Debt Relief But at What Cost? Balancing Sustainability with Poverty Reduction in Debt Relief Conditions

By Jonathan Canel

The burden of debt repayments undermines the efforts of indebted governments to relieve the destitution in their societies. International Financial Institutions (IFIs) have attempted to create a mechanism to lessen the severity of debt burdens. NGOs, however, charge that this program, known as the Heavily Indebted Poor Countries (HIPC) initiative, does little to actually alleviate poverty. The HIPC maintains a strict definition of "sustainable" debt derived from the assessment of various economic indicators, and NGOs charge that debt relief often proceeds with little evaluation of a country's specific socio-political or economic realities. Yet IFIs counter that the conditions they impose on the debt relief process are necessary to ensure the transparent use of debt relief funds. Ultimately, this paper argues that the optimal balance between the structural adjustment conditions favored by the IFIs and the anti-conditionality stance of the NGOs lies in a system of conditions that regards both theoretical measures of economic sustainability and practical, country-specific efforts toward poverty eradication.

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Introduction

Developing nations struggle to confront urgent domestic priorities, ranging from poverty reduction to combating epidemics such as HIV/AIDS. The burden of debt repayments persistently undermines the efforts of indebted governments to alleviate the destitution rampant in their societies. Currently, the International Monetary Fund (IMF) and World Bank deliver debt relief to countries they deem heavily indebted through a program known as the Heavily Indebted Poor Countries Initiative (HIPCI). HIPCI strives to ensure "that no poor country faces a debt burden it cannot manage." However, as it seeks to attain this goal, HIPCI's narrow definition of "sustainable" debt and its insistence upon the adoption of various economic and infrastructure related conditions—broadly known as structural adjustment conditions—have led many non-governmental organizations (NGOs) to insist that HIPCI policy has failed to fulfill its stated objective.[1,2]

Ultimately, although both International Financial Institutions (IFIs) and NGOs believe debt reduction should lessen poverty, they adhere to fundamentally different conceptions of how to best achieve this aim. Whereas the IFIs believe that debt reduction can only foster "sustainability" if it stabilizes various theoretical macroeconomic indicators, NGOs regard societal sustainability as the aspiration of debt reduction, and evaluate debt related initiatives such as HIPCI based upon their ability to promote the Millennium Development Goals (MDGs).[3,4,5] NGOs perceive adjustment conditions, especially those not concerned with the MDGs, as obstructions to poverty reduction and advocate for the elimination of the HIPCI qualification conditions currently imposed by the IMF and World Bank. By mandating conditions, IFIs can promote a transparent and accountable spending of HIPCI funds that they could not ensure without any conditionality. Nevertheless, these conditions cannot benefit poverty reduction efforts so long as they permit theoretical economic ratios to determine the course of debt relief without regard for their appropriateness given a specific country's political and economic circumstances. A system of conditionality that considers both economic sustainability and poverty eradication, and is formulated in a country-specific manner represents an optimal balance between the structural adjustment conditions favored by the IFI and the anti-conditionality stance of the NGOs.

Jonathan Canel is a senior at Stanford, majoring in History and minoring in English literature. He plans to attend law school upon graduating from Stanford. Outside the classroom, Jonathan has been heavily involved in organizing the Stanford Model United Nations Conference.

A Brief History of the Debt Crisis and its Relevance to Conditionality

The late 1970s witnessed a surge in the price of exports such as oil, cocoa, tin, and coffee, the primary exports of many heavily indebted poor countries (HIPCs). As a result, exceptionally strong export earnings enabled these countries to borrow from private banks and expand government spending.[7] When the price of these commodities fell in the 1980s, many HIPCs continued borrowing to repay their initial lenders, under the assumption that the downturn in export prices would be temporary. After it became evident that export prices would not fully recover, HIPCs remained reluctant to reduce government spending and continued to receive loans from multilateral creditors such as the IMF and World Bank, causing the long-term debt of HIPCs to more than triple in the 1980s.[8] Between 1980 and 1990, debt stock of low income countries expanded from $125 billion to $419 billion.[9] IFIs continued lending to indebted developing nations throughout the 1990s but eventually found themselves trapped in a process of defensive lending. In the hope of eventually retrieving their initial investments, the IFIs made more loans to heavily indebted countries, but additional loans, rather than promoting the stability necessary to repay outstanding debt, only exacerbated the debt crisis.[10]

