Debt Relief: Still failing the poor

Of the twenty-two countries receiving debt relief, three-quarters will be spending over ten per cent of government revenue on debt this year. Sixteen countries will be spending more on debt than on the health of their citizens, and ten will be spending more on debt than on primary education and health combined. Oxfam is calling for deeper and wider debt relief, and for 100% cancellation of IMF and World Bank debt.

April 2001
Debt Relief: Still failing the poor

Summary

At the end of 2000, 22 countries out of 41 eligible for assistance were getting debt relief under the Heavily Indebted Poor Country initiative (HIPC). Early this year, the IMF and World Bank cited large financial gains for the countries, which had entered the framework, with projected debt service relief at around $34 billion, and overall external debt reduced by two-thirds.

Oxfam’s analysis of the detail behind these headline figures provides a very different picture. Many countries will still be spending more on debt than on basic education or health after receiving HIPC debt relief. For the world’s poorest countries to divert vitally needed resources to rich creditors rather than to spending on the health or education of their citizens is both immoral and economically irrational.

In HIPC countries on average, over half of the population live below the $1 dollar-a-day poverty line. One in six children die before the age of five. Almost 50 million children are not in school. If the purpose of HIPC, as Mr. Wolfensohn put it in December 2000, is to “…eliminate debt as an obstacle to poverty reduction” then something is clearly wrong if the world’s poorest countries are spending more on debt than on health care or basic education.

Of the twenty-two countries receiving debt relief under the initiative, three-quarters will still be allocating unsustainable levels of finance towards debt service – between 10-27 per cent of government revenue this year, leaching vital resources away from poverty reduction efforts. Sixteen countries will still be spending more on debt than on health care. Ten countries will be spending more on debt than on primary education and health combined.

- Niger will spend over a quarter of its revenue on debt, in a country ranked second lowest in the UNDP Human Development Index, with 86 per cent of the population unable to read or write, and where a quarter of children do not live to see their fifth birthday.

- Zambia will spend a quarter of its national budget on debt this year, more than its entire spending on health. This is in a country where one out of five children will not live to see their 5th birthday, and where the impact of the HIV/AIDS crisis has reduced life expectancy to 40 years.

This stark picture actually underestimates the problem because the World Bank has used wildly optimistic growth projections for the 22 HIPC countries. Since revenue projections are linked to growth, revenues have been overestimated, and debt is likely to absorb much larger shares of government revenue than World Bank projections state.
Oxfam believes that it is unacceptable for any HIPC country to be spending more than 10 per cent of revenue on debt. But even if the HIPC initiative provided this level of debt relief, the resources released would not be enough to allow countries to meet the 2015 international development goals such as halving poverty, providing every child with free, good quality basic education, and reducing child mortality by two-thirds.

- **Future debt service for the 22 countries, at $2bn a year, nearly matches the cost of achieving the education and health goals in these countries, at around $2.7bn a year.**

Many of these countries are making major efforts to improve their policy environment and resource management, including increased transparency and civil society participation. A recent IMF/World Bank paper\(^1\) notes progress towards improved public expenditure management that would ensure increased resources are well used in efforts to fight poverty. In Uganda, the government has used debt relief to help finance free primary education, and has seen enrolments jump from 2.5m in 1997 to 6.5m in 2000; recent HIPC debt relief has helped Tanzania agree to provide free primary education. While such progress is being made, major challenges remain. It is now time for the international community to do its part to move towards deeper debt cancellation and increased aid.

While Mr Wolfensohn and Mr. Kohler are rightly calling for increased aid and an elimination of northern trade barriers to enable poor countries to meet the 2015 goals, their own institutions could contribute more through a reformed HIPC initiative.

