

Least Developed Countries that have reached a decision point and/or a completion point and receive debt relief committed under the Heavily Indebted Poor Countries Initiative (HIPC)

		2000	2001	2002	2003	2004	Committed Debt Relief , total (USD million)
1	Benin	D			C		460
2	Burkina Faso	D		C			930
3	Burundi						
4	Central Afrikan Rep.						
5	Chad		D				260
6	Comoros						
7	Dem. Rep. of Congo				D		10, 389
8	Etiophia		D			C	1, 930
9	Gambia	D					90
10	Guinea	D					800
11	Guinea Bissau	D					790
12	Lao P.D.R.						
13	Liberia						
14	Madagascar	D					1, 500
15	Malawi	D					1, 000
16	Mali	D			C		895
17	Mauritania	D		C			1, 100
18	Mozambique	D	C				4, 300
19	Myanmar						
20	Niger	D				C	900
21	Rwanda	D					800
22	Sao Tome & Principe	D					200
23	Senegal	D				C	850
24	Sierre Leone			D			950
25	Somalia						
26	Sudan						
27	Togo						
28	Uganda	D,C					1, 950
29	United Rep. of Tanzania	D	C				3, 000
30	Zambia	D					3, 850

Source: International Monetary Fund and International Development Association. Heavily Indebted Poor Countries (HIPC) Initiative – Statistical Update. March 31, 2004

Note: C indicates completion point and D indicates decision point.

The Heavily Indebted Poor Countries (HIPC) Initiative.

The HIPC Initiative was introduced by IMF and the World Bank in 1996. The overall purpose of the HIPC Initiative is to reduce poverty in the poorest and most heavily indebted countries by reducing external debt to sustainable levels through debt relief. This entails coordinated action by multilateral donors, bilateral creditors, HIPC governments as well as the civil society¹.

Eligibility for assistance under the HIPC Initiative.

To ensure that debt relief will benefit poverty reduction the following three criteria must be fulfilled before a country can receive assistance under the HIPC Initiative. *Firstly*, the country must face a situation where traditional debt relief programmes are not sufficient enough to move to the level of sustainability. *Secondly*, a track record of reform and sound policies should be established through IMF and the World Bank. *Thirdly*, the country must develop a Poverty Reduction Strategy Paper (PRSP).

When a country is approved for assistance under the HIPC Initiative by making sufficient progress to meet the criteria it is said to have reached its *decision point*. Upon achieving the decision point a country begins to receive the so-called “interim relief”. To reach the *completion point* and receive full relief the country must implement satisfactory key policy reforms, maintain macroeconomic stability and adopt and implement at least a year of PRSP².

LDCs participating in the HIPC Initiative.

38 countries participate in the HIPC Initiative. These are: Bolivia, Guyana, Nicaragua, Cameroon, Ghana, Honduras, Cote d'Ivoire, Democratic Republic of Congo, Benin, Burkina Faso, Burundi, Central African Republic (CAR), Chad, Comoros, Democratic Republic of Congo (DRC), Ethiopia, Gambia, Guinea, Guinea-Bissau, Lao P.D.R., Liberia, Madagascar, Malawi, Mauritania, Mali, Mozambique, Myanmar, Niger, Rwanda, Sao Tome & Principe, Senegal, Sierra Leone, Somalia, Sudan, Togo, Tanzania, Uganda and Zambia.

Among these 38 are LDCs: Benin, Burkina Faso, Burundi, Central African Republic (CAR), Chad, Comoros, Democratic Republic of Congo (DRC), Ethiopia, Gambia, Guinea, Guinea-Bissau, Lao P.D.R., Liberia, Myanmar, Madagascar, Malawi, Mauritania, Mali, Mozambique, Niger, Rwanda, Sao Tome & Principe, Senegal, Sierra Leone, Somalia, Sudan, Togo, Tanzania, Uganda and Zambia.

21 LDCs have reached their decision point: Benin, Burkina Faso, Chad, Democratic Republic of Congo (DRC), Ethiopia, Gambia, Guinea, Guinea-Bissau, Madagascar, Malawi, Mauritania, Mali,

¹ The World Bank (11/06/2004): The HIPC debt initiative. www.worldbank.org/hipc/

² IMF (April 2004): Debt Relief under the Heavily Indebted Poor Countries (HIPC) Initiative. A factsheet. www.imf.org/external

Mozambique, Niger, Rwanda, Sao Tome & Principe, Senegal, Sierra Leone, Tanzania, Uganda and Zambia.

The following 10 LDCs have reached their completion point: Benin, Burkina Faso, Ethiopia, Mauritania, Mali, Mozambique, Niger, Senegal, Tanzania and Uganda.

Burundi, Central African Republic (CAR), Comoros, Liberia, Lao P.D.R., Myanmar, Somalia, Sudan and Togo are the 9 countries which have not reached the decision point³.

Additional measures to enhance the HIPC initiative

To provide deeper, broader and faster debt relief and strengthen its link with poverty reduction the following three enhancements has been introduced by the Bretton Woods Institutions in 1999. *First*, external debt relief thresholds were lowered from the original framework so that more countries become eligible for greater relief. *Second*, interim relief is being provided immediately at the decision point. *Third*, freed resources are used to support poverty reduction strategies developed by national governments through a broad consultative process.

In addition, a topping-up of the HIPC Initiative assistance provides a larger debt relief to enable countries to reach the level of debt sustainability at the completion point⁴.

G8 summit

At the G8 summit in June 2004 world leaders agreed to extend the HIPC Initiative until 31 December 2006 and “provide the necessarily financing for completion of the initiative, including topping up where appropriate”.

The G-8 includes the United States, Britain, France, Germany, Italy, Japan, Canada and Russia.

³ Status of the HIPC Initiative as of March 31, 2004

⁴ IMF (April 2004): IMF and the World Bank Support Ethiopia’s Completion Point and Approved Topping-Up of Debt relief Under the Enhanced HIPC Initiative. Press Release No. 04/82. www.imf.org/external