

## EXTERNAL DEBT

**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.

Commitment / Initiative	Targets and Indicators	Gap
<a href="#">Millennium Summit</a> , New York, 6-8 September 2000	<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>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>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>The HIPC Initiative has been complemented by the Multilateral Debt Relief Initiative. However, 12 countries have yet to reach HIPC completion point (7 countries between decision point and completion point; and 5 others have not yet reached the decision point).</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.

MDG Gap Task Force—Matrix of Global Commitments—August 2010

Commitment / Initiative	Targets and Indicators	Gap
		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.
<a href="#">HIPC Initiative, 1996, enhanced in 1999</a>	<b>Target:</b> Reduce external debt of poorest countries to a sustainable level.	<p>The HIPC Initiative and the MDRI have reduced substantially the debt burdens of the 28 post-completion-point HIPCs. However, owing to the crisis, some countries remain vulnerable to debt difficulties. As of April 2010, out of 39 low-income or small, vulnerable economies studied, 11 were classified as in debt distress and 16 at high risk.</p> <p>Some creditors have not fully delivered their share of HIPC relief.</p>
<a href="#">Monterrey Consensus on Financing for Development, Monterrey, 18-22 March 2002</a>	<p>Heads of States and Governments 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” (para 51). They also encouraged “exploring innovative mechanisms to comprehensively address debt problems of developing countries” (para 51).</p> <p>They further reiterated that continued efforts are needed to reduce the debt burden of HIPCs 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 (para 49).</p>	<p>No 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>Multilateral Debt Relief Initiative, <a href="#">MDRI, 2006</a></p>	<p><b>Target:</b> Cancel 100% of outstanding debts to HIPC countries reaching completion point through the Multilateral Debt Relief Initiative (MDRI).</p> <p>IMF, International Development Association and African Development Fund to cancel 100% of eligible debt claims on HIPC countries reaching completion point. In 2007 the Inter-American Development Bank provided similar debt relief to HIPC countries in Latin America</p>	<p>12 countries have yet to reach the HIPC completion point, thus have not benefited from the MDRI.</p>
<p><a href="#">MDG High Level Event (HLE)</a>, September 2008</p>	<p><b>Target:</b> 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="#">Doha Review Conference on Financing for Development</a> November 2008</p>	<p>Heads of States and Governments promised to intensify their “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” (para 61). They 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” (para 60), and that “particular attention should be paid to keeping the debt sustainability frameworks under review” (para 65).</p>	<p>No numerical or additional targets were set.</p>
<p><a href="#">G 20 London Summit</a>, 2 April 2009</p>	<p>Leaders of the Group of Twenty (G-20) reaffirmed their commitment on debt relief and agreed “to support at least \$100 billion of additional lending by the MDBs” (para 5) and “to provide \$6 billion of additional concessional and flexible finance to the poorest countries over the next 2 to 3 years” (para 25).</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</p>

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		\$235 billion in lending, supported by provision of \$350 billion in capital increases. (G20 Toronto Summit statement)
<a href="#">UN Conference on the World Financial and Economic Crisis and its Impact on Development</a> June 2009	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 (para 34); 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 (para 15).	No numerical or additional targets were set.
<a href="#">G-20 Pittsburg Summit</a> , 24-25 September 2009	Reaffirm 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).	No new numerical targets were set. For replenishment of the MDBs, see above.
<a href="#">G-20 Toronto Summit</a> , 26-27 June 2010	Reaffirm previous commitment to ensure replenishment for concessional lending facilities of the MDBs.	No new numerical targets were set. For replenishment of the MDBs, see above.