

FAQ

THE EFFECT OF THE HIPC INITIATIVE ON HEAVILY INDEBTED POOR COUNTRIES

Countries have been participating in the Heavily Indebted Poor Countries Initiative (HIPC) since 1996 with the goal of bringing their respective debts to “sustainable” levels (a sustainable debt is one in which a country has no difficulties with consistently making timely payments), as well as receiving a large amount of debt relief. To date, 22 of the 41 countries who have embarked on HIPC have reached Completion Point.

But what happens to those countries after they’ve qualified for relief? What happens *after* Completion Point? There are different results for each different country, and the complexities of deciding whether a country has “successfully” or “unsuccessfully” completed HIPC are vast and numerous. The following information is meant to offer a general overview of a handful of post-HIPC countries and to highlight some comparative facts and general comparative indicators of previous results of HIPC. This is not an analysis of the program’s effects on the following countries.

UGANDA:

- Entered HIPC in 1997¹ with \$1.9 billion in debt.²
- Completed HIPC in 2000 and received \$347 million in debt relief, a reduction of approximately 20% of the total debt.³
- Uganda was the first country to enter HIPC.⁴
- As of 2003, 13 of Uganda’s creditors had not yet agreed to provide HIPC debt relief to the country.⁵
- As of 2006, Uganda remains reliant on donor support to finance its current account deficit, and is vulnerable to “macroeconomic shocks and imprudent debt management.”⁶
- Since reaching Completion Point, Uganda has borrowed roughly \$1.5 billion from multilateral creditors. This has raised the net present value of debt to export ratio to 305% which is more than double the HIPC debt sustainability threshold.⁷
- According to a 2006 evaluation, “Uganda’s debt service payment continues to be manageable, reflecting the delivery of HIPC assistance as well as the fact that most of Uganda’s debt has been contracted on concessional terms.”⁸
- For more information on post-HIPC Uganda, see the [IEG Report](#), as well as the [World Bank Uganda](#) page.



ZAMBIA:

- Entered HIPC in 2000 with \$6.5 billion in debt.⁹
- Completed HIPC in 2005 and received \$3.8 billion in debt relief, to be dispersed between now and 2022.¹⁰
- Zambia’s delays in reaching Completion Point were partially due to opposition to certain structural reforms (i.e. Zambia was required to privatize the Zambia National Commercial Bank despite



presidential, civil society, media and parliamentary opposition).¹¹

- In 2006, Zambia was able to allocate 30% of its total budget toward social sector needs, such as recruiting personnel in education and health sectors, infrastructure development, purchase of drugs, and provision of food supplements particularly for those with HIV/AIDS.¹²
- Zambia would have been servicing debts in amounts of \$450-\$650 million per year if it did not qualify for HIPC. Since completing HIPC, Zambia's average debt service payments each year has been between \$100-150 million.¹³
- Though most post-HIPC relief comes in the form of reduced debt service payments, poor terms of trade at the international level forces Zambia to continue to borrow money in order finance a budget deficit.¹⁴
- For more information on HIPC in regards to Zambia, see [Jubilee Zambia](#) and the [IMF Zambia](#) page.

MALAWI:

- Entered HIPC in 2000 with more than \$3 billion in debt.¹⁵
- Completed HIPC in 2006 and received \$3.1 billion in debt relief (approx. 90% debt cancellation).¹⁶
- Malawi's delays in reaching Completion Point were partially due to government "overspending" on importing grain in order to feed its people during the 2003 famine which hit Malawi after the country decided to sell their grain reserves. This caused Malawi to go "off-track" of its HIPC plan.¹⁷
- By the time Malawi reached Completion Point four years later than expected, it had paid \$440 million in debt repayments.
- Prior to Completion Point, Malawi was paying \$60 million in annual debt repayments. Currently, Malawi is paying \$5 million in annual repayments.¹⁸ Debt servicing now accounts for 41% of the national budget.¹⁹
- Between 2006 and 2025, Malawi is expected to save roughly \$110 million in debt service payments.²⁰
- It is estimated that Malawi needs 21% of the national budget to sustain the countries educational, health and agricultural systems. HIPC resources account for more than half of that 21%.²¹
- For more information on Malawi, see the [Jubilee Debt Campaign Malawi](#), the [Jubilee Malawi Research](#) page, as well as the [IMF Malawi](#) page.



SIERRA LEONE:

- Entered HIPC in 2002 with \$1.7 billion in debt.²²
- Completed HIPC in 2006 and received \$1.6 billion in debt relief.²³
- From 2002-2006, Sierra Leone paid \$76 billion in debt service. This amounts to \$15 per person.²⁴ In 2006, the average person in Sierra Leone earned roughly \$0.56 a day.²⁵



- One of the conditions of Sierra Leone’s debt relief was the controversial privatization of roughly 24 enterprises, including public utilities such as water, electricity, and telecommunications.²⁶
- Sierra Leone has been the last country to obtain Completion Point under HIPC as of 2007. To keep updated on the effects HIPC will have on Sierra Leone over the next few years, see the [Jubilee Debt Campaign](#), as well as the [IMF Sierra Leone](#) page.