**Oxfam urges the Bank and Fund at the Spring Meetings to:**

- **Endorse the principle that no HIPC country which is serious about the 2015 goals should be denied the resources required to achieve them.**

- **Agree a new HIPC3, and ensure that future debt sustainability criteria are linked to the financing requirements of the 2015 goals in indebted countries.**

- **Undertake an urgent debt sustainability analysis of all low-income countries, and widen the HIPC initiative to more countries such as Haiti, Nigeria, Georgia or Bangladesh.**

- **Agree to 100% cancellation of IMF and World Bank debt for HIPC countries which have illustrated that they can use the resources to deliver poverty reduction and where a 10 per cent debt service to revenue ceiling is insufficient to release enough resources.**

\(^1\) *Tracking of Poverty-Reducing Public Spending in Heavily Indebted Poor Countries (HIPCs)*, IMF/World Bank, 2001
The Enhanced HIPC Initiative: compromised by G7 fears on cost

At their summit in Cologne in 1999 the G7 announced their support for an enhanced HIPC framework, which was agreed at the IMF and World Bank annual meeting later that year. This new framework was supposed to improve on the previous HIPC initiative by reducing debt to sustainable levels in poor countries. Unfortunately the development of new debt sustainability criteria grew from a G7 desire to reduce the cost of HIPC reform to themselves, rather than a consideration of how much debt relief was required to help poor countries reach a sustainable position. The G7 in the end went only half-way to supporting debt sustainability in poor countries, in particular failing to link debt relief to the amount of government revenue swallowed up by debt servicing.

Following continuing pressure, various G7 governments undertook bilateral actions to increase the amount of debt relief they would provide. Notably the UK, US and Canada moved to 100 per cent debt cancellation for HIPC countries, with others moving to weaker positions around this. At the end of 2000, the UK went a step further and announced that it would put in a trust fund any debt service from HIPC conflict affected countries or countries which have not yet developed poverty reduction strategies, and that this finance would be released when countries reached the Decision Point in HIPC.

Clearly HIPC can make a difference. In Uganda, the government has used debt relief to help finance free primary education, and has seen enrolments in primary schools jump from 2.5m in 1997 to 6.5m in 2000; recent HIPC debt relief has helped Tanzania agree to provide free primary education. HIPC countries are making major efforts to improve their policy environment and resource management, including increased transparency and civil society participation. A recent IMF/World Bank paper\(^2\) notes progress towards improved public expenditure management that would ensure increased resources are well used in efforts to fight poverty. While such progress is being made, major challenges remain if HIPC is to provide debt sustainability and to release the resources these countries need to fight poverty.

Failing to release enough resources for poverty reduction

HIPC has ignored the impact of debt servicing on the ability of governments to resource poverty reduction efforts. Oxfam believes that it is unacceptable for any HIPC country to be spending more than 10 per cent of revenue on debt. The World Bank notes in their March 2001 review of the financial impact of HIPC\(^3\) that debt service on average will drop from 27 per cent of revenue to 12 per cent over the next few years. Behind the averages lies a worrying picture of 16 countries spending more on debt than on health care.

\(^2\) Tracking of Poverty-Reducing Public Spending in Heavily Indebted Poor Countries (HIPCs), IMF/World Bank, 2001

\(^3\) Financial Impact of the HIPC Initiative: First 22 Country Cases, March 2001, World Bank
• 4 countries will be spending over a fifth of government revenue on debt this year. In Mauritania, Zambia, and Guinea this will be more than spending on health and primary education combined; and in Niger debt service will exceed total health spending. In all of these countries around a fifth of children die before the age of five due to easily preventable illnesses.

• 5 countries, Gambia, Guyana, Nicaragua, Sao Tome and Principe, and Senegal will be spending between 15-20 per cent of government revenue on debt.

• 7 countries, Cameroon, Guinea-Bissau, Honduras, Madagascar, Malawi, Mali, and Tanzania will be spending between 10-15 per cent of government revenue on debt. Cameroon will be spending more on debt than on health and primary education combined.

• In 2002, for three countries, Guinea, Honduras, and Nicaragua, the proportion of government revenue spent on debt will actually increase, rather than reduce\(^4\). In Nicaragua, debt service leaps from 16 to 26 per cent of government revenue. For many of the HIPC\(^s\) this is due to rising obligations to the IMF.

