STUDY

ECONOMY AND FINANCE

20 YEARS AFTER THE COLOGNE DEBT INITIATIVE

What Became of the HIPC Countries?

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The HIPC/MDRI Initiative, most of which was implemented between 1996 and 2005, significantly reduced the unsustainable debt burden of the participating countries. In certain cases it contributed to a successful new start after a »lost development decade«.

Debt relief allowed most of the participating countries to gain or regain access to the capital markets. Subsequent new borrowing has already led to new debt crises in a number of countries.

One-off debt relief cannot reliably exclude the possibility of new debt distress. An institutionalised debt restructuring mechanism will be indispensable for coping with future debt crises.

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1

HOW DOES THE HIPC DEBT RELIEF INITIATIVE FUNCTION?

1.1 DEBT SITUATION 1994

This study focuses on the thirty-six *heavily indebted poor countries (HIPCs)* that had completed the entire debt relief process by the end of 2018 (»post–completion point«). At the end of 1994 this group's overall foreign debt amounted to about 660 percent of their annual export revenues.[1] The debt mountain originated in the credit boom of the 1970s and the subsequent high-interest policy under US President Ronald Reagan in the early 1980s. This plunged the larger Latin American states into default, followed by ever more smaller and poorer countries in Latin America, Asia and Africa.

Because the affected economies were relatively small, the international community was initially able to keep the later HIPCs solvent through multilateral loans from the IMF, the World Bank and regional development banks. While »rescuing« the poorest countries was positive from the perspective of private creditors, the price was absolutely intolerable levels of debt in most of these countries by the mid-1990s. Despite ongoing multilateral financing, many of the affected countries found themselves struggling to service their existing debts. Of the approximately $185 billion in foreign debt that had accumulated in Sub-Saharan Africa by 1995, one-third – $62 billion – comprised unpaid interest and overdue repayments.

As well as the level of debt itself, its distribution among the different categories of creditor also became problematic. Emergency loans from IMF, World Bank and regional development banks made the creditor profiles of the affected countries increasingly »multilateral«. And the multilateral institutions noticed that their borrowers were experiencing growing difficulties servicing these emergency loans.

1 Unless otherwise indicated, all data on foreign debt from the World Bank's annual *International Debt Statistics*.

1.2 DENIAL OF REALITY AND A CONFERENCE IN 1994

Strictly speaking, balance-of-payments aid to maintain debt repayments to the often originally private creditors of the poorest countries is a matter for the IMF, and not the World Bank or the regional development banks. Alongside this misappropriation of institutions whose real task should be forward-looking development funding, one specific dogma turned out to be the largest obstacle in the process of dealing with the crisis: The more or less established consensus that multilateral claims must always be honoured – while the claims of private banks in the so-called London Club[2] and those of bilateral public lenders (such as the German KfW or the export credit insurance agencies of the rich countries) in the Paris Club[3] can be restructured. The argument presented in the countries originating these loans was that the multilateral funders operate largely with public funds or even – as in the case of the IMF – with central bank reserves. Therefore, it was argued, they must on no account be exposed to risk. Debtor governments and their citizens were told that the multilateral institutions represented the poorest countries' last line of defence against state bankruptcy and must therefore be protected at all costs.

The problem about this constellation was that one cannot have both at the same time: sustained use of multilateral public funds to rescue private creditors and the *exempt*

2 The »London Club« refers to committees of private banks that meet to negotiate collective restructuring when a state faces default. The committee is usually chaired by the bank that is most heavily involved in the affected country. These meetings are no longer necessarily held in London.

3 The »Paris Club« is an informal group of state lenders, including almost all OECD members and a number of emerging economies. It normally meets monthly at the French Finance Ministry. If the Paris Club members agree that a country cannot meet its obligations without debt relief they may offer restructuring on the basis of IMF debt sustainability analyses and predefined rules. See www.clubdeparis.org. For a critical assessment of the work of the Paris Club, see J. Kaiser, *Resolving Sovereign Debt Crises*, FES Dialogue on Globalization (October 2013).

creditor status outside of any debt restructuring regime asserted by the lending institutions and the governments of the rich countries backing them. Important public creditors – including the German government at the time – attempted nevertheless. The consequence was a striking denial of reality: Even at debt levels six times the threshold that World Bank and IMF would later propagate as the limit of sustainability, it was still assumed that the debt was in principle serviceable. Otherwise it would have been impossible to uphold the sacrosanct character of the multilateral claims. This approach was justified variously by

- the assertion that states cannot become bankrupt because they are always able to mobilise adequate resources to service their debts,
- the hope that debtor countries might suddenly open up new sources of revenue, such as unexpected oil discoveries,
- the legitimate interests of the creditors; for example in the case of highly indebted Nicaragua – which owed the reunified Germany more than half a billion US dollars originating from transactions with the former GDR – it was argued that the German state had also accepted responsibility for the GDR's debts.

The creditors avoided internal acknowledgement of the unrealistic nature of these assumptions until mid-1994, when the Swedish and Swiss governments organised a closed consultation in Geneva with major creditor countries and the IMF and the World Bank.[4] Here the participants openly admitted for the first time what everyone knew but had not dared to say: The levels of debt in the debtor countries meant that even multilateral lenders would not be getting all their money back. Wisely, the creditors informally agreed to organise – and thus control – the debt relief process themselves to avoid provoking a wave of disorderly defaults. This gave far-sighted World Bank staff who had already been working on a multilateral debt relief initiative green light to release their plans for public discussion.

1.3 PRINCIPLES OF THE HIPC INITIATIVE

The resulting *Heavily Indebted Poor Countries (HIPC)* Initiative built on the following principles:

- Multilateral creditors grant debt relief, but only to a limited group of countries they select themselves.
- Criteria for access to the Initiative are poverty (categorisation as a low-income country by the World Bank) and high level of debt (defined as overall debt as NPV at least 250 percent of annual export revenues or ongoing debt service at least 25 percent of export revenues).
- Debt relief only on the basis of an ongoing IMF economic reform programme observed by the debtor, the classical structural adjustment programme.
- Debt relief conditional on assessment by IMF and World Bank. After being accepted in principle, countries are required to implement a reform programme for three years before reaching the *decision point* where the scope of debt relief is determined. After another three years of implementing the IMF programme the *completion point* is reached, and the debt is cancelled irrevocably.
- Multilateral debt relief under HIPC supplements prior debt restructuring by the Paris Club of public bilateral creditors, seeking to involve all other creditors through equal treatment clauses.
- The HIPC Initiative was the first to define sustainability thresholds, above which all debts were to be forgiven regardless of their size. This was a significant step forward compared to the practice of the Paris Club, which had defined its own forgiveness limits. The academic background to this was the theory of the debt overhang developed at the end of the 1980s by economists including Paul Krugman.[5] Rejecting the earlier linear understanding of the effect of debt distress, the theory assumes the existence of a *tipping point*, above which debt distress becomes self-perpetuating. Once this has occurred, it is no longer possible to return to a sustainable level of debt without a debt cancellation. Under the old rules of the Paris Club the creditors would have assumed the debt to be sustainable after application of the specified maximum debt relief (for example 50 percent of ongoing debt service) – regardless of whether this amounted to 100 percent or 1000 percent of export revenues.
- As in the Paris Club, there was initially a sharply formalised division between debts that were included in the cancellation process, and those that were not because they were more recent. The cut-off point shifted ever further forward in the course of the HIPC process, to a point where in the end almost all debts were included – apart from refinancing measures required in connection with the HIPC debt relief itself.
- A trust fund to compensate the multilateral institutions for their losses, funded primarily through the development budgets of the rich IMF and World Bank members. Sale of gold by the IMF and IBRD profits were also used to finance debt relief for the HIPCs.

4 International Seminar on External Finance for Low Income Developing Countries: Towards Resolving the Debt Problem of Severely Indebted Low Income Countries, Geneva, May 1994.

5 P. Krugman, Financing vs. Forgiving a Debt Overhang, *Journal of Development Economics*, 29 (3) (1988), pp. 253–68. For an up-to-date discussion of the debt overhang theory in the context of the HIPC Initiative, see M. Ferry and M. Raffinot, *Curse or Blessing? Has the Impact of Debt Relief Lived Up to Expectations?* (Dauphine Université Paris, 2018), DT/2018-12.

1.4 WHICH COUNTRIES ACTUALLY RECEIVED ASSISTANCE?

To date thirty-six countries have passed through the HIPC process, and another three may yet benefit; the status of one country remains unclear. The original 1996 HIPC list included forty-one countries in Asia, Africa and Latin America (see Table 1).

Yet the creditors were far from coherent in their selection for the Initiative, which was originally only intended for low-income countries: At the time of the 1999 reform (see next section) Bolivia and Honduras just exceeded the upper income threshold, but had to be included in the interests of specific creditors, especially after Honduras was hit by the devastating hurricane *Mitch* in 1998. Although Nigeria lay far below the income limit and stood on the original HIPC list, it was nevertheless removed in 1999 when the Abacha dictatorship was replaced by the still very weak and fragile democratic Obasanjo government. The official justification was that Nigeria was a »blend« country that received loans from both the International Development Association (IDA) and the International Bank for Reconstruction and Development (IBRD). Yet this already applied to Nigeria when the first HIPC list was compiled, and the last IBRD loan to Nigeria – which the World Bank had long listed as a »heavily indebted poor country« – dated from the early 1980s. In fact Nigeria's debt of about $30 billion in 1994 would have made by far the group's largest debtor. Moreover about $20 billion were non-concessionary state loans; that simply appeared too expensive to the creditors in relation to the overall costs of the Initiative.

