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DRAFT REPORT OF SESSIONAL COMMITTEE II

Rapporteur: Mr. Stefano Lazzarotto (Switzerland)

Speakers:

Switzerland
African Union
China
Madagascar
Sudan
Morocco
Brazil for G77 & China
Pakistan for the Asian Group & China
Nigeria for the African Group
Special coordinator for Africa
Indonesia
United States of America
United Republic of Tanzania
Japan
Officer-in-Charge of UNCTAD

Note for delegations

This draft report is a provisional text circulated for clearance by delegations.

Requests for amendments to statements by individual delegations should be communicated by **Tuesday, 19 October 2004** at the latest, to:
UNCTAD Editorial Section, Room E.8102, Fax No. 917 0056, Tel. No. 917 5654.

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ECONOMIC DEVELOPMENT IN AFRICA: ISSUES RELATING TO AFRICA'S DEBT SUSTAINABILITY

(Agenda item 5)

1. The representative of **Switzerland** said that the UNCTAD report on Africa's debt sustainability provided an interesting picture of the magnitude of the debt crisis in African countries, particularly with regard to debt service payments. However, it had three major shortcomings. First, it was not well balanced in its assessment of the HIPC Initiative in that it did not discuss some of the significant progress made under the Initiative, the comprehensiveness of the Initiative, including multilateral debt write-off, the considerable reduction in the external debt burdens of heavily indebted poor countries and the link between debt relief and poverty reduction, the latter area being one in which Switzerland had been a forerunner during the 1990s with its concept of creative debt relief which emphasized linking debt relief to the establishment of development funds. Second, the report was not up to date as regards recent developments in the debate on dealing with Africa's debt distress, and its conclusions were generally abstract and failed to take account of the new DSA framework as well as recent proposals by the United Kingdom and the United States for a write-off of multilateral debt. Third, the report did not provide workable alternatives to stimulate debate.

2. Switzerland supported the view that national policies would need to underscore the interdependence between external borrowing and debt accumulation on the one hand and macroeconomic and balance-of-payments management on the other hand. The speaker also commented on the pace of implementation of the HIPC Initiative, interim debt relief, pre-decision-point and post-conflict countries, the choice of debt sustainability criteria, the savings of heavily indebted poor countries on debt relief and the call for an MDG-based approach to attaining debt sustainability.

3. The representative of the **African Union** said that the UNCTAD report was an enlightening review and technical analysis of the initiatives undertaken by the international community with a view to addressing Africa's debt problem, and an important contribution to the search for a lasting and effective solution to that problem. The analysis drew attention to the fact that the attainment of the development goals, particularly those contained in the Millennium Declaration, was at stake, and emphasized the need for a permanent exit solution to the debt crisis as a means of achieving those goals. Africans and their Governments were determined to take charge of their own destiny through the New Partnership for Africa's Development (NEPAD); this, however, was dependent on the external environment being conducive. The speaker was confident that the debate in the Committee would lead to the adoption of concrete recommendations on Africa's debt crisis. She thanked the UNCTAD secretariat, especially the Sub-programme on Africa, for its efforts in raising legitimate questions regarding Africa's development.

4. The representative of **China** noted that although the world economy was gradually moving towards a recovery, unbalanced development remained a problem, with the continued widening of the gaps between the North and the South as well as between the rich and the South. African countries in particular were faced with great difficulties, including low economic growth, increasingly heavy debt burdens, worsening terms of trade and a serious shortage of resources for development. The developed countries were the major beneficiaries

of economic globalization because of their considerable power over decision-making on international rules and regulations, while African countries faced the danger of marginalization. It was the responsibility of the international community to solve this problem, by adopting more effective measures aimed at creating a favourable economic environment for Africa's development. These should include reforming the international financial system, facilitating the flow of financial resources to Africa, and preferential and differential treatment in trade, as well as honouring commitments on ODA, debt reduction, reducing protectionism, opening markets and providing technology transfer on preferential terms. Furthermore, African countries should join international efforts to find appropriate policies and measures suited to their own specific situations.

