

2001 Genoa Compliance Report

Economic Growth – HIPC Initiative

Commitment:

We have all agreed as a minimum to provide 100% debt reduction of official development assistance (ODA) and eligible commercial claims for qualifying⁶⁷ HIPC countries. We urge those countries that have not already done so to take similar steps, and we underline the need for the active and full participation of all bilateral creditors in providing timely debt relief to HIPCs.

Assessment:

Score	Lack of Compliance -1	Work in Progress 0	Full Compliance +1
Country			
<i>Britain</i>			+1
<i>Canada</i>			+1
<i>France</i>			+1
<i>Germany</i>			+1
<i>Italy</i>			+1
<i>Japan</i>			+1
<i>Russia</i>			NA
<i>United States</i>			+1
<i>Overall</i>			+1

The commitment to 100% debt reduction is not particularly significant for several reasons. Firstly, the HIPC countries that have not reached decision point are not necessarily eligible for ODA this debt reduction. Secondly, the G7 originally committed itself to full ODA debt reduction in Cologne in 1999⁶⁸ and this 2001 statement in Genoa is a reiteration of that promise. A total of 42 countries are considered HIPCs. Of these, twenty-six⁶⁹ have reached the decision point under the enhanced HIPC initiative (i.e., have been approved for debt reduction as committed above): Benin, Bolivia, Burkina Faso, Cameroon, Chad, Ethiopia, The Gambia, Guinea, Guinea Bissau, Guyana, Honduras, Madagascar, Malawi, Mali, Mauritania, Mozambique, Nicaragua, Niger, Rwanda, Sao Tomé & Principe, Senegal, Tanzania, Uganda, and Zambia. To date, four of these countries (Bolivia, Mozambique, Tanzania, and Uganda) have reached completion point, or the point at which the full amount of committed debt relief is given. The G7

⁶⁷ <http://www.imf.org/external/np/hipc/2001/impact/update/111601.htm#tab4>

⁶⁸ Report of G7 Finance Ministers on the Cologne Debt Initiative to the Cologne Economic Summit, Cologne, Germany, 18 - 20 June, 1999. (<http://www.g7.utoronto.ca/g7/finance/fm061899.htm>)

⁶⁹ http://www.worldbank.org/hipc/Status_of_Implementation_0402.pdf

holds 77% of the debt eligible for cancellation by the Club. Italy is the fifth creditor following Japan, France, the United States and Germany.

Individual Country Compliance Breakdown:

Britain: +1

Britain has achieved 100% removal of bilateral ODA debts⁷⁰. Their policy, sometimes called 'beyond 100%', involves the full write-off of HIPC debts as of their decision point *and* a reimbursement of any debt service paid before the decision point.

In parliament on May 7, 2002, Clare Short, Secretary of State for International Development, declared that her government has not only forgiven all ODA loans for HIPC countries but for other poor nations as well. The total UK pledge to the Heavily Indebted Poor Countries (HIPC) Debt Initiative Trust Fund, which is funded by the Department for International Development (DFID), is US\$306 million, including a US\$85 million share of the EC contribution. In 2000–01, DFID paid US\$40 million to the HIPC Trust Fund, and in 2001–02 DFID paid US\$33.7 million. The UK contribution is paid on an as-needed basis on request by the International Development Association (IDA), which is administering the Fund. The total outstanding bilateral debt⁷¹ owed to the UK by the Heavily Indebted Poor Countries (HIPC) is £1.529 billion; the amount written off is £0.703 billion⁷².

