

EXTERNAL DEBT

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.¹ Also, the subset of countries listed under the Target is *all* ‘developing countries’, which is larger than the list of countries for the HIPC and MDRI debt relief instruments.² By contrast, Indicators 8.10 and 8.11 under Target 8.D relate only to this smaller HIPC subset.

Commitment / Initiative	Target & Indicators	Gap
Millennium Summit New York, 2000 – MDG-8	<p>8.D 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>8.B enhanced programme of debt relief for heavily indebted poor countries (HIPC) and cancellation of official bilateral debt... for countries committed to poverty reduction</p> <p>Indicators: 8.10. Total number of countries that have reached their HIPC decision points and number that have reached their completion points (cumulative) 8.11. Debt relief committed under HIPC initiative 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, 14 countries have yet to reach HIPC completion point (9 countries between decision point and completion point; and 5 others have not yet reached the decision point)</p>

¹ 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>

² ‘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 – September 2009

		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.
HIPC 1996, enhanced in 1999	Target: Reduce external debt of poorest countries to sustainable level	The HIPC Initiative and the MDRI have reduced substantially the debt burdens of the 26 post-completion-point HIPCs. However, only 10 of them are classified as “low risk” of debt distress, showing that many remain vulnerable. Some creditors have not fully delivered their share of HIPC relief.
G8 Gleneagles, July 2005 MDRI 2006	Target: Cancel 100% of outstanding debts to HIPC countries reaching completion point through the Multilateral Debt Relief Initiative (MDRI) 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	14 countries have yet to reach the HIPC completion point, thus have not benefited from the MDRI
MDG High Level Event (HLE), September 2008	Target: China committed to canceling outstanding interest free loans extended to LDCs before the end of 2008	No information on the volume of debt and the number of countries involved
Doha Review Conference on Financing for Development November 2008	Lending countries 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.”	No numerical or additional targets were set.

MDG Gap Task Force – Matrix of Global Commitments – September 2009

<p>G-20 meeting 2 April 2009</p>	<p>Leaders of the Group of Twenty (G-20) reaffirmed their commitment on debt relief and agreed to provide \$6 billion of additional concessional and flexible finance to the poorest countries over the next two to three years.</p>	
<p>UN Conference on the World Financial and Economic Crisis and its Impact on Development 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>