Most of the original forty-one countries have in the meantime completed the debt reduction process. But eight have not received debt relief under HIPC for various reasons. In some cases closer examination revealed that – as far as the World Bank and IMF were concerned – their debt was in fact sustainable without HIPC relief. Others proactively rejected HIPC debt relief, fearing exclusion from capital markets. And finally, some, as described above for Nigeria, were simply too expensive for the international financial institutions. The following were removed from the list:

Angola, Equatorial Guinea, Kenya, Laos, Myanmar, Nigeria, Vietnam, Yemen

Six countries were added later on account of significant political and/or economic developments:

Afghanistan, Comoros, Eritrea, Gambia, Haiti, Malawi.

Two states were offered HIPC relief at some point but turned it down:

Kyrgyzstan, Sri Lanka

Finally the HIPC Initiative could be specially reopened for one specific country – if it were to decide to cooperate with the international financial institutions and its internal political circumstances made debt relief appear sensible and appropriate:

Zimbabwe[6]

This study focuses on thirty-six of the thirty-nine currently qualified countries, omitting the three that have yet to reach the *decision point* (Table 2). In the meantime, how-

6 In view of the foreseeable risk of default, Zimbabwe was placed on a kind of »reserve list« in 2006 *(grandfathered)*. That does not mean, however, that Zimbabwe can simply turn up in Washington

Table 1
41 original HIPCs

Angola	Madagascar
Benin	Mali
Bolivia	Mauritania
Burkina Faso	Mozambique
Burundi	Myanmar
Cameroon	Nicaragua
Central African Republic	Niger
Chad	Nigeria
Congo, DR	Rwanda
Congo, Republic	São Tomé & Príncipe
Côte d' Ivoire	Senegal
Equatorial Guinea	Sierra Leone
Ethiopia	Somalia
Ghana	Sudan
Guinea	Tanzania
Guinea-Bissau	Togo
Guyana	Uganda
Honduras	Vietnam
Kenya	Yemen
Laos	Zambia
Liberia	

Table 2
36 post-completion point HIPCs as of January 2019

Afghanistan	Madagascar
Benin	Malawi
Bolivia	Mali
Burkina Faso	Mauritania
Burundi	Mozambique
Cameroon	Nicaragua
Central African Republic	Niger
Chad	Rwanda
Comoros	São Tomé & Príncipe
Congo, DR	Senegal
Congo, Republic	Sierra Leone
Côte d' Ivoire	Tanzania
Ethiopia	Togo
Gambia	Uganda
Ghana	Zambia
Guinea	
Guinea-Bissau	
Guyana	
Haiti	
Honduras	
Liberia	

ever, Bolivia no longer qualifies for the IMF's »soft loan« window, the *Poverty Reduction and Growth Trust* (PRST), and as a result the IMF no longer prepares the same series of standard statistics (such as categorisation of debt risk) for Bolivia as it does for other countries. Where this is relevant the data is thus restricted to thirty-five countries.

1.5 IMPROVEMENTS BETWEEN 1996 AND 2005

The biggest qualitative advance in 1996 was that it became possible to cancel multilateral debt. But that does not mean that those debts were actually cancelled on an adequate scale. Instead the original Initiative had to be reformed and expanded over a period of ten years before, through increasingly broad debt cancellations, at least a majority of the HIPCs achieved a sustainable level of debt.

The most important spur for reform came from the 1999 G8 summit in Cologne. At that point the HIPC Initiative of 1996 had only granted very limited relief to six countries out of the original list of forty-one. Germany, as the G8 host country, had just experienced a transition from a long-serving conservative coalition to a left-liberal one led by the SPD with the Greens as junior partner. This created a favourable basis for drastic action to liberate the poorest countries from their persistent debt overhang, in place of the hitherto predominant logic of seeking the smallest possible debt cancellation.

To this end the Cologne G8 Summit reduced the sustainability threshold for net present value of overall debt to 150 percent of annual export revenues and the threshold for repayments to 15 percent of export revenues. This relativised the paradox of the original HIPC Initiative, where a series of countries were not classified as needing relief at all. Now rather than six, suddenly all forty-one were potentially entitled to relief.

The timeframe was also flexibilised. In place of the rigid 3+3 rhythm, countries were given the option of achieving *decision point* and *completion point* as rapidly as they could fulfil the IMF's requirements. This enabled leading Uganda to reach both the *decision point* and the *completion point* by the year 2000. A string of other countries followed in the so-called *millennium rush*, as World Bank and IMF moved to a significantly more generous assessment of reform efforts in order to list as many countries as possible as having achieved the *decision point* and be able to approve their debt relief before the end of the symbolic year of 2000.

The third important innovation, finally, was that debt relief was made conditional on poverty reduction (in addition to implementation of a classic structural adjustment programme). The participating countries were required, in cooperation with their local civil society, to prepare a *poverty reduction strategy paper (PRSP)* laying out in binding form the areas and instruments in which the funds released by the debt cancellation would be used to reduce poverty.

But even after the Cologne decisions some countries still did not reliably fall within the sustainability thresholds. The 2002 G8 Summit in Kananaskis, Canada, therefore introduced the possibility of *topping-up* a debt cancellation if the relief implemented at the *completion point* left a country outside the sustainability criteria. This could occur for example if the global economic circumstances developed less positively than the IMF predicted for the time following debt relief in its notoriously optimistic forecasts.[7] Since 2002 Burkina Faso, Niger and Rwanda, as well as Malawi and São Tomé & Príncipe have received additional debt relief in this context.

By 2005 it was apparent that – despite these improvements – some countries had not achieved solvency despite being within the HIPC threshold while others never crossed the threshold in the first place. The reason for the latter was above all that the debt cancellation was calculated principally on the basis of overoptimistic revenue forecasts by the IMF and World Bank. Later the net present value was based on discounting rates that were not always realistic. After beginning with such great expectations the HIPC Initiative threatened to get bogged down in questions of technical detail, which especially disappointed centre-left governments in Germany and the United Kingdom that had been hoping for spectacular successes in this field.

1.6 AFTER 2005: ALMOST COMPLETE CANCELLATION OF MULTILATERAL DEBT UNDER THE MULTILATERAL DEBT RELIEF INITIATIVE (MDRI)

At their 2005 summit in Gleneagles, Scotland, the G8 therefore decided not to pursue another – possibly again inadequate – reduction of the threshold for sustainable debt. Instead they adopted a new approach following a completely different logic: the *Multilateral Debt Relief Initiative (MDRI)*. Under MRDI, which also operated retrospectively, countries reaching the *completion point* would be forgiven all debts incurred before the *HIPC cut-off* date with the IMF, the IDA, the African Development Fund, and later also the FSO.[8]

and apply for comprehensive debt relief. This is because neither the IMF nor the World Bank themselves know with certainty whether the Initiative is still open. The latest HIPC Initiative *Status of Implementation Report* in 2016 lists Zimbabwe as *status unclear*. For further detail on the possibility of including Zimbabwe, see section 4.

7 EURODAD, *What Goes Down Might Not Come Up* (2001).

8 The African Development Fund (AfDF) and the Fund for Special Operations (FSO) are the credit windows for low-interest or interest-free development loans from the African and Inter-American development banks respectively.

As the debt/exports indicator in Figure 1 shows, it was the MDRI that made it possible to achieve sustainability. This move to a blanket and almost comprehensive cancellation represented a paradigm shift, and a clear admission on the part of creditors that their persistent efforts to achieve sustainable debt levels without forgiving a single dollar too many or few in the scope of HIPC had failed. Compared to the finely tuned mechanism of the HIPC sustainability calculations the MDRI was a big broom sweeping all the clutter from the table after decades futile effort and frustration. As a result of these erratic debt cancellations, however, the post-relief debt levels of the HIPCs diverged very strongly after 2005: Those who still had most of their debt with the three major creditors even after HIPC were ultimately able to reduce their foreign debt far below the target level of the HIPC Initiative and subsequently enjoyed correspondingly greater leeway for development funding and not least for new borrowing. Those whose debts were more with other creditors – which may not have participated at all in the debt cancellation – achieved little more relief under MDRI than they would have under HIPC.

2

HOW EFFECTIVE WAS THE DEBT RELIEF?

2.1 MOST COMPREHENSIVE RELIEF FOR MANY COUNTRIES

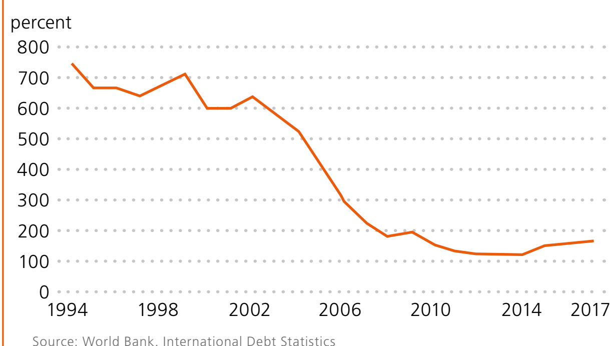
There had been other debt cancellations before the HIPC Initiative. These had been negotiated individually, on the basis of the standardised rules of the Paris Club. The HIPC Initiative was the first in recent economic history to grant relief to a larger number of countries more or less uniformly under a single set of rules. The powerful creditors that determine the policies of the international financial institutions have thus implicitly acknowledged the systemic nature of debt crises.

