

## DEBT SUSTAINABILITY

**Target 8.D** is the main debt-related target under MDG8, containing a commitment to deal comprehensively with debt problems of developing countries and to make their debt sustainable in the long run. In addition, **Target 8.B** addresses the special needs of heavily indebted poor countries. To deal ‘comprehensively’ with the debt problems of developing countries requires not just considering debt relief for *old* debts that are deemed unsustainable, but that actions are also taken to prevent the build up of unsustainable debt in the future. Debts may be deemed ‘unsustainable’ either in terms of financial viability to repay or in terms of foregone investments in health, education or other areas of human development towards the achievement of the MDGs.<sup>1</sup> Also, the subset of countries listed under the Target 8.D is *all* ‘developing countries’, which is larger than the list of countries for the HIPC and MDRI debt relief instruments.<sup>2</sup> By contrast, **Indicators 8.10 and 8.11** relate only to this smaller HIPC subset.

Name of event/initiative	Commitments, targets and indicators	Gap
<p><a href="#">Millennium Summit</a>, New York, 6-8 September 2000</p>	<p><b>Targets:</b></p> <p><b>8.D</b> Deal comprehensively with the debt problems of developing countries through national and international measures in order to make debt sustainable in the long run</p> <p><b>8.B</b> Address the special needs of least developed countries, [including an] enhanced programme of debt relief for heavily indebted poor countries (HIPC) and cancellation of official bilateral debt</p> <p><b>Indicators:</b></p> <p>8.10. Total number of countries that have reached their HIPC decision points and number that have reached their completion points (cumulative)</p>	<p>The debt problems of developing countries are not being dealt with comprehensively, although substantial progress has been made for countries eligible for HIPC and MDRI.</p> <p>No numerical targets were set.</p> <p>Indicator 8.10: The HIPC Initiative has been complemented by the Multilateral Debt Relief Initiative. However, 8 countries have yet to reach HIPC completion point (4 countries between decision point and completion point, and</p>

<sup>1</sup> The latter approach is described in “In Larger Freedom: Towards Development, Security and Human Rights for All”, UN Secretary General, 2005:

<http://www.un.org/largerfreedom/contents.htm>

<sup>2</sup> ‘Developing countries’ in this context could be taken as countries classified by the World Bank as low and middle-income.

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	<p>8.11. Debt relief committed under HIPC initiative</p> <p>8.12. Debt service as a percentage of exports of goods and services</p>	<p>4 others have not yet reached the decision point).</p> <p>Middle and low-income countries suffering from debt distress, but not eligible for the HIPC initiative, have no access to debt relief or to orderly sovereign debt workouts.</p> <p>Indicator 8.11: As at March 2011, \$59.7 billion in debt relief was committed under the HIPC Initiative and additional \$27.7 billion (both in end-2010 present-value terms) under the MDRI.</p> <p>Indicator 8.12: Debt service of developing countries, as a percentage of their exports, stood at 21.5 per cent in 2010.</p>
<p><a href="#">Heavily Indebted Poor Countries Initiative</a>, HIPC, 1996, enhanced in 1999</p>	<p><b>Target:</b> Provide debt relief and reduce external debt of poorest countries to a sustainable level.</p>	<p>The HIPC Initiative and the MDRI have reduced substantially the debt burdens of the 36 post-decision-point HIPCs. However, some countries remain vulnerable to debt difficulties. As at May 2011, 19 countries were classified as being at high risk or in debt distress and many low-income countries face high public and external debt ratios.</p> <p>Some creditors have not fully delivered their share of HIPC relief.</p>

