

The Commonwealth Civil Society Communiqué on the Heavily Indebted Poor Countries Initiative (HIPC)

**Freetown, Sierra Leone
1 to 2 March 2004**

We, the representatives of civil society from Ghana, Mozambique, Sierra Leone, Uganda, and the regional network, the African Forum and Network on Debt and Development (AFRODAD), who met in Freetown, Sierra Leone from 1 to 2 March 2004, under the auspices of a local coalition of NGOs in association with the Commonwealth Foundation on the eve of the Fifth Commonwealth HIPC Ministerial Forum, would like to express our solidarity and firm commitment to working with our governments to ensure that our HIPC countries are pulled out of prevailing abject poverty and debt overhang and are on the path to economic progress and development.

Inspired by the strength of the cooperation between governments and civil society on WTO issues shown in Cancun, we hope that kind of spirit can be engendered to make HIPC impact positively on the lives of people.

We would like to applaud the initiative shown by our Ministers in coming together regularly with the objective of defining the way forward for the HIPC initiative among Commonwealth countries. We would also like to applaud Ministers' decision to engage with civil society and hope that such engagement will be a regular feature of all future HIPC Ministerial Fora.

Further, we reaffirm our support to those fundamental principles of the HIPC initiative and Poverty Reduction Strategy Paper (PRSP) process that create greater spaces for participation and ownership by citizens. We also lend our support to the increasing commitment of our governments to good governance, democracy and human rights, which are essential for equitable national development and social justice.

Having met and deliberated on the HIPC initiative, we note that it is behind schedule with only 10 countries having reached completion point to date. At this rate of implementation, with an average of two countries reaching decision point per year, it will be 2020 before all 42 HIPC countries reach completion point. Meanwhile, the UN Millennium Development Goals (MDGs) are set to be achieved by 2015. If this is to happen, a comprehensive and realistic framework for debt relief that goes beyond HIPC is needed.

The following persistent problems need to be redressed if debt sustainability and poverty reduction are to become realities in our Commonwealth countries:

- ***Debt sustainability remains a mirage among the HIPC graduates.*** The World Bank and IMF definition of debt sustainability is not achievable as it fails to take cognisance of the sufficiency of resources in HIPC countries to adequately finance social services. The sustainability ratios are too narrow and too high to attain. The failure of Uganda and Mozambique, both HIPC II graduates, to attain sustainable debt levels and ratios due to exogenous factors such as natural disasters, falling commodity prices and HIV/AIDS is a case in point. Indeed, HIPCs have limited capacity to deal with external shocks.
- ***Lack of non-Paris Club creditors participation in debt relief.*** The fact that HIPCs are still obliged to repay debts to non-HIPC participating creditors continues to put severe strain on HIPCs, causing them to slide back into the debt cycle.

- ***The experience of the HIPC initiative and its implementation process has exposed a capacity gap*** which is obviously growing and greatly undermines effectiveness and efficiency in both civil society and government. Fundamentally, partnership between civil society and government should be complementary and mutually reinforcing of each other's efforts towards poverty reduction and national development.
- ***The inflexibility of the HIPC process***, in particular the preparation of the PRSPs, has led to shallow analyses of poverty and lack of national consensus for the implementation of those strategies. In some cases, they have clearly undermined national democratic processes, such as Parliamentary approval, which are essential for consensus building. In the majority of countries implementing HIPC, citizen participation in the preparation of the PRSPs was limited to selective consultation which did not reflect meaningful engagement. The result of this situation is lack of broad awareness of the process, widespread disagreement with the process and a lack of a pragmatic strategy to address poverty. Additionally, the inflexibility of the timescale and conditions for reaching decision point places constraints on governments and impedes meaningful engagement with citizens.
- ***The economic policy conditions attached to the HIPC process*** mirrors the prescriptions imposed on these countries during the era of structural adjustment. The HIPC conditions on privatisation, lowering tariffs and trade liberalisation have led to increased poverty, asset stripping and job losses that cause social unrest. There is need to de-link debt relief and poverty reduction.
- ***Partial intervention in quality social service delivery***. We note with great concern that much investment has gone into infrastructure development, but there is a lack of resources to make them fully functional and beneficial to local communities.

Way Forward

We urge our ministers, under the auspices of the Commonwealth, to promote the following:

The Commonwealth

- Non-HIPC creditors who are members of the Commonwealth should offer debt relief to HIPC members. Indeed, Commonwealth creditor countries should take a lead role in granting total debt cancellation to Commonwealth HIPC countries.
- The Commonwealth should lead an international call for fair and transparent assessment of debt sustainability in HIPC countries. An assessment team agreed upon between creditors and debtors should be established. Those countries that continue to have unsustainable debt levels even after reaching HIPC completion point should receive total cancellation of their debt.
- HIPC creditors need a compensation strategy to enable them to cancel the debt of other HIPC countries as their resource base may not allow them to undertake such action without correlated relief from their own creditors.
- Measures should be taken by the Commonwealth to help member states with fiscal and debt management training.
- The Commonwealth Foundation should work with member countries to enhance the capacity of governments and civil society to fully engage as partners in policy making and facilitate information sharing on such international initiatives as HIPC.

National governments

- In their use of HIPC funds governments should adopt a rights-based approach that respects the ability of local communities to identify and prioritise their needs. Our communities should be respected as claim-holders while our governments remain as duty-bearers.
- The involvement and effective participation of civil society organisations (CSOs) in national economic policy matters especially debt procurement, management and monitoring should be facilitated.
- Information sharing is a prerequisite for inter-sectoral approaches; fora that promote dialogue between government and CSOs at national, regional, Commonwealth and international level should be formalised and institutionalised if partnerships are to be effective and meaningful.
- HIPC governments need to develop and present an acceptable working definition of debt sustainability to guide donors and investors on priority investment needs to facilitate national development.

Donors and International Financial Institutions

- Donor governments should ensure that HIPC funds are not used as a substitute for overseas development assistance obligations.
- Donors should consider establishing a HIPC Disaster Recovery Fund for compensation, rehabilitation, reconstruction and investment in lasting preventive measures to minimise vulnerability. Local communities should be involved in mitigation strategies as part of a combined effort.
- HIPC governments' sovereignty to make decisions about national needs and requirements must be maintained as they best understand their local context; otherwise we will continue to suffer consequences like those of the premature introduction of Structural Adjustment Programmes.
- Decision and completion points should be de-linked from the Poverty Reduction Growth Facility and the determination of such points should be done by a consultative group involving civil society.
- Development partners should support building the capacity of governments and civil society to fully engage as partners in policy making and facilitate information sharing.

Conclusion

As civil society, we will continue our work to ensure that poverty reduction and total and unconditional debt cancellation are attained for HIPCs to serve the interests of our Commonwealth people. CSOs will exert pressure for accountability and sustainable expenditure patterns from their governments. CSOs will intensify civic education efforts, emphasising citizen ownership of development programmes, their financing and resource management. In this regard we call on Commonwealth governments to build on the recognition of the role of their civil society and citizens in diaspora in promoting development and democracy and enhance the space and opportunities for interaction with civil society organisations on issues related to HIPCs, PRSPs, the debt crisis and poverty reduction.