If we examine the thirty-six HIPCs that have already received relief the outcome is impressive, as Figure 1 shows: The utterly absurd debt levels of the 1990s were successfully brought down. But if we compare the reduction in the central »debt to exports« indicator with the trends for absolute debt (Figure 2) and debt service (Figure 3), the picture is rather less rosy: Both nominal debt and debt service fall considerably less significantly than the ratio of debt service to export revenue. One reason for this is that exclusion of the inflation effect obscures the falling real value of nominal debt service. Another, more important factor is the expansion in export revenues of the affected countries, which was partly a result of the debt relief. In the graphs this also explains the difference between the rather moderate post-relief rise in the debt/exports ratio, while in absolute terms both debt and debt service absolutely explode, reaching more than double the levels achieved through the debt relief programme.

Alongside inflation the following reasons are salient in the period under consideration:

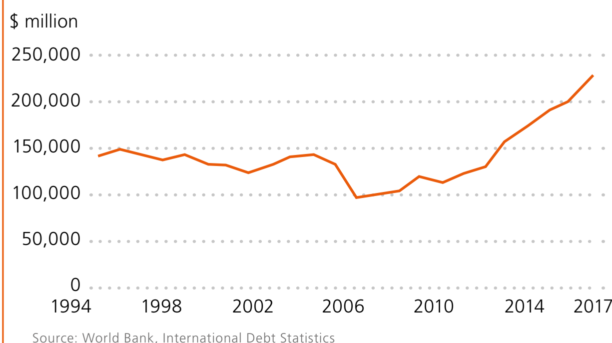
– In many countries considerable arrears to bilateral and multilateral creditors first had to be settled, which as a rule meant new loans or in especially hopeless cases financial aid from particular rich countries that were especially interested in HIPC. See Figure 4.

Figure 1
Debt to exports for 36 HIPCs



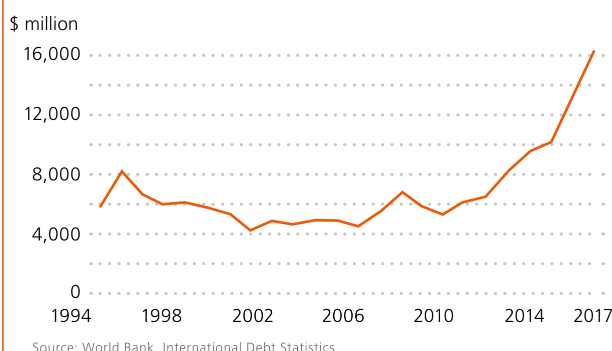
Source: World Bank, International Debt Statistics

Figure 2
Debt of 36 post–completion point HIPCs



Source: World Bank, International Debt Statistics

Figure 3
Debt service of 36 post–completion point HIPCs



Source: World Bank, International Debt Statistics

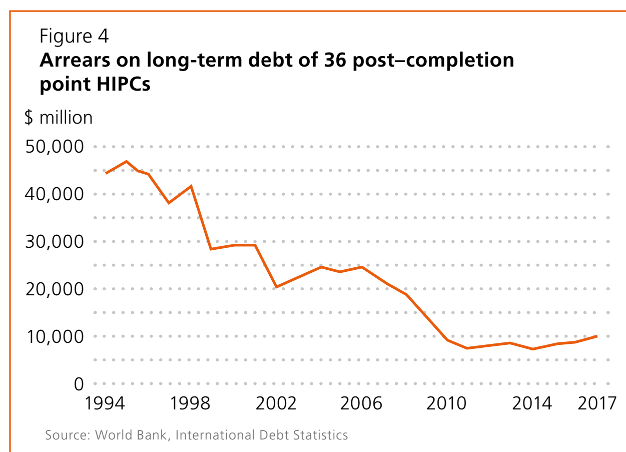


Figure 4
Arrears on long-term debt of 36 post–completion point HIPCs

Source: World Bank, International Debt Statistics

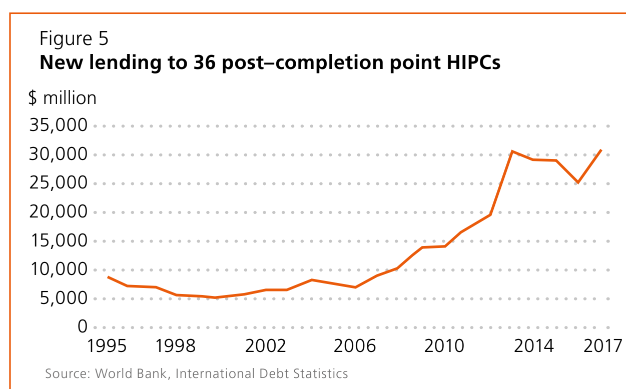


Figure 5
New lending to 36 post–completion point HIPCs

Source: World Bank, International Debt Statistics

– In many countries new borrowing increased relatively quickly after debt relief, as Figure 5 shows.[9]
– HIPC boosted economic growth in many places; in other words, the debt-to-GDP ratio improved above all as a result of an increasing denominator.

2.2 COUNTRY SPECIFICS AND TYPES

Table A1 in the Appendix shows the indicator of debt to annual export revenues, which is central to implementation of the HIPC programme, for individual countries.

Table 3 establishes a typology identifying which countries exhibit each of four central characteristics of the debt relief process:

– Column (1) identifies the countries responsible for driving the overall average to such dramatic heights through especially high debt indicators before the debt relief process began. The causes of the extremely high values are all political. Most of these cases concern countries that had been on the side of the Soviet Union in proxy wars with the United States during the Cold War. Because the Soviet Union – unlike the United States – supplied its allies with arms and other assistance primarily in the form of loans, the debts of Mozambique, Ethiopia, Guinea-Bissau and Nicaragua grew rapidly. In other cases civil war or severe civil conflict was an important reason for the rising debt.
– Column (2) indicates the countries that had come closest to the HIPC objective of sustainable debt even before the launch of MDRI.[10] These are the countries with the smallest proportion of their debt with IMF, IDA, and AfDF/FSO. In these cases 90/100 percent reductions of bilateral debt by the Paris Club and the partial cancellation of multilateral debts had already had a greater effect.
– Columns (3) and (4) indicate the countries that deviate most strongly from the general trend in Figure 1: positively (column 3) or negatively (column 4). The countries indicated in column (3) avoid the visible increase in the debt/export ratio after its low point in 2012 and 2013. The reasons for this vary. In most cases these are countries that were less able than others to reestablish a footing in the international capital markets after the debt relief.
– The countries in column (4) represent the opposite end of the spectrum to those with consistently low debts in column (3). Uganda stands out as a country that has become highly attractive to foreign investors, above all on account of its economic success and strong regional position. Most of the other countries in this category are cases where heavy borrowing was associated with resource exploration (see also the more detailed discussion of new borrowing in section 3).

2.3 WHERE HAS THE HIPC INITIATIVE FAILED?

HIPC was launched as a comprehensive initiative to reduce the overall debt of affected countries to sustainable levels. This represented a paradigm shift compared to the practice of the Paris and London Clubs, which were only concerned with their own respective claims. In the course of the process assumptions were made about countries' future ability to pay, and applied as criteria for granting restructuring conditions. The problem was that nobody was able to predict the behaviour of competing creditors. Each group of creditors had an incentive to make as few concessions as possible, hoping that other creditors would grant greater relief, while they themselves received full repayment. This classic *prisoner's dilemma* was one of the reasons for the inadequacy of debt cancellations in the pre-HIPC era, which saw countries negotiating with the Paris Club up to fourteen times in two decades.

The HIPC Initiative finally addressed this dilemma by defining a sustainability threshold that applied to all, and obliging all creditors to contribute to achieving it. It was problematic, however, that the Initiative was not a formal legal construct with the quality of an insolvency process but instead merely attempted to coordinate the existing

9 New borrowing is discussed in greater detail in section 3.

10 Defined here as a ratio of debt to export revenues < 250 percent. The HIPC threshold is 150 percent, but in terms of net present value, for which comprehensive time series are not available.

Table 3
Typology of HIPCs

Land	(1) Particularly high initial debt	(2) Debt/export revenues already < 250 percent before 2006	(3) Lasting debt reduction, no new increase as of 2017	(4) Fastest new borrowing
Afghanistan				
Benin		X		
Bolivia		X		
Burkina Faso				
Burundi	X		X	
Côte d' Ivoire		X		
Cameroon				X
Central African Republic				
Chad				
Comoros			X	
Congo, DR			X	
Congo, Republic		X		X
Ethiopia	X			
Gambia				
Ghana		X		
Guinea			X	
Guinea-Bissau	X		X	
Guyana		X		
Haiti	X			
Honduras		X		
Liberia				X
Madagascar			X	
Malawi				
Mali				
Mauritania				
Mozambique	X	X		
Nicaragua	X			
Niger				X
Rwanda	X			
São Tomé & Príncipe				
Senegal		X		
Sierra Leone				
Tanzania				
Togo		X		
Uganda				X
Zambia				X

largely informal processes in a top-down fashion. This created an internally logical procedure with its own decision-making hierarchy:

1. First of all the World Bank and IMF authoritatively determine the level of the necessary debt relief on the basis of the predetermined sustainability thresholds.
2. Then the Paris Club of rich industrialised countries grants the debt relief already due under its rules (67 percent under *Naples Terms*, 80 percent under *Lyon Terms* or 90 percent under *Cologne Terms*, with most Club members rounding the latter up to 100 percent for the sake of simplicity).
3. Then the Paris Club's equal treatment clause in theory obliges all bilateral creditors that are not members of the Club to grant the same reduction as the Club itself. This applies above all to bilateral public creditors that are – or were at the time – not members of the Club; these

prominently include Taiwan, Kuwait, Brazil and certain other HIPCs, as well as private banks and (to a small extent) bondholders.