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<p>Third UN Conference on the LDCs, <a href="#">Declaration and Programme of Action for the LDCs for the Decade 2001-2010</a>, 14-20 May 2001 (Brussels Plan of Action)</p>	<p>Affirmed the commitment to provide full financing and speedy and effective implementation of the enhanced HIPC Initiative, and undertake to make expeditious progress towards full cancellation of outstanding official bilateral debt within the context of the enhanced HIPC Initiative.</p>	<p>For the HIPC Initiative, see above.</p>
<p><a href="#">G-8 Genoa Summit</a>, 20-22 July 2001</p>	<p>Reaffirmed continued commitment to the HIPC Initiative.</p>	<p>No new numerical targets were set.</p>
<p><a href="#">Monterrey Consensus</a> on Financing for Development, Monterrey, 18-22 March 2002</p>	<p>Emphasized “the importance of putting in place a set of clear principles for the management and resolution of financial crises that provide for fair burden-sharing between public and private sectors and between debtors, creditors and investors”. They also encouraged “exploring innovative mechanisms to comprehensively address debt problems of developing countries”.</p> <p>It was further reiterated that continued efforts are needed to reduce the debt burden of HIPC countries to sustainable levels, and that debt sustainability analyses should take into account the impact of debt relief on progress towards achieving the MDGs and any worsening global growth prospects.</p>	<p>No numerical targets were set.</p>
<p><a href="#">G-8 Kananaskis Summit</a>, 26-27 June 2002</p>	<p>Reaffirmed commitment to the HIPC Initiative and debt sustainability and to fund their share of the shortfall in the HIPC initiative.</p>	<p>No new numerical targets were set.</p>
<p><a href="#">G-8 Evian Summit</a>, 1-3 June 2003</p>	<p>Reaffirmed commitment to the HIPC initiative and to ensuring lasting debt sustainability in HIPC countries.</p>	<p>No new numerical targets were set.</p>

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<p><a href="#">Evian Approach</a>, Paris Club, 8 October 2003</p>	<p>The Paris Club agreed on a new approach to deal with non-HIPC countries. The Paris Club aims to take into account debt sustainability considerations, to adapt its response to the financial situation of the debtor countries, and to make a contribution to the current efforts to make the resolution of crises more orderly, timely and predictable.</p>	<p>No numerical targets were set.</p>
<p><a href="#">G-8 Sea Island Summit</a>, 8-10 June 2004</p>	<p>Reaffirmed commitment to fully implementing and financing the HIPC initiative and to support debt sustainability.</p>	<p>No new numerical targets were set.</p>
<p><a href="#">Multilateral Debt Relief Initiative</a>, MDRI, 2006</p>	<p><b>Target:</b> Cancel 100 per cent of outstanding debts to HIPC countries reaching completion point.</p>	<p>8 countries have yet to reach the HIPC completion point, thus have not benefited from the MDRI.</p>
<p><a href="#">G-8 St.Petersburg Summit</a>, 15-7 July 2006</p>	<p>Committed to ensuring full implementation and financing of the MDRI and on a fair burden-share basis and preserving long-term debt sustainability through the implementation of the IMF/World Bank debt sustainability framework for low-income countries.</p>	<p>No new numerical targets were set.</p>
<p><a href="#">G-8 Hokkaido Toyako Summit</a>, 8 July 2008</p>	<p>Renewed commitment to support the development agenda agreed in the Monterrey Conference on mobilizing all available sources for development including debt relief.</p>	<p>No new numerical targets were set.</p>
<p><a href="#">MDG High Level Event (HLE)</a>, 25 September 2008</p>	<p>China committed to canceling outstanding interest free loans extended to LDCs before the end of 2008.</p>	<p>No information on the volume of debt and the number of countries involved has been provided.</p>
<p><a href="#">G-20 Summit on Financial Markets and the World Economy</a> in Washington, 15 November 2008</p>	<p>Committed to ensure that the IMF, World Bank and other MDBs have sufficient resources to continue playing their role in overcoming the financial crisis.</p>	<p>No numerical targets were set.</p>

