

FAQ
Heavily Indebted Poor Countries Initiative
HIPC



The Heavily Indebted Poor Countries (HIPC) Initiative was launched in 1996 by the World Bank and the International Monetary Fund (IMF) with the stated goal of assisting poor countries with unsustainable debts. The World Bank says that HIPC “aims to provide a fresh start to countries struggling to cope with foreign debt that places too great a burden on export earning or fiscal revenues.”¹

For more information on HIPC from the World Bank, see this [“At a Glance”](#) article on debt relief.

According to the Jubilee Debt Campaign, though HIPC is monitored by the World Bank and the IMF, “other creditors – rich countries, regional development banks, and some private creditors – are encouraged to participate. Most do, but not all. Commercial credits in particular often fail to deliver their share of debt cancellation under HIPC.”²

See Jubilee Debt Campaign’s [“In More Depth”](#) page for more from them on HIPC.

How do countries QUALIFY for HIPC?³

In order to qualify for HIPC, a country must:

1. Have attempted the full application of all other forms of traditional debt relief mechanisms available.
2. Have an “unsustainable” debt (usually meaning that the country has been unable to make debt payments consistently and in a timely manner), as determined by the World Bank and the IMF.
3. Be only eligible for highly concessional assistance from the International Development Association (IDA) and from the IMF’s Poverty Reduction and Growth Facility (PGRF).
4. Establish a track record – around 3 years – of reform and macroeconomic stability.
5. Clear any outstanding arrears (meaning the country must be up-to-date on all of its debt payments).
6. Develop an Interim-Poverty Reduction Strategy Paper (I-PRSP), which is a preliminary list of strategic reforms/conditions for creating a workable economy.

When these steps are complete, a country will reach “Decision Point.” The World Bank and IMF will then conduct a debt sustainability analysis to determine the amount of debt relief a country can receive. A country will begin to receive interim relief on a provisional basis at this time, and will attempt to reach “Completion Point” under HIPC. For more information on how countries officially qualify for HIPC, as well as answers to other relevant questions, see the World Bank [Q&A](#).

What steps must a country undertake to COMPLETE the HIPC process?⁴

In order to reach “Completion Point” under HIPC, a country must:

1. Maintain macroeconomic stability under a PGRF-supported program.
2. Carry out structural and social reforms/conditions as agreed upon at Decision Point

3. Implement a PRSP satisfactorily for a one year minimum, although the period between decision point and completion point may vary greatly.
Should a country reach Completion Point, it will receive the full amount of debt relief agreed upon at Decision Point. This relief is now irrevocable.

For more information on the impact the HIPC conditions can have on indebted countries, see [[link to “other country” FAQsheet](#)].

¹ World Bank, Debt Relief Brief, <http://go.worldbank.org/KNZR2IIQG0>.

² Jubilee Debt Campaign, “Heavily Indebted Poor Countries Initiative,” <http://www.jubileedebtcampaign.org.uk/?lid=97>.

³ World Bank, “Steps of the HIPC Initiative,” <http://go.worldbank.org/76G2TJJO30>.

⁴ Id.