4. After bilateral relief, the multilateral creditors grant as much debt relief as necessary to achieve the sustainability objective.

The most important weakness in this internally consistent sequence is the assumption of equal treatment in step (3). The Paris Club possesses no power to force any other creditor to grant the debtor relief. Instead it simply obliges the debtor, through a clause in the *Agreed Minutes*, to negotiate comparable relief with all other bilateral creditors. The Club does not tell the debtor how it can persuade an unwilling creditor to make such a concession. There is after all a certain justification to a lender finding it unacceptable for other governments in Paris to decide about its claims against a state without even giving it a hearing.

Equal treatment succeeds better on the multilateral side than on the bilateral, with participation reaching 99 percent. This is because at the time when the debts to be forgiven under HIPC were incurred the landscape of multilateral institutions was still a great deal less complex than it is today. By the end of 2016 bilateral non–Paris Club creditors were supposed to have contributed $4,776 billion (NPV 2015) in debt reduction but had actually contributed only $2,266 billion.[11]

Table 4

Reduction	Number of countries	Expected (million $)	Delivered (million $)
> 80 percent	19	1,511	1,369
40-80 percent	9	1,107	769
1-40 percent	12	777	128
no reduction	15	1,380	0

Given that most HIPCs have long since ceased serving these debts, the problem might at first glance appear academic in nature. In reality even currently unserviced debts can land a country in great difficulties, namely if the holder of the claim seeks legal recourse to recover a debt – that has long been removed from the public budget – through the courts.

In the past creditors have employed the courts in order to recover debts independently of restructuring granted elsewhere – and sometimes specifically because restructuring put the debtor in a position to repay at all. Two fundamental modes can be identified:

– **Holdouts** are original creditors who have not participated in debt cancellations and attempt to recover the original debt through the courts. The World Bank regularly surveys HIPCs on their experience with such cases and in 2017 reported fifteen cases, most of them still pending, against eight HIPCs with a total dispute value of about $580 million. It can be assumed that this figure does not include all active cases because reporting to the World Bank is voluntary and debtor governments may have good reasons to keep cases under wraps.
– **Vulture fund** is a term generally applied to investors who purchase various types of debt title of bankrupt states at large discounts on the secondary market in order then – like *holdouts* – to sue for full recompense plus interest, fees and process costs. Zambia is to date the only HIPC affected – in spectacular fashion – by this business model, and the chances of actually seizing property with such a legal title are not very high. But the large discount on purchased claims make for enormous profit margins in the event of success.

Vulture funds in particular present a serious danger not just to the affected indebted states but in two respects also to the community of creditors:

– They divert the fiscal leeway created by the generosity of other creditors – which is actually supposed to secure the probability of repayment of the remaining claims – into the pockets of rival creditors, and as such increase the risk of further defaults.
– They hinder future restructurings by encouraging individual creditors to extract the maximum gain on their own account rather than participating in a comprehensive solution.

For this reason sovereign lenders have taken steps to strengthen the position of debtors and introduced legislation to end the vulture fund model – at least in their own jurisdictions. The former approach is represented by the *African Legal Support Facility (ALSF)* of the African Development Bank, a kind of legal aid for African state attacked by vulture funds.

Anti–vulture fund legislation has been introduced in Belgium, France and the United Kingdom, all three of which are important jurisdictions for such cases. The Belgian and French laws restrict the sums that can be recovered to the price the purchaser paid for the title. The British law attempts to close the holes in the comprehensive character of the HIPC restructuring created by such cases by restricting the recoverable sum to the amount the creditor would have received had they participated in the HIPC process. Unlike the Belgian and French laws, the British legislation thus applies only to HIPCs.

2.4 OTHER HIPCS?

The HIPC Initiative as such ended with the *sunset clause* of 2006. Alongside the thirty-six countries described here in detail, another three qualify, but have for political or economic reasons failed to achieve the *decision point* in the first twenty years of the Initiative. They are all in East Afri-

11 IMF/IDA, *HIPC/MDRI Statistical Update 2017* (2017), Table AIII,15.

ca: Somalia, Sudan and Eritrea. Recent political developments give reason for cautious optimism that HIPC/MDRI could soon be implemented even in these last three countries.

Depending on internal political developments it is possible that the Initiative could be brought to a conclusion in the coming years, at least with respect to the currently qualified thirty-nine countries. But the three last candidates would still have to complete the existing qualification steps:

a) Agreement with bilateral creditors, especially the Paris Club, about a far-reaching restructuring of old obligations that have not been serviced for a very long time;
b) Agreement with the IMF on a structural adjustment programme; all three are currently following less binding programmes that would not qualify them for an HIPC cancellation. In the case of Somalia there is also a question mark over which part of the former Somali state an agreement would actually apply to. A similar problem could arise in Sudan. The HIPC qualification was originally issued for Sudan as a whole, but South Sudan, which originally seceded debt-free, is in the meantime also in default.
c) Payment of old debts to IMF and World Bank. While Sudan might be partially capable of this, Somalia and Eritrea would be completely dependent on aid from foreign donors.

Alongside these three countries, one other – whose status is currently described as »unclear« by IMF/WB – could also qualify – Zimbabwe.

When the HIPC Initiative was launched Zimbabwe's debt was a comparatively moderate: 74 percent of GDP or 183 percent of export revenues. Depending on the method used to calculate the NPV that might or might not have been enough to qualify for an HIPC cancellation. It remained outside the programme because at the time it was still a middle-income country.

Since then it has slipped below the income threshold because of economic mismanagement under the Mugabe government, and its debts have reached a critical level. During this period Zimbabwe has experienced several existential economic crises, largely isolated itself from international donors and many trading partners, and receives its new capital principally from China and obscure private sources.

In October 2018 the newly elected Mnangagwa government pulled out all the stops to pay its outstanding debts to the IMF. Plans to clear its arrears with the World Bank are in preparation. That could open the door for HIPC debt relief.

But would that be sensible in light of Zimbabwe's political circumstances?

The advantage of HIPC/MDRI would be using an existing debt cancellation instrument that includes almost all creditors and would not first require long negotiations about who relinquishes what so that the country regains economic viability and is thus able to service its debts again.

Between 2000 and 2014 China lent more than $1.7 billion to Zimbabwe, and it is unclear how much of this has already been repaid. Part of China's claim is secured against income from the sale of tobacco, platinum and diamonds. Such a situation was almost unknown in earlier HIPC cases. It makes it exceptionally difficult to arrive at a fair and consistent arrangement to which all the parties could sign up.

And that is not the only critical question in this connection. The Zimbabwe Coalition on Debt and Development (ZIMCODD) notes that already in 2015 $5.5 billion of the country's roughly $8 billion foreign debt comprised arrears, most of which were unpaid and capitalised interest. In other words, this money has never generated economic growth, from whose yields interest and principal could now be paid.

Who capitalised, and charged and compounded interest on which unpaid obligations, and on what basis, needs first of all to be addressed by an independent audit. A critical examination is also needed of the legitimacy or illegitimacy of decades of loans to the Mugabe regime, even through phases of the worst human rights violations.

In the thirty-six HIPCs that have received relief to date, the IMF and World Bank have assisted even questionable regimes. For that reason such an audit is logically not foreseen under the HIPC Initiative. But it would be important in order to persuade creditors to cancel part of their claims on Zimbabwe, which it has long ceased to service. Instead demonstrative transparency could be created, and not only concerning the misdeeds of the Mugabe regime, but also the errors of its counterparts in Washington, Berlin, London and Beijing. For avoiding future debt crises that would be at least as important as an urgently needed one-off debt cancellation.

2.5 HOW HAS DEBT RELIEF AFFECTED THE IMPLEMENTATION OF DEVELOPMENT GOALS?

With the reform of the HIPC Initiative at their 1999 Summit in Cologne, the G8 attempted to create a closer connection between debt relief and poverty reduction, by specifying that the funds released were to be used in the scope of PRSP. This raises two questions:

- Were resources released on a scale capable of facilitating poverty reduction?
- Were released resources used in ways that actually caused a noticeable reduction in poverty?

In its *2017 Statistical Update* on the HIPC Initiative the World Bank answers the first question positively for the HIPCs as a whole. Figure 6 shows the changes in spending on debt service and poverty reduction in the five years before and after the respective *completion point* (indexed to 100). The graph strongly suggests that the fiscal leeway created by debt relief translated – as the creditors hoped – into poverty-reducing spending.

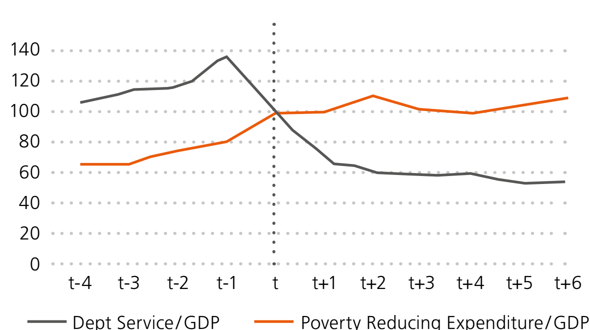
It must be noted at this juncture that the definition of »poverty-reducing expenditure« is not always unambiguous. And unfortunately the definitions are not always consistent, even within the individual countries, especially before and after 2000. Finally it must also be remembered that not all public spending in the named social areas necessarily serve poverty reduction: Building a police station in an otherwise insecure rural area may make a better contribution to poverty reduction than new limousines for the health minister.[12]

Despite this caveat it can be assumed that the HIPC/MDRI debt relief contributed to a noticeable increase in spending on poverty reduction.[13]

Figure 6

Poverty-Reducing Expenditure and Dept Service in 36 Post-Decision-Point HIPCs, (in % of GDP)*

(indexed to 100 at completion point)



* Due to data constraints ´t` indicates completion point rather than decision point. As result, the effect of dept relief may be underestimated since some dept relief may have occurred prior to completion point. For detailed country data and projections, refer to Appendix III Table 2 and 3.

