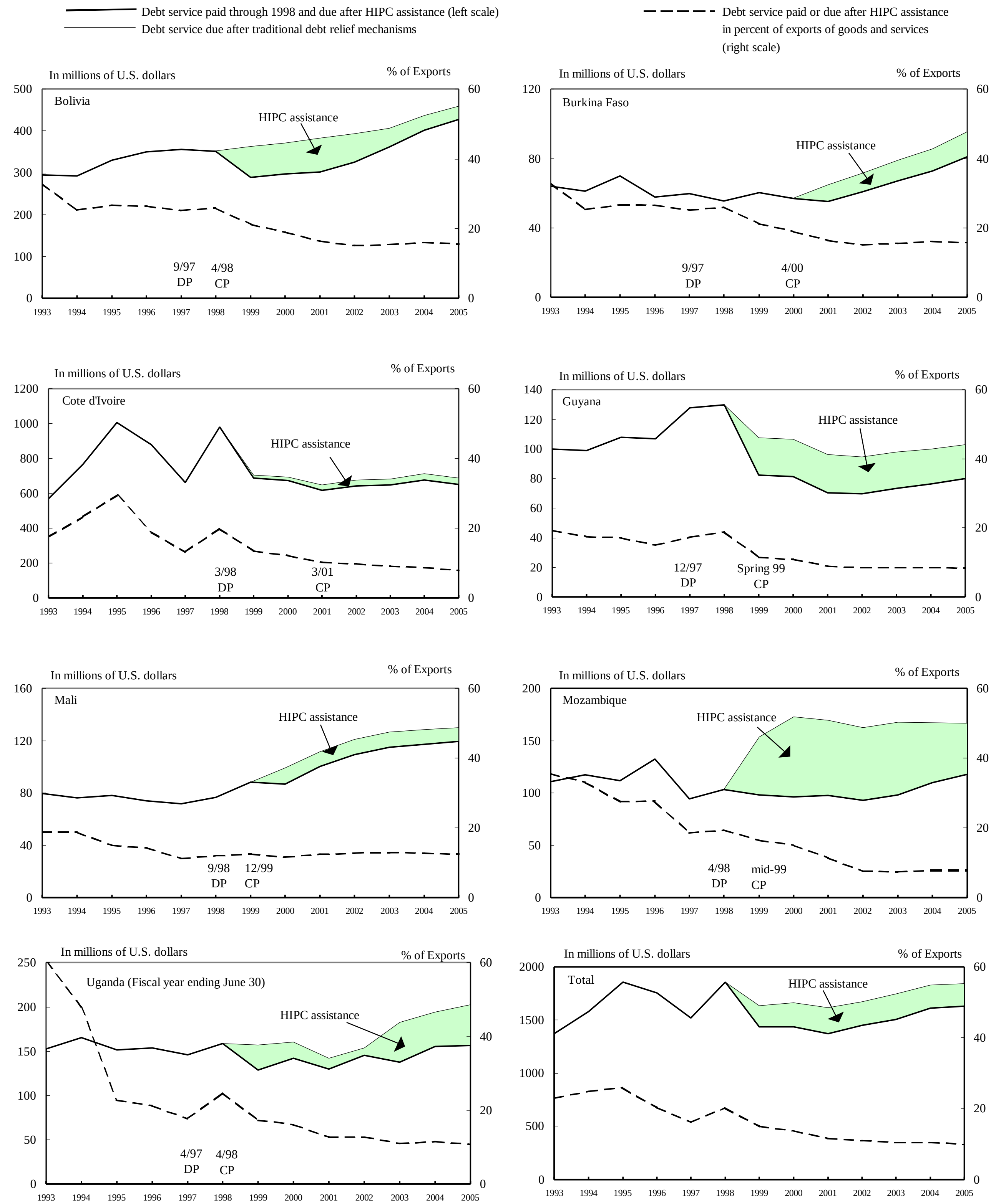
121. Debtor countries are frequently left with no option but to run up significant arrears to non-Paris Club creditors as their requests for comparable treatment are not accepted. This is one factor which contributes to significant arrears. According to the Debtor Reporting System (DRS) of the World Bank, as of end-1997 about 80 percent of all nonconcessional and 50 percent of concessional bilateral debt owed to non-Paris Club creditors by all HIPCs was in arrears. This suggests that coordination and communication between the debtor and non-Paris Club creditors needs to be strengthened. Moreover, non-Paris Club creditors and debtors may benefit from more guidance as to how the comparability clause could be applied and constructively negotiated.

B. Resource Flows

122. The HIPC Initiative was designed primarily to reduce debt stocks to sustainable levels, while ensuring that debt service in relation to exports was not excessive. The cash-flow impact of reducing debt service is usually spread over a number of years. For the first seven countries to reach the decision point, estimated scheduled debt service payments after receiving HIPC assistance are not dramatically different from the actual debt service paid for the period prior to the decision point, although the HIPC Initiative does clearly reduce debt service below scheduled amounts due after traditional debt-relief mechanisms (Chart 1). While Guyana's debt service after the completion point shows a noticeable decline, the impact is less substantial for the other six countries. The U.S. dollar amounts of debt service owed by Burkina Faso and Mali are expected to increase. In absolute terms the Initiative may not be significantly reducing debt service from current levels paid. However, in the context of successful reform programs a country's revenue base should grow over time, thereby generating more fiscal space. Similarly, when expressed as a fraction of projected exports, all seven countries expected to show an improvement over the years following the completion point, and thus an easing of foreign exchange constraints in paying debt service.

Chart 1: Debt Service Paid and Projected (after HIPC Assistance) for Countries Which Have Reached the Decision Point

In millions of U.S. dollars and percent of exports; 1993 - 2005



Source: Country authorities and staff estimates.

