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21st Century Debt Relief

Key messages

- At the end of last year the World Bank and the IMF worked hard to increase the number of countries receiving debt relief through the HIPC2 initiative, bringing the total figure to 22 out of a possible 41 qualifying countries. This is welcome but more still needs to be done.
- The debt relief currently provided must be increased. There is still more to do to ensure that some of the poorest countries in the world aren't forced to spend more on debt servicing than on essential services like health and basic education.
- The UK groups involved in the Jubilee 2000 movement are continuing to work collectively to bring an end to unsustainable debt.

2000: a good year?

We welcome the IMF and the World Bank's drive to increase the number of countries receiving debt relief at the end of last year. 22¹ out of a possible 41 qualifying countries are now receiving debt relief - this is a good start. However, there is still much to be done to ensure that debt relief is deep enough to make a real difference to poor people living in the recipient countries. Research carried out by Oxfam last year analysed the implications of enhanced HIPC for government finances. It suggests that all but three of the twelve countries studied will continue to spend far more on debt servicing than on health and primary education *after* they have received debt relief. In five of these countries (Zambia, Tanzania, Senegal, Mauritania and Cameroon) debt repayments will exceed the **combined** health and primary education budgets after debt relief. This is a crippling burden for some of the poorest countries in the world whose poverty statistics make for grim reading. Over half the population of the heavily indebted poor countries lives below the \$1-a-day poverty line, one-in-six children die before the age of five from poverty-related diseases, and almost 50 million children are not in school. Oxfam is pushing for increased debt cancellation from the World Bank/IMF, under the HIPC2 initiative to rid these countries of unsustainable debt.

¹ Benin, Bolivia, Burkino Faso, Cameroon, The Gambia, Guinea, Guinea-Bissau, Guyana, Honduras, Madagascar, Malawi, Mali, Mauritania, Mozambique, Nicaragua, Niger, Rwanda, Senegal, Sao Tome and Principe, Tanzania, Uganda and Zambia.

No relief for countries affected by conflict

Under the HIPC2 initiative all 9 conflict-affected countries² are excluded from accessing debt relief. Chancellor Gordon Brown's announcement that Britain will stop taking debt repayments from the 41 poorest countries, including those in conflict, demonstrates a real commitment to eliminating the debt crisis. His decision to hold the debt payments of conflict-affected countries in trust until these conflicts are peacefully resolved is one that should be investigated as a wider option within the HIPC initiative. This would provide a vital incentive for countries struggling to emerge from conflict who urgently require resources for recovery and development.

Beyond HIPC

There are many other poor countries which are excluded from the HIPC framework e.g. Nigeria - Africa's largest debtor, plus Haiti, and Bangladesh. Such countries have large numbers of people living below the poverty line, in Nigeria 70% of the population live on under \$1 a day. Debt undermines the potential of these countries for addressing urgent social and economic development. Oxfam believes that the World Bank/IMF should conduct a review of the debt sustainability of all low-income countries and enlarge the HIPC initiative accordingly.

Debt Campaigning post-2000

The Jubilee 2000 campaign for an end to the debt crisis disbanded at the end of last year, as it was obliged to do so by definition. However, the organisations involved in the campaign, including Oxfam, are continuing to strive for total cancellation of unsustainable debt. Whilst the Jubilee movement restructures and draws up longer term goals, it's members are working together on the short-term "Drop the Debt" campaign which is focused on the G8 summit in Genoa this coming July. The debt crisis will not simply disappear. The Jubilee coalition will continue to work together in the long-term to relieve the poorest countries of unsustainable debt.

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² Burundi, Central African republic, Democratic Republic of Congo, Liberia, Myanmar, Sierra Leone, Somalia and Sudan.