Source: HIPC documents; World Bank and Fund staff estimates.

12 Not to speak of public funding for the privatisation and centralisation of a public health service. The example of the Queen Mamohato Memorial Hospital in Lesotho is described in EURODAD, *History RePPPeated: How Public Private Partnerships are Failing*, pp. 20–22.

13 Even with the aforementioned caveats, comparison of debt service and poverty-reducing expenditure in the annual Status of Implementation Reports shows that spending has increased in almost all countries as debt service has broadly fallen. See Table AIII.3 in IDA/IMF, *HIPC/MDRI Status of Implementation Report* (2017).

3

DEBT RELIEF AND NEW BORROWING: HEADING FOR THE NEXT CRISIS?

3.1 IMF RISK ASSESSMENT IN POST-COMPLETION POINT HIPCS

The errors made by the IMF in assessing debt sustainability in the pre-HIPC era have come in for sharp global criticism.[14] From this the IMF has at least learned that closer examination of debt levels and dynamics, of the entire foreseeable funding needs and also the political risks is needed if the risk of new over-indebtedness is to be properly assessed.[15] So today's debt sustainability analyses are deeper and more thorough than those conducted in the pre-HIPC era.

Improved insight into the debt risks of economically and politically weak states has led the IMF to abandon its erstwhile stance that »states cannot go bankrupt« and in some cases become instead the loudest warner against overly casual new lending and borrowing. This applies not only to the spectacular clashes between the IMF and the EU governments over the question of whether Greece needed further debt cancellations post-2017. It also applies in connection with the future of the HIPCs after debt reduction.

The most visible expression of worries about this group of countries in Washington are the blunt assessments of countries as being at low, moderate or high risk, or already in distress, which the IMF includes in each of its sustainability analyses for low-income countries (and for small island states). The rigidity of these assessments visibly pays little heed to the interests for example of IMF members that are attempting through initiatives like the *Compact with Africa* to open up additional lucrative investment opportunities for their national capital in the Global South. Countries where the German government is currently seeking in the G20 context to improve the conditions for capital export from Germany and other rich countries are underlined in Table 5. The conflict is most virulent between the capital export interests of the German government (and other actors like the World Bank) and the IMF's desire to keep borrowing cautious in the interest of preserving debt sustainability in Ethiopia and Ghana.

On 1 January 2019 the thirty-five post–completion point HIPCs were classified as follows:[16]

The IMF's assessment is based on a baseline scenario that the IMF staff believe to be the most likely in the next twenty years, as well as several shock scenarios. If the debt indicators remain below the critical limits in all scenarios the debt distress risk is »low«.[17] If it exceeds a threshold in at least one of the shock scenarios the risk is »moderate«; if at least one indicator exceeds the critical limit in the baseline scenario the debt distress risk is »high«. Countries that have already ceased servicing part of their debt are classified as »in distress«.

The IMF's annual and biannual debt sustainability analyses change as the situation changes. The kind of summary presented in Table 5 can therefore only be a snapshot.

The greatest concern conveyed by the snapshot of the situation at the end of 2018 is the small number of countries with low risk. Debt relief under HIPC/MDRI was an enormous feat for all involved. Some tied it to an expectation that the debt problems of the countries involved would now be solved for a very long time – some even thought »for ever«.[18]

14 At their 2002 Summit in Kananaskis the G7 – visibly frustrated by the repeated corrections to debt sustainability and need for relief – called uncharacteristically undiplomatically for »more objective and transparent surveillance« by the IMF, »including the assessment of debt sustainability, and consideration of greater independence between the IMF's surveillance and lending roles«.

15 It has not learned that its own monopoly on the assessment of debt sustainability is one of the main reasons for the dramatic miscalculations of the past, and that decisions whether or not to cancel debt therefore require a »second opinion«.

16 Bolivia lost PRSP-eligibility after its restructuring, and such assessments are therefore no longer prepared.

17 Debt indicators represent the ratio of public or foreign debt to GDP.

18 See section 4.

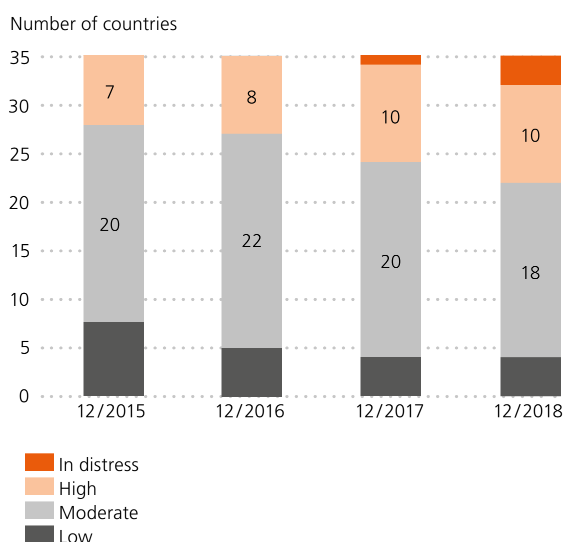
Table 5
Debt distress risk in 35 post-relief HIPCs

Low risk	Moderate risk	High risk	In distress
Rwanda	Benin	Afghanistan	Gambia
Senegal	Burkina Faso	Burundi	Mozambique
Tanzania	Comoros	Cameroon	São Tomé & Príncipe
Uganda	Congo, DR	Central African Republic	
	Congo, Republic	Chad	
	Côte d' Ivoire	Ethiopia	
	Guinea	Ghana	
	Guinea-Bissau	Haiti	
	Guyana	Mauritania	
	Honduras	Sierra Leone	
	Liberia	Zambia	
	Madagascar		
	Malawi		
	Mali		
	Nicaragua		
	Niger		
	Togo		

Source: IMF: Debt Sustainability Analyses

Countries where the German government is currently seeking in the G20 context to improve the conditions for capital export from Germany and other rich countries

Figure 7
Debt distress risks in post-relief HIPCs



Source: IMF Dept Sustainability Analyses

Figure 7 shows how quickly countries can slide into more problematic categories.

3.2 STRONG RISE FOR SOME, STEADY LOW LEVEL FOR OTHER COUNTRIES

Anex A1 showed the (unweighted) average for the ratio of debt to export revenues for all thirty-six post-relief HIPCs: the reduction of the absurdly high levels of debt through the Initiative, the low point in 2012 and 2013 and the subsequent uptick to exceed the 150 percent threshold in 2016. In 2017 the ratio of debt to export revenues was on average 1.3 times the low point reached by the average for all countries in 2012 and 2013. In terms of whether – and how fast – they are moving towards a new critical debt level, the countries for which indicators are available can be roughly divided into **four categories:**[19]

- Countries that follow this trend, with a rise of between 1.2 and 1.9 times their respective low point: Benin, Bolivia, Côte d'Ivoire, Ghana, Gambia, Honduras, Malawi, Mali, Nicaragua, Rwanda, Tanzania.
- Countries whose low point was not reached until 2017, or that in 2017 exhibit only a marginal rise of up to 1.1 times their respective low point: Burkina Faso, Burundi, Comoros, DR Congo, Guinea, Guinea-Bissau, Guyana, Madagascar, São Tomé & Príncipe.
- Countries with a noticeably above-average rise to the range 2.0 to 2.9 times: Haiti, Mozambique, Senegal, Sierra Leone, Togo, Mauritania.
- Countries with dramatic rise in new borrowing, to more than 3.0 times the figure at the low point: Cameroon, Republic of Congo, Ethiopia, Liberia, Niger, Zambia.

19 Data not available for Chad or Central African Republic.

Not all countries that exhibit only a small rise in debt or none at all can automatically be assumed to follow a model – cautious – policy on new borrowing. In the named group this applies most to Burkina Faso, the Comoros, Guinea, Guyana and Madagascar. In the case of Burundi the level of debt has always remained above the 150 percent level and has been stuck there since *completion point* in 2009. In DR Congo and Guinea-Bissau very restricted access to credit outside the shadow economy has inhibited (official) new borrowing. In São Tomé & Príncipe the debt level at *completion point* was still so high that incremental debt reduction has continued almost to the present day above all in relation to bilateral creditors.

Among the countries with a clear increase in new borrowing the most spectacular cases where both factors came together are Republic of Congo and Mozambique, both of which have defaulted in the past three years.

Zambia still possesses functioning official institutions but is moving rapidly towards criticality.

As in the case of current debt levels, two factors play an important role in those countries whose new borrowing is rising faster than average (over and above the general trend of credit tourism from the rich countries):

- **Poor governance:** Principally personal enrichment of decision-makers up to and including the head of state, parliamentary controls underdeveloped or subverted by the executive, and inadequate technical provision and staffing of *debt management offices*.
- **Resource curse:** The affected countries are extremely susceptible to fluctuations in global prices for a small number of export products, in some cases just one. They are thus forced to fill gaps in the budget through internal or external borrowing.