The future for the majority of the HIPC countries looks bleak. While Malawi’s debt service falls below 10 per cent of revenue in 2002, this still leaves 15 countries spending between 10 and 26 per cent of revenue on debt service in that year. In 2003, Guinea, Nicaragua and Zambia will still be spending 20 per cent or more of government revenue on debt service, with another 12 countries in the unsustainable position of spending between 10-20 per cent of revenue on debt service.

This stark picture actually underestimates the problem HIPC countries face for three key reasons. Firstly, because the World Bank has used wildly optimistic growth projections for the 22 HIPC countries. Since revenue projections are linked to growth, revenues have been overestimated, and in fact debt may absorb much larger shares of government revenue than World Bank projections show. Secondly, unsustainable positions are made worse by vulnerability to shocks. HIPC\(^s\) are prone to a wide range of shocks. Some of these are well known such as hurricane Mitch in Central America, or floods in Mozambique – however in addition to climatic shocks, others include shocks to aid flows, exports, imports and budget revenue. Most of the HIPC countries are affected by HIV/AIDS, an economic and social crisis which both reduces growth and increases health and other social sector costs.

\(^4\) This is because of peaks in the timing of some debt service obligations – 18 HIPC\(^s\) see increases of this kind, many in the interim period between Decision and Completion Point.
Growth rates and revenue: how much will governments have to spend on poverty reduction?

The problem is that projected growth rates used by the IMF and World Bank do not properly reflect economic prospects. The end result is that their projections of debt sustainability look unrealistically favourable. The majority of projected GDP growth rates have been set between 5-6 per cent for 2000-2005, yet past growth rates in many countries have been far below this. Actual growth in sub-Saharan Africa during 1990-97 was 0.4% according to the World Bank. In Zambia during 1998-99, growth was 0.2 per cent, and in Cameroon it was 0.5 per cent.

What this shows is that the World Bank growth and revenue projections are at odds with reality. If growth is lower, revenue will be too. If revenue is lower then HIPC countries will continue allocating large shares of government revenue on debt servicing.

- The World Bank projects revenue growth for the 22 countries from $12bn in 1999 to $22bn in 2005, a virtual doubling of revenue.

The reality will be lower revenues, higher proportions of government revenue allocated to debt than shown in World Bank figures, and countries further trapped in unsustainable debt.

Debt sustainability and shocks

Economic growth and revenue in HIPCs are also highly vulnerable to shocks since they are heavily dependent on aid, export a narrow range of commodities, are vulnerable to swings in values of imports, and have limited reserve cover.

Recent work by Debt Relief International, a donor funded organisation, which provides capacity building support to HIPCs, notes the following:

- 23 HIPCs suffered from climatic shocks in last 10 years, with 17 suffering from drought, and 8 from floods or hurricanes
- 34 of 38 HIPCs reviewed suffer from aid volatility, with 28 vulnerable to aid shocks
- 16 countries depend on one commodity for more than 50 per cent of export revenue, and 28 have suffered from export volatility. HIPC countries such as Ethiopia and Uganda rely on coffee for 65% and 50% of export revenues respectively. Coffee prices have declined more than two-thirds since 1997

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6 Note: All volatility measured as standard deviation over 20 per cent in last 10 years. Aid dependency measured as over 10 per cent aid/GDP.
Impact of HIV/AIDS

HIV/AIDS is of major concern in all of the HIPC countries, especially in Africa where 25 million of the world’s 36 million people living with HIV/AIDS reside. HIV/AIDS is an economic as well as a social catastrophe. The World Bank estimates that in sub-Saharan Africa, per capita growth during 1990-97 was reduced by 0.7 per cent due to HIV/AIDS. In countries such as Zambia, where the HIV/AIDS prevalence rate increases to 20 per cent or more, yearly growth may be reduced by up to 2 per cent according to UNAIDS. UNAIDS estimates that in sub-Saharan Africa, prevention, basic care and support to orphans would cost $3bn a year.

