

2002 Kananaskis Interim Compliance Report Development - Highly Indebted Poor Countries (HIPC) Initiative

Commitment:

We will fund our share of the shortfall in the HIPC Initiative, recognizing that this shortfall will be up to US\$1 billion.

Background:

The Heavily Indebted Poor Countries (HIPC) Initiative involves coordinated action by international creditors to reduce the external debt burden of the world's poorest to sustainable levels. Concerns have been raised with regard to a shortfall of bilateral contribution to the HIPC Trust Fund which the World Bank estimates to be in the amount of US\$800 million.⁶⁷ The commitment taken at G8 Summit in Kananaskis to top off the gap in the financing of HIPC has been reinforced by the International Monetary Fund (IMF), the World Bank, and the G7 Finance Ministers throughout 2002. The IMF Development Committee Communiqué released on 28 September 2002 “stressed the urgency of meeting the financing shortfall of the HIPC Trust Fund which could be up to \$1 billion.”⁶⁸ The meeting called for donor countries to make firm pledges and contributions as soon as possible. Similarly, World Bank President James D. Wolfensohn, in a statement delivered on 29 September 2002, urged countries to deliver on the response to financing the shortfall of the HIPC Initiative made at Kananaskis.⁶⁹

⁶⁷ The World Bank Group, “Debt Relief,” September 2002, <<http://web.worldbank.org/WBSITE/EXTERNAL/NEWS/0,,contentMDK:20040942~menuPK:34480~pagePK:36694~piPK:116742~theSitePK:4607,00.html>>.

⁶⁸ International Monetary Fund, “Development Committee Communiqué,” 28 September 2002, <<http://www.imf.org/external/np/cm/2002/092802a.htm>>.

⁶⁹ The World Bank Group, “Wolfensohn Says International Community Must Deliver on Commitments,” 29 September 2002, <<http://web.worldbank.org/WBSITE/EXTERNAL/NEWS/0,,contentMDK:20069712~menuPK:34463~pagePK:34370~piPK:34424~theSitePK:4607,00.html>>.

Assessment:

Score	Lack of Compliance -1	Work in Progress 0	Full Compliance +1
Country			
<i>Canada</i>		0	
<i>France</i>		0	
<i>Germany</i>		0	
<i>Italy</i>	-1		
<i>Japan</i>	-1		
<i>Russia</i>	-1		
<i>United Kingdom</i>		0	
<i>United States</i>	-1		
Overall			-0.50

1. Canada: 0

According to the World Bank's data on the status of bilateral donor pledges to the HIPC Trust Fund as of 18 September 2002, Canada's total bilateral paid-in contributions amounts to US\$114 million in nominal terms.⁷⁰

In a statement prepared for the development committee of the World Bank and IMF Canadian Finance Minister John Manley outlined four major outstanding issues that need to be addressed to strengthen the existing HIPC framework. The second of the four urges donors to provide "enough money to the World Bank-administered HIPC Trust Fund".⁷¹

2. France: 0

According to the World Bank's data on the status of bilateral donor pledges to the HIPC Trust Fund as of 18 September 2002, France's total contributions/pledges including EC attribution to bilaterals amounts to US\$181 million in nominal terms.⁷²

⁷⁰ The World Bank Group, "Enhanced HIPC Framework: Status of Bilateral Pledges to the HIPC Trust Fund," 18 September 2002, <<http://www.worldbank.org/hipc/HIPCTrustFundSept02.pdf>>.

⁷¹ John Manley, Deputy Prime Minister and Minister of Finance, Canada, "Statement Prepared for the Development Committee of the World Bank and International Monetary Fund," 28 September 2002, <<http://www.fin.gc.ca/news02/02-078e.html>>.

⁷² The World Bank Group, "Enhanced HIPC Framework: Status of Bilateral Pledges to the HIPC Trust Fund," 18 September 2002, <<http://www.worldbank.org/hipc/HIPCTrustFundSept02.pdf>>.

In a statement by the Governor for France at the Africa Development Bank Group Year 2002 Annual Meetings the financing of the HIPC initiative is touted as a priority.⁷³

France's Minister of Economy, Finance and Industry, H.E. Francis Mer, made a statement at the 28 September 2002 meeting of the Development Committee (Joint Ministerial Committee of the Boards of Governors of the Bank and the Fund on the Transfer of Real Resources to Developing Countries) that reinforced the Kananaskis commitment to provide the resources needed to maintain the pace of the HIPC Initiative. Mer emphasized that France would take its "full share of a new replenishment of the HIPC Trust Fund."⁷⁴

