

**The Non-HIPC's:
Indebted, excluded, and poor.**

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A DEBT RESOURCE FROM
THE WORLD DEVELOPMENT MOVEMENT

The World Development Movement (WDM) is an independent membership organisation that undertakes research and advocacy on policies to support the world's poor

The Non-HIPC Countries – Indebted, Excluded and Poor

The current debt campaign has primarily focused on the plight and poverty of the Heavily Indebted Poor Countries (HIPC). But it would be a mistake to think that these countries are alone in their fight against debt and poverty - there is another, hidden story of the excluded. These excluded countries have been denied special assistance from the corridors of power because their debts are considered 'sustainable' - despite a crippling regime of debt repayments. This briefing aims to outline the struggle of these countries and answer some of your questions.

Who are the non-HIPC countries that should get debt relief?

Twelve countries have been identified as urgently needing debt relief. They are listed in the table below:

Country	Total Debt (\$m)	Country	Total Debt (\$m)
Bangladesh	16376	Nepal	2646
Cambodia	2210	Nigeria	30315
Equatorial Guinea	306	Peru	32397
Gambia	477	Philippines	47817
Haiti	1048	Zimbabwe	4716
Jamaica	3995		
Morocco	20687	Total (12 countries)	\$163.0 billion

Why are these countries excluded from debt relief?

Ironically, lots of these countries have been excluded from debt relief because they have been good debtors and continued to make their repayments. Debt relief is only provided to countries that have defaulted on their repayments and have approached either the Paris Club or World Bank for special assistance. Those countries which remain 'good' debtors are penalised for not defaulting! The logic behind this situation is good debtor countries must have 'sustainable' levels of debt to keep up with repayments.

How do they measure 'sustainable' debt?

Debt relief is only given to countries which are considered to have an 'unsustainable' level of debt. This is assessed by officials from the World Bank and IMF using an economic matrix known as 'Debt Sustainability Analysis' (DSA). This analysis has been heavily criticised for placing too much importance on the role of exports and not reflecting the true burden of debt on government spending. According to the G7, IMF and World Bank, all the 12 countries above have a sustainable level of debt – we disagree.

What are the effects of being excluded?

Servicing debt repayments has been recognised as a major hurdle for poor countries trying to build their domestic infrastructure. Debt servicing diverts government resources away from essential public services like schools, hospitals, and sanitation. Non-HIPC countries need debt relief so they can channel more resources in to pro-poor policies rather than paying money to the rich countries.

What is WDM's position?

WDM is campaigning to broaden the HIPC Initiative to include the non-HIPC countries and to redefine what the IMF and World Bank considers 'sustainable' debt. In the following pages you will find three case studies highlighting the effects of debt on Nigeria, Bangladesh and the Philippines.

Nigeria:

Source	Population (million)	Global Development Finance 2000 World Bank			World Development Indicators 2000 World Bank			
		Total Debt Stock (EDT)	GNP	GNP per capita	Total debt service paid (TDS)	Debt service as % GNP	Education spending as % GNP	Health spending as % GNP
US\$ unless stated otherwise								
Nigeria	120.8	30315	38481	318	1320	3.4	0.7	0.2

How poor are the people of Nigeria?

39% of the adult population remain illiterate.
 59% of the population are without access to sanitation.
 33% are without access to health services
 36% of children under the age of five are underweight.
 70% of the population live on below \$1 a day.
 43% live under the national poverty line.
 33% of the population are not expected to reach the age of 40.

So why does Nigeria need debt relief?

Nigeria's total debt stock has risen from \$8921m in 1980 to \$30315m in 1998 – a 30% rise.
 Aid has failed to rise above \$3 per capita since 1980.
 Nigeria's debt accounts for more than 14% of Africa's total debt.
 Nigeria was originally classed as a HIPC country but in August 1998 it was taken off the list.

Who does Nigeria owe their debt to?

17% of debt is owed to multilateral institutions.
 57% of debt is owed to bilateral creditors – the UK is owed the most (\$5256 million).
 26% is owed to private creditors.
 Half of Nigeria's debt results from export credits.

What do the people of Nigeria think?

The Nigerian president, Olusegun Obasanjo, wrote to Tony Blair in March of this year saying that it was impossible for Nigeria "to manage the existing debt burden if it is also to address the urgent social needs of the Nigerian people"¹

Later, at the World Summit for Social Development 2000, Obasanjo said, "The question is begged, has the World Bank and IMF, perhaps unwittingly, made Africa poorer through unwholesome policies?" and later went on to say, "Developed countries must commit themselves to debt remission for developing countries, so as to provide these countries with the basis of economic renewal and social development"².

Reverend David Ugolor, a leading activist in the Nigerian Jubilee 2000 campaign said that the recent violence in the Niger Delta "has happened because the resources flood out of the country to pay debts, leaving the government with insufficient resources to invest in health and education and to build democracy in this country."³

¹ News & Action, Jubilee 2000, Issue 3, June 2000, p.8.