Ultimately HIV/AIDS creates a vicious circle, reducing economic growth, which increases poverty, and which in turn accelerates the spread of HIV/AIDS.

- In no HIPC country case has the IMF and World Bank made a serious attempt to factor in the impact of HIV/AIDS on future growth – projections may need to be reduced by between 1-2 per cent.

- If the effect of a drop in growth of 1-2 per cent is factored in due to the impact of HIV/AIDS, and if growth projections are reduced by 1 per cent across the board that factors in the effect of shocks, average growth could be reduced to 3-4 per cent. In many countries with population growth rates at 2.5-3.0 per cent, this implies almost stagnant per capita growth.

Debt and the 2015 international development goals

The international community has committed itself to the achievement of the international development goals for 2015. The goals include halving world poverty, achieving free and good quality universal primary education, and reducing child mortality by two thirds.

On current trends, the majority of HIPC countries will not achieve these goals. Progress towards the goal of halving poverty relies on the rate of growth, and the distribution of the benefits of growth. While poverty reduction projections for HIPC are not available, projections for sub-Saharan Africa provide a close proxy. According to the Overseas Development Institute, sub-Saharan Africa will only reduce poverty by a fifth by 2015. With regards to education, Oxfam estimates that on current projections, 50 million children will remain out of school by 2015 in HIPC countries. UNICEF calculations show that while the child mortality target rate for HIPC is 52 deaths per 1,000 live births, the projected rate is 134 deaths. The gap between target and projected represents around 2 million additional child deaths per year.

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10 This assumes per capita growth of 1.4 per cent (with overall growth of around 4%).
• Halving poverty – HIPC(s will only reduce poverty by a fifth by 2015

• Universal Primary Education – HIPC(s will see 50 million children still out of school by 2015

• Reducing child mortality by two-thirds – in HIPC(s, the gap between this target and current trends represents 2 million child deaths per year

How much would it cost to achieve the 2015 goals in the 22 countries that are receiving HIPC debt relief? At this time neither the IMF, nor the World Bank, have developed such figures, even though they are committed to supporting these goals. Estimates are notoriously difficult, but Oxfam research\(^\text{11}\), using World Bank data, indicates the following:

<table>
<thead>
<tr>
<th>Costing some of the 2015 goals in the 22 HIPC countries</th>
</tr>
</thead>
<tbody>
<tr>
<td>Achieving Universal Primary Education:</td>
</tr>
<tr>
<td>Meeting 4% GDP spending target for primary education(^\text{12})</td>
</tr>
<tr>
<td>Improving health:</td>
</tr>
<tr>
<td>meeting World Bank target of $12/capita/year health spending</td>
</tr>
<tr>
<td><strong>Total</strong></td>
</tr>
<tr>
<td>Future debt service:</td>
</tr>
</tbody>
</table>

If the international community is going to get serious about helping developing countries meet the 2015 goals, then two things are required. Firstly that developing countries make the policy improvements and resource commitments required to properly attack poverty. Secondly, that developing country commitments be rewarded with appropriate rich country help. **No developing country which is serious about the 2015 goals should be denied the resources required to achieve them.**

The first step in addressing this goal should be in the world’s poorest countries, and part of this must include further debt relief, as well as increases in aid, and an ending to the northern protectionism that denies poor countries increased trade and growth.

• **In the HIPC countries now receiving debt relief, future debt service to 2005 will be around $2bn a year. This is three-quarters of the finance required to meet the education and health goals in these countries.**

\(^{11}\) See Fig. 1 and 2 for calculations.

\(^{12}\) UNICEF cost UPE in sub-Saharan Africa at $2.9bn (comparable to our estimate), and globally at $9.1bn/year, see Enrique Delamonica, Santosh Mehrotra, Jan Vandemoortele, *Education for all is affordable: a minimum global cost estimate*, UNICEF Staff Working Paper, January 2001.
How can further debt relief be provided to these countries? The G7 have set a powerful example by agreeing to 100 per cent cancellation of bilateral debt. This example needs to be replicated throughout the Paris Club, and amongst non-Paris Club members. However, if the richest countries in the world can move to 100 per cent cancellation, then so too can the IMF and World Bank.

