



G8 Debt Agreement to Benefit 23 African Countries; Separate Deal for Nigeria Mooted

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The agreement on 100% debt relief for developing countries announced by finance ministers from the eight largest industrial nations on Saturday initially benefits 14 nations in Africa. Another nine African countries could qualify for full debt cancellation in the next 12 to 18 months, and the ministers pledged "to provide a fair and sustainable solution to Nigeria's debt problems in 2005" through the informal grouping of creditor nations known as the Paris Club.

The nations first in line for debt forgiveness are 18 (including four in Latin America) that have reached the "completion point" in the Highly Indebted Poor Countries (HIPC) initiative launched by the World Bank and International Monetary Fund in 1996. The 14 in Africa include Benin, Burkina Faso, Ethiopia, Ghana, Madagascar, Mali, Mauritania, Mozambique, Niger, Rwanda, Senegal, Tanzania, Uganda and Zambia. Nine others that are considered close to completion are Cameroon, Chad, Democratic Republic of Congo, Gambia, Guinea, Guinea-Bissau, Malawi, Sao Tome and Sierra Leone.

Britain put the price tag for writing off the debts of the 18 eligible countries at \$40 billion, plus an additional \$11 billion for the soon-to-be eligible nine. Aid groups and debt relief proponents say 62 countries need total debt forgiveness if they are to meet the Millennium Development Goals that were adopted by the United Nations in 2000 and include cutting poverty and disease in half by 2015. The ministers said that the World Bank and African Development Bank would be compensated 'dollar for dollar' for the debt cancellation, while the cost of debt relief for the International Monetary Fund "should be met by the use of existing IMF resources" or, by "extra resources" where necessary.

For Nigeria, the G8 ministers provided encouragement that a relief package, which has been under discussion with creditors in the Paris Club, may be agreed during the G8 Summit in Gleneagles, Scotland in early July. "Nigeria is key to the prosperity of the whole continent of Africa," the ministers' declaration said. "We welcomed Nigeria's progress in economic reform as assessed in the IMF's intensified surveillance framework, noted its move to IDA-only status, and encouraged them to continue to reform."

President Olusegun Obasanjo said last week that his government is hoping to utilize the oil-producing country's foreign reserves to cancel its entire Paris Club debt. Obasanjo and his finance minister, Ngozi Okonjo-Iweala, have waged an intensive lobbying effort to persuade leading creditors that the democratically elected government's ambitious economic reforms should earn the country respite from the debt burden racked up by previous military regimes. Nigeria, with a population exceeding 130 million, earns the least revenue per capita of any of the large oil producing nations, the minister has said. In recent years, Nigeria has been paying about \$1 billion annually to its Paris Club creditors, about half of what was owed.

Various options for reducing or eliminating Nigeria's indebtedness have been under discussion with Paris Club members. While Nigeria is seeking a 100% write-off, some creditors are reportedly insisting that some or all of what the country has earned from recent rising oil prices be used to buy back the debt at a substantial discount. "A fair discount might be in the range of 20-33 cents per dollar of face value," Todd Moss from the Center for Global Development in Washington, DC wrote in a widely cited article published in April. That would be consistent with recent debt relief arrangements for Iraq and Argentina, Moss said, and would cost Nigeria \$6 - 9 billion - "about the recent increase in their foreign reserves from the oil windfall." Obasanjo has argued that debt payments would be better spent on improving education, health and electricity generation.

Another 11 countries, including nine in Africa and two in Asia, could benefit from the agreement announced Saturday, if they continue to progress in meeting HIPC objectives. Burundi, Central African Republic, Comoros, Republic of Congo, Cote d'Ivoire, Liberia, Somalia, Sudan and Togo are classified as 'pre-decision point countries', according to the HIPC criteria, and could become eligible for debt cancellation if they complete the process

"We are absolutely insistent that transparency on all sides is essential for granting future aid and debt relief.," said Gordon Brown, Britain's chancellor of the exchequer, who chaired the finance ministers meeting. "We're working with the IMF and World Bank to improve transparency and tackle corruption."

Speaking after the meeting concluded, Brown said: "We are conscious of the abject poverty and the relentless and unyielding poverty that so many countries and individuals face. We are being driven forward by the urgent need to act. We have found ourselves united with a shared purpose." He called the statement "the most comprehensive statement that finance ministers have ever made on the issues of debt, development, health and poverty."

Brown, who was a member of the Commission for Africa established last year by British Prime Minister Tony Blair, which called for a doubling of aid to Africa over the next three to five years, said "I'm very encouraged not just by agreement on debt we signed today but also the EU's decision to double aid by 2010, so the agenda for Gleneagles is aid, debt relief and trade justice."

While noting the EU action, as well as the "tripling" of U.S. development assistance and the creation of the Millennium Development Account by the Bush administration, the ministers said "It is crucial that the international community improves the effectiveness of aid," and they called on all donors to "harmonise their operational procedures, align aid behind country-owned priorities for growth and poverty reduction and provide for measurable results."

The ministers' statement said "our highest common priority in trade policy for the year ahead will bring real and substantial benefits to poor countries." G8 members "want to deliver increasing market access for developing countries" and eliminate subsidies that distort trade opportunities.

"We recognise that all countries can benefit from a reduction in trade barriers, but they will not benefit as long as they do not have the capacity to compete in international markets," Brown said.

A British proposal for an International Finance Facility (IFF) that would provide \$100 billion for development by issuing bonds backed by the development assistance budgets of wealthy nations has been opposed by the United States and Japan. Instead Brown announced a pilot IFF project to fund for vaccination efforts in Africa without U.S. or Japanese involvement.

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