5. The representative of **Madagascar** said that his country considered the item under discussion to be extremely important, because the debt problem was a persistent one in Madagascar. The lack of rescheduling agreements between 1991 and 1996 had worsened an already difficult situation, and this had led to an accumulation of overdue external payments. By the end of 2002 external debt had reached $4,587 billion, which represented 100.6 per cent of GDP. In terms of net current value and after traditional rescheduling, the debt amounted to $2,277 billion, which was equivalent to 49.9 per cent of GDP, 211.3 per cent of export revenues and 624.7 per cent of tax revenues. Taking into account the interim assistance within the HIPC Initiative, the net current value of the debt stock amounted to $1,397 billion, which represented 30.6 per cent of GDP, 129 per cent of export revenues and 383.3 per cent of tax revenues. Financial resources should be invested in public programmes in order to halve the poverty rate within 10 years. As stated in the Poverty Reduction Strategy Papers, $1.9 billion over the period 2004–2006 would be required in order to achieve that objective. This amount did not include additional resources, which were estimated at about $1 billion. External financing was thus still an unavoidable necessity. An approach based on the MDGs was the most pragmatic solution for achieving a sustainable debt level and the least costly way to honour the debt service. The Bretton Woods institutions should facilitate LDCs' access to the HIPC Initiative and invite creditors to write off the debt of poorer countries.

6. The representative of **Sudan** noted that some countries had been prevented from taking advantage of the HIPC Initiative for political reasons. The Sudanese delegation called on all parties concerned to keep the noble objectives of the HIPC Initiative free from political considerations. The reasons used as excuses to exclude some countries from the Initiative related to poverty and lack of resources. This exclusion would in fact increase poverty and the lack of resources, which would eventually lead to further worsening of conflicts and confrontations. The HIPC Initiative should be expanded to include all heavily indebted poor countries without exception, and a mechanism should be established to compensate those countries currently excluded from the Initiative for the period of their exclusion. The enhanced HIPC Initiative should be in line with other development and trade initiatives, and the debt problem should be considered within a framework of partnership for development.

7. The representative of **Morocco** said that a joint effort seemed to be the only durable solution to the debt problem. A concerted policy and strategy should be adopted at the global level. Several ideas had been put forward at various levels, starting with the United Nations Secretariat, and including initiatives of individual countries, for example those proposed in Monterrey, Bangkok and São Paulo. In this context, the HIPC Initiative in its original and enhanced versions had also provided some solutions for heavily indebted poor countries. This

was an example of a concrete measure aimed at achieving the MDGs. However, the Initiative should be reassessed, and its criteria and modalities should be revised. In this connection, mention should be made of an important initiative regarding Moroccan economic relations with the least developed African countries, undertaken by Morocco in April 2000. It envisaged the elimination of all tariff barriers imposed on primary products imported from those countries and the cancellation of their external debt vis-à-vis Morocco. Although this might be regarded as a merely symbolic initiative, it should nevertheless receive the utmost attention from other countries, including the developing countries, and especially the developed countries and financial institutions. The Global System of Trade Preferences among Developing Countries was an appropriate context within which developing countries could take further steps. Furthermore, the initiatives taken by Canada and the United Kingdom should be regarded as good examples to be emulated.

8. The representative of **Brazil,** speaking on behalf of the **Group of 77 and China**, said that development remained an unfulfilled promise for Africa, a continent that was faced with challenges that needed to be addressed immediately. Despite a large number of initiatives in the past, the overall economic situation of the continent was worrying and required a comprehensive approach. The HIPC Initiative and its enhanced version had not solved the debt problem of African countries, and in the current circumstances it was unlikely that those countries would meet the Millennium Development Goals by 2015. The HIPC criteria for debt sustainability analyses were not sufficiently robust to accommodate the extremely poor socio-economic situation of Africa, and they should include child and maternal mortality, levels of education, health care, nutrition, and access to medicine and drinking water. The magnitude of the debt of the poorest countries and of some middle-income ones was of great concern because it hampered investment and caused considerable strain. It was therefore imperative to find mutually and multilaterally agreed frameworks to reach a comprehensive solution of the debt problem, such as the establishment of an independent body that would consider a wider set of criteria. Meaningful progress towards a solution would require the writing-off of unsustainable debt owed to both bilateral and multilateral donors, which would represent only half of the resource requirements of the countries concerned. Post-Monterrey commitments remained at $18.5 billion a year, while $50 billion was necessary if the Millennium Development Goals were to be achieved. ODA had increased in 2003, but the increase was insufficient.