The controversy surrounding the history of the debt crisis, and by association, the adoption of conditional debt relief through HIPCI, lies in the assertion that the present debt crisis could have been averted if the indebted nations had exercised better economic policies and less corrupt governance.[11] If such an interpretation of history is valid, economic and political reform on the part of debt reduction beneficiaries could be justified as a necessary safeguard against a future debt crisis. On the contrary, if one accepts the viewpoint espoused by Oxfam, the European Network on Debt and Development (Eurodad) and many other NGOs, responsibility for the current debt crisis rests primarily in the irresponsible lending of creditors to support corrupt regimes and unstable states incapable of repaying loans.[12] This history regards qualification conditions for debt relief as unnecessary and implies that such conditions serve to deflect responsibility for the debt crisis away from the IFIs and other creditors.

Both these views of the debt crisis' history are partially accurate. The IMF, World Bank, and other creditors engaged in reckless lending decisions with little regard for their humanitarian impact, such as providing nearly $162 billion to Saddam Hussein to finance such activities as the construction of palaces, the establishment of a repressive police force, and wars against Iran and Kuwait.[13] Likewise, on a smaller and more subtle scale, the inattention of lenders to the uses of their loans allowed Congo's dictator Joseph Mobutu to impoverish his country by accumulating $12 billion of foreign debt during his tenure in office in order to amass a $4 billion personal fortune.[14] However, without requiring indebted governments to satisfy at least basic conditions of transparency and responsible spending, IFIs cannot ensure that beneficiary governments will not squander or embezzle funds freed through debt relief.

The Advent and Development of HIPCI and its Effects on Conditionality

In 1996, the IMF and World Bank partnered to create the HIPC Initiative, providing a comprehensive mechanism to deliver debt relief to the world's most heavily indebted countries. HIPCI represented the first debt relief scheme to include the debts of preferred status lending institutions such as the IMF and World Bank.[15] After three years, however, it became evident that the HIPCI framework could not sufficiently resolve the debt crisis, and the IMF and World Bank "enhanced" the initiative in order to provide "deeper and faster" debt relief. The enhanced HIPCI (the present form of HIPCI) lowered the ratios that qualify a country as heavily indebted, and—as they now stand—a country must have a total external debt to average export ratio exceeding 150 percent or, in the case of a country exceptionally open to exports (defined as an export to GDP ratio of 30 percent), a net present value of debt to revenue ratio above 250 percent.[16,17]