DP = Decision Point CP = Completion Point

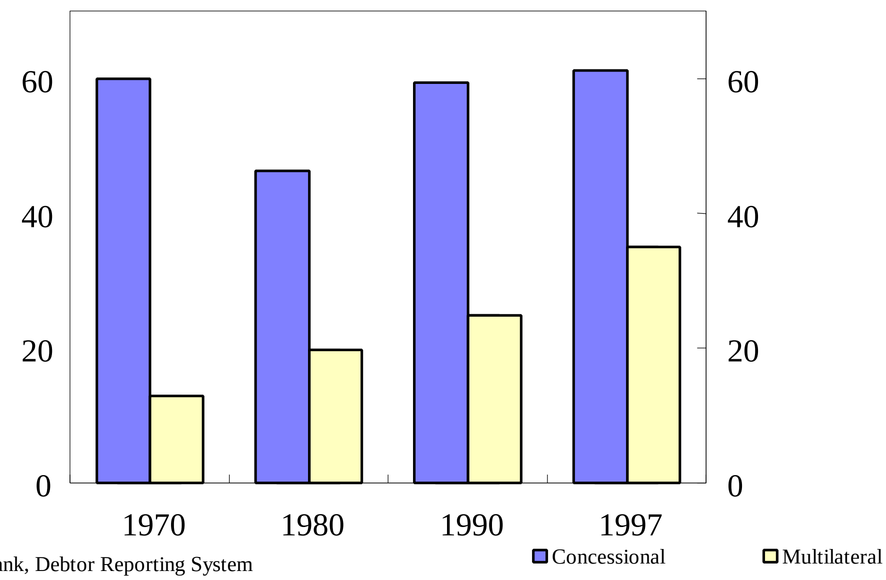
123. A number of factors contribute to the limited impact of HIPC assistance on actual debt service flows compared with past levels. First, as with any scheme based on delivering a fixed standard of debt sustainability, some countries require less assistance to reach the target level (Côte d'Ivoire and Mali are examples). Second, the cash-flow assistance provided by Paris Club creditors in a stock operation of a given concessionality level (say 80 percent) is lower than that provided in a flow operation of equal concessionality, since interest falling due is treated in the flow rescheduling. Thus, there may be an increase in debt-service payments to bilateral creditors after the completion point.[5] Third, many HIPCs have run arrears prior to the decision point, primarily to Russia and other Paris Club and non-Paris Club bilateral creditors. The HIPC Initiative is based on a projected regularization of such external debt so that even after HIPC Initiative relief there would be some resumption of payments.

[5] In part, the projected debt-service profiles reflect the graduated repayment schedules under concessional Paris Club reschedulings where repayments gradually increase after the grace period taking into account the assumed increasing payments capacity of countries over time.

C. Debt Relief and Resource Flows

124. Debt service and debt relief are only a partial element of the total resource flows to HIPCs. Over the last three decades, donors and creditors have provided funds to HIPCs on progressively more concessional terms, including grants. Over the past 30 years, the composition of the debt of HIPCs has become increasingly multilateral.

Chart 2. Shares of Concessional Debt and Multilateral Debt
(in percent of public and publicly guaranteed debt)



Source: World Bank, Debtor Reporting System

125. Bilateral assistance has increasingly taken the form of grants, while large stocks of ODA debt have been forgiven, following the 1978 UNCTAD resolution to cancel or forgive ODA debts. A number of donors have already adopted this practice. For instance, many creditor countries have written off virtually all claims on HIPC countries, and others have written off substantial amounts. Between 1978 and 1997, an estimated US$18 billion in ODA claims have been forgiven by bilateral creditors based on DRS data.

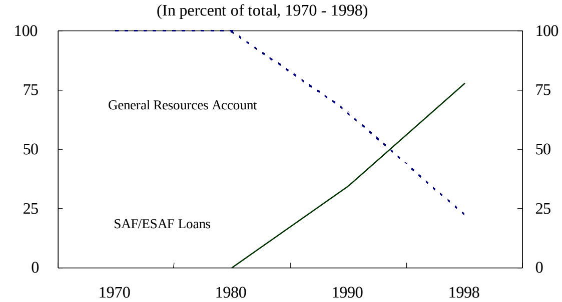
126. Bilateral creditors have also provided substantial debt relief in the context of Paris Club agreements and the HIPC Initiative as noted above. Most HIPCs have come to a final settlement of debt to commercial creditors through buy-back operations at large discounts. This has been supported by the international community through the help of the IDA Debt Reduction Facility, which provided grant resources for such buy-backs to HIPCs to cancel $6 billion in debt since 1991. Also, a number of HIPCs (e.g., Côte d'Ivoire in 1997) have

concluded agreements on debt and debt-service reduction operations with commercial bank creditors that involved significant debt reduction elements.

127. Multilateral institutions have, by their mandates, long-term relationships with borrowing countries. Over time, they have increased the concessionality of the resources made available to HIPCs. IBRD lending has ceased in those HIPCs where it had occurred, replaced by IDA resources, and Fund resources also have been provided on a concessional basis through the SAF and ESAF facilities, begun in 1986.

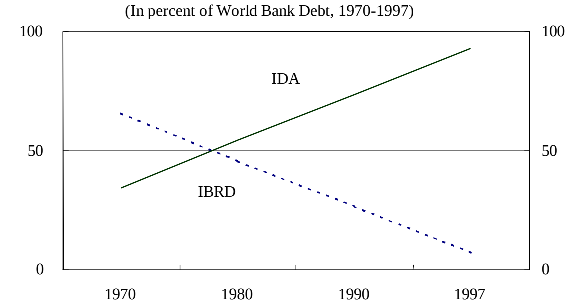
128. There has been an overall trend towards tightened aid budgets and aid fatigue, illustrated by the declining share of official development assistance to the developing countries in relation to GNP of donor countries. This aid ratio fell to 0.22 percent of the GNP of the donor countries that are members of the DAC in 1997, from an average of 0.34 percent in the 1980s and the United Nations targets of 0.7 percent of GNP. Reflecting these trends, net transfers to HIPCs, which were increasing until the early 1990s are now declining (Chart 5 and Table 5). At the same time, grants have increased in importance in the mix of aid resources. Since 1990, debt-service payments made have remained at around $8 billion per year, but new disbursements of loans and grants have fallen.

Chart 3. Use of Fund Credit for HIPC Countries
(In percent of total, 1970 - 1998)



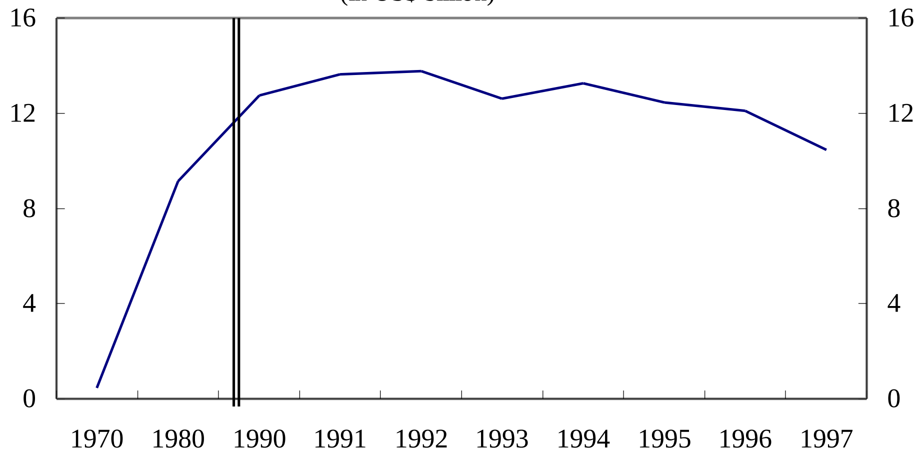
Source: IMF, International Financial Statistics.

Chart 4. Composition of World Bank Debt for HIPC Countries
(In percent of World Bank Debt, 1970-1997)



Source: World Bank, Global Development Finance 1999.

Chart 5. Aggregate Net Transfers to HIPCs, 1970 - 1997
(in US$ billion)



Source: World Bank, Global Development Finance 1999.

