7th Commonwealth HIPC Ministerial Forum
Maputo, Mozambique
15 – 16 March 2005

Statement by Representatives of Civil Society

Preamble

1. We, representatives of civil society from Cameroon, Ghana, Guyana, Kenya, Malawi, Mozambique, Uganda, Sierra Leone, Zambia and the regional network, the African Forum and Network on Debt and Development (AFRODAD), met in Lilongwe, Malawi from 8 to 10 December 2004 and in Maputo, Mozambique on 15 March 2005 to study in detail the country situations of Commonwealth HIPCs and prepare our participation in the 7th Commonwealth HIPC Ministerial Forum, 15 to16 March 2005. We welcome the opportunity afforded us once again to engage with our Ministers and other cooperating partners at Commonwealth level.

Issues

2. The HIPC initiative has failed to provide low-income countries a 'permanent and robust exist' from indebtedness and no participating country has achieved debt sustainability. Low-income countries owe a total of US$523 billion in debt to all creditors. Of this, the African Continent alone has a debt stock of $330 billion and still spends US$15 billion every year in debt service to rich countries and the international financial institutions. Continued debt service by sub-Saharan African countries constitutes a reverse transfer of resources to wealthy creditor countries by those that can least afford it. Moreover, a number of severely indebted countries, such as Nigeria, have been excluded from the HIPC initiative altogether.

3. The international community now recognises that such unbearably high levels of debt are incompatible with attaining the internationally agreed Millennium Development Goals (MDGs) by 2015. Even those countries that have successfully reached completion point under the HIPC initiative, and have received some debt write-off, have quickly found their debts unsustainable once again. This is the case for Uganda and Mozambique, among others.

4. The HIPC initiative does not address domestic debt, notwithstanding that many participating countries are experiencing increases in their domestic debt to GDP ratio.

5. The creditor-led framework of the HIPC initiative has contributed to changing rules of the game, most notably with regard to the criteria for reaching completion point; this can have negative consequences for participating countries. Countries that are judged to have failed to meet the requirements of the Poverty Reduction and Growth Facility (PRGF) and are suspended from the HIPC initiative, for example, are forced to resort to the domestic market for resources to meet their obligations, and thereby increase their domestic debt stock.

6. The World Bank/IMF debt sustainability analysis does not include domestic debt and is not linked with a country's ability to achieve the MDGs. As argued in the report of the Africa Commission, debt relief and aid made available to countries should be analysed against the backdrop of the financing needed to reach the MDGs, rather than the present narrow economic indicators to determine debt sustainability.

7. We recognise the efforts of our governments to tackle poverty in our countries. In this context, we would like to work with you to ensure that debt relief takes into account the financing

needed to attain the MDGs and addresses the burden of domestic debt in all impoverished nations. We appreciate that you have tried to address some of these concerns in both domestic and international forums and we are committed to working with you to find lasting and sustainable solutions to the poverty - debt trap our countries find themselves in.

Recommendations

8. It is against this backdrop that we make the following recommendations, which we call on our governments to support.

a. ***Domestic debt should be considered in all debt sustainability analyses*** as servicing

10. It is in this context that we propose the following:
One hundred per cent multilateral debt cancellation for all poor countries. Additional funding should be provided to meet the MDGs.
The required funding should be generated in a tiered manner, as outlined below, with each of three tiers being exhausted before the next one is used.