Canada: +1

Canada has been a leader for debt cancellation of the G8 member countries. Since 1975, Canada has forgiven more than C\$1.3 billion in ODA debt to 46 developing countries, including all ODA debt owned by HIPCs except Myanmar.⁷³ Considering the above compliance, Canada has achieved full implementation of its commitment made in Genoa. First, in considering official reaffirmation, in his speech at the United Nations International Conference for Financing Development in Monterrey, Prime Minister Jean Chretien reiterated Canada's commitment to providing debt relief. Chretien stated it would be "a continued priority"⁷⁴ on Canada's agenda leading into Kananaskis. Second, in considering internal bureaucratic review and representation, Canada has not specifically initiated any internal review on that particular summit commitment. Third, there have been numerous budgetary and resource allocations made. The government of Canada has contributed C\$215 million to the multilateral trust HIPC trust fund at the World Bank, making it the third largest paid-in bilateral donor.⁷⁵ As well, in the fiscal year 2002-2003, Canada has allocated C\$115 million to prepay its obligation to the United Nations aid agencies and to the Poverty Reduction and Growth Facility at the IMF.⁷⁶ Fourth, new or altered programs, legislation and regulation have not subsequently changed. The Canadian Debt Initiative (CDI)⁷⁷ was created as one of the first G8 countries to propose 100% bilateral debt reduction. Prior to Genoa, on January 1st 2001, Canada stopped collecting debt-repayments from 11 reforming HIPC countries that have demonstrated their commitment to poverty reduction and good governance.⁷⁸ Fifth, full implementation was achieved as Paul Martin and Minister for International Cooperation, Susan Whelan, announced that the government of

⁷⁰ http://www.worldbank.org/hipc/about/progress_tables_01/Table_17_paris_club_creditors_delivery.pdf

⁷¹ <http://www.parliament.the-stationery-office.co.uk/pa/cm200102/cmhansrd/cm020507/text/20507w04.htm>

⁷² <http://www.parliament.the-stationery-office.co.uk/pa/cm200102/cmhansrd/cm020507/text/20507w04.htm>

⁷³ www.g8.ca/summithipc-e.asp

⁷⁴ http://pm.gc.ca/default.asp?Language=E&Page=newsroom&Sub=Speeches&Doc=monterrey.20020321_e.htm

⁷⁵ <http://www.worldbank.org/hipc/index.html>

⁷⁶ <http://www.fin.gc.ca/budget01/bp/bpch6e.htm#si6>

⁷⁷ Created in December 2000

⁷⁸ Countries include: Benin, Bolivia, Cameroon, Ethiopia, Ghana, Guyana, Honduras, Madagascar, Senegal, Tanzania and Zambia.- www.g8.ca/summithipc-e.asp

Canada would forgive all C\$83.6 million in debts it is owed by Tanzania, February, 11, 2002⁷⁹; thus, since full compliance was achieved, a score of +1 is assigned.

France: +1

France has cancelled all ODA debts from HIPC countries as they have qualified and are 100% refinanced by grants from the completion point. Furthermore, debt services on commercial claims falling due after decision point will also be cancelled. France has pledged \$181 million to the HIPC trust fund (including EC contributions) as of May 2002⁸⁰. At the Monterrey conference in March, President Jacques Chirac not only stated the need for greater generosity for the very poor HIPC countries but also called for “more ambitious treatment” of highly indebted middle-income countries.

Germany: +1

Germany has complied with 100% reduction of its ODA debts with HIPC countries⁸¹ and has pledged \$226 million towards the HIPC trust fund (for multilateral debt). Germany was one of the first countries to cancel bilateral debts with Tanzania by 100% and others yet it still is the world’s fourth largest HIPC creditor. Germany was the first creditor country offering swap (‘debt for nature’) to Indonesia at the latest Paris Club meeting in April 2002.