Table 5. Financial assistance to HIPCs, 1970-1997
(in US$ billion)

	Long-term debt flows (incl. IMF)					Grants (excl. technical cooperation)	Net transfers on loans and grants	Memorandum item; Flow Reschedulings
	Disburse-ments	Principal repayments	Net debt flows	Interest payments	Net debt transfer 1/			
	1	2	3 = 1 - 2	4	5 = 3 - 4	6	7 = 5 + 6	8
1970	1.3	0.4	0.9	0.2	0.7	0.3	1.0	0.0
1980	11.5	3.0	8.5	2.1	6.3	3.1	9.4	0.1
1990	10.6	4.6	6.0	2.6	3.4	10.1	13.5	4.8
1991	8.7	4.3	4.4	2.8	1.6	10.7	12.3	2.5
1992	9.2	3.5	5.7	2.1	3.6	9.2	12.8	3.3
1993	8.3	3.5	4.8	2.2	2.6	8.3	10.9	1.6
1994	8.3	4.4	3.9	2.6	1.3	10.0	11.3	4.2
1995	10.5	6.7	3.7	2.9	0.9	9.2	10.0	2.6
1996	8.2	5.5	2.8	2.8	-0.1	8.8	8.7	5.0
1997	8.0	5.4	2.6	2.8	-0.2	7.8	7.6	5.9
Total 1990-97	71.8	38.0	33.8	20.7	13.1	74.0	87.1	29.8

Source: World Bank, Global Development Finance, 1999.

1/ Net transfers on long-term debt are net flows on long-term debt minus interest on long-term debt. "Net debt transfers" should not be confused with aggregate net transfers, which are: net aggregate resource flows - interest payments - profit remittances on foreign direct investment.

Annex 2: 1999 HIPC Review - Phase I

Consultation Meetings

Place	Date	Host/Sponsoring Organization
1. Maputo, Mozambique	Feb. 26, 1999	World Bank Field Office
2. Bonn, Germany	March 3, 1999	Ministry of Economic Cooperation
3. Lomé, Togo	March 4, 1999	African Network for Environmental and Economic Justice (ANEEJ)/ Friends of the Earth, Togo
4. Oslo, Norway	March 4, 1999	Ministry of Foreign Affairs
5. London, UK	March 5, 1999	Commonwealth Secretariat
6. Washington DC, USA	March 11, 1999	Overseas Development Council
7. London, UK	March 18, 1999	Jubilee 2000
8. Tegucigalpa, Honduras	March 23, 1999	Central American Bank for Economic Development (CABEI)

Annex 3: Selected Comments on Debt Relief for Poor Countries by NGOs and Religious Groups

(Based on documentation received as part of the 1999 HIPC Review)

Organization	Rationale/Objective	Depth of Relief	Timing of Relief	Performance Criteria/Linkage for Relief	Other
Anglican Church (Lambeth Conference) [1]	Substantial debt relief, including cancellation of unpayable debts of the poorest nations is a necessary, while not sufficient precondition for poverty reduction.	Debt repayments should be set at levels which prioritize basic human development needs over the demands of creditors.	Debt reduction for the poorest nations should be speeded up so they may benefit by the year 2000.	Ensure, through public monitoring and evaluation, that additional resources generated from debt relief are allocated to projects that benefit the poor.	
Catholic Fund for Overseas Development (CAFOD) [2]	Key issue is to define measures of debt sustainability which are appropriate for the poorest countries, and measures that address both the vulnerability of their economies to external shocks and ones which take into account the low levels of human development.	A human development approach to debt sustainability would be concerned with assessing the fiscally sustainable level of debt. The proposed methodology, termed the feasible net revenue approach, focuses on the capacity of HIPC governments to raise revenue without increasing poverty or compromising future prospects for future economic development. Debt servicing capacity is measured after taking into account minimum levels of spending to meet targets for the most basic level of human development. This approach would provide a tool to achieve coherence between debt policy and broader development goals, including the OECD Development Assistance Committee's target of halving poverty by the year 2015.	There is an urgency in the need for debt relief that is not reflected in the long delays built into the HIPC Initiative time frame.	No performance criteria required. Just a calculation: • For each country, subtract amount of income below the absolute poverty line from taxable income base. • Adjusted income is divided by four to arrive at maximum taxation revenue. • Resources required for basic health and primary education also subtracted from this revenue. • Only 20 percent of this net feasible income can be used for debt service.	The feasible net revenue approach would call for much deeper debt relief in the poorest countries. At least 10 countries would qualify for 100% debt cancellation.

[1] See "Resolutions approved by the Lambeth Conference (1998) - Resolution 1.15: International Debt and Economic Justice."

[2] See CAFOD policy paper "A Human Development Approach to Debt Relief for the World's Poor" prepared by H. Northover, K. Joyner, and D. Woodward (1998). CAFOD is the official aid and development agency of the Catholic Church of England and Wales. It works through partner organizations in 75 countries to promote human development.

Annex 3: Selected Comments on Debt Relief for Poor Countries by NGOs and Religious Organizations

(Based on documentation received as part of the 1999 HIPC Review)

Organization	Rationale/Objective	Depth of Relief	Timing of Relief	Performance Criteria/Linkage for Relief	Other
Catholic Relief Services **US Catholic Conference** **Bread for the World** **National Council of Churches** **Oxfam America** **Episcopal Church** **Presbyterian Church USA** **United Church of Christ**[3]	Concern with the human aspects of the debt problem - its impact on the poor and vulnerable. Advocate debt sustainability criteria based on human development, not export earnings. Fiscal criteria taking account of health, education and other expenditures necessary for sustainable development and poverty reduction should be the primary determinant of HIPC eligibility criteria for all countries.	The HIPC Initiative should provide debt relief sufficient to reduce the NPV of debt to less than 150% of the value of annual exports, and the annual debt service to not more than 10% of annual fiscal revenue. The 280% target for NPV of debt to exports is arbitrary and should be replaced by criteria based on debt service to fiscal revenue.	Required track record of satisfactory performance should be limited to 3 years. Deeper and faster debt relief for countries demonstrating sustained commitment to poverty alleviation or countries having sustained major natural disaster. Lack of 3-year track record should not delay debt reduction for post conflict countries.	Policy conditionality should include effective measures for poverty reduction and environmental protection. Debt relief would be conditioned on preparation of a Plan of Action for Human Development. Savings from debt reduction would be deposited into a Human Development Fund monitored by civil society.	Lobbying of members of the US Congress by Catholic Relief Services and the US Catholic Conference led to the introduction of a bill to modify and expand the HIPC Initiative, along the lines described here, and ensure commensurate financing to the HIPC Trust Fund.
Christian Aid [4]	Debt relief should not exist in isolation from the wider development agenda. Debt sustainability targets should be linked closely to the attainment of the OECD DAC development targets for the 21st century. At the very least, poverty and measurements of poverty should be included as vulnerability indicators.	The debt sustainability ratios should be re-examined (including the ratio of debt to fiscal revenue) and export growth projections should be more realistic. Governments and civil society to cost how much debt relief is needed to meet DAC human development targets.	Generally, consider simplifying the HIPC process, with a view to speeding it up.	Remove link between debt relief and ESAF track record. Consider alternative approach with simpler and more realistic macro-economic indicators.	Place more emphasis on developing debt management capacity. Bilateral creditors should provide sound and sustainable flows of development finance. Export credit agencies, in particular, should behave more responsibly.