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<p><a href="#">Follow-up International Conference on Financing for Development</a>, Doha, 29 November – 2 December 2008</p>	<p>Promised to intensify “efforts to prevent debt crises by enhancing international financial mechanisms for crisis prevention and resolution, in cooperation with the private sector, and by finding solutions that are transparent and agreeable to all”.</p> <p>Recognized that “more efforts are needed through international debt resolution mechanisms to guarantee equivalent treatment of all creditors, just treatment of creditors and debtors, and legal predictability”, and that “particular attention should be paid to keeping the debt sustainability frameworks under review”.</p>	<p>No numerical or additional targets were set.</p>
<p><a href="#">G-20 London Summit</a>, 2 April 2009</p>	<p>Reaffirmed commitment on debt relief and agreed to support at least \$100 billion of additional lending by the MDBs and to provide \$6 billion of additional concessional and flexible finance to the poorest countries over the next 2 to 3 years.</p>	<p>The commitment to support at least \$100 billion in additional lending by the MDBs was fulfilled. Since the start of the crisis, MDBs provided \$235 billion in lending, supported by provision of \$350 billion in capital increases. (G20 Toronto Summit statement)</p>
<p><a href="#">UN Conference on the World Financial and Economic Crisis and its Impact on Development</a>, New York, June 2009</p>	<p>Called on States to redouble efforts to honour their commitments regarding debt relief, enhanced approaches to the restructuring of sovereign debt and explore the need and feasibility of a more structured framework for international cooperation in debt resolution; developing countries have a right to impose temporary capital restrictions and seek to negotiate agreements on temporary debt standstills between debtors and creditors, in order to help mitigate the adverse impacts of the crisis and stabilize macroeconomic developments.</p>	<p>No numerical or additional targets were set.</p>
<p><a href="#">G-8 L'Aquila Summit</a>, 8-10 July 2009</p>	<p>Will continue to promote debt sustainability and transparency principles that have been agreed in other fora and remain committed to meet debt relief commitments.</p>	<p>No new numerical targets were set.</p>
<p><a href="#">G-20 Pittsburg Summit</a>, 24-25 September 2009</p>	<p>Reaffirmed commitment to ensure that “Multilateral Development Banks and their concessional lending facilities, especially the International Development Agency (IDA) and the African Development Fund, are appropriately funded” (para 22).</p>	<p>No new numerical targets were set. For replenishment of the MDBs, see above. New funding of \$49.3 billion was pledged for the sixteenth replenishment of the International Development</p>

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		Association (IDA) from 51 donors, covering the period from July 2011 to June 2014.
<a href="#">G-20 Toronto Summit</a> , 26-27 June 2010	Fulfill commitment to ensure replenishment for concessional lending facilities of the MDBs.	No new numerical targets were set. For replenishment of the MDBs, including IDA16 replenishment, see above.
<a href="#">UN High-level Plenary Meeting on the MDGs</a> (MDG summit), New York, 20-22 September 2010	Reaffirmed commitment to assist developing countries in ensuring long-term debt sustainability through coordinated policies aimed at fostering debt financing, debt relief and debt restructuring, and to consider enhanced approaches to sovereign debt restructuring mechanisms.	No new numerical targets were set.
<a href="#">G-20 Seoul Summit</a> , 11-12 November 2010	Reiterated commitment to completing an ambitious replenishment for the concessional lending facilities of the MDBs.	No new numerical targets were set. For replenishment of the MDBs, see above.
Fourth UN Conference on the LDCs, <a href="#">Programme of Action for the Least Developed Countries for the Decade 2011-2020</a> , 9-13 May 2011 (Istanbul Plan of Action)	<p>Achieve sustainable debt levels in all LDCs, bearing in mind their special development needs; remain vigilant in monitoring the debt situation of LDCs and continue to take effective measures within the existing frameworks; provide specific debt relief measures for LDCs that are not HIPC countries on a case-by-case basis.</p> <p>Actions by development partners include full and timely financing of the implementation of the HIPC and MDRI Initiatives, ensuring that debt relief does not detract from ODA resources for LDCs, exploring new and improved debt instruments and innovative mechanism, increasing grant-based and other concessional financing and exploring coordinated policies aimed at fostering debt financing, debt relief and debt restructuring and temporary debt standstills.</p>	No new numerical targets were set.