In a statement by the Hon. Jean-Claude Trichet, the Alternate Governor of the Fund for France, at the Joint Annual Discussion of the Board of Governors on 29 September 2002 France's position towards replenishing the HIPC Trust Fund was underlined. Trichet also noted that the initiative is being implemented more slowly than the French would like.⁷⁵

3. Germany: 0

According to the World Bank's data on the status of bilateral donor pledges to the HIPC Trust Fund as of 18 September 2002, Germany's total contributions/pledges including EC attribution to bilaterals amounts to US\$226 million in nominal terms.⁷⁶

Germany's Minister of Finance, Mr. Hans Eichel, made a statement at the International Monetary and Finance Committee (IMFC) Meeting on 28 September 2002 that called for further efforts by donor countries to finance multilateral debt remission under the HIPC initiative. Eichel noted that "Germany is prepared to make its contribution [to close the HIPC Trust Fund gap], subject to appropriate burden-sharing."⁷⁷

⁷³ The African Development Bank Group, "ADB Group Year 2002 Annual Meetings—Statement By Governor for France," <<http://www.afdb.org/knowledge/speeches2001/statement-gov-france-am2002e.htm>>.

⁷⁴ H.E. Francis Mer, Minister of Economy, Finance and Industry, France, "Statement to the Joint Ministerial Committee of the Boards of Governors of the Bank and the Fund on the Transfer of Real Resources to Developing Countries," 28 September 2002, <[http://wbln0018.worldbank.org/dcs/devcom.nsf/\(statementsattachmentweb\)/September2002EnglishDCS20020055/\\$FILE/DCS2002-0055-Mer.pdf](http://wbln0018.worldbank.org/dcs/devcom.nsf/(statementsattachmentweb)/September2002EnglishDCS20020055/$FILE/DCS2002-0055-Mer.pdf)>.

⁷⁵ Jean-Claude Trichet, Alternate Governor of the International Monetary Fund for France, "Statement at the Joint Annual Discussion," 29 September 2002, <<http://www.imf.org/external/am/2002/speeches/pr53e.pdf>>.

⁷⁶ The World Bank Group, "Enhanced HIPC Framework: Status of Bilateral Pledges to the HIPC Trust Fund," 18 September 2002, <<http://www.worldbank.org/hipc/HIPCTrustFundSept02.pdf>>.

⁷⁷ Hans Eichel, Minister of Finance, Germany, "The Global Economic Outlook and Developments in Financial Markets," 28 September 2002, <<http://www.imf.org/external/am/2002/imfc/state/eng/deu.htm>>.

4. Italy: -1

According to the World Bank's data on the status of bilateral donor pledges to the HIPC Trust Fund as of 18 September 2002, Italy's total contributions/pledges including EC attribution to bilaterals amounts to US\$153 million in nominal terms.⁷⁸

The Governor of the Fund for Italy, Giulio Tremonti, made a statement at the Joint Annual Discussion of the IMF and World Bank on 29 September 2002 that questioned the effectiveness of the HIPC Initiative. Tremonti noted that the global slowdown and fall in commodity prices have hampered debt sustainability in a number of HIPC countries. He emphasized that "topping-up at the completion point must remain an exceptional event linked to exogenous factors beyond the country's control."⁷⁹ Tremonti urged that all committed funds should be provided and that Italy "cannot accept that its additional voluntary bilateral relief be diverted to repay other creditors instead of being channeled to provide supplementary resources to stimulate growth and reduce poverty."⁸⁰

5. Japan: -1

According to the World Bank's data on the status of bilateral donor pledges to the HIPC Trust Fund as of 18 September 2002, Japan's total contributions/pledges including EC attribution to bilaterals amounts to US\$200 million in nominal terms.⁸¹

The Alternate Governor of the Fund and the Bank for Japan, Masaru Hayami, made a statement at the Joint Annual Discussion of the IMF and World Bank on 29 September 2002 that emphasized Japan's commitment of one-fourth of the G8 contributions to the Enhanced HIPC Initiative and that the Initiative should continue to be implemented steadily.⁸² However, Hayami made no mention of closing the US\$1 billion gap in funding.

6. Russia: -1

In statement made at the Joint Annual Discussion of the IMF and World Bank on 29 September 2002 the Governor of the Fund for the Russian Federation,

⁷⁸ The World Bank Group, "Enhanced HIPC Framework: Status of Bilateral Pledges to the HIPC Trust Fund," 18 September 2002, <<http://www.worldbank.org/hipc/HIPCTrustFundSept02.pdf>>.

⁷⁹ Giulio Tremonti, Governor of the International Monetary Fund for Italy, "Statement at the Joint Annual Discussion," 29 September 2002, <<http://www.imf.org/external/am/2002/speeches/pr62e.pdf>>.

