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£30bn debts write-off agreed

G7 package brokered by chancellor will benefit 18 of world's poorest countries immediately

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Eighteen of the world's poorest countries will have their debts to the World Bank and the International Monetary Fund wiped out as part of a \$55bn (£30.4bn) package agreed today by the G7 leading economies.

After weeks of intense negotiations, a deal brokered by the chancellor, Gordon Brown, will save countries such as Mozambique and Ethiopia a total of \$15bn in debt payments over the next 10 years.

The Treasury said last night that a further nine countries would qualify for debt relief within 12-18 months, and that the total could rise to almost 40 once countries beset by civil war resolved their conflicts.

"The uniqueness of this deal is that so much would be written off almost immediately - more than \$40bn within a few weeks of the agreement", Mr Brown said. "When I started this it was one country that would qualify but now it's 27 and potentially it's 37."

Writing off the multilateral debts of poor countries has been one of Britain's priorities for its presidency of the **G8**, and today's deal will be seen as a triumph for Mr Brown, who has cajoled sometimes reluctant G7 countries - the G8 minus Russia - to back his plan.

The deal goes further than the agreement between George Bush and Tony Blair earlier this week in Washington, which included debts owed to the World Bank and the African Bank but not the IMF.

Sources said last night that the logjam had been broken when it was found that the IMF had several billion dollars available from gold sales in the late 1990s that it could use to cover the losses it would make from writing off debts.

The 18 countries named in today's announcement are those which have had their bilateral debts to rich countries written off under the World Bank's heavily indebted poor country initiative, but despite the success of the Jubilee 2000 campaign, many countries were still left spending more on servicing debts to the Bank and the IMF than they were spending on health and education.

The Treasury said that today's proposal would wipe out debts worth \$40bn in total for the 18 countries and would come into effect immediately. Once the next nine countries qualify, the write-off will amount to \$51bn, and if the full 38 countries became eligible the package would total \$55bn.

Interviewed by Sky News, the chancellor said: "There is potential for 60, 70 or even 80 countries to benefit from this. We are trying to make further progress in this area."

Today's agreement will be rubber-stamped at the Gleneagles G8 summit next month, when the leaders of the G7 countries will be joined by President Vladimir Putin of Russia.

The chancellor said the deal would not have been possible without the pressure that has been put on finance ministers by churches, campaign groups and the public.

Last night the Treasury released a letter to G7 finance ministers from Nelson Mandela, which said: "I hope you will do everything within your power to ensure your meetings today and tomorrow will finally conclude in a truly historic agreement for 100% debt cancellation. So let us not delay any longer when the need is urgent, but let us send a message of hope triumphing over despair."

Max Lawson, policy adviser at Oxfam, said the debt package was "a seriously positive step. It's great for the countries that are included but there are many other good performing countries - such as Vietnam and Sri Lanka - that are not included and who are getting nothing out of this deal".

He added that the deal would provide \$1.5bn of the \$50bn a year in extra financial help that the Make Poverty History campaign was seeking from rich countries.

"They now have the three weeks until Gleneagles to come up with the other \$48.5bn."

With a deal on debt relief now done, the UK intends to step up its campaign for increased aid flows from rich countries and fairer trade rules for developing nations.

Mr Brown acknowledged last night that there was "still work to be done" to get approval for his International Finance Facility, a scheme under which rich countries would raise money for development by selling bonds on the world's financial markets.

The new president of the World Bank, Paul Wolfowitz, yesterday threw his weight behind the UK's G8 agenda.

"I certainly hope that I can use my position at the Bank to encourage increased resource commitments from all the donors and certainly the US," he said.

"The key to that - and I've heard it expressed by both Tony Blair and Gordon Brown today - is that the taxpayers in developed countries want to have some confidence that the money will be used well, that there's a deal for a deal."

He added: "It is not money by itself that is going to solve Africa's problems, but if people are ready to solve the problems they are going to need assistance."

The beneficiaries

18 countries have completed the heavily indebted poor countries initiative:

Benin, Bolivia, Burkina Faso, Ethiopia, Ghana, Guyana, Honduras, Madagascar, Mali, Mauritania, Mozambique, Nicaragua, Niger, Rwanda, Senegal, Tanzania, Uganda and Zambia.

Nine countries are due to reach completion point within 18 months:

Cameroon, Chad, Democratic Republic of Congo, Gambia, Guinea, Guinea Bissau, Malawi, Sao Tome and Principe, and Sierra Leone.

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