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3 See Catholic Relief Services/ U.S. Catholic Conference "Submission for the 1999 HIPC Review" (March 16, 1999) and H.R.1095, "Debt Relief for Poverty Reduction Act of 1999", introduced in the U. S. House of Representatives in March 1999, by Representative Jim Leach and others. Catholic Relief Services are the official overseas relief and development agency of the U.S. Catholic Church, working in close cooperation with the U. S. Catholic conference. These and the other groups listed are all part of the Jubilee 2000 movement. Other organizations which sent in submissions supporting the views of CIDSE/Caritas include: Austrian Episcopal Conference for International Development Mission, Global Mission of the Episcopal Diocese of Massachusetts, Jesuits for Debt Relief and Development, Maryknoll Office for Global Concern. A contribution in Spanish was also sent by Catholic Relief Services Honduras.

4 See Christian Aid, "Forever in your debt" (May 1998) and "The Fundamental Review of the HIPC Initiative" (January 1999). Christian Aid is the official relief and development agency of 40 British and Irish Churches and works in almost 60 countries worldwide.

Annex 3: Selected Comments on Debt Relief for Poor Countries by NGOs and Religious Organizations

(Based on documentation received as part of the 1999 HIPC Review)

Organization	Rationale/Objective	Depth of Relief	Timing of Relief	Performance Criteria/Linkage for Relief	Other
CIDSE/Caritas Internationalis [5]	Make poverty reduction central to HIPC. Restructure HIPC to integrate goal to reduce poverty by half by 2015.	Human development approach: A government should first commit financial resources to meet the global poverty reduction targets before committing resources to repaying debt. Financial resources needed for basic needs should be first subtracted from the country's revenue base and no more that one-fifth of the remaining revenue should be allocated to debt payments.	Need for quicker debt relief. In view of the widespread poverty, the international community faces a profound moral challenge. The HIPC Initiative should be transformed in ways that heed the Biblical call to proclaim jubilee by the year 2000.	Opposed to unconditional debt relief. Need to ensure that savings from debt relief are used responsibly. But opposition to rigid six-year track record and link to ESAF programs. Support for programs that are poverty focused, have been prepared in a transparent and participatory manner.	A transformed HIPC will be more costly but creditors should summon the political will necessary to commit substantial new resources to deeper debt relief. Such resources should be additional to aid. Create procedures to broaden participation in decision-making.
EURODAD (European Network on Debt and Development) [6]	The HIPCs face extreme poverty. The concept of debt sustainability should be broadened to take into account resource needs for human development. The emphasis on debt stock figures is meaningless when only a fraction of the debt is actually being serviced. From a resources perspectives, debt servicing is what counts. HIPC so far has resembled a glorified accounting exercise, with little impact on the level of resources available for essential investments.	Following the framework developed by CAFOD, EURODAD advocates the use of a maximum affordable debt service approach to determine debt relief. Factor in maximum feasible tax revenues, poverty level, essential spending needs, and allocate to debt service up to 30% of amount available for non-essential spending. The benchmark for the ratio of debt service to exports would be 5% (actual ratios would be determined on a case-by-case basis).	3+3 years time frame of the HIPC Initiative (dictated by ESAF link) is cumbersome and the period is too long. As soon as a country qualifies for debt reduction, it should receive immediate reduction in its debt service.	Debt relief should be de-linked from ESAF compliance. Instead, link use of savings from debt relief to investment in human development.	The HIPC Initiative, in its present form, can only manage the debt crisis in the HIPCs, not solve it. Need to break the cycle of debt dependency, where new money goes to service old debt. Civil society and parliaments should monitor new borrowing. There should be no further lending for balance-of-payments purposes. Non-revenue generating projects in the social sectors should be funded by grants.

[5] See CIDSE and Caritas Internationalis: "Putting Life Before Debt", 1998 and "Proclaim Jubilee: An Urgent Appeal for Debt Relief for the World's Poor by the year 2000" (1999). CIDSE (International Cooperation for development and Solidarity) is a network of 16 Catholic development organizations located in Europe, North America, and New Zealand. Caritas Internationalis is a network of 154 national Catholic relief, development, and social service organizations in 198 states.

[6] See "1999 HIPC Initiative Review Consultative Process: Phase One" (March 15, 1999) and "EURODAD Debt Update - 26 February 1999".

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(Based on documentation received as part of the 1999 HIPC Review)

Organization	Rationale/Objective	Depth of Relief	Timing of Relief	Performance Criteria/Linkage for Relief	Other
		Modify fiscal/open economy criteria for HIPC eligibility: • remove the export/GDP requirement; • lower the fiscal revenue/GDP requirement to 10-15% (or stipulate that fiscal revenue/GDP ratio must not drop from current levels); • lower the debt/fiscal revenue target from 280% to 200%; or, better still: • use a debt service/fiscal revenue indicator, based on "affordable debt service approach".			Debt relief should be genuinely additional to aid, not a substitute for it. The NPV concept is not an accurate measure of debt overhang and debt service capacity. Applying market-based discount rates to concessional debts distorts the true burden of debt, and changes in the discount rate result in changes in the NPV of debt which are not related to changes in the countries situation and debt service capacity.
Friends of the Earth [7]	The HIPC Initiative provides too little debt relief, too late, and for too few countries.	The definition of debt sustainability on the basis of export earnings is a major flaw. Ecological and social sustainability must be taken into account. A human development approach would put poverty reduction targets ahead of repaying debts.		The Initiative should be de-linked from the ESAF. Conditionality should be to establish some participatory mechanism to ensure that debt relief proceeds go to poverty reduction and the environment.	Funding for debt relief should be additional, not in place of, aid resources. Debt sustainability analyses should be carried out more openly. The Paris Club should improve the openness of its deliberations.

[7] See "Comments to the World Bank and International Monetary Fund on the Heavily Indebted Poor Countries (HIPC) Initiative Review (March 1999). Friends of the Earth is a member of the Jubilee 2000 campaign.

