

Tabled in Senate
7 September 2000

**JOINT STANDING COMMITTEE ON FOREIGN
AFFAIRS, DEFENCE AND TRADE (JCFDAT)
REPORT: WORLD DEBT – A REPORT ON THE
PROCEEDINGS OF A SEMINAR 27 AUGUST 1999**

Recommendation 1

The Committee recommends the Government's continued support for the HIPC Initiative and Review.
ACCEPTED.

The Australian Government has consistently supported the HIPC Initiative as the most credible way of providing lasting debt relief to the world's poorest countries pursuing sound economic and social policies. The Government supported the 1998 Review of the Initiative, which resulted in proposals to deliver "faster, deeper and broader" relief for eligible countries and to strengthen the links between debt relief and poverty reduction. These proposals were endorsed by Ministers at the World Bank/IMF Annual Meetings in September 1999.

Recommendation 2

The Committee recommends the Australian Government give consideration to increasing substantially the current levels of Australian ODA, consistent with its endorsement of a 0.7 per cent ODA/GNP ratio.

ACCEPTED, IN PRINCIPLE

Australia continues to recognise the UN target of 0.7 per cent of GNP as an indicative target. The Government endeavours to maintain aid at the highest level, consistent with the needs of partner countries and Australia's own circumstances and capacity to assist.

The quantity of ODA is only one aspect of aid flows that should be considered. Quality is also important. The impact, sustainability and quality of Australia's aid are very high. The 1999 OECD Development Assistance Committee (DAC) review of Australia's aid program recognised this. Indeed, it put Australia in the vanguard of OECD members' aid management practices.

Recommendation 3:

The Committee recommends that Australia offer its bilateral debt to be considered as part of any future contributions to the revised HIPC Initiative, where those countries are permitted and agree to meet HIPC conditions.

ACCEPTED.

On 21 April 2000, the Government announced that Australia will provide 100 per cent bilateral debt forgiveness for countries which qualify for debt relief under the enhanced HIPC Initiative. Of the 41 countries that have been identified for possible debt relief under the enhanced HIPC Initiative, there are two – Nicaragua and Ethiopia – which have debts to Australia and are expected to qualify for relief. Australia is owed \$5.7 million by Nicaragua and \$12.6 million by Ethiopia. When Nicaragua and Ethiopia receive debt relief under HIPC, all of the debt they owe to the Australian Government will be forgiven. The cost of this initiative will be additional to the aid budget.

Recommendation 4

The Committee recommends that the Government maintain its policy of opposing the sale of IMF gold reserves.

ACCEPTED.

The Government notes that the IMF's part of the enhanced Initiative was funded without resorting to the sale of gold on the market.