The two factors also reinforce one another: A one-sided orientation on rent-producing resource extraction prevents the emergence of a middle class capable of functioning as a counterweight to the small elite. The latter in turn does everything in its power to defend the source of its income in the resource sector. Efforts to promote progressive redistribution are therefore futile in such societies. For future borrowing and debt relief processes this means that the classical constellation of the 1970s and 1980s survives unbroken: foreign investors are drawn in by promises of returns higher than in their own country; local elites can or must accept their generous credit terms in order to keep their public institutions functioning; and the growing debt forces both sides in the event of crisis to incessantly deepen the credit-based development model.

3.3 NEW CREDITORS

Table A1 in the Appendix shows the development of net new borrowing in the quantitatively most important HIPCs, which already have the completion point behind them.

What all of them share in common is the considerable quantitative increase in absolute foreign debt. Differences are found in relation to the participation of the various creditor groups:

- Countries with ongoing access to concessionary financing, as against the majority that tend to rely increasingly on non-concessionary financing;
- Countries with an ongoing high or even growing share of multilateral donors, as against countries that rely especially heavily on private (and thus expensive) external financing;
- Countries where the state remains the only external borrower, as against those where the national private sector also accesses foreign financing in the form of bank loans or bonds.

4

LESSONS FOR THE NEXT DEBT CRISIS

What lessons does the history of HIPC/MDRI debt relief hold for those dealing with the next crisis?

POINT 1 STATES CAN GO BANKRUPT.

While that insight sounds banal today, the creditors denied it for two decades. The outcome was the exorbitant levels of debt of the late 1990s, which had to be reduced at enormous effort and expense. It would have been significantly less costly for the creditors to reduce the debts at an earlier stage to the same extent they were cut under HIPC/MDRI. That might well have saved the debtors their »lost development decade«.

POINT 2 DEBT RELIEF DOES NOT PREVENT FUTURE DEBT DISTRESS.

In the exuberance of their conceptual breakthrough, the authors of one IMF paper wrote in 1999: »The Initiative targets overall debt sustainability on a case-by-case basis, thus providing a permanent exit from the rescheduling process.«[20] Today it is hard to imagine how experienced IMF economists could arrive at such a statement for anything other than propagandistic motives. Once granted, debt relief cannot have any reliable influence on whether and how a state takes on new and potentially excessive debt. Astonishingly the argument that »HIPC obviously failed, because so many countries are heavily indebted again« nevertheless still appears in the discussion about dealing with the next crisis.[21] The ostensible goal of such a line of argument is to exclude the possibility of further relief for countries that (again) reach critical levels of debt today. But if one follows this logic, one lands in the same trap that caused the »Third World debt crisis« to end in disaster – because the only option for dealing with crisis was to finance current debt servicing with new loans.

POINT 3 DISCIPLINE THE CREDITORS!

In connection with critical new borrowing, creditors like to point to the responsibility and sovereignty of the borrowing states. To ignore the governments' own responsibility smacks of colonialism, they say. What this ignores is that two sides are always involved where irresponsible credit deals leads to debt distress – namely a lender as well as a borrower. While the borrowing side is increasingly regulated by arrangements like the IMF's *Debt Limit Policy*, creditors today operate under the same fatal assumption of eternal sovereign ability to pay as before the HIPC-debt relief. Because sovereign creditors are also the rule-setting institutions, a credible restructuring procedure that took the power of decision out of the hands of the creditors would finally create an incentive for granting credit more cautiously.[22]

POINT 4 LIMITED DEBT RELIEF INITIATIVES ARE POSSIBLE AND USEFUL.

The HIPC Initiative came in for sharp criticism at the time, not least from the global debt relief movement, for its restriction to a small group of countries – while larger countries in comparable critical situations, like Nigeria or Argentina, were excluded on sometimes questionable grounds. This was balanced by its pragmatic strength: Despite the lack of a global insolvency regime to regulate transnational debtor-creditor relations, it succeeded in organising a far-reaching debt cancellation not only for individual cases but for a meaningful group of countries. If we consider today's debt distress risks, then specific threats could again form the basis for debt relief options, for ex-

20 R. Boote and K. Thugge, *Debt Relief for Low Income Countries: The HIPC Initiative* (Washington, 1999), p. 9, emphasis added.

21 According to a European IMF executive director in discussion with Erlassjahr.de and other NGOs at the IMF/WB annual meeting in Bali in October 2018.

22 For options for shaping these see J. Kaiser, *Resolving Sovereign Debt Crises*, FES Dialogue on Globalization (October 2013).

ample for countries that are especially threatened by climate change or suffer other natural disasters; for countries having to cope with collapsing commodity prices, that have experienced democratisation processes, or whose population urgently needs a »dividend« in the interests of global stability and democracy. This could offer a basis for debt relief options at least as long as the lack of consensus among governments and financial institutions blocks a formal global sovereign insolvency regime.

APPENDIX A1

Debt to export revenues in 36 post-completion point HIPCs

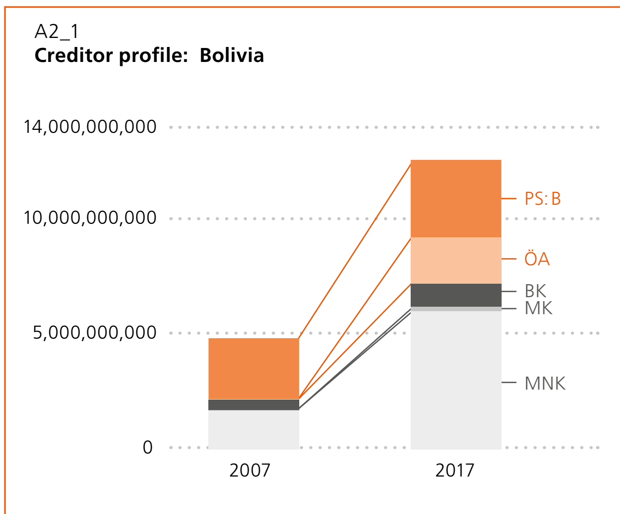
	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Congo, Rep.	526.7	434.7	297.3	284.8	342.4	289.7	177.0	217.7	203.8	194.9	187.6	126.3
Afghanistan	..	..	..	..	..	..	..	..	..	..	..	..
Benin	247.3	219.0	201.0	249.6	244.0	237.8	253.6	270.8	259.1	201.9	199.8	194.6
Bolivia	414.2	425.0	393.6	351.7	384.0	385.6	366.4	292.3	308.2	288.8	238.4	205.0
Burkina Faso	404.4	..	..	..	..	..	573.9	547.8	501.0	448.9	331.1	343.0
Burundi	1087.4	831.6	1971.3	1101.8	1556.2	1881.6	2031.9	2364.9	3129.0	2924.7	2071.7	1304.3
Cameroon	518.5	533.6	436.8	427.7	459.6	485.9	392.2	339.7	339.8	352.5	276.8	179.9
Chad	401.8	..	..	..	..	..	..	..	..	..	..	..
Central African Republic	496.0	..	..	..	..	..	..	..	..	..	..	..
Congo, Dem. Rep.	..	..	..	..	..	..	..	..	..	..	..	388.1
Comoros	466.7	424.4	..	..	..	..	..	..	..	452.4	509.1	484.7
Côte d'Ivoire	491.7	417.5	376.7	300.6	275.5	244.4	267.3	249.3	195.1	176.4	167.4	137.8
Ethiopia	1420.7	1235.1	1207.3	1005.8	1064.9	581.9	547.0	579.2	607.7	570.2	382.9	313.0
Ghana	395.7	372.0	368.1	377.5	272.4	285.5	274.5	284.1	295.6	258.3	209.8	185.6
Gambia, The	192.0	237.0	202.7	187.3	..	..	..	..	..	464.1	378.1	351.5
Guinea	461.5	456.5	420.3	470.6	437.5	415.0	408.1	356.4	405.9	436.3	414.6	362.0
Guinea-Bissau	2188.4	3020.8	3275.4	1619.9	..	..	..	1329.7	1573.0	1457.8	1315.4	1073.9
Guyana	346.1	330.3	222.0	211.7	211.9	210.7	201.0	198.9	207.4	217.2	182.7	177.8
Haiti	1131.8	435.3	482.4	282.7	225.5	230.0	238.9	289.4	304.1	290.5	259.7	222.6
Honduras	350.4	294.5	242.4	218.6	205.2	241.6	208.4	193.8	198.7	200.6	186.6	135.5
Liberia	..	..	..	..	..	..	..	..	..	..	1198.9	1113.7
Madagascar	622.4	571.6	526.8	622.5	630.8	637.2	559.0	402.8	401.5	601.5	410.5	261.8
Malawi	570.9	473.0	415.9	376.4	418.6	527.0	577.1	535.8	607.0	500.1	600.2	524.6
Mali	652.1	550.2	545.4	476.4	479.1	451.9	449.2	320.3	258.4	262.2	265.0	221.5
Mozambique	1408.8	1199.0	1049.7	990.8	1135.9	875.2	730.3	330.7	302.7	279.9	246.6	200.9
Nicaragua	2504.8	1706.6	940.9	776.7	743.5	735.2	693.1	675.7	704.9	672.3	412.9	349.5
Niger	565.3	490.1	405.0	499.2	441.2	512.5	515.7	478.1	539.2	497.9	355.6	326.5
Rwanda	1895.3	1044.9	1176.8	729.9	1013.0	1093.0	911.5	749.6	1110.0	1067.6	809.8	586.8
Sao Tome and Principe	..	..	..	1921.0	2284.8	1965.0	1811.4	2493.7	2096.1	1999.8	2220.1	1873.5
Senegal	285.7	245.8	262.4	284.1	278.9	262.8	262.6	252.2	259.3	226.7	168.7	150.7
Sierra Leone	715.9	968.5	1124.6	2443.9	2284.0	3789.1	1998.3	1471.4	1209.6	882.6	795.1	675.5
Tanzania	746.2	568.3	516.2	550.1	612.1	635.2	509.3	357.4	363.2	324.0	319.9	275.5
Togo	356.2	311.5	246.9	246.3	272.2	307.6	316.7	312.8	296.4	240.8	232.4	196.8
Uganda	628.1	529.1	456.0	489.9	534.7	495.1	493.6	522.2	552.9	531.3	410.7	280.7
Zambia	..	..	..	524.8	715.1	645.3	652.0	575.1	582.4	535.6	357.6	192.2
Mauritania	529.5	473.9	479.3	542.4	605.2	..	..	..	..	..	..	..