Annex 3: Selected Comments on Debt Relief for Poor Countries by NGOs and Religious Organizations

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Organization	Rationale/Objective	Depth of Relief	Timing of Relief	Performance Criteria/Linkage for Relief	Other
Halifax Initiative [8]	The problem with HIPC is that it is based on reforms which are not owned by the debtor countries. The objective is to improve HIPC by strengthening ownership. An Autonomous Development Program builds on HIPC, and focuses on placing HIPC within an overall development agenda. Specifically, by enhancing ownership by the country involved.	Any IDA country could apply for an immediate reduction in its debt service requirements, following the design and presentation of a comprehensive development and poverty reduction plan by its government. Prepared by the government or designates. Debt service targets would then be set in context of the development strategy. Short term debt service should be rescheduled while the plan is put in place, until comprehensive debt reductions can be achieved.	Reductions in debt service immediate. Since relief would not wait for full DSA and HIPC negotiations, the only delay should come from a failure of country to provide a development strategy.	Shift criteria from balance of payments to quality of the development plan.	Proposed approach aims at enhancing ownership of HIPC process, and of longer term reforms. Significant development assistance would continue to be required, but debt stock reductions would be spread out over longer time.
Jubilee 2000 [9]	Debt is unjust and immoral. Use 2000, year of the Jubilee, as called for in old testament Book of Leviticus, to call the world's rich creditors to cancel all unpayable debts.	Cancel all unpayable debt of the world's poorest countries.	By the year 2000.		Cancellation should be done in a transparent manner. The Director of Jubilee 2000 UK has posited an idea for an international bankruptcy facility which would administer this process.

[8] See "Submission to the 1999 HIPC Review" (March 1999). See also "Going Beyond the HIPC Initiative: Another Pathway to Achieving Freedom from the Burden of Debt" (July 1998) and "The failure of the HIPC Initiative debt relief program--who gets left out" (April 1998). The Halifax Initiative is an undertaking of the Canadian Coalition for Global Economic Democracy.

[9] See "Debt Round Table on Jubilee 2000 Goals" (March 18, 1999). Jubilee 2000 has chapters in more than 100 countries and is the catalyst for global concern about debt and lobbying for debt reduction. Apart from the groups mentioned above, other organizations which submitted papers supporting the views of Jubilee 2000 include: Action for Southern Afrika, Danish North/South Coalition and Jubilee 2000 Denmark, and Jubilee 2000 Zambia.

Annex 3: Selected Comments on Debt Relief for Poor Countries by NGOs and Religious Organizations

(Based on documentation received as part of the 1999 HIPC Review)

Organization	Rationale/Objective	Depth of Relief	Timing of Relief	Performance Criteria/Linkage for Relief	Other
Jubilee 2000 -- *Afrika Campaign*[10]	*The debts are simply unpayable, and Africa will continue to be in economic bondage and unable to develop unless the debt burden is eliminated.*	*The debt should be cancelled.*	*Immediately.*	*Debt cancellation should be unconditional.* *Resources freed by debt relief should be re-channelled into social services, in particular education, health, housing.*	*Good governance, accountability and responsibility should be pre-conditions for new lending. Civil society should be consulted.*
Jubilee 2000 -- *Canadian Ecumenical Coalition* [11]	*Scope of initiative is too narrow. Definition of debt sustainability is mechanistic, devoid of social or environmental concerns. More countries should be eligible.*	*A better approach would begin with integral, ecologically sustainable development as its goal, and consider how much surplus might be available for servicing foreign debts after priority development needs are met.*	*6-year time period is clearly unacceptable. However, real issue is not length of time but conditionality*	*The requirement to implement structural adjustment programs is the most objectionable aspect of HIPC Initiative. These programs involve unacceptable levels of austerity and a unilateral imposition of policies on debtor countries by creditors. Civil society must be consulted in the design and monitoring of policies and the use of the resources released.*	
Jubilee 2000 -- *Japan* [12]		*Complete cancellation of all public debt owed by HIPCs to Japanese government. Japan should also arrange for cancellation of private debt.* *More generally, Japan should seek cancellation of HIPC public debt to both bilateral and multilateral official creditors.*	*Cancellation should be before the year 2000.*	*De-link debt relief from ESAF. Replace with social conditionality, including transparency and the obligation to use savings from debt relief for social development. Social conditionality should be designed and monitored by civil society.*	*Aid should take the form of grants, not loans, especially for social projects.*

10 See "Accra Declaration" (April 19, 1998).
11 See "Canadian Ecumenical Jubilee Initiative Submission to 1999 HIPC Review-Phase One" (March 11, 1999).
12 See "Position paper of Jubilee 2000 Japan on Writing-off of Debt owned by Japan" (March 1999).

Annex 3: Selected Comments on Debt Relief for Poor Countries by NGOs and Religious Organizations

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Organization	Rationale/Objective	Depth of Relief	Timing of Relief	Performance Criteria/Linkage for Relief	Other
Jubilee 2000 -- *Latin-American and Caribbean Platform* [13]	*The debt is impossible to repay, illegitimate and immoral.*	*There should be a one-off cancellation of all HIPC debt.* *For future borrowing, external debt service payments should not exceed 3% of the budget.*	*The debt cancellation should take place in the year 2000.*	*Ensure that resources freed by debt relief are invested in human development and protection of the environment. The active participation of all groups in society in the design, implementation, follow-up and evaluation of the entire process must be guaranteed.*	*Debt cancellation should take place along the lines of bankruptcy proceedings. A tribunal of some sort may allow partial cancellation when appropriate.*
Mozambican Debt Group [14]	Based on the experience of Mozambique, this Group finds the HIPC Initiative insufficient. A key issue is the narrow definition of debt sustainability, which fails to take into account long-term resource gaps and chronic aid dependency of HIPCs and leaves them with unsustainable debt payments which unduly compromise growth.	Writing off debt stocks which are not being serviced is economically meaningless. Debt relief must provide reduction in *actual* debt service payments. The debt sustainability thresholds should be reduced and made flexible, with both fiscal and export approaches used in the DSA of every HIPC. Also, it is inconsistent to exclude private debt service from the target ratios for debt service to exports.		The ESAF should be de-linked from the HIPC Initiative.	Calculation of the cost of the Initiative should be made on the basis of payable debts, rather than book values.

[13] See "Tegucigalpa Declaration" (January 27, 1999).

[14] See "The need to Reform the Current HIPC Initiative" (March 1999). The Mozambican Debt Group is a Coalition of NGOs, religious groups, unions, cooperative associations and individuals, working together to promote discussions and advocate solutions to the problems associated with Mozambique's debt crisis and economic reform process.