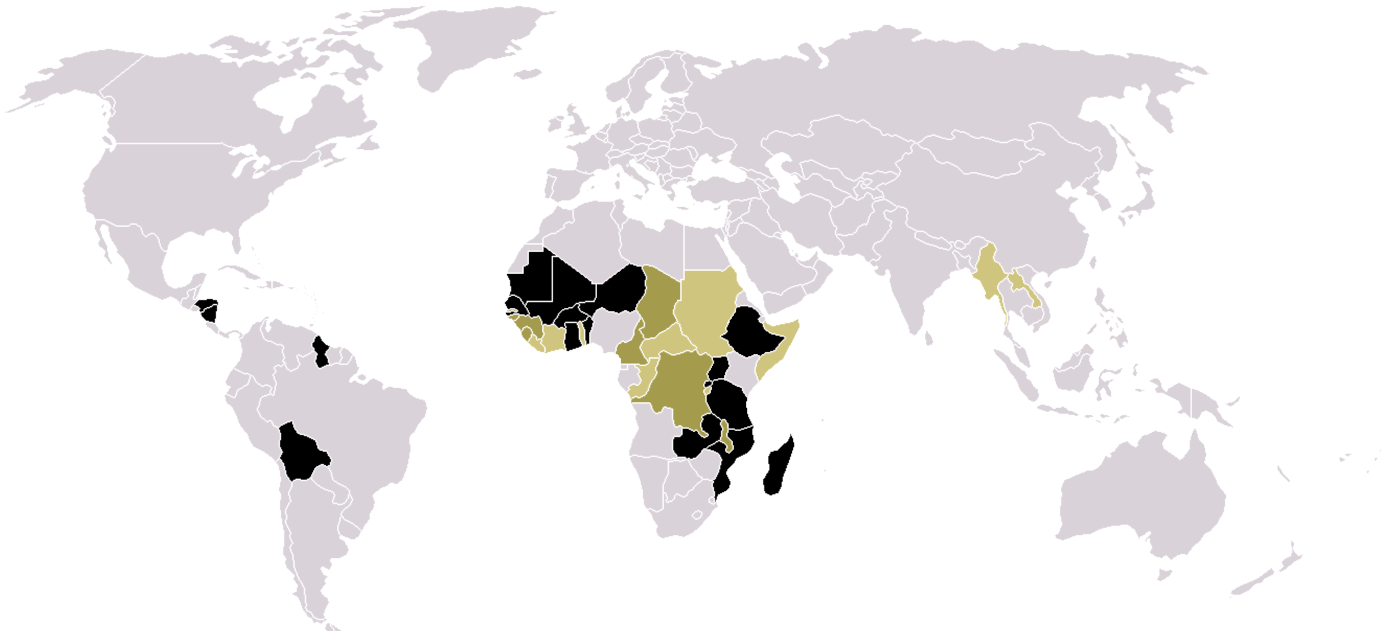
In order to participate in the enhanced HIPCI, if a country's debt qualifies as unsustainable following traditional debt relief mechanisms, such as bilateral negotiations, that country then adopts "reform" programs endorsed by the IFIs (what NGOs deride as structural adjustment) and develops an interim Poverty Reduction Strategy Paper (PRSP). If the country is then determined eligible for debt relief by the IMF and World Bank it enters the "decision point" of HIPCI and receives interim relief on debt service payments.[18] Thereafter, countries must establish a further record of "good performance" under the IFI supported reform programs, implement the PRSP for at least a year, and adopt any additional reforms agreed to at the decision point.[19] Only upon reaching the completion point do countries receive actual cancellation of debts. Throughout the post-decision point phase, failure to comply with IMF or World Bank expectations concerning economic reform or adjustment can result in suspension of interim relief, as has thus far occurred in thirteen HIPCs.[20]

Following a 2005 pledge by the G8 countries to deliver one hundred percent multilateral debt relief to the world's most indebted nations, the IMF, and World Bank created the Multilateral Debt Relief Initiative (MDRI). Through this initiative, the IMF, World Bank and African Development Fund can consider additional multilateral debt relief for countries which have already completed HIPCI.[21] Consequently, MDRI recipients are expected to "demonstrate satisfactory performance in macroeconomic policies," which essentially amounts to fulfilling the IMF and World Bank adjustment conditions associated with HIPCI.[22] Despite these many iterations of HIPCI and the delivery of greater quantities of debt relief by IFIs, conditionality requirements remain little changed since the inception of HIPCI in 1996. Implementation of poverty reduction measures such as a PRSP remain important, but "macroeconomic stability," as defined by a debt to average export ratio exceeding 150 percent or a net present value of debt to revenue ratio above 250 percent, remains the primary determinant by which IFIs evaluate the success of their debt relief endeavors.

Conflicting Visions of Purpose: IFIs vs. NGOs

Oxfam, a prominent British NGO active in campaigning for expanded and less conditional debt relief, believes that the fulfillment of the MDGs should function as the purpose of debt relief. Although it asserts that "the cold economic logic behind the HIPC Initiative is outdated," the IMF also perceives debt relief as a humanitarian, poverty reduction measure, stating "The HIPC Initiative should be seen… as removing

Black: Countries which currently qualify for full HIPC relief.
Olive: Countries which currently qualify for partial HIPC relief.
Beige: Countries which are eligible for HIPC relief but have not yet met the necessary conditions.



A Map of HIPC countries, based on 2010 World Bank data

debt as a constraint in poor countries' struggle against poverty."[23,24] Despite significant differences regarding conditionality and the usefulness of theoretical debt sustainability ratios, both parties concur that debt reduction should serve to alleviate poverty. The disagreement between them ultimately amounts to the question of whether structural adjustments promote or impede the efforts of indebted developing countries to fulfill the MDGs and thus, whether debt relief schemes aimed at poverty reduction should retain or minimize qualification conditions.

