Outcome of the 1999 HIPC Review

HIPC Review and Consultation
Beginning in 1999, the World Bank and IMF organized a global consultative process, carried out over two phases, to solicit recommendations from governments and civil society on how to enhance the effectiveness of the HIPC Initiative. It has been a remarkable process.

- The aim of the consultation throughout was transparency and impact. The first phase of the review focused on questions of debt sustainability and considered ideas to make the HIPC Initiative "deeper, broader and faster." The second dealt primarily with the overall question of linking debt relief to poverty reduction.

- Through an interactive web-page—and through formal consultations with NGOs, church groups, governments, and the press in Africa, Central America, Europe and the United States—we elicited 1,000 pages of valuable submissions on key details of the Initiative.

- As a result of this process, we were able to translate dialogue and the open exchange of ideas into policy. The papers from civil society and analysis by staff formed the basis of a joint World Bank-IMF Paper, which went to both Boards in April 1999, outlining options to enhance the HIPC framework. This mandate for enhancement received major support in June 1999 when G-7 leaders called for concrete expansion of the Initiative.

For more information, please see HIPC Consultation Process 1999

Enhanced HIPC Framework
Subject to available financing, the result of this process will be "deeper, broader, and faster" debt relief. Main features of the proposed enhanced framework:

- NPV debt-to-export target of 150% down from 200-250%;

- NPV debt-to-revenue target of 250% down from 280%; and a lowering of the export/GDP and revenue/GDP thresholds to 30% and 15%;

- Fixing debt relief at the decision point instead of the completion point; debt relief determined on the basis of actual numbers instead of projected figures;

- Timing: No generalized shortening but introduction of "floating completion points", i.e. the completion point is tied to the fulfillment of a set of reform commitments rather than an interim track record of 3 years.
**Strengthening the Link Between Debt Relief to Poverty Reduction**

Boards of Bank and Fund are considering a new approach to integrate anti-poverty programs into Bank and Fund work. Key elements include:

- A comprehensive and participatory poverty reduction strategy would normally be in place before the decision point;
- Integrate debt relief with other sources of financing to fund overall strategy;
- Provide costing estimates of achieving intermediate and outcome indicators of poverty reduction, to ensure consistency with macroeconomic targets;
- Poverty Reduction Strategy Paper (PRSP), prepared by national authorities in consultation with local civil society and with the support of the country’s external partners.