Annex 3: Selected Comments on Debt Relief for Poor Countries by NGOs and Religious Organizations

(Based on documentation received as part of the 1999 HIPC Review)

Organization	Rationale/Objective	Depth of Relief	Timing of Relief	Performance Criteria/Linkage for Relief	Other
Oxfam [15]	To strengthen the link between debt relief and poverty reduction by establishing an incentive (not conditionality) to reward countries which make credible commitments to poverty reduction with faster, deeper debt reduction (Human Development Window proposal). This commitment would be measured by the percentage of debt service savings invested in social sector, based on OECD DAC targets. The window would be open only to governments willing to commit 70-100 percent of savings on debt into identified poverty reduction initiatives over five years.	For countries eligible for the Human Development Window, debt sustainability thresholds would be lowered to: • --10-15 percent for debt servicing; • --100-150 percent for NPV debt/exports; and 150-170 percent for NPV debt/revenue. Oxfam also proposes a 10-15% ceiling on the share of government revenue to be allocated to debt service.	For countries pursuing Human Development Window, an acceleration of Oxfam's standing call for a reduction from six years to three in the time frame for implementation. Debt relief would then be delivered within 1-2 years.	Important to remember that the Human Development Window is not conditionality. It would provide additional benefits to countries which make a credible commitment to target funds released from debt service toward meeting DAC targets but would not exclude other countries from access to HIPC on less preferential terms. Debtors pursuing the Human Development Window approach would be required to develop a Poverty action Framework and a National Poverty Fund, subject to independent audit. Oxfam has proposed to use the Human Development Window to finance education in HIPCs.	To ensure transparency, debtor governments would be required to develop a Poverty Action Framework, submitted before Decision Point, and be designed in cooperation with major donors, and civil society.
Religious Working Group on the World Bank and IMF [16]	Concern for the poor and the excluded provide the basis for moral case for debt relief.	Attempts to identify targets for debt sustainability miss the mark. Debts of countries uable to meet the basic needs of their people, and debts which are illegitimate and immoral due to circonstances under which they were contracted, should not be repaid.		Current form of structural adjustment conditionality should be abandoned because of the unjust burden they place on the poor. Any conditions attached to debt relief must involve openness, flexibility, civil society participation.	

[15] See Oxfam International , "Debt Relief and Poverty Reduction: Strengthening the Linkage" (September 1998), "Submission to the HIPC Review"(March 1999), and "Education Now: Break the Cycle of Poverty" (March 1999). Oxfam International is a network of eleven aid agencies that work in 120 countries throughout the developing world.

Annex 3: Selected Comments on Debt Relief for Poor Countries by NGOs and Religious Organizations

(Based on documentation received as part of the 1999 HIPC Review)

Organization	Rationale/Objective	Depth of Relief	Timing of Relief	Performance Criteria/Linkage for Relief	Other
Social Forum on Foreign Debt and Development of Honduras (FOSDEH) [17]	Similar to Jubilee 2000.	FOSDEH proposes a 50% reduction in the bilateral and multilateral debt of Honduras, and a 70% reduction in other debts. Debt service payments should not exceed 5% of exports.	By end-1999 for official debt and mid-2000 for remaining debts.	Resources freed by debt relief would be put in a Fund for Human Development, which would give priority to social investment, with effective participation by civil society in the operation and monitoring of the Fund.	
Vatican [18]	Based on the moral case for debt relief. Poor nations "…are oppressed by a debt so huge that repayment is practically impossible… Such abuses [of power] are sinful and unjust." The Vatican calls for "a new culture of solidarity and cooperation…".	Pope John Paul II has called for "…a substantial, if not outright cancellation, of the international debt which seriously threatens the future of many nations".	Immediate and vigorous effort is needed to ensure that by the year 2000 the greatest possible number of countries "will be able to extricate themselves from a now intolerable situation".		

[16] See statement on "The HIPC Review Process", endorsed and signed by 230 persons representing Catholic and protestant groups in the U.S. and overseas.

[17] See "Propuesta del Foro Social de Deuda Externa y Desarrollo de Honduras en el Marco del Grupo Latinoamericano de Jubileo 2000" (February 1999). FOSDEH is a network linking more than 120 Honduran organizations (including NGOs, trade unions, farmers and other trade associations, churches, etc..) as well as other groups representing civil society in Latim America and Europe.

[18] See Apostolic Letter "Tertio Millenio Adveniente" (1994) and Papal "Bull of Indiction of the Great Jubilee of the Year 2000".

Annex 4: Selected Comments on Debt Relief for Poor Countries by Creditor Governments

(Based on documentation received as part of the 1999 HIPC Review)

Country	Rationale/Objective	Depth of Relief	Timing of Relief	Performance Criteria/Linkage for Relief	Other
Canada	Enhancing debt relief to the HIPCs will contribute significantly to poverty alleviation and sustainable development.	Lower the NPV of debt-to-export target to 150%. Bilaterals to forgive ODA debt of the HIPCs, and provide development assistance only on grant terms. Paris Club to provide full (100 %) write-down for all LLDCs expected to qualify for HIPC assistance, as well as for Honduras. Even in the absence of agreement on this, Canada would unilaterally write off debts for countries that can use resources effectively and productively and are practising good governance, or for other countries, when their situation permits, consider debt conversion to support critical development projects.	Shorten the track record to 3 years.	Unilateral additional debt relief for good governance and improvement in human rights conditions.	Extend HIPC debt relief to more countries (including Honduras, Haiti, Malawi, and when political situation permits Afghanistan). Creditor countries to adopt greater transparency in lending and good lending practices. Develop a code of conduct for export credit agencies and other trade finance institutions. Additional debt relief of (in 1998 NPV terms): US$8 billion for lowering the export target; up to US$6 billion for shortening track record; and up to US$2.8 billion for broadening eligibility.

Annex 4: Selected Comments on Debt Relief for Poor Countries by Creditor Governments

(Based on documentation received as part of the 1999 HIPC Review)

Country	Rationale/Objective	Depth of Relief	Timing of Relief	Performance Criteria/Linkage for Relief	Other
France	G7 approach should be generous, while emphasizing the principles of equitable burden sharing among creditors and responsible performance by debtors.	Eligible HIPCs could receive exceptional ODA debt relief from Paris Club creditors, no debt service on ODA for a generation. Poor countries not eligible for the Initiative could receive enhanced concessionality. Developing countries could benefit from an increase of the debt conversion limit in Paris Club agreements.	ODA cancellation as soon as debt is definitively treated in Paris Club framework; interim period being reduced on a case-by-case basis taking into account past track record in adjustment policies.	Exceptional debt relief measures should be limited to countries with impeccable economic and social policies and good governance. Implementation of reform programs supported by Bretton Woods institutions remain critical.	Equitable burden sharing should prevail, not only as between multilateral and bilateral creditors, but also among the bilaterals, especially as regards ODA cancellation.
Germany	To ensure that people in less well-developed economies also benefit from the opportunities offered by globalization.	Set threshold and target for indebtedness at 200 % of exports, with some flexibility in exceptional cases. Paris Club to cancel up to 100 % of commercial debt for countries in exceptionally difficult situations. A multilaterally agreed approach should provide for a mandatory complete cancellation in the Paris Club of ODA debts for HIPCs qualifying for relief under the Initiative.	Six-year track record of performance should be reduced to three years. All qualifying countries should be able to reach decision points by the year 2000.	No change proposed to requirement for IMF- and World Bank supported reform programs, except for shortening of performance period.	Financing for the Initiative must be assured. G7 countries should contribute to full financing by participating in the HIPC Trust Fund. The IMF must be enabled to make its full contribution to the Initiative. Funds released in national currency should be deployed for projects designed to eliminate poverty and promote sustainable development.