⁸⁰ Giulio Tremonti, Governor of the International Monetary Fund for Italy, "Statement at the Joint Annual Discussion," 29 September 2002, <<http://www.imf.org/external/am/2002/speeches/pr62e.pdf>>.

⁸¹ The World Bank Group, "Enhanced HIPC Framework: Status of Bilateral Pledges to the HIPC Trust Fund," 18 September 2002, <<http://www.worldbank.org/hipc/HIPCTrustFundSept02.pdf>>.

⁸² Masaru Hayami, Alternate Governor of the International Monetary Fund and the World Bank for Japan, "Statement at the Joint Annual Discussion," 29 September 2002, <<http://www.imf.org/external/am/2002/speeches/pr22e.pdf>>.

Aleksei Kudrin, Russia welcomed the progress made under the HIPC Initiative. However, Kudrin noted “that creditor countries should adopt a stricter and more coordinated position in relation to those HIPC countries that pursue irresponsible economic policies”.⁸³ There was no mention of topping off the US\$1 billion gap in HIPC funding.

7. United Kingdom: 0

According to the World Bank’s data on the status of bilateral donor pledges to the HIPC Trust Fund as of 18 September 2002, the United Kingdom’s total contributions/pledges including EC attribution to bilaterals amounts to US\$306 million in nominal terms.

The UK’s 2002 Spending Review acknowledges that the global economic slowdown and the collapse in commodity prices have hampered the HIPC Initiative. The Review notes that the US\$1 billion top up commitment taken at Kananaskis will be checked “at the annual meetings of the IMF and World Bank in the autumn.”⁸⁴

In a statement by the Governor of the Fund for the UK, Gordon Brown, at the Joint Annual Discussion of the IMF and World Bank on 29 September 2002 a call for action was made to address the issues of creditor participation and debt sustainability. Brown noted that the UK is ready to commit its full share to the extra US\$ 1 billion needed and that HIPC participants “must develop more realistic and generous rules for its provision – including agreement that the calculation of topping up should exclude voluntary bilateral provision of additional 100 per cent relief.”⁸⁵

8. United States: -1

According to the World Bank’s data on the status of bilateral donor pledges to the HIPC Trust Fund as of 18 September 2002, the United States’s total contributions/pledges including EC attribution to bilaterals amounts to US\$600 million in nominal terms.⁸⁶

The US Treasury emphasized that with the FY2002 appropriation of US\$244 million contribution to the HIPC Trust Fund the US has fully met its commitments. The Treasury therefore lists a US\$0 FY2003 request. The US Treasury does acknowledge the HIPC Trust Fund gap but neglects to propose potential US

⁸³ Aleksei Kudrin, Governor of the International Monetary Fund for the Russian Federation, “Statement at the Joint Annual Discussion,” 29 September 2002, <<http://www.imf.org/external/am/2002/speeches/pr52e.pdf>>.

⁸⁴ Government of the United Kingdom, “2002 Spending Review: New Public Spending Plans 2003-2006/ Chapter 5: Britain and the World,” <<http://www.official-documents.co.uk/document/cm55/5570/5570-05.htm>>.

⁸⁵ Gordon Brown, Governor of the International Monetary Fund for the United Kingdom, “Statement at the Joint Annual Discussion,” 29 September 2002, <<http://www.imf.org/external/am/2002/speeches/pr66e.pdf>>.

⁸⁶ The World Bank Group, “Enhanced HIPC Framework: Status of Bilateral Pledges to the HIPC Trust Fund,” 18 September 2002, <<http://www.worldbank.org/hipc/HIPCTrustFundSept02.pdf>>.

action on the issue.⁸⁷ The Governor of the Fund and the Bank for the US, Paul H. O'Neill, made a statement at the Joint Annual Discussion of the IMF and World Bank on 29 September 2002 that dedicated a significant portion to achieving results in development. However, while O'Neill promoted economic development as "one of the great challenges of our time" and acknowledged that the Millennium Declaration provided a good starting point to achieve development results, he neglected to make any specific reference to the HIPC Initiative or the Trust Fund gap.⁸⁸

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⁸⁷ United States Department of the Treasury, "Debt Restructuring Programs—Enhanced Heavily Indebted poor Countries (HIPC) Initiative," <http://www.treas.gov/offices/international-affairs/intl/fy2003/tab06_enhanced_hipc_initiative.pdf>.

⁸⁸ Paul H. O'Neill, Governor of the International Monetary Fund and the World Bank for the United States, "Statement at the Joint Annual Discussion," 29 September 2002, <<http://www.imf.org/external/am/2002/speeches/pr06e.pdf>>.