The Argument For Conditionality

The divide between the pro-conditionality IFIs and the anti-conditionality NGOs largely stems from differing answers to the question of whether excessive debt causes excessive poverty. Those who argue in favor of conditionality contend that both poverty and an unsustainable debt burden are symptomatic manifestations of greater underlying economic problems. Reducing debt levels cannot mitigate poverty, as many NGOs such as Oxfam and Jubilee might claim, without addressing their common root causes.[25,26] Proponents of the status quo of structural adjustment conditions defend the need for indebted countries to reduce government spending, noting that "fiscal deficits have been a vital source of current account deficits and external debt."[27] Likewise, significant concern exists that heavily indebted poor countries lack "basic institutions of accountability" necessary to ensure that funds made available through HIPCI debt relief would actually contribute toward humanitarian causes, such as primary education and healthcare, in the absence of basic debt relief qualification conditions.

Many NGOs defend the behavior of HIPCI beneficiaries. Oxfam, for example, stresses that "poverty reducing expenditures in African HIPCI countries have increased on average by 6 percent as a result of HIPCI debt relief and as much as 14 percent in some countries" and notes "very little evidence that debt relief has been used indirectly to support government spending in other areas, such as the military," citing a 2002 study by Jubilee Research, which found that debt relief increased spending in education and health but that military expenditure remained virtually constant.[28] In spite of what appears a responsible use of HIPCI funds, the corruption and lack of infrastructure rampant in many of these developing nations casts serious doubt on their ability to fulfill humanitarian goals such as the MDGs without at least moderate supervision. For example, a Eurodad study concerning odious debts in Africa hypothesizes that sub-Saharan Africa would act as "a net creditor to the rest of the world" had not corrupt individuals such as Joseph Mobutu of Congo embezzled so much of the capital intended for aid.[29]

Contrasted with the significant burden of debt suffered by most sub-Saharan African countries today, this fact illustrates that any misappropriation of HIPCI funds could have disastrous ramifications on the capacity of HIPCI to fulfill its stated objective of poverty reduction.

Moreover, many scholars defend the potential, theoretical benefits of conditionality. They note, "HIPCI governments would not necessarily use the funds now allocated to debt payments to tackle the problems of the poor. In fact, some HIPCs had no policy responses to poverty, AIDS, or corruption until they were required to develop them as conditions for debt relief under the HIPC Initiative."[30] The optimistic appraisals of NGOs, such as Oxfam and Jubilee, that HIPCI recipients, if left to their own devices, would responsibly utilize funds freed from debt service payment may have hitherto held true in practice but cannot be guaranteed, let alone expected, in the absence of conditions. Attainment of Millennium Development Goals, such as the eradication of poverty and communicable disease, cannot occur if developing nations fail to formulate policies to combat poverty and HIV/AIDS. Insofar as it fosters such policy and infrastructure developments in HIPCs, conditionality facilitates efforts to reduce poverty and fulfill the MDGs.

The Argument Against Conditionality

The argument against IFI-mandated structural adjustment conditions involves a critique both of the conditions themselves and the macroeconomic targets and theoretical understandings of "sustainable" debt from which they derive. In regards to structural adjustment conditions, Jubilee reports that countries undergoing the HIPCI process must observe ten to twenty direct conditions, some of which require compliance with other IFI programs with their own set of additional conditions.[31] Failure to fulfill these conditions results in debt relief suspensions which have amounted to over $1.5 billion of debt service payments by countries which had passed the decision point by 2005.[32] In addition to obstructing the access of indebted countries to debt relief, the generic nature of IFI conditions has caused massive economic dislocations in countries with economies maladapted to reform requirements. Among countries that have reached completion point, Nicaragua has had to privatize utilities such as water and electricity, driving electricity prices up by 300 percent. This development has rendered the poor incapable of affording electrical service and has resulted in frequent blackouts. Similarly, Malawi, which was expected to reduce public spending, suffered from debt relief suspensions after going off-track from IFI expectations by raising expenditure to finance imported grain in efforts to stave off a famine.[33] These conditions have compelled some more radical critics of HIPCI to deride IMF and World Bank conditions as a form of neo-colonialism. Conditions to open economies toward imports would grant developed nations more access to markets in the developing world, and harsh conditions, which cause many HIPCI participants to fall off-track, would allow the creditor IFIs orchestrating the HIPCI program to collect more service payments on debts that otherwise would yield no return.[34,35] While such suggestions of a sinister IMF and World Bank have little acceptance among most scholarly accounts of the debt crisis, they reflect the failure of conditionality to convincingly fulfill the HIPC Initiative's purported aim of reducing debt in order to combat poverty.