2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	
105.2	89.5	64.8	80.2	26.7	22.7	27.4	35.9	40.9	79.0	83.1	..	Congo, Rep.
..	..	143.9	111.8	89.0	82.5	110.6	162.7	119.6	147.9	187.1	186.7	Afghanistan
66.4	63.7	58.1	88.0	92.7	104.9	103.7	75.6	63.7	102.5	103.5	114.5	Benin
136.6	95.2	77.4	102.2	83.6	66.8	53.4	63.0	63.0	98.6	131.2	139.2	Bolivia
155.4	182.2	148.1	168.1	108.5	78.6	74.2	78.2	75.5	90.0	81.8	86.0	Burkina Faso
1403.0	1434.1	848.5	507.2	341.4	248.6	283.3	290.9	316.3	323.5	289.1	245.5	Burundi
69.6	48.3	38.4	59.5	56.0	40.3	51.2	63.1	65.8	104.9	126.9	154.3	Cameroon
..	..	..	..	..	..	..	..	..	..	..	..	Chad
..	..	..	..	..	..	..	..	..	..	..	..	Central African Republic
359.3	189.9	159.5	259.6	68.9	53.1	62.1	51.2	43.3	50.8	50.2	38.3	Congo, Dem. Rep.
462.1	374.6	346.7	354.5	307.0	266.6	270.4	135.2	117.3	126.7	137.8	124.6	Comoros
143.4	146.6	111.4	118.6	91.4	92.3	71.7	74.7	69.4	89.4	95.6	105.6	Côte d'Ivoire
98.5	95.1	80.6	156.0	156.6	147.8	174.3	205.5	264.9	349.3	401.9	397.6	Ethiopia
71.3	82.8	76.3	95.5	96.0	76.6	76.1	100.9	119.5	122.4	120.7	106.2	Ghana
349.3	276.1	126.8	185.3	196.6	199.1	196.4	209.9	195.7	201.0	210.2	247.5	Gambia, The
313.3	272.3	234.5	298.4	218.4	217.9	65.2	70.4	66.0	73.3	55.2	31.7	Guinea
1345.2	775.4	638.8	703.8	603.4	95.2	178.8	137.9	98.4	92.0	94.5	87.8	Guinea-Bissau
159.3	99.8	93.9	146.0	117.7	135.7	111.9	144.5	166.9	120.0	99.4	..	Guyana
214.8	199.9	207.8	136.0	91.4	57.2	83.1	97.4	113.4	116.1	128.9	138.4	Haiti
96.4	64.6	69.6	88.1	79.6	69.8	75.1	108.3	107.5	108.5	109.6	114.3	Honduras
822.8	672.0	404.7	391.9	116.6	104.3	124.0	77.4	93.3	160.5	239.8	252.9	Liberia
91.8	103.4	94.9	146.1	127.0	104.5	104.6	91.4	83.9	95.9	88.5	82.2	Madagascar
109.8	98.9	96.9	84.9	83.4	75.6	96.0	111.6	100.8	111.8	151.2	172.9	Malawi
83.0	92.3	77.5	100.0	97.9	102.2	89.3	101.8	103.9	114.0	110.1	127.6	Mali
95.1	99.5	103.7	142.3	152.3	126.7	114.8	173.7	198.1	243.5	276.3	216.5	Mozambique
194.4	164.3	158.6	207.4	196.0	178.9	176.7	193.7	187.9	204.2	211.1	199.1	Nicaragua
119.8	135.8	85.5	106.4	116.6	156.2	141.5	146.4	144.6	205.4	241.8	288.5	Niger
109.0	131.0	95.6	143.0	129.4	121.8	113.0	130.9	142.7	144.2	177.2	161.4	Rwanda
1578.8	819.7	677.3	738.6	690.9	740.1	593.7	393.8	213.8	257.3	241.2	276.3	Sao Tome and Principe
75.2	84.1	75.3	113.2	114.4	106.7	116.5	116.3	122.4	139.6	159.5	212.6	Senegal
485.5	147.4	182.1	225.7	218.3	191.8	107.4	78.9	94.5	196.9	170.2	..	Sierra Leone
116.2	119.5	105.4	144.6	136.2	132.0	131.6	153.0	164.6	173.1	172.9	205.6	Tanzania
204.5	202.2	134.9	136.8	91.6	29.9	37.2	38.7	46.1	56.7	63.4	105.9	Togo
72.3	65.4	72.5	81.4	84.4	75.7	75.4	174.1	175.4	201.2	196.0	222.5	Uganda
52.0	54.3	54.4	76.9	54.4	54.1	55.7	55.4	84.3	142.8	207.3	179.4	Zambia
101.8	105.9	97.5	139.9	116.4	90.1	113.8	118.9	157.2	222.0	227.2	207.3	Mauritania