Countries Involved in the HIPC Initiative:²⁷

Completed HIPC	Have been approved for HIPC	Not yet approved for HIPC
Benin	Burundi	Central African Republic
Bolivia	Chad	Comoros
Burkina Faso	Democratic Republic of Congo	Cote d’Ivoire
Cameroon	Republic of Congo	Eritrea
Ethiopia	The Gambia	Kyrgyz Republic
Ghana	Guinea	Liberia
Guyana	Guinea-Bissau	Nepal
Honduras	Haiti	Somalia
Madagascar		Sudan
Malawi		Togo
Mali		
Mauritania		
Mozambique		
Nicaragua		
Niger		
Rwanda		
Sao Tome Principe		
Senegal		
Sierra Leone		
Tanzania		
Uganda		
Zambia		

¹ Muwanga-Zake, E.S.K. “The HIPC Debt Relief Initiative – Uganda’s Experience,” p 8, 2001, http://www.wider.unu.edu/conference/conference-2001-2/parallel%20papers/1_4_Zake%20and%20Ndhaye.pdf.

² Katsouris, Christina, “Debt relief delay for poorest countries,” Africa Recovery, Vol. 10 No. 4, Jan.-Apr. 1997.

³ Muwanga-Zake, E.S.K. “The HIPC Debt Relief Initiative – Uganda’s Experience,” p 8, 2001, http://www.wider.unu.edu/conference/conference-2001-2/parallel%20papers/1_4_Zake%20and%20Ndhaye.pdf

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- ⁴ World Bank, "Uganda: Heavily Indebted Poor Country Initiative (HIPC)," <http://go.worldbank.org/XEFZ3PAJ20>.
- ⁵ "G-24 Secretariat Briefing Paper on the Heavily Indebted Poor Country Initiative," Mar. 2003, <http://www.g24.org/hipc.pdf>.
- ⁶ Independent Evaluation Group, "Debt Relief for the Poorest Countries: An Evaluation Update of the HIPC Initiative," p 22, 2006, http://www.worldbank.org/ieg/hipc/docs/hipc_update_evaluation.pdf.
- ⁷ Jubilee Debt Campaign, "Letter from Uganda," Jan. 2005, <http://www.jubileedebtcampaign.org.uk/?lid=574>.
- ⁸ Independent Evaluation Group, "Debt Relief for the Poorest Countries: An Evaluation Update of the HIPC Initiative," p 48, 2006, http://www.worldbank.org/ieg/hipc/docs/hipc_update_evaluation.pdf.
- ⁹ IRIN Humanitarian News and Analysis, "Zambia: HIPC targets have been met, IMF team," Feb. 11, 2005, <http://www.irinnews.org/report.aspx?reportid=52996>.
- ¹⁰ Jubilee Zambia, "The Meaning to the HIPC Completion Point to Zambia, is it Worthwhile?" www.jctr.org.zm/downloads/hipcmeang.pdf.
- ¹¹ Jubilee Debt Campaign, "End Harmful Conditions: What is the problem with conditions?" <http://www.jubileedebtcampaign.org.uk/?lid=2174>.
- ¹² Jubilee Zambia, "Zambia After the HIPC 'Surgery' and the Completion Point," Policy Brief, 2006, www.jctr.org.zm/downloads/1stQ-06brief.pdf.
- ¹³ Jubilee Zambia, "The Meaning to the HIPC Completion Point to Zambia, is it Worthwhile?" www.jctr.org.zm/downloads/hipcmeang.pdf.
- ¹⁴ Jubilee Zambia, "The Meaning to the HIPC Completion Point to Zambia, is it Worthwhile?" www.jctr.org.zm/downloads/hipcmeang.pdf.
- ¹⁵ Paris Club, Press Release, "Malawi: The Paris Club cancels almost 100% of Malawi's Debt," Oct. 19, 2006, <http://www.clubdeparis.org/sections/services/communiqués/malawi8118/viewLanguage/en>.
- ¹⁶ Eurodad, "Malawi Reaches Completion Point," Sept. 21, 2006, <http://www.eurodad.org/whatsnew/articles.aspx?id=310&LangType=1034>.
- ¹⁷ Jubilee Debt Campaign, "Malawi Country Information," <http://www.jubileedebtcampaign.org.uk/?lid=3481>.
- ¹⁸ Jubilee Debt Campaign, "Malawi Country Information," <http://www.jubileedebtcampaign.org.uk/?lid=3481>.
- ¹⁹ Center for Global Development, "Delivering on Debt Relief: Finishing the Job HIPC Started," Apr. 22, 2004, http://www.cgdev.org/doc/event%20docs/4.22.04-Debt/Magalasi_comments.pdf.
- ²⁰ Eurodad, "Malawi Reaches Completion Point," Sept. 21, 2006, <http://www.eurodad.org/whatsnew/articles.aspx?id=310&LangType=1034>.
- ²¹ Center for Global Development, "Delivering on Debt Relief: Finishing the Job HIPC Started," Apr. 22, 2004, http://www.cgdev.org/doc/event%20docs/4.22.04-Debt/Magalasi_comments.pdf.
- ²² Jubilee Debt Campaign, "Sierra Leone Country Information," <http://www.jubileedebtcampaign.org.uk/?lid=3147>.
- ²³ Jubilee Debt Campaign, "Sierra Leone Country Information," <http://www.jubileedebtcampaign.org.uk/?lid=3147>.
- ²⁴ Jubilee Debt Campaign, "Cut the Strings!" Report, p 13, 2006.
- ²⁵ Jubilee Debt Campaign, "Cut the Strings!" Report, p 13, 2006.
- ²⁶ Jubilee Debt Campaign, "Sierra Leone Country Information," <http://www.jubileedebtcampaign.org.uk/?lid=3147>.
- ²⁷ World Bank, "Heavily Indebted Poor Countries List," <http://go.worldbank.org/4IMVXTQ090>.