In describing the HIPCI program, Meles Zenawi, Prime Minister of Ethiopia, stated, "The choice we are left with under HIPCI is thus to either abandon all independent and rational thinking in economic policy-making or wallow in the quagmire of unsustainable debt. It is a choice between the devil and the deep blue sea."[36] Although HIPCI contends that the PRSP offers a participatory mechanism by which participant countries can contribute to the course of their economic development, Jubilee asserts that "Uniform set policies favored by the World Bank and IMF are pushed through with very little change from country to country, regardless of national circumstances."[37,38] As an NGO which has opposed HIPCI as insufficient since its inception, it would be expected that Jubilee show hostility toward HIPCI programs. However, their assertion of HIPC's failure to provide a truly participatory framework for determining structural adjustment conditions receives affirmation from scholarly research on the formulation and implantation of PRSPs. A study of Zambia's PRSP concluded, "Zambia's poverty-reduction programs depend almost entirely on how well it upholds the conditions set by IFIs and donor countries."[39] The conditions mandated by participation in HIPCI amount to a violation of a state's sovereign right to determine the course of its economic policies.[40] In addition to undermining sovereignty and democracy, the current system of conditionality exacerbates the economic instability it seeks to mitigate because it imposes "uniform" conditions on countries with a variety of different "national circumstances". Thus, the fundamental flaw of the current HIPCI program lies in its failure to ground conditionality within the context of country-specific needs.[41] Instead, conditions of the HIPCI program are dedicated to preventing recipient countries from relapsing into a state of "unsustainable" debt as defined by the debt to average export and net present value of debt to revenue ratios. Many economists along with other scholars of the debt crisis have argued that HIPCI sustainability criteria have little, if any, impact on measuring the true degree of debt sustainability.[42] HIPCI employs overly optimistic expectations of future growth that leave indebted countries with fewer funds through debt relief than actually required.[43] Whereas HIPCI predicted a 9.4 percent average growth rate in exports for 2000-2001 among the 24 countries past decision point by 2002, only a 5.1 percent growth rate materialized.[44] NGOs likewise condemn the criteria as arbitrary cutoffs and critique them for neglecting such variables as resource capacity, domestic debt, other current development initiatives, and poverty in defining sustainability.[45]

This position receives confirmation from the World Bank's Independent Evaluation Group (IEG) in its evaluation of the progress of HIPCI. The IEG confirmed that conventional debt sustainability analysis (DSA) fails to accurately reflect a country's true state of economic stability. Because of overly optimistic growth predictions, the report notes that eleven out of thirteen countries studied saw deterioration in debt sustainability indicators increasing proportionally to the time elapsed since they achieved the completion point.[46] However, beyond the HIPC's failure to accurately predict the stability of its sustainability ratios, the report suggests that these ratios may be inherently inaccurate in reporting debt sustainability. As a result of variation between individual countries, deterioration in the two HIPCI sustainability ratios can occur without signaling a relapse into unsustainable debt. Heavy borrowing after completing HIPCI inflates the sustainability ratios and has therefore been discouraged by IFI conditions. However, the IEG proposes that when analyzed with a country-tailored set of sustainability criteria, such as the Low Income Country Debt Sustainability Analysis (LIC DSA), the increased lending, which HIPCI deters, in many instances promises to improve macroeconomic stability.[47]

Recommendations for Balance: A "Smart" Conditionality

An important distinction that many anti-conditionality NGOs fail to explicitly recognize pertains to differentiating opposition to the current system of conditionality versus opposition to the principle of any conditionality. Compelling arguments exist to support conditionality as a means of combating corruption and maximizing the efficacy of HIPCI funds in promoting the millennium development goals. However the current use of conditions, which arise from IFI predictions and application of the two macroeconomic stability ratios, has obstructed poverty reduction and distorted the true extent of a debt burden's sustainability. Yet this dichotomy between the theoretical value of conditionality and its misuse in practical application cannot justify Jubilee's call to "cut the strings." Without a centralized, consistent framework to promote and evaluate transparency in finance, it would be very difficult to ensure that HIPCI beneficiary countries fulfill what Jubilee acknowledges as their "fiduciary obligations" to devote funds made available through HIPCI almost exclusively to humanitarian interests.[48,49]

