These notes refer to the Debt Relief (Developing Countries) Act 2010 (c.22) which received Royal Assent on 8th April 2010

DEBT RELIEF (DEVELOPING COUNTRIES) ACT 2010

EXPLANATORY NOTES

COMMENTARY ON SECTIONS

Section 1 – Meaning of "qualifying debt" etc

9. *Section 1* defines the debts to which the Act applies. This is limited to those debts on which relief is expected under the Initiative, and which are incurred before commencement of the Act. It also limits the legislation so that future changes that might be made to the conditions for eligibility for the Initiative would not extend or reduce the debts to which the Act applies.

10. *Subsection (3)* gives the broad definition of the debts to which the Act applies. The expressions used there are further defined in section 2.

11. *Subsections (3)(c) and (6)* extend the Act to the countries that have been identified by the World Bank and IMF as potentially eligible for debt relief under the Initiative on the grounds of their low income and high level of indebtedness, but which are yet to meet the conditions allowing the Boards of the World Bank and IMF to approve the country's entry onto the Initiative at Decision Point. Five countries currently fall into this category.

12. *Subsections (4) and (5)* cater for the restructuring of debts. The Act follows the practice of the Initiative in determining whether or not a debt is included in the Initiative on the basis of the nature of the original debt, rather than of a replacement that arises through a restructuring.

13. *Subsections (11) and (12)* restrict the legislation to apply to the debts of countries that meet the eligibility conditions for the Initiative as they stand at commencement. They stop the scope of the Act from expanding (or contracting) if a future policy decision were reached to change these conditions. The current conditions for a country to be designated eligible or potentially eligible for the Initiative include the following: (i) for the country's income levels currently and at the end of 2004 to be below the level for qualification for lending from the World Bank's International Development Association and the IMF's Extended Credit Facility and (ii) for its level of indebtedness at or before the end of 2004 to be such that it would remain above sustainable levels even after provision of a 67% reduction in the net present value of its debts through so-called traditional relief.