There are numerous arguments around how additional debt relief from the IMF and World Bank can be financed. A fundamental principle is that such debt relief must be financed from new resources, and that non-HIPC countries, many of which have avoided a debt crisis through careful management of their economies, are not penalised. However, the resources required are not that large. Financing could require additional donor contributions to the HIPC Trust Fund, but resources could also be provided from resources within the World Bank and IMF. According to Drop the Debt, the short-term successor to the Jubilee 2000 campaign, it would cost around $502m a year to cancel 100% of IMF and World Bank debts from the 22 countries, with $215m required from the World Bank, and $287m from the IMF. For all HIPCs the total would be $721m. This is eminently affordable, and could be provided from a range of resources.

From the World Bank, IDA re-flows are expected to increase to $2.5bn per annum in the near future. While these are intended to serve the needs of all IDA countries (some 70 or so), a portion of IDA re-flows could be used to cancel World Bank debt to HIPCs. At the same time more use could be made of IBRD income. Last year, for instance, $200m was transferred to the HIPC Trust Fund from net income of $1.3bn. Other areas could include loan loss provisions, and potentially the use of part of the IBRD’s $25bn capital. Such measures would have no impact whatsoever on the World Bank’s ‘AAA’ investment rating.

The IMF has already demonstrated one mechanism for assisting with HIPC debt relief, that is, through gold sales from its $21.5bn gold reserves – which are currently valued by the IMF at less than market rates, at $8bn. Other areas include using finance from the Reserve Account which is growing quickly and now holds around $3bn. This account is supposed to become self-sustaining for financing Poverty Reduction and Growth Facility loans, but this goal could be delayed and growing finance used for HIPC relief. It is not difficult to see that around $287m a year could be obtained from a mix of these resources if the will was there.

Other multilaterals have varying capacity to provide the same amount of relief. Clearly the Inter-American Development Bank, backed by some of the richest countries in the world, such as the US (with over 30 per cent of shares), and large middle-income countries such as Brazil and Mexico, has the resources to act in the same way as the IMF and World Bank. Other banks, such as the African Development Bank will require donor assistance if they are to assist in this way.
While HIPC is inadequately addressing the needs of countries, which have entered the framework, there are many countries, which are outside it. Some of these countries are eligible under current HIPC criteria, but suffer from conflict or post-conflict problems, which delay entry. This includes countries such as Liberia or Sudan. The UK proposal to place debt service in trust for when such countries have a policy environment where this finance can properly contribute to poverty reduction is a useful model for all debt service from these countries.

Many low-income countries with large debt burdens such as Africa’s largest debtor Nigeria, or Haiti, Cambodia, and Bangladesh, are not deemed eligible for HIPC assistance. Worryingly trends have worsened in some of countries of the former-Soviet Union. Georgia allocated almost a half of revenue on debt, and Moldova over 80 per cent in 1999. These are countries where poverty levels exploded during the transition from centrally-planned economies to market oriented economies. In Armenia for instance, over half the population live below the poverty line.

The IMF and World Bank should urgently undertake debt sustainability analysis in all low-income countries. Such analysis, coupled with the development of poverty reduction strategies and medium-term budget frameworks, can start to provide a basis for costing and financing the 2015 agenda, and for identifying pro-poor policy reforms required to deliver on these goals.

**Recommendations: Debt relief to meet the 2015 targets**

The Managing Director of the IMF, and the President of the World Bank argue that the debate should move from debt relief to other areas, such as more aid and a reduction in northern trade barriers. The IMF and the World Bank could do far more to advocate and find financing for a HIPC which is relevant to the achievement of the 2015 goals.

**Oxfam urges the Bank and Fund at the Spring Meetings to:**

- **Endorse the principle** that no HIPC country which is serious about the 2015 goals should be denied the resources required to achieve them.