As a consequence, a more promising solution to this conflict should involve a system of structural adjustment conditions that maximizes the potential for conditionality to promote poverty reduction and achieve macroeconomic stability for individual countries by considering their unique circumstances and needs. According to former World Bank Chief Economist Joseph Stiglitz, "IMF conditions are especially objectionable because they are often so ill-suited for the country."[50] This assessment of IMF and World Bank debt relief conditions reverberates with the position espoused by both IFIs and scholarly opinion. Andrew Mwaba, adviser in the Office of the Vice President of the African Development Bank, concedes that IFIs should establish the plausibility that conditions fulfill corrective measures within a given country before requiring their implementation.[51] Any form of structural adjustment conditions would inevitably represent a violation of national sovereignty in that it would require HIPCI beneficiary states to adopt a series of policies at least in part determined by external agencies. Nevertheless, the formulation of country-specific conditions would mitigate exacerbations of poverty, such as those noted in Zambia, Malawi and Nicaragua, which have hitherto been common side-effects of the HIPC Initiative, and some of the most significant causes for grievance voiced by NGOs.

Such reforms have not yet occurred because the quantity of HIPCI debt relief remains determined by theoretical economic indicators that do not account for country-specific vulnerabilities or country-specific poverty threats. Although dogmatic proponents of HIPCI might argue that such considerations lie outside the initiative's scope of promoting debt "sustainability," the original HIPCI program (1996-1999) utilized these factors in its determination of "sustainability." The enhancement of HIPCI in 1999 abandoned these variables largely because IMF and World Bank staff could not agree on a specific framework in which to apply them.[52] Consequently, the challenge presented to the IFIs lies in formulating a systematic mechanism of debt relief which does not result in a debt relief program with virtually uniform content for all participant countries.

Furthermore, many academic analyses of HIPCI have concluded that if HIPCI genuinely seeks to foster poverty reduction, conditions should prioritize practical advances in poverty alleviation over theoretical macroeconomic stability indicators.[53] Failure of a country to comply with a certain structural adjustment condition should not justify debt relief suspension if that country has utilized its HIPCI funds to vigorously combat poverty. "Reaching the enhanced completion point should not" require "checking off completion point triggers," especially when such triggers possesses little or even negative bearing on economic sustainability and poverty relief.[54] The NGO call for abolition of HIPCI conditions has some merit, as does the continued adherence of IFIs and developed countries to the status quo of current conditionality requirements. Both positions also possess many shortcomings. An ideal balance between these two positions—a "smart" conditionality which does not deter the development of sustainable infrastructure and the attainment of the millennium development goals—requires that IFIs formulate conditions on a case-by-case basis. Each set of HIPCI conditions must appropriately represent the specific needs of individual

Poverty in Bolivia, one of the HIPCI participants

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countries and must balance desire for infrastructure and policy restructuring against the economic dislocation such reforms could engender.

The Unrealized Potential of the Poverty Reduction Strategy Paper

While this analysis explains "what" should be done to remedy the current standoff regarding HIPCI conditionality, it has not sufficiently addressed "why" this proposal represents an optimal balance because it has not provided a mechanism for "how" to achieve the above mentioned reforms. As discussed above, the current HIPC Initiative requires countries to devise and implement a poverty reduction strategy paper (PRSP) prior to reaching the completion point. According to the IMF, PRSP formulation should involve a "broad-based participatory process," but critical evaluations of the PRSP process suggest that "PRSPs are essentially a predetermined agenda in which public participation is a cosmetic exercise designed to lend legitimacy to ideas promulgated by IFIs."[55,56]

This conclusion that the content of poverty reduction strategy papers remains primarily determined by IFI ideals is affirmed by an assessment of Cameroon's PRSP conducted by the Joint Staff of the IMF and World Bank. Although the report supports Cameroon's desire to address concerns related to the millennium development goals, it stresses that such focuses should constitute "medium term" goals. For the short term, structural adjustments and improved macro-economic performance should be prioritized.[57] This example illustrates the contention of many scholars disaffected with the current conditionality. Despite their intended purpose to facilitate development related dialogue between IFIs and indebted nations, PRSPs remain "a one size fits all formula" of "deregularization," "liberalization" and "commercialization."[58] Nevertheless, the failure of PRSPs to fulfill their stated aim should not overshadow the potential for a truly participatory PRSP to allow HIPCI to customize itself based upon the specific needs of each recipient country.