9. The slim chance of achieving the Millennium Development Goals in Africa, the insufficient volume of aid flows and their lack of predictability required a renewed impetus and innovative financing mechanisms. In the area of trade, African countries had to grapple with tariff peaks and escalation, and it was therefore essential to address these issues properly in the current negotiating phase. The elimination of export subsidies in developed countries could generate an additional source of financing for developing countries: through channelling to external aid budgetary resources previously earmarked for subsidies without fiscal impact and through increased market access for developing countries. This would have to be combined with measures to achieve food security, poverty eradication and rural development. Improved market access facilities should be supplemented by specific capacity-building programmes to help countries diversify exports and increase their competitiveness.

10. Other developing countries could make a substantial contribution to helping Africa, particularly through the already fast-growing South–South trade, an area with a huge potential for expansion but one that required adequate technical assistance and capacity building. In this field UNCTAD was a very important player. The capacity to compete in

international markets, processed agricultural goods, manufactures and services was a necessary condition for the diversification of African economies. Better access to markets helped, but there was a need for investment in productive capacity. Private domestic and foreign capital flows could attract the investment in human and physical infrastructure required to help Africa integrate into the world trading system. In this area, sufficient policy space was critical in order to enable Governments to have the necessary flexibility to maintain and adopt development- oriented policies. Africa needed a coherent and mutually reinforcing set of policies at the international level, together with prudent debt management policies at the national level and increased policy space.

11. The representative of **Pakistan,** speaking on behalf of the **Asian Group and China,** said that multilateral action in the area of debt had to be intensified in order to find a solution to the debt overhang of African and other indebted developing countries. The HIPC Initiative had not been able to reduce debt to sustainable levels for the poorest countries, while some equally poor ones had been left out. The fact that the majority of African countries would not be able to reach the Millennium Development Goals under present conditions was equally alarming. The expectation that countries whose population lived below subsistence levels would continue to service their debts was a problem which the international community had to face. Of particular concern was the fact that countries that had reached, or were reaching, completion point in the context of the HIPC Initiative found themselves in an unsustainable debt situation. This pointed to a problem with the debt sustainability criteria. Poor countries' failure to qualify for debt relief called into question the objectivity of the HIPC approach. The combination of extreme poverty and extreme indebtedness had plunged a large number of low-income countries into a downward spiral wherein Governments had to spend more than half of their budgets on debt servicing, as a result of which they had reduced resources with which to meet the social needs of their people. Consequently, more than 700 million people living in heavily indebted poor countries had no prospect of improving their situation.

12. It was clear that even full use of traditional debt reduction mechanisms might not be sufficient to attain sustainable debt levels. It was significant, therefore, that the United Kingdom was willing to write off 10 per cent of the debt owed by poor countries to multilateral institutions; the multilateral institutions should share the burden in this connection. The criteria applied to debt sustainability analysis should be widened to include human development indices, and debt write-off should be seen as a moral obligation and not as a moral hazard. It would not, however, obviate the need to increase the level of aid; this had to be in addition to, and not a substitute for, ODA, because a full debt write-off represented only half of the resource requirements of the sub-Saharan countries. To prevent poorer countries from falling into a new debt trap, funds provided to them should be in the form of grants.

13. UNCTAD should continue analysis of debt sustainability, extending the research to other developing countries where debt remained a major impediment to development. The potential of traditional economic policy instruments to stabilize the economy remained limited as long as many developing countries were highly indebted, and escaping from poverty could be impossible. In this context, debt relief should be high on the international agenda. Unsustainable debt was one of the major obstacles to development. Developing countries continued to export capital needed for development in order to service their debt and because of deteriorating terms of trade. This capital flow that was financing the developed world was morally unacceptable and politically and economically unsustainable.

Africa's development problems underscored the importance of fiscal and policy space and of a concerted international endeavour to meet the continent's development challenges.

14. The representative of **Nigeria,** speaking on behalf of the **African Group**, said that Africa continued to lag behind the rest of the world in terms of growth, investment and trade, and was plagued by conflict, instability and a worsening public health profile. There was general agreement that if current trends continued, Africa would not meet the Millennium Development Goals. The causes of Africa's problems were rooted in history, but NEPAD represented the political will of African leaders to tackle current problems in order to fully integrate Africa into the global economy. It was important that the willingness of African countries to undertake reforms be matched by the support of the international community. The burden of external debt was one of the major factors militating against progress in Africa, since it reduced resources available for social programmes and prevented the spread of private and public investment. The $22.2 billion which Africa had received as ODA in 2002 was just equal to what had been paid to service external debt in the same year. Some of those debts could be described as odious, and the surge in the debt stock took place while most countries were undertaking structural adjustment programmes.