Annex 4: Selected Comments on Debt Relief for Poor Countries by Creditor Governments

(Based on documentation received as part of the 1999 HIPC Review)

Country	Rationale/Objective	Depth of Relief	Timing of Relief	Performance Criteria/Linkage for Relief	Other
Ireland [1]	HIPC Initiative is a robust framework for dealing with the debt issue, but needs to be deepened, broadened and accelerated. Definition of debt sustainability should not lose sight of ultimate goal of poverty eradication. Case for ring-fencing social expenditures, before fiscal thresholds are brought to bear. Domestic debt should also be factored in.	Favor a reduction in both NPV and debt service eligibility criteria and targets. Welcome pledges of many bilateral creditors to cancel ODA and commercial debts. Ireland's aid mostly in grants. Proposals for unconditional, large-scale cancellation of multilateral debt require careful analysis of potential impact on IFIs, official resource flows and private capital flows to HIPCs.	Maximum number of countries should reach decision point by 2000. Shorten period of track record and accelerate debt relief, but in the context of a realistic and achievable national development plan mapping out policies over the medium and long term.	Social considerations and human development indicators should be an integral part of the Initiative, not an afterthought. Need for broad local ownership and empowerment to ensure sustained implementation of reforms. Control and monitoring needed to minimize moral hazard, should be used with sensitivity and in a spirit of partnership. Use flexible approach when soundly-based policies are derailed by exogenous developments.	Irish Government has passed legislation for a major third world debt relief package which includes support for IMF and World Bank participation in the HIPC Initiative and plans for bilateral assistance for debt relief and a contribution to the ESAF Trust. Middle and lower-middle income countries should not bear the cost of additional relief to HIPCs.
United Kingdom	HIPC debt relief takes too long, does not ensure a robust exit from debt problems and should make a greater contribution to reducing poverty. Bilateral creditors and IFIs should make a commitment to reduce the debt burden of the world's poorest countries by $50 billion by end-2000.	Lower the existing fiscal ratio and apply it to a wider range of countries and/or lower the debt/export ratio. Target relief on reduction in actual debt service paid in the early years. Paris Club creditors should agree to go above 80% debt relief where necessary, with commensurate burden sharing by the IFIs, and ODA debts of HIPCs should be written off by those creditors which have not yet done so.	Shorten timetable for debt relief from 6 to 3 years. (Continuing need for aid will anyway act as a strong positive incentive to good performance, even after the completion point.)	Establish closer ties between debt relief and poverty reduction (including DAC target to halve the proportion of people in extreme poverty by 2015).	The developed world should increase its aid flows to developing countries to $60 billion by the year 2000. Resources released should be invested in health and education in countries concerned. Challenge UK NGOs to make donations to developing countries of US$1 billion up to the year 2000, with tax incentive.

[1] Ireland's aid is grant based.

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Country	Rationale/Objective	Depth of Relief	Timing of Relief	Performance Criteria/Linkage for Relief	Other
United States	Ensure that no country committed to fundamental reform is left with a debt burden that keeps it from meeting its peoples' basic human needs and spurring growth.	Paris Club to write off all ODA bilateral loans of HIPCs and increase debt relief on other loans from 80 % to 90 %, and in exceptional cases on a broader base of debt. Deeper debt reduction for countries which are exceptional performers.	Add early cash flow relief from IFIs.	Funds freed by debt relief to be channeled into education or environmental protection with the use of debt-for-nature-swaps.	Proposed approach could result in additional nominal debt relief of $70 billion. U.S. support for gold sales by the IMF and bilateral additional contributions to the World Bank's HIPC Trust Fund to help meet cost of Initiative. Donor countries should commit to provide at least 90 % of new development assistance on a grant basis to HIPCs. Take new approaches to promote reconstruction in countries emerging from protracted domestic conflicts.

Annex 5: Selected Comments on Debt Relief for Poor Countries by Multilateral Institutions

(Based on documentation received as part of the 1999 HIPC Review)

Organization	Rationale/Objective	Depth of Relief	Timing of Relief	Performance Criteria/Linkage for Relief	Other
Asian Development Bank [1]	The export-based debt indicators used in HIPC framework are not a good measure of debt repayment capacity because they exclude tradable goods sold at home. To approximate the ratio of debt to output of tradable goods, use a weighted average of the debt/output ratio and debt/export ratio. Private debt should be considered along with public debt.	Fiscal criteria should take revenue into account. An alternative fiscal criterion to determine depth of relief would be the sustainable primary balance, defined as the ratio needed to keep the ratio of public sector debt to GDP constant.	Six year track record requirement appears too long. Alternatives could include shortening of the second stage, or elimination of either first or second stage.	A potential weakness is that the performance criteria apply only up to the completion point, providing no assurance on continued sound performance thereafter.	Diverting funds for debt relief from aid flows to poor countries which have followed prudent policies would involve an efficiency loss.
African Development Bank Group (AfDB) [2]	The definition of debt sustainability should go beyond macroeconomic indicators, to focus also on the root cause of Africa's persistent debt problem, poverty. Poverty and governance indicators could complement the more traditional indicators in determining both country performance and development impact.	Serious consideration should be given to a deepening of debt relief for eligible countries by "reducing the post-Initiative sustainability targets". Domestic debt also needs to be considered. Domestic debt reduction programs should be complementary to the HIPC program. Options for financing domestic debt reduction could include rescheduling arrangements, the use of counter-party funds and direct bilateral funding.	There may be merit in fast tracking assistance. There could be a case for a reduction in the general track record length, with further shortening possible on a case-by-case basis.	Performance requirements should be retained as essential to ensure debt relief is not wasted. The HIPC Initiative should incorporate institutional strengthening and capacity building for efficient debt management.	The timing and scope of any modifications to the Initiative must be dictated by resource availability. Financing options may include increased bilateral contributions, gold sales, a significant deepening of Paris Club debt relief and a variety of rescheduling scenarios.

[1] See Asian Development Bank Response to the HIPC Questionnaire (March 25, 1999).
[2] Communication from AfDB Strategic Planning and Research Department (March 15, 1999).

Annex 5: Selected Comments on Debt Relief for Poor Countries by Multilateral Institutions

(Based on documentation received as part of the 1999 HIPC Review)

Organization	Rationale/Objective	Depth of Relief	Timing of Relief	Performance Criteria/Linkage for Relief	Other
Banque Centrale des Etats de l'Afrique de l'Ouest (BECEAO) [3]	The HIPC Initiative is a major step forward, but eligibility criteria are too restrictive. In addition, domestic debt, social indicators and indicators of fiscal effort should also be taken into account to determine debt sustainability.	The sustainability range for the NPV/export ratio should be lowered to 100-150% and the range for the debt service ratio brought down to 10-15%. The target for the ratio of NPV of debt to fiscal revenue should be lowered to 200%. Under the fiscal criteria, the eligibility thresholds for the ratio of exports and fiscal revenue to GDP should be lowered to 20 and 15%, respectively.	The timetable should be shortened, e.g. by collapsing the timing for the decision and completion points.	No change suggested, apart from shortening the performance period. Channel savings from debt relief into a Special Fund for priority spending, under monitoring from civil society.	
Commonwealth Secretariat [4]	Address the concerns by a number of HIPCs about the lack of tangible progress in easing the debt burden. Address the special needs of post-conflict countries.	Provide sufficient debt relief that yields a genuinely sustainable debt position. In this context, the debt sustainability criteria should be reviewed.	Need to speed up the process to ensure that debt relief is provided as quickly as possible. Specifically, ensure that 22 countries reach their decision points by the end of 1999.	Need to promote a much closer link between the Initiative and poverty reduction, consistent with the international development targets.	The Secretariat has been assisting governments in strengthening debt management capacity, including debt sustainability analysis.