If HIPCI formulated structural adjustment requirements based upon collaborative conditions agreed to by the IFIs, the sovereign governments of indebted nations, and potentially even civil society organizations such as NGOs, these conditions could balance IMF concerns for macroeconomic stability with the specific concerns of individual countries. Such efforts could promote the collective desire of all parties to reduce poverty while working to attain the millennium development goals. In fact, the millennium development goal to build "a global partnership for development" requires the establishment of a broadly participatory development process akin to the currently unrealized vision of the poverty reduction strategy paper. If such a proposal could be enacted, it would satisfy the IFI position in favor of retaining conditions while at the same time fulfilling the NGO desire to remove obstructions to the MDGs.

Moreover, such a policy could achieve this compromise without demanding significant overhaul of the current debt relief mechanism. Utilization of the PRSP to promote equitable dialogue does not present additional requirements or stages to the HIPCI process that would impede access to debt relief. Instead, it advocates that IFIs come to realize the potential of the current debt relief system to foster diverse and country-specific responses, rather than the uniform responses heretofore applied to the burdens of unsustainable debt, mismanaged economies, and rampant poverty.

Despite the apparent appeal of country-specific debt relief mechanisms, a revised HIPC Initiative dependent upon the PRSP suffers from at least one serious drawback—it requires time. Due to the desperate need of many indebted countries for relief, HIPCI candidates often attempt to expedite the PRSP process, but in order for the process to be genuinely participatory, PRSP requires time for formulation and implementation.[59] The current HIPCI system provides a perverse incentive for countries to betray their national economic interests by offering quicker debt relief to those who submit to general adjustment policies accepted by the IFIs.

The dilemma faced by Prime Minister Zenawi of Ethiopia would not occur in the absence of such incentives because urgent relief from debt would no longer function as a reward for abandoning "all independent and rational thinking in economic policy-making." If the IMF and World Bank seek to synthesize the goals of economic stabilization and poverty reduction, as they contend, HIPCI could grant interim debt relief to countries drafting PRSPs which demonstrate transparent spending of funds to achieve poverty reduction. This proposition does not fully eliminate the above mentioned incentive against participatory dialogue because it still reserves full completion point debt cancellation to countries that have implemented PRSP related conditions. However, by providing interim relief, it allows countries to proceed with PRSP and condition formation without the burden of debt service payments.

Conclusion: Conditionality Reform and HIPCI Modification Beyond Conditionality

The issue of conditionality represents only one of many objections, frequently voiced by NGOs, against the current state of HIPCI debt relief. In addition to concerns about the economically constricting effects of structural adjustment conditions, NGOs want the HIPC Initiative and the MDRI to deliver greater quantities of debt relief, extend access to relief to more nations not currently deemed "heavily indebted," alleviate the debt burden by allowing for 100 percent cancellation of odious debt, and ensure that all debt relief funds are given in addition to other development related aid loans. All of these demands signify serious shortcomings in an HIPCI program that requires investigation, evaluation, and, if deemed beneficial, reform. Given the plethora of problems plaguing the current HIPC Initiative, one might question whether the issue of conditionality should ever take precedence over other interests.

The complexity of this question places a comprehensive answer well beyond the scope of this research project. However, as it currently stands, structural adjustment conditions evidently hinder the attainment of both economic sustainability and humanitarian interests such as the millennium development goals. Non-governmental organizations, scholarly opinion and even representatives of international financial institutions—while they may vehemently disagree with what should be done regarding current conditionality—agree that a system of conditionality which misrepresents sustainability and augments the economic dislocation of heavily indebted poor countries is counterproductive to the objectives of debt relief. This consensus, though not unique to the issue of conditionality, offers the common vision necessary to achieve reform through compromise. The proposal of a genuinely participatory PRSP process, which results in the formulation of country-specific debt relief conditions, represents an important and necessary reform of HIPCI, but this change cannot be viewed as a panacea for all debt relief concerns. Rather, it provides a model for critical analysis and productive synthesis of the conflicting contentions that must serve as the cornerstone of any future efforts to reform and reinvigorate the HIPC Initiative. §

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