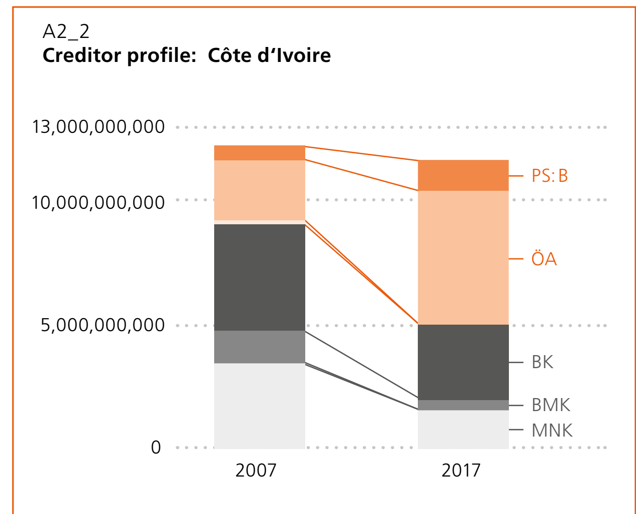
APPENDIX A2

Creditor profiles of selected post–completion point HIPCs

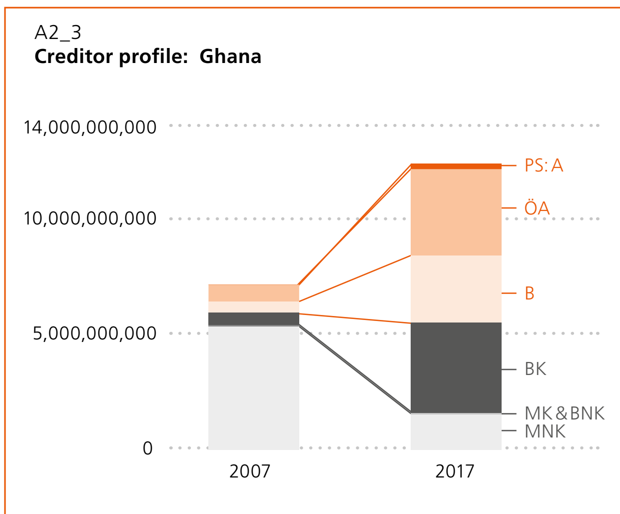
A2_1
Creditor profile: Bolivia



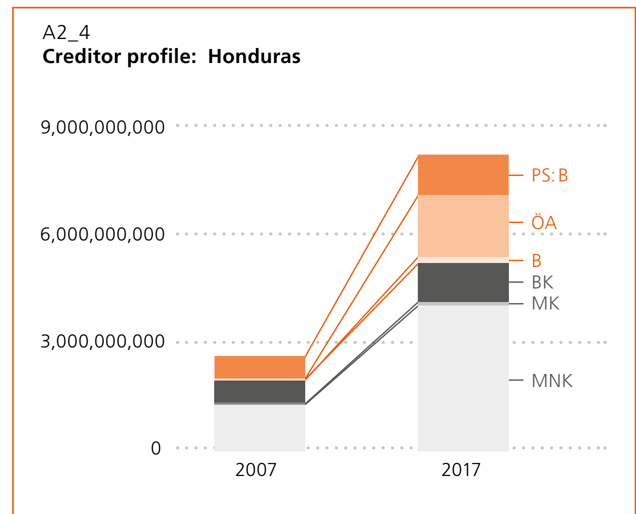
A2_2
Creditor profile: Côte d'Ivoire



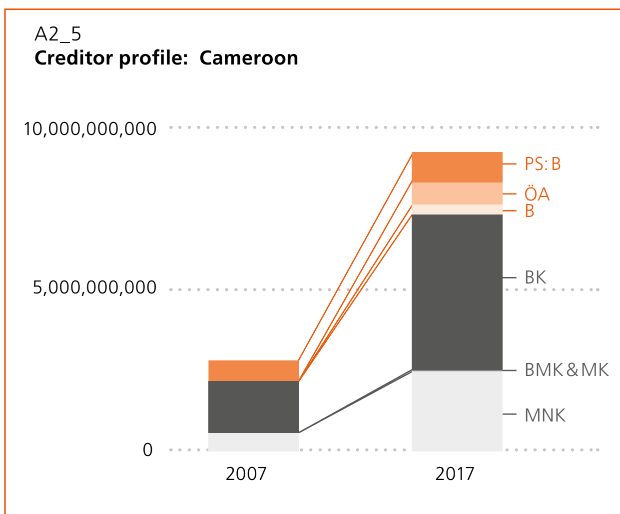
A2_3
Creditor profile: Ghana



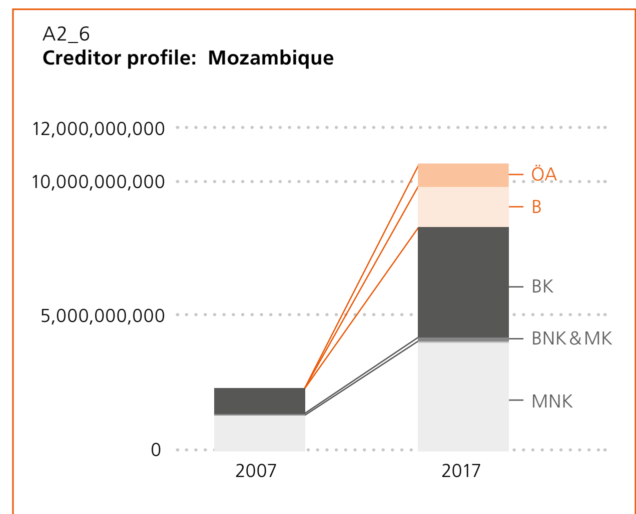
A2_4
Creditor profile: Honduras

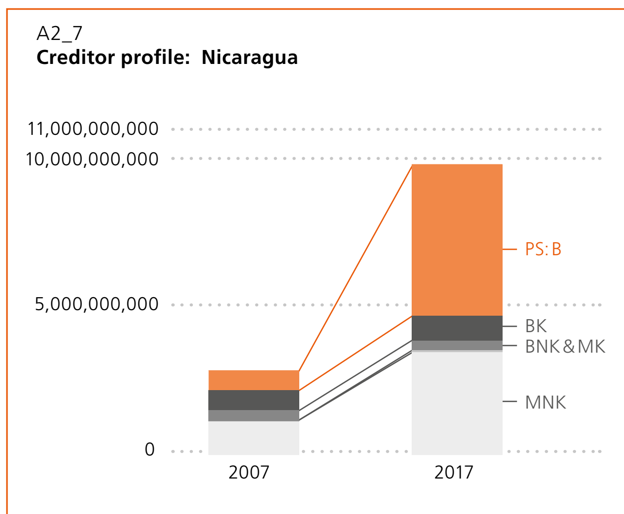


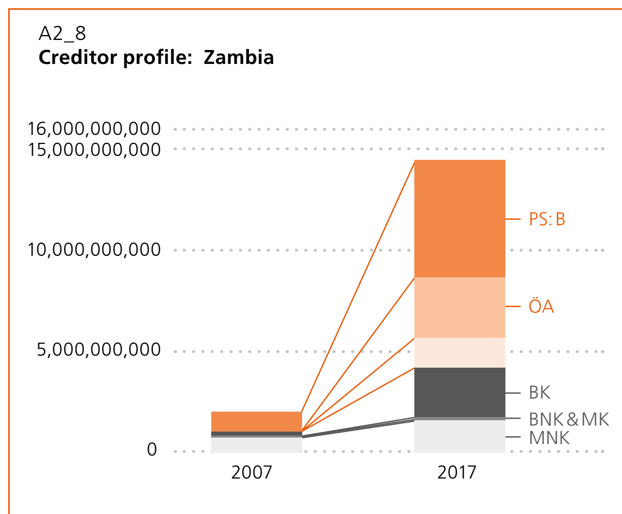
A2_5
Creditor profile: Cameroon

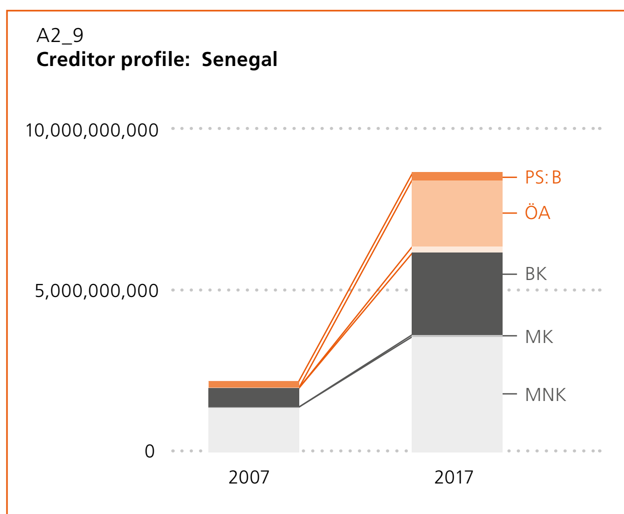


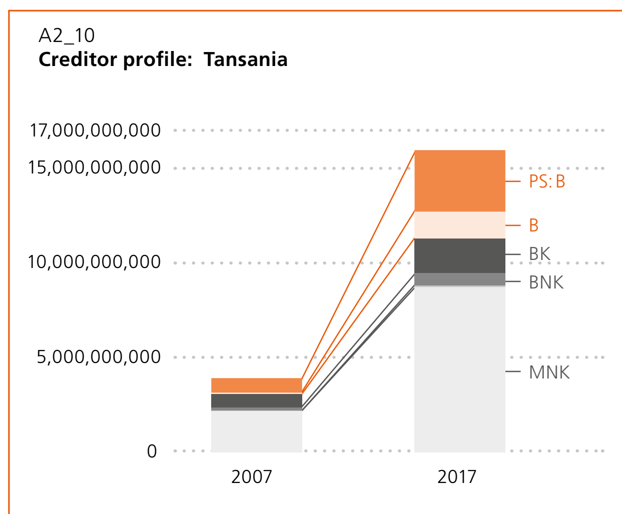
A2_6
Creditor profile: Mozambique

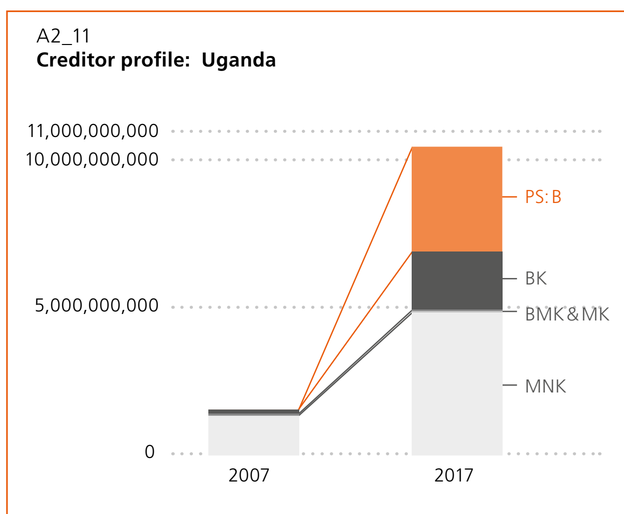




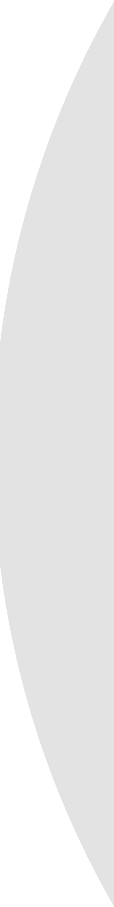








- Private, bondholders (PS: A)
- Private, banks (PS: B)
- Public, bondholders (ÖA)
- Banks (B)
- Bilateral, concessionary (BK)
- Bilateral, non-concessionary (BNK)
- Multilateral, concessionary (MK)
- Multilateral, non-concessionary (MNK)



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TWENTY YEARS AFTER THE 1999 COLOGNE DEBT INITIATIVE

What Became of the HIPC Countries?

By the mid-1990s many poorer countries were carrying unsustainable levels of debt, a legacy of aggressive lending by the rich countries and poor governance in the Global South. The existing debt restructuring possibilities of the Paris Club were insufficient to restore fiscal viability. A paradigm shift in the mid-1990s led to the HIPC/MDRI Initiative, most of which was implemented between 1996 and 2005. It now became possible to cancel the multilateral loans – from IMF, World Bank and others – that had artificially maintained debt service payments to Western creditors. The unsustainable debt of the thirty-six participating countries was heavily reduced, in some cases creating the basis for a fresh economic start after a »lost development decade«.

Debt relief allowed most of the participating countries to access the capital markets again (or in some cases for the first time). And some of them – in a period of low interest rates in the Global North – have made such extensive use of the possibility that they are already experiencing new debt crises.

The history of the Initiative shows that however necessary and sensible a one-off debt reduction may be, it cannot reliably exclude a recurrence of over-indebtedness. Where debt levels are rising dramatically again, a formal and transparent debt restructuring mechanism will be vital for addressing future debt crises.

For further information on this topic
https://www.fes.de/themenportal-die-welt-gerecht-gestalten/weltwirtschaft-und-unternehmensverantwortung/

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