[3] See "Réponses au Questionnaire de la Banque Mondiale et du FMI dans le Cadre de la Revue de l'Initiative PPTE" (March 19, 1999).

[4] See Commonwealth Finance Ministers Meeting, Ottawa, Canada, 29 September-1 October 1998, "Key issues in the Implementation of the Mauritius Mandate and the Heavily Indebted Poor Countries (HIPC) Programme".

Annex 5: Selected Comments on Debt Relief for Poor Countries by Multilateral Institutions

(Based on documentation received as part of the 1999 HIPC Review)

Organization	Rationale/Objective	Depth of Relief	Timing of Relief	Performance Criteria/Linkage for Relief	Other
International Fund for Agricultural Development (IFAD) [5]	Broad concerns about the precarious nature of debt sustainability over time (concerns include inevitable uncertainties of future export performance, and possible continued poor borrowing policies by debtors). Special focus on enlarging the social performance concept to include rural development. Debt sustainability targets should allow for the need for investments to revive the rural economy.	Debt sustainability targets should be reviewed, and countries with particular vulnerabilities should get deeper relief. Countries emerging from crises (civil strife, natural disasters) should get faster and deeper relief. Also, debt relief targets should differentiate between countries depending on whether the major problem is short-term debt servicing, as against long-term debt overhang. Qualifying requirements for fiscal/export criteria should include fair prices to export producers and resource allocation in favor of rural poverty eradication.	Policy performance could be a medium-term objective, rather than a precondition. The quality and irreversibility of the reform process is more important than the time element of the track record. IFAD advocates a more proactive and phased approach with clearly delineated performance objectives and result indicators that would trigger some level and form of debt relief at each phase of policy reform.	Conditionality should include policy objectives that enhance economic productivity in rural areas: enabling policies and additional investments. Particular emphasis on decentralization and participatory approaches, fostering of grassroots institutions, gender responsive development strategies. Freed-up resources should be used for the enhancement of rural productivity. The reform efforts should be complemented with additional resources on highly concessional terms for poverty eradication programs.	Funding for debt relief must come from bilateral donors, either directly or indirectly through their multilateral institutions. IFIs will require additional resources from their bilateral shareholders to preserve their own lending ability. Aid budgets should be increased.

[5] See IFAD's reply to Website questionnaire "Review of the HIPC Debt initiative" (March 18, 1999).

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(Based on documentation received as part of the 1999 HIPC Review)

Organization	Rationale/Objective	Depth of Relief	Timing of Relief	Performance Criteria/Linkage for Relief	Other
UNICEF [6]	African countries spend nearly twice as much on debt service than on basic social services, while hundreds of million of children have no access to basic education, primary health care, adequate nutrition, safe water and sanitation. The argument in favor of basic social services is not only ethical but also economic, as experience shows that rapid and sustained economic progress cannot take place where a minimum package of universal basic social services is not in place.	Defining debt sustainability solely in terms of exports in incomplete. Fiscal criteria should also apply to all countries. The HIPC Initiative should adopt one set of criteria and thresholds applicable to all IDA-only countries. No change proposed for the NPV of debt/export ratio or debt service/export ratio target ranges. Introduce a general fiscal sustainability target: the debt service/revenue ratio should be below 20%. Debt servicing is more appropriate than a debt stock indicator.	Countries should build a track record over 2-3 years, during which they would increase the fiscal revenue/GDP ratio to a minimum of 20% and allocate a minimum of 13% of the budget to basic social services in order to qualify. After qualifying, a decision would be taken, and debt relief delivered immediately, collapsing decision and completion points and shortening the overall waiting period from 6 to 2-3 years.	Debtor governments would be required to formally express commitment to achieve universal access to basic social services within a maximum timeframe of 15 years as part of a poverty reduction framework. Expenditure on basic social services would be considered non-discretionary spending in the budget. Basic social services and debt servicing would be required to absorb no more than 20% each of the national budget, and together they would be required to absorb no more than one-third of the budget. This would provide an incentive for governments to spend an adequate amount on basic social services while providing assurances that the fiscal dividend from debt relief will go to priority social spending.	

6 See UNICEF, "A proposal for HIPC reform" (March 1999).

Annex 5: Selected Comments on Debt Relief for Poor Countries by Multilateral Institutions

(Based on documentation received as part of the 1999 HIPC Review)

Organization	Rationale/Objective	Depth of Relief	Timing of Relief	Performance Criteria/Linkage for Relief	Other
United Nations Development Programme (UNDP) [7]	The HIPC Initiative is insufficient to achieve true external financial sustainability. In addition, there should be better integration between the objectives of external financial sustainability and human development objectives.	HIPC debt sustainability ratios are too high, export projections are unrealistic, and the Initiative does not yield a substantial fiscal dividend. It merely reduces a stock of debt that the country would not have been able to pay back anyway.	The current timeframe should be shortened. Moreover, the standard six years of track record can easily become longer, due to slippages in the implementation of stringent conditions associated with adjustment programs.	Assessment of track record should not be left to the IMF alone and the assessment process should be more transparent. Debt relief should be linked explicitly to the attainment of broader social and human development objectives consistent with the DAC targets. But there should be government ownership of the targets, rather than additional conditionality.	Debt relief negotiations should be incorporated into broader development dialogue, e. g. at Consultative Group or Round Table meetings. Financing for debt relief should not be at the expense of ODA flows. Additional funding should come from the multilateral institutions, and the Paris Club should amend its rules on cut-off dates and concessionality.
United Nations Secretary-General [8]	The results of the Initiative have been disappointing. Accelerate the implementation of the HIPC Initiative and ensure that all eligible countries embark on the HIPC process by the year 2000. The Initiative should not be slowed down by any shortfall in funding.	Criteria and targets should be flexible enough to take into account different debt situations. Consideration should be given to applying a debt sustainability target below the current ranges, when it can be established that the debtor countries cannot afford debt services higher than a certain level, commensurate with long term growth and human and social development objectives.	The six-year performance period is considered too long. Shorten the interim period to one year.		

[7] See UNDP Submission to the HIPC Review (March 1999).

[8] See Report by the Secretary-General to the UN Security Council: "The Causes of Conflict and the Promotion of Durable Peace and Sustainable Development in Africa", April 16, 1998, p.22; and Report by the Secretary-General to the General Assembly: "Debt situation of the developing countries as of mid-1998", September 11, 1998, pp. 7-8 and 13.