



THE NEED TO REINFORCE THE ENHANCED HIPC INITIATIVE:

DECLARATION OF THE 3RD HIPC MINISTERIAL MEETING

Prague, 23 September 2000

1. PROGRESS ON ENHANCED HIPC

- Ministers congratulated the Bretton Woods Institutions on their efforts to accelerate decision points for a number of countries. However, they urged the international community and the BWIs to redouble their efforts to ensure that the target of decision points for 20 — and preferably considerably more than 20 — countries is met by the end of the year 2000. They emphasised that without increased flexibility on conditionality and more stress on the good poverty reduction records of some countries, this might not happen.
- Ministers urged the international community to ensure that countries are not subject to debt service “humps” (sudden increases) after their decision or completion points. They stressed that all creditors — but especially those owed the highest amount of service — must be prepared to share the burden of eliminating such humps.
- Ministers stressed that all countries — especially those emerging from conflict and natural disasters and those subject to repeated external shocks (oil prices, export prices, etc.) — should have guaranteed access to sufficient financing for poverty reduction. They urged the international community to find new mechanisms for contingency and compensatory financing (on concessional terms) to protect HIPC countries against shocks, as HIPC countries cannot access either Contingency Credit Line (CCL) or Compensatory and Contingency Financing Facility (CCFF) funds.
- Ministers urged the BWIs to analyse the domestic debt burden in all DSAs in order to understand the complete fiscal burden of the debt — while not suggesting that domestic debt should be relieved through the HIPC Initiative.
- Ministers endorsed the call by the G7 for all Paris Club bilateral creditors to follow them in committing to ODA debt cancellation which is additional to HIPC relief, and to guarantee to treat post-cut-off date non-ODA debt wherever necessary to reach sustainability thresholds.
- Ministers strongly urged the US Congress to approve all remaining funding for US contributions to the HIPC Initiative, which is now delaying contributions by donors and other Latin American countries, and the delivery relief for several Latin American HIPC countries, and could have knock-on effects on financing for other multilaterals.
- Ministers urged extra efforts by all sides to accelerate and deepen debt relief from non-Paris Club governments. If such relief was not forthcoming, they suggested that HIPC calculations be reviewed to take account of the fact that relief was not being provided as foreseen.

2. NEW FINANCING AND POVERTY REDUCTION

- Ministers reiterated their determination to maintain macroeconomic stability and to pursue economic policy reforms, as well as accelerating their efforts on poverty reduction.
- Ministers expressed the need to ensure that resources allocated to debt relief are additional to resources previously committed for development aid.

- Ministers urged the need for maximum flexibility in the manner of providing debt relief, especially in the context of frequent external shocks to which HIPC countries are subjected.
- Ministers reminded industrialised countries that an even greater contribution to financing poverty reduction in HIPCs would be to eliminate trade barriers, allowing HIPCs themselves to earn the resources to eradicate poverty.
- Ministers underlined the need for additional aid flows and for long-term commitments of aid to support nationally-designed Poverty reduction Programmes which aiming to reach the International Development Targets.
- Ministers urged the international community to avoid disappointing popular expectations raised in their countries by the HIPC/PRSP process, by ensuring that debt relief resources are heavily frontloaded and provided immediately at decision point.
- Ministers urged the international community to reduce sharply the number of conditions in PRGF programmes, especially for reaching the completion point, and to make an additional effort to concentrate on those conditions which are absolutely essential to poverty reduction rather than wider reforms.
- Ministers stressed the need for the BWIs to adjust the methods of measuring the fiscal deficit targeted in PRGF programmes to allow for maximum use of debt relief funds for additional poverty reduction spending.