- **Agree a new HIPC3** by the time of the annual meetings, and ensure that future debt sustainability criteria are linked to the financing requirements of the 2015 goals in indebted countries.

- **Undertake an urgent debt sustainability analysis** of all low-income countries, and widen the HIPC initiative to more countries such as Haiti, Nigeria, Georgia or Bangladesh.

- **Agree to 100% cancellation of IMF and World Bank debt** for HIPC countries which have illustrated that they can use the resources to deliver poverty reduction and where a 10 per cent debt service to revenue ceiling is insufficient to release enough resources.
Fig 1. Cost of meeting World Bank target of $12 per capita health spending

<table>
<thead>
<tr>
<th>Country</th>
<th>Public Health Expenditure per capita (US$)</th>
<th>Cost of Achieving $12 per capita (US$ million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Benin</td>
<td>5.5</td>
<td>38.1</td>
</tr>
<tr>
<td>Bolivia</td>
<td>37.3</td>
<td>0</td>
</tr>
<tr>
<td>Burkina Faso</td>
<td>3.1</td>
<td>94.9</td>
</tr>
<tr>
<td>Cameroon</td>
<td>6.1</td>
<td>84.2</td>
</tr>
<tr>
<td>Gambia, the</td>
<td>7.1</td>
<td>5.8</td>
</tr>
<tr>
<td>Guinea</td>
<td>10.1</td>
<td>13.2</td>
</tr>
<tr>
<td>Guinea-Bissau</td>
<td>7.4</td>
<td>5.5</td>
</tr>
<tr>
<td>Guyana</td>
<td>34.2</td>
<td>0</td>
</tr>
<tr>
<td>Honduras</td>
<td>23.4</td>
<td>0</td>
</tr>
<tr>
<td>Madagascar</td>
<td>2.9</td>
<td>132.8</td>
</tr>
<tr>
<td>Malawi</td>
<td>5.5</td>
<td>68.0</td>
</tr>
<tr>
<td>Mali</td>
<td>4.9</td>
<td>75.4</td>
</tr>
<tr>
<td>Mauritania</td>
<td>6.7</td>
<td>13.2</td>
</tr>
<tr>
<td>Mozambique</td>
<td>9.5</td>
<td>41.8</td>
</tr>
<tr>
<td>Nicaragua</td>
<td>17.8</td>
<td>0</td>
</tr>
<tr>
<td>Niger</td>
<td>3.3</td>
<td>87.8</td>
</tr>
<tr>
<td>Rwanda</td>
<td>5.4</td>
<td>53.6</td>
</tr>
<tr>
<td>Sao Tome and Principe</td>
<td>8.7</td>
<td>0.47</td>
</tr>
<tr>
<td>Senegal</td>
<td>13</td>
<td>0</td>
</tr>
<tr>
<td>Tanzania</td>
<td>1.9</td>
<td>323</td>
</tr>
<tr>
<td>Uganda</td>
<td>4.7</td>
<td>153</td>
</tr>
<tr>
<td>Zambia</td>
<td>7.8</td>
<td>40.8</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1232</strong></td>
<td></td>
</tr>
</tbody>
</table>

Based on 1997 World Health Organisation figures

Cost to meet World Bank target of $12 per capita health spending = $1.2 bn
### Fig 2. Cost of meeting the 2015 education targets for the 22 HIPC countries