15. Most of the initiatives implemented during the 1980s and 1990s did not address the type of debt prevalent in Africa and the original HIPC had shortcomings of its own. But, irrespective of the merits of HIPC II, there was still much to be done, and the issue was now receiving more attention. In addition to addressing the problems arising from the slow pace of implementation of the HIPC Initiative and the need to provide more interim relief, it would be crucial to review the concept of debt sustainability, the criteria used in determining sustainability levels, and discount rates used to calculate net present values. Owing to the commodity dependence of most African countries and their weak tax bases, it was possible that post-completion HIPC Initiative countries had debt ratios that fell below levels stipulated in the Initiative. This underscored the importance of linking debt relief mechanisms to development financing in order to improve Africa's supply capacity, especially in the areas of infrastructure, manufacturing and services. Accordingly, it would be necessary to tie the HIPC Initiative to the PRSP process. Debt relief mechanisms for Africa should take account of potential growth poles in the continent that could contribute to bringing about a "flying geese" phenomenon observed in other regions. The ineligibility and the exclusion of a number of poor African countries from the Initiative would reduce the ability of the continent to achieve sustained growth rates. Political considerations should lead to meaningful debt relief for African economies with huge burdens, including domestic debt.

16. Inadequate financing of the HIPC Initiative was a matter of concern, bearing in mind the exclusion of some post-conflict countries, the difficulties of some multilateral institutions in meeting their share of costs, and the fact that a complete write-off of the debt would represent only half of the resources needed. The trend towards increases in ODA was a positive sign since the issue of moral hazard had not been put at the top of the agenda. The international community should take seriously the proposal for a complete debt write-off and the establishment of a panel of independent experts to examine the concept of sustainability.

17. The **Special Coordinator for Africa** presented a summary of the findings of the 2004 report entitled "Economic development in Africa: Debt sustainability: Oasis or mirage?" Between 1970 and 2002 African countries had borrowed $540 billion and had paid back $550 billion yet still owed close to $295 billion. Thus the principal had already been paid back, but the countries remained with a debt stock of nearly 60 per cent of what they had originally borrowed. The debt overhang had been an impediment in Africa's efforts to increase its level

of investment. Much of the debt had been accumulated during programmes of structural adjustment. Countries that had reached completion point were not likely to have sustainable debt levels because of over-optimistic assumptions regarding export and economic growth. There had been inconsistencies in the application of eligibility criteria. The main sustainability indicators were not robust enough and did not take into account the complex nature of poverty and the impact of domestic debt. Interim relief had been inadequate and the HIPC debt relief was not additional to aid flows.

18. Moreover, bearing in mind that African countries were unlikely to reach the MDGs, no level of debt servicing could be justified for countries where most of the people were living in poverty. Debt write-off thus became a moral imperative (rather than a moral hazard). In the absence of a debt write-off an independent body of experts might be created to determine sustainable debt levels based on a wider set of criteria, including those for reaching MDGs. Debt write-off would not be sufficient if it was not accompanied by additional resources, preferably in the form of grants, better market access and more policy space. Debtor countries, for their part, should adopt prudent debt management policies, and invest in human and physical infrastructure and the diversification of their economies. With regard to PRSPs, which were of major importance in the implementation of the HIPC Initiative, two major evaluations published by the IMF and the World Bank in July and August 2004 confirmed many of the concerns and recommendations contained in UNCTAD's analysis of PRSPs in the 2002 Africa report, entitled “From adjustment to poverty reduction: What is new?”

19. The representative of **Indonesia** said that it was unrealistic to expect African countries to achieve the MDGs without a concerted effort by the international community to address effectively the problems of debt, as well as other major economic and financial problems, experienced by African countries. Those countries would require policy space in order to pursue prudent debt management, economic diversification and sustained economic growth. Therefore, responsibility should be shared between creditor and debtor countries, and this should be complemented by favourable economic measures taken by the international community. The discussion on the debt problems of African countries was pertinent in conjunction with the new geography of trade discourse. The fact that many countries in Africa were excluded from the economic growth taking place in other parts of the world had caused grave concern. Some legitimate questions had been raised in the UNCTAD secretariat’s background document regarding the level of, and criteria for, debt sustainability and whether debt write-off was a feasible approach. The question of level was significant for determining the criteria governing countries’ eligibility to join a debt relief programme. The debt sustainability criteria should not use the arbitrary formula that tended to judge one country by imposing only a narrow set of criteria. If the objective of debt relief was to make a link with poverty reduction, a more comprehensive approach would be required, one that used not only the monetary criteria but also the poverty reduction criteria.