² Olusegun Obasanjo, Nigerian President, World Summit for Social Development 2000 in Terraviva, No.5, 30 June 2000.

³ News & Action, Jubilee 2000, Issue 3, June 2000, p.8.

Philippines:

Source	Population (million)	Global Development Finance 2000 World Bank			World Development Indicators 2000 World Bank			
		Total Debt Stock (EDT)	GNP	GNP per capita	Total debt service paid (TDS)	Debt service as % GNP	Education spending as % GNP	Health spending as % GNP
US\$ unless stated otherwise								
Philippines	75.2	47817	68210	907	5166	7.6	3.4	1.7

How poor are the people of the Philippines?

5.2% of the adult population remain illiterate.
 13% of the population are without access to sanitation.
 15% are without access to safe water
 28% of children under the age of five are underweight.
 18.7% of the population live on below \$1 a day.
 37.5% live under the national poverty line.
 8.9% of the population are not expected to reach the age of 40.

So why do the Philippines need debt relief?

Philippines total debt stock has risen from \$17417m in 1980 to \$47817m in 1998 – a 37% rise.
 Aid has dropped from \$20 per capita in 1990 to \$8 in 1998.
 Total debt service has risen by 70% between 1990 and 1998.

Who do the Philippines owe their debt to?

20% of debt is owed to multilateral institutions.
 31% of debt is owed to bilateral creditors – Japan is owed the most (\$11602 million).
 48% is owed to private creditors.

What do the people of the Philippines think?

Lidy Nacpil, Secretary General of the Philippine campaigning organisation Freedom from Debt Coalition (FDC) said at the World Summit for Social Development 2000, "In real terms we are paying more than ever and the principle debt is growing every year. You can imagine the impact on social spending which is considerably less for education and health. The impact on human life is irretrievable. Contrary to the detail of the debt deals, it is not just statistics we're talking here. It is human lives. Try telling the argument that it's just a matter of waiting and things will get better next year to the people who're suffering the effects of debt right here and right now." She added, "There is a more fundamental issue of justice at stake here. We can't just look at alleviating the current desperate situation without first looking at how we came to get here in the first place. We are calling for a historical approach to debt relief, rather than simply calculating relatively small amounts of relief according to statistical framework that is set by and serves the creditors. This is simply to accept the existing imbalance of power."⁴

Leonor Briones, the national treasurer, on the debt accumulated under the Marcos regime, said "It's a terrible burden which never fails to elicit feeling of rage, anger and frustration in me. We're talking of money that should have gone to basic services like schools and hospitals."⁵

⁴ From a WDM interview with Bethan Brookes at the Social Summit 2000.

⁵ Guardian

Bangladesh:

Source		<i>Global Development Finance 2000</i> <i>World Bank</i>				<i>World Development Indicators 2000</i> <i>World Bank</i>		
US\$m unless stated otherwise	Population (million)	Total Debt Stock (EDT)	GNP	GNP per capita	Total debt service paid (TDS)	Debt service as % GNP	Education spending as % GNP	Health spending as % GNP
Bangladesh	125.6	16376	44127	350	683	1.5	2.2	1.6

How poor are the people of Bangladesh?

60% of the adult population remain illiterate.
 57% of the population are without access to sanitation.
 26% are without access to health services
 56% of children under the age of five are underweight.
 29% of the population live on below \$1 a day.
 36% live under the national poverty line.
 21% of the population are not expected to reach the age of 40.

So why does Bangladesh need debt relief?

Bangladesh's total debt stock has risen from \$4230m in 1980 to \$16376m in 1998 – a 26% rise.
 Aid has dropped per capita from \$19 in 1990 to \$10 in 1998.
 More than one-third of the government budget is allocated to debt servicing.

Who does Bangladesh owe their debt to?

67% of debt is owed to multilateral institutions.
 32% of debt is owed to bilateral creditors - Japan is owed the most (\$3435 million).
 Only 1% is owed to private creditors.

What is the position of Bangladesh's creditors?

Both Canada and the US have accepted, in principle, that Bangladesh should receive debt relief despite their ineligibility for the HIPC initiative. In November last year, Canada cancelled 100% of bilateral debt and the US has deemed it eligible for 100% bilateral debt cancellation (after HIPC countries receive relief first). None of the other creditors have made any move to follow this lead, and Bangladesh's key creditors, the multilateral institutions, will not even consider it. In 1999, Clare Short, Minister for International Development, said that Bangladesh was lucky because it did not have a serious debt problem.

What do the people of Bangladesh think?

K M Rabbani, a retired chief advisor to the Prime Minister, commented that "Bangladesh's record on debt repayments is very good, not defaulted in past and always tried to honour its commitments. Exclusion from debt relief appears to be punishing Bangladesh for this."⁶
 Dr Debapriya Bhattacharya, Executive Director for Policy Dialogue, said, "Bangladesh has regularly paid its debts, expanded exports and are now being punished for its success".⁷

⁶ Dhaka conference organised by the Campaign for the cancellation of foreign debt, June 2000

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