

- Current provisions for multilateral financing of debt relief covers only 32 countries.
- Given the excessive optimism of forecasts and the deteriorating global economic environment, the need for further debt reduction is a near certainty.

3. The post-HIPC strategy

The current strategy for maintaining debt sustainability is almost exclusively based on “appropriate” policy. However, the evidence suggests that non-policy related factors (related to country vulnerabilities) may be as or more important as policy related factors. Country vulnerabilities include:

- a narrow export base
- a weak domestic physical and institutional infrastructure
- domestic supply shocks
- pro-cyclical ODA and FDI.

Necessary additions should include:

- a more permanent facility for dealing with developing countries’ debt
- better lending instruments that relate the price of credit to both country repayment capacity and the cause of the shortfall
- more anti-cyclical resource flows.

4. Investment and growth:

- the larger bottleneck may well be in domestic investment
- a return to positive per capita growth would require a correction of the investment domestic deficits (both human and physical).

Discussion developed around the issue of domestic investment. Serieux said that structural rather than policy approaches should be implemented to address domestic investment bottlenecks, including:

- building an active and productive bureaucracy/building administrative capacity to ensure that the private sector has a predictable business (investment) environment,
- removing intermediation obstacles to ensure an easy flow of money from those who wish to save and those who wish to invest,
- improving the quality of human capital/stemming the brain drain.

While the HIPC Initiative is useful and offered more than any other programme in the past, it falls short in two areas. First, the Initiative is not adequate for heavily indebted countries facing conflict. Second, there is no strategy once debt relief reaches the limits of available financing (the levels of which were underestimated), in other words, the Initiative does not address future debt relief.

Canada could play a role in ensuring that the dialogue on debt relief continues even after the resources allocated through the HIPC Initiative dry up.