20. While the importance of sound domestic policies for addressing the problem of debt was recognized, it was equally important that the international economic and financial system be conducive to the developing countries´ efforts to solve the debt problem. The alternative approach suggested in the UNCTAD document, which indicated how to measure the debt relief that should be offered to heavily indebted poor countries and other poor debt-distressed countries, merited further consideration. It was crucial that debt relief policy contribute to growth and development in debtor countries on the basis of the MDG approach, and it was also crucial to integrate debt issues into poverty reduction strategy.

21. The representative of the **United States of America** said that the strategies of the past were not sufficient to reform, diversify and energize African economies. Also, current economic growth rates were not sufficient for lasting poverty reduction. Africa was in urgent need of structural transformation and diversification, and debt relief and increased ODA were not the whole story. For Africa to succeed, the private sector should become the engine of growth and structural transformation. Debt relief for heavily indebted poor countries that demonstrated a commitment to sound macroeconomic and structural policies was strongly supported. Notwithstanding very significant accomplishments in this connection, some countries had not yet benefited from the HIPC Initiative, and an extension of the programme was therefore supported. Debt sustainability for the poorest countries called for more solutions and further measures to be considered. A key area where continued reform was needed pertained to the acceleration of implementation of grant-financed projects on the ground and doing more to support debt sustainability in poor countries. For a prudent and sustainable path to financing for development and improved chances of attaining the MDGs, a new and bolder approach was needed, which should be guided by three principles. First, debt should be sustainable, as private investment required for economic growth and poverty reduction would not come in the context of unsustainable debt burdens. Second, loans should not be made when it was highly probable that they would be forgiven. Third, grant and debt relief should be significantly increased for the heavily indebted countries. Other proposals were welcome, including those that provided up to 100 per cent debt relief.

22. It was worth asking why some countries handled the debt burden better than others and what could be learned from these positive examples. Domestic governance and transparency played a central role, as corruption could reduce a country's growth rate. In this context, there was a broad-based anti-corruption/transparency initiative to help developing countries acquire the tools to strengthen domestic institutions and enhance transparency and accountability. Sound policies supporting private sector activities were also critical. The underdevelopment of the financial sector in many African countries severely constricted private sector development and creation of household and national wealth. The need to expand the financial services sector was of particular relevance, given the importance of remittances as a source of private capital in developing countries. As mortgage markets were also important for private sector and overall economic development, an African Mortgage Market Initiative was being implemented. There was disagreement about whether there was a universal consensus that greater "policy space" was needed to solve the debt crisis in Africa; rather, good policies were required.

23. The representative of the **United Republic of Tanzania** said that the UNCTAD's report on economic development in Africa spelt out the problem of indebtedness and how it continued to stifle African economies, and went on to suggest workable solutions to the problem. The international community was called upon to address this bleak situation. While total multilateral and bilateral debt cancellation was recommended, this move should go hand in hand with making available adequate and predictable resources in the form of grants. The increased resources/ODA should be invested in the African economies so as to address supply-side constraints and build up appropriate capacities in productive sectors, human development, institutions and so on. Also, a mechanism should be put in place to ensure effective resource utilization. Improved market access was of paramount importance to Africa. All subsidies and technical and non-technical barriers to trade should be eliminated, so that African products could compete in the world's markets. It was of vital importance to ensure that policy space be made available to African countries so that they could organize themselves by building strong, diversified and competitive economies. The debt problem

should be seen in the broader context of development and, as the UNCTAD report had emphasized, to solve the debt problem it was necessary to take a holistic approach rather than a piecemeal one, the latter having proved to be both costly and inadequate in addressing this chronic and fundamental problem.

24. The representative of **Japan** said that the third meeting of the Tokyo International Conference on African Development (TICAD) had been held in Tokyo in September 2003, the 10th anniversary of TICAD. Two main conclusions on the future development strategy of Africa had been reached: there was a need to concentrate efforts for Africa's development on the principle of ownership and partnership; and concerted action by the international community for a new partnership was required. The Japanese Prime Minister had stated at the meeting that three principles would underscore Japan's efforts for African development: (i) the development of human resources; (ii) poverty reduction through sustainable economic growth; and (iii) attainment of peace. South–South cooperation and the “security of the human being" were also emphasized. The Prime Minister had earmarked $10 billion to help with the provision of safe drinking water, education and medical care, including HIV/AIDS treatment, in Africa. Japan would hold a TICAD Asia–Africa Trade and Investment Conference in November 2004 as a follow-up to TICAD III, the objective of which would be to examine concrete and meaningful proposals for Africa's development based on the Asian experience.