<table>
<thead>
<tr>
<th>Country</th>
<th>GDP, 1998, $m</th>
<th>Public Expenditure on Education, % of GNP, 1997</th>
<th>Cost of achieving 6% spending $m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Benin</td>
<td>2306</td>
<td>3.2</td>
<td>65</td>
</tr>
<tr>
<td>Bolivia</td>
<td>8586</td>
<td>4.9</td>
<td>94</td>
</tr>
<tr>
<td>Burkina Faso</td>
<td>2581</td>
<td>1.5</td>
<td>116</td>
</tr>
<tr>
<td>Cameroon</td>
<td>8701</td>
<td>2.5*</td>
<td>305</td>
</tr>
<tr>
<td>Gambia, the</td>
<td>416</td>
<td>4.9</td>
<td>5</td>
</tr>
<tr>
<td>Guinea</td>
<td>3598</td>
<td>1.9</td>
<td>148</td>
</tr>
<tr>
<td>Guinea-Bissau</td>
<td>206</td>
<td>1.5*</td>
<td>9</td>
</tr>
<tr>
<td>Guyana</td>
<td>600</td>
<td>5</td>
<td>6</td>
</tr>
<tr>
<td>Honduras</td>
<td>5371</td>
<td>3.6</td>
<td>129</td>
</tr>
<tr>
<td>Madagascar</td>
<td>3749</td>
<td>1.9</td>
<td>154</td>
</tr>
<tr>
<td>Malawi</td>
<td>1688</td>
<td>5.4</td>
<td>10</td>
</tr>
<tr>
<td>Mali</td>
<td>2695</td>
<td>2.2</td>
<td>102</td>
</tr>
<tr>
<td>Mauritania</td>
<td>989</td>
<td>5.1</td>
<td>9</td>
</tr>
<tr>
<td>Mozambique</td>
<td>3893</td>
<td>2.9*</td>
<td>121</td>
</tr>
<tr>
<td>Nicaragua</td>
<td>2007</td>
<td>3.9</td>
<td>42</td>
</tr>
<tr>
<td>Niger</td>
<td>2048</td>
<td>2.3</td>
<td>76</td>
</tr>
<tr>
<td>Rwanda</td>
<td>2024</td>
<td>2.0*</td>
<td>81</td>
</tr>
<tr>
<td>Sao Tome and Principe</td>
<td>Not available</td>
<td>Not available</td>
<td>Not available</td>
</tr>
<tr>
<td>Senegal</td>
<td>4682</td>
<td>3.7</td>
<td>108</td>
</tr>
<tr>
<td>Tanzania</td>
<td>8016</td>
<td>2.2*</td>
<td>305</td>
</tr>
<tr>
<td>Uganda</td>
<td>6775</td>
<td>2.6</td>
<td>230</td>
</tr>
<tr>
<td>Zambia</td>
<td>3352</td>
<td>2.2</td>
<td>127</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>74283</strong></td>
<td><strong>2241</strong> (*2/3 = 1494)</td>
<td></td>
</tr>
</tbody>
</table>

Based on World Development Indicators, World Bank 2000; numbers with * are estimates from Decision Point documents and other sources. Given that these are broad estimates, and that education spending data is given in GNP, but country economic data in GDP, we have assumed that GDP is of a similar order to GNP. We have assumed that Primary Education spending to achieve UPE is 2/3 of total education spending, at target of 6% GNP. \(2/3 \times 2241 = 1494\)

**Cost to achieve universal primary education in the 22 HIPC$ = $1.5bn**
Fig. 3 Comparing debt servicing to spending on primary education and health

<table>
<thead>
<tr>
<th>Country</th>
<th>Public Expenditure On Primary Education $m</th>
<th>Public Expenditure On Health $m</th>
<th>2001 Debt Service after enhanced HIPC debt relief $m</th>
<th>Debt service is greater than health spending</th>
</tr>
</thead>
<tbody>
<tr>
<td>Benin</td>
<td>56</td>
<td>50</td>
<td>46</td>
<td></td>
</tr>
<tr>
<td>Bolivia</td>
<td>298</td>
<td>223</td>
<td>185</td>
<td></td>
</tr>
<tr>
<td>Burkina Faso</td>
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<td>54</td>
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Data has been calculated from Decision Point documents, I-PRSPs, the World Development Indicators (2000), and the UNESCO World Education Indicators (2000). The World Bank has not yet published figures for health and primary education spending for the HIPC countries.

** For these countries total education spending has been used because it has not been possible to calculate primary education spending.

16 countries will spend more on debt than on the health of their citizens in 2001
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