Italy: +1

In following the five-point scale for compliance assessment Italy has shown remarkable progress in achieving full compliance for Economic Growth- HIPC Initiative. First, official reaffirmation was made by the deputy minister⁸² of Foreign Affairs, Senator Alfredo Mantica, at the United Nations International Conference for Financing Development in Monterrey, Mexico 18-22 March 2002. Mantica pledged that the Italian government would make new appropriations to fund National programs to combat poverty in HIPCs, using foreign debt cancellation as one of the main initiatives.⁸³ Second, internal bureaucratic review and representation did not affect the outcome of the implementation of the commitment; although it is not evident in any official capacity, such as the creation of a task force or a formal policy review. Third, budgetary and resource allocations were made. Prior to Genoa, Italy pledged 4 million USD in debt cancellation of HIPCs, 70% was delivered in business investment⁸⁴ and 30% in the form of aid^{85, 86}. Furthermore, throughout the course of 2001, Italy signed 16 multilateral agreements specifically pertaining to debt restructuring for a total of 25.4 million USD, and 9 bilateral agreements worth 7.7 million USD. Fourth, new or altered programs, legislation and regulations such as “Legge 209/00” were passed in July 25th 2000, to widen the scope of debt-restructuring to include IDA and non-HIPCs, and IDA HIPCs for partial and total debt reduction. Finally, in assessing full implementation of compliance, 100% of Bolivia’s debt was cancelled prior to Genoa on July 10th 2001⁸⁷. Italy, Uganda’s primary creditor, cancelled 83 Million USD in debt on April 17th 2002⁸⁸. Senator Mantica and Ugandan Minister of Finance,

⁷⁹ <http://www.fin.gc.ca/news02/02-016e.html>

⁸⁰ http://www.worldbank.org/hipc/HIPC_Trust_Fund_Contributions_050702.pdf

⁸¹ http://www.worldbank.org/hipc/about/progress_tables_01/Table_17_paris_club_creditors_delivery.pdf

⁸² My Translation: “sotto segretario”

⁸³ www.palazzochigi.it/servizi/comunicati/dettaglio.asp?d=15146

⁸⁴ My Translation: “crediti commerciali”

⁸⁵ My Translation: “aiuti”

⁸⁶ <http://www.esteri.it/polestera/organismim/iniziativaraff.htm>

⁸⁷ www.esteri.it/polestera/organismim/indexconom.htm (Intesi Multilaterali 2001)

⁸⁸ www.palazzochigi.it/servizi/comunicati/dettaglio.asp?d=15146

Kutesa, signed the agreement at the Farnesina in Rome. Therefore, since full compliance was achieved a score of + 1 is assigned to Italy within this issue area.

Japan +1

Japan has delivered 100% debt reduction of bilateral debts held by HIPC countries. The Japanese government is still giving funds to HIPC governments on a loan basis, including Zambia, Niger, Cameroon⁸⁹. However, the Japanese government has warned that countries asking for 100 percent debt relief would not be eligible for new loans. Japan is traditionally the world's largest donor of ODA and Japan has up to now disbursed some \$200 billion in ODA cumulatively and \$13.5 billion for 2000 alone⁹⁰. Due to its continuing economic slowdown, the ODA budget was reduced by 10 percent for the 2002 fiscal year and cut completely for high-growth developing countries like China. Japan has pledged \$200 million to the World Bank's HIPC Trust fund.

Russia: N/A

Russia was not party to the agreements of the G7 finance ministers at Cologne and consequently is not given a rating.

United States: +1

For fiscal years 2000-2002, Congress appropriated a total of \$769 million for bilateral and multilateral debt relief. These appropriations are sufficient to meet the U.S. commitment to the Cologne Initiative of 100% ODA debt reduction. This included \$110 million of appropriations in 2000 and \$75 million in 2001. The U.S. also committed to make contributions totaling \$600 million to the HIPC trust fund, administered by the World Bank. At the Monterrey conference for financing development President Bush promised a 50- percent increase in development assistance over the next three budget years⁹¹. Eventually, this will mean a \$5-billion annual increase over current levels. Bush also promised to give more of this financing in the form of grants, not loans and thus preventing further indebtedness. This growing level of assistance is crucial because Paris Club creditors like the US hold 38.6% (\$14.1 Billion) of all HIPC debt⁹².

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⁸⁹ <http://www.mofa.go.jp/policy/oda/note/loan.html>

⁹⁰ <http://www.un.org/ffd/statements/japanE.htm>

⁹¹ <http://www.un.org/ffd/statements/usaE.htm>

⁹² http://www.worldbank.org/hipc/Status_of_Implementation_0402.pdf