25. Within the TICAD framework, Japan had provided between 1998 and 2003 assistance with safe drinking water for about 4.6 million people in Africa, and educational facilities for about 2.6 million children, also in Africa, thereby contributing to the attainment of the MDGs. Japan was the largest contributor to debt relief for 27 heavily indebted poor countries. It had provided $5.4 billion, which was about a quarter of the total contribution of the G8 countries to HIPC debt relief. Japan attached great importance to the smooth and expeditious implementation of the HIPC Initiative, and in 2003 had cancelled debts owed to it by six heavily indebted poor countries — Bolivia, Benin, Mauritania, the United Republic of Tanzania, Mali and Uganda. It had also provided grants to the United Republic of Tanzania and Ethiopia to facilitate the implementation of their PRSPs. The secretariat should make use of the new information available in its analysis concerning paragraph 16 of its document on economic development in Africa (TDB/51/3). Japan was of the view that total debt cancellation would jeopardize the proper functioning of the Bretton Woods institutions.

26. The **Officer-in-Charge of UNCTAD** said that the plight of African countries and the urgency for the international community to take decisive action to help them were by now universally recognized, as evidenced by a recent meeting in Addis Ababa of the Commission for Africa established by the Prime Minister of the United Kingdom, Mr. Tony Blair, who at the meeting restated the importance of Africans taking ownership of, and leading the approaches to, development on the African continent. African countries must be allowed the space to determine the right path to development, with assistance from the international community. Four years ago UNCTAD had called for a massive transfer of resources from the international community to African countries to help break the vicious circle of poverty. UNCTAD’s Africa report for the year 2000, entitled Capital Flows and Growth in Africa, had argued that current levels of GDP growth would have to be increased to 7 or 8 per cent per annum and sustained if poverty reduction targets were to be met, and that this would imply doubling the current amount of aid to the continent and maintaining it at that level for at least a decade. This had been met with some scepticism. However, there was now a growing consensus that the transfer of resources was necessary for African development in addition to

other issues such as governance. The High-Level Panel on Financing for Development and a 2002 World Bank study had reached a similar conclusion about the volume of resources to be transferred to developing countries if they were to attain the MDGs, and had called for an increase of between $40 and $60 billion.

27. In 1998, two years after the launching of the HIPC Initiative, UNCTAD had expressed doubts about whether it could lead to sustainable debt levels for developing countries generally and African countries in particular. The Trade and Development Report, 1998 had argued that Africa's debt problems and resource requirements were inextricably linked to the capacity of African countries to generate capital accumulation. UNCTAD had proposed inter alia that an independent assessment of debt sustainability in African countries be carried out by a high-level panel of experts on financing for development, selected jointly by debtors and creditors, with an undertaking by creditors to implement fully any recommendation that might be made. This did not find favour in the donor community. However, a consensus was now emerging that many African countries continued to suffer from a debt overhang despite the HIPC Initiative and various actions taken in the context of the Paris Club. The 2004 Africa report had concluded that if past growth rates were taken into account there was, on average, only a 40 per cent chance that the 27 African heavily indebted poor countries currently benefiting from the Initiative would reach sustainable debt levels, as defined by the Bretton Woods institutions, by 2020. It proposed a total debt write-off for the poorest countries. Should this not be politically feasible, it suggested that the debt sustainability of African countries be considered by an independent body using alternative debt sustainability criteria, with an agreement by all creditors to act in accordance with the findings of the body.

28. Two important current initiatives mirrored the contents of the report. The first of these was the proposal made at the recent meeting of the International Monetary and Financial Committee of the IMF by the UK Chancellor of the Exchequer, Mr. Gordon Brown, that creditor countries agree to write off the whole of their share of poor countries' debt to international financial institutions. The second was an analysis in a World Bank and IMF document of April 2001 entitled "The challenge of maintaining long-term external debt sustainability", which addressed the sustainability of future debt and emphasized a case-by-case approach, as well as the linking of sustainability analysis with the evolution of the real economy, notably investment and growth prospects, and the need to take into account the economy's vulnerability to various external shocks. The UNCTAD secretariat had informed the World Bank and the IMF of its availability and willingness to cooperate in exploring these issues.

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