

David vs. Goliath
**The Struggle between the Civil Society and the International Financial Institutions in
the case of the HIPC Initiative for the External Debt Relief**

Massachusetts University Workshop
(Bogota, 2nd – 4th August, 2004)

Introduction

This paper was prepared to be presented during the workshop named “Methods for studying interactions between economic and ecological system and their institutions”, organised by Massachusetts and Javeriana Universities. It is based on the research project carried on to apply for the PhD degree of the City and Regional Planning Department at Cardiff University (U.K.) on 2002. This presentation was organised in six points; they are:

- Personal academic interests
- Research background
- Objectives
- Methodology
- Some conclusions
- Further developments of these topics

1) Personal Academic Interests

I am part of two of the five research groups we have in the School of the Environmental and Rural Studies: the first is Rural Development and Institutions which, among other areas, seeks to foster research on the effects of macroeconomic policies on income increase and wealth/poverty inequality, theoretical and empirical critiques of neo-liberal macroeconomics promoted by the International Monetary Fund (the IMF), the World Bank and other financial institutions, and international capital flows.

The second group I belong to is Conflict, Region and Rural Societies, which also, among other interests, has carried on research on civil society organisations and peace, identities, social movements and collective actions, and globalisation, development and resistance movements.

And I belong to these research groups because I have two distinct but overlapping areas of research. The first is the International Financial Co-operation for Development, with particular emphasis on the financial flows of aid from and towards developed and developing countries, external debt, and the ethics of development aid. The second is anti-hegemonic global movements, with emphasis on discourses and practices that resistance movements, based on civil organisations, have around development, co-operation and aid.

This is the context from which the research project I am going to present today came from. For some people the link between those two research areas is not explicit, so one of the purposes of the research, was to bring together two issues which, although not obviously, are related and they currently are part of the international agenda. They are international co-operation for development and global resistance movements.

2) Research Academic Context

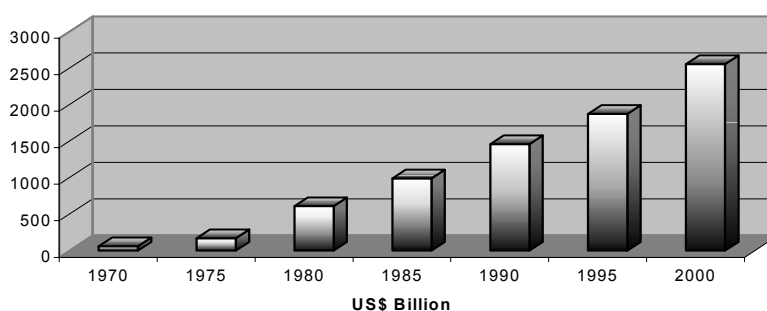
Given the two overlapping research interests already mentioned, the context of this research is focused on two specific topics: the external debt, which is one of the most important mechanisms of international co-operation programmes for development, and the civil society resistance movements directly opposing the external debt implementation.

2.1 External Debt and the HIPC Initiative

Regarding the first issue, after the huge importance that the external debt achieved during the debt crisis on 1982, it is gaining again momentum as part of the international development agenda, for many reasons. For example, its reduction has become one of the objectives of the United Nations Millennium Development Goals for the 2015; also it is difficult not to consider the financial situation in Argentina, for example, as a warning, not only for Latin America countries but also for all Third World countries.

World Bank statistical data show a huge increase in the external debt of Developing Countries, especially over the last thirty years.

Figure 1
All Developing Countries External Debt – 1970-2000
(US\$ Billions)



Source: Basic Data from Debt Tables and Global Development Finance, various years (World Bank)

As a result of the debt crisis on 1982, the International Financial Institutions (IFIs) concluded that the main reason for debtor countries to come to such indebtedness was their lack of adequate economic policies. Based on these considerations, IFIs devised a package of economic reforms for debtor countries in order to address their economic problems. The reforms designed to have short-term effects are known as 'stabilisation reforms', and those with expected long-term results are known as Structural Adjustment Programmes (SAPs).

The implementation of stabilisation reforms and SAPs became a *sine qua non* requirement (named with the exclusive term of 'conditionality') for being part of international co-operation net, which includes the most recent strategy to relieve the external debt, the Heavily Indebted Poor Countries Initiative (the HIPC initiative).

The HIPC Initiative is a programme for **eligible** debt relief for **eligible** countries, which have been categorised as poor and comply with the following conditions:

- a) *To be classified as one of the poor countries*, under the international poverty line
- b) *To be one of the eligible countries for assistance from the International Development Association (IDA)*. IDA is the World Bank Group's concessional lending window.
- c) *To be one of the eligible countries for assistance from the Enhanced Structural Adjustment Funds (ESAF)*, that were designed to provide highly concessional financial support on a longer-term basis.
- d) To have gone through full use of traditional debt-relief mechanisms.

A country that meets the above conditions, and is interested in applying for the HIPC Initiative benefits, must establish a three-year track record of successfully implementing economic and social reforms. "Successful economic and social reforms" refer to the implementation of the stabilisation and Structural Adjustment Programmes.

The HIPC Initiative was designed and has been implemented by the World Bank and the IMF since 1996, as the most recent debt relief programme for poor countries that:

- a) have established a three-year track record of stabilisation reforms and Structural Adjustment Programmes, and
- b) have used all traditional debt relief mechanisms, without successfully achieving sustainable levels of debt

and so, the interested country could be eligible for a Debt Sustainability Analysis (DSA).

A DSA is done by the staff of the World Bank and the IMF, along with officials of the debtor country, to determine whether the applying country is facing an unsustainable debt situation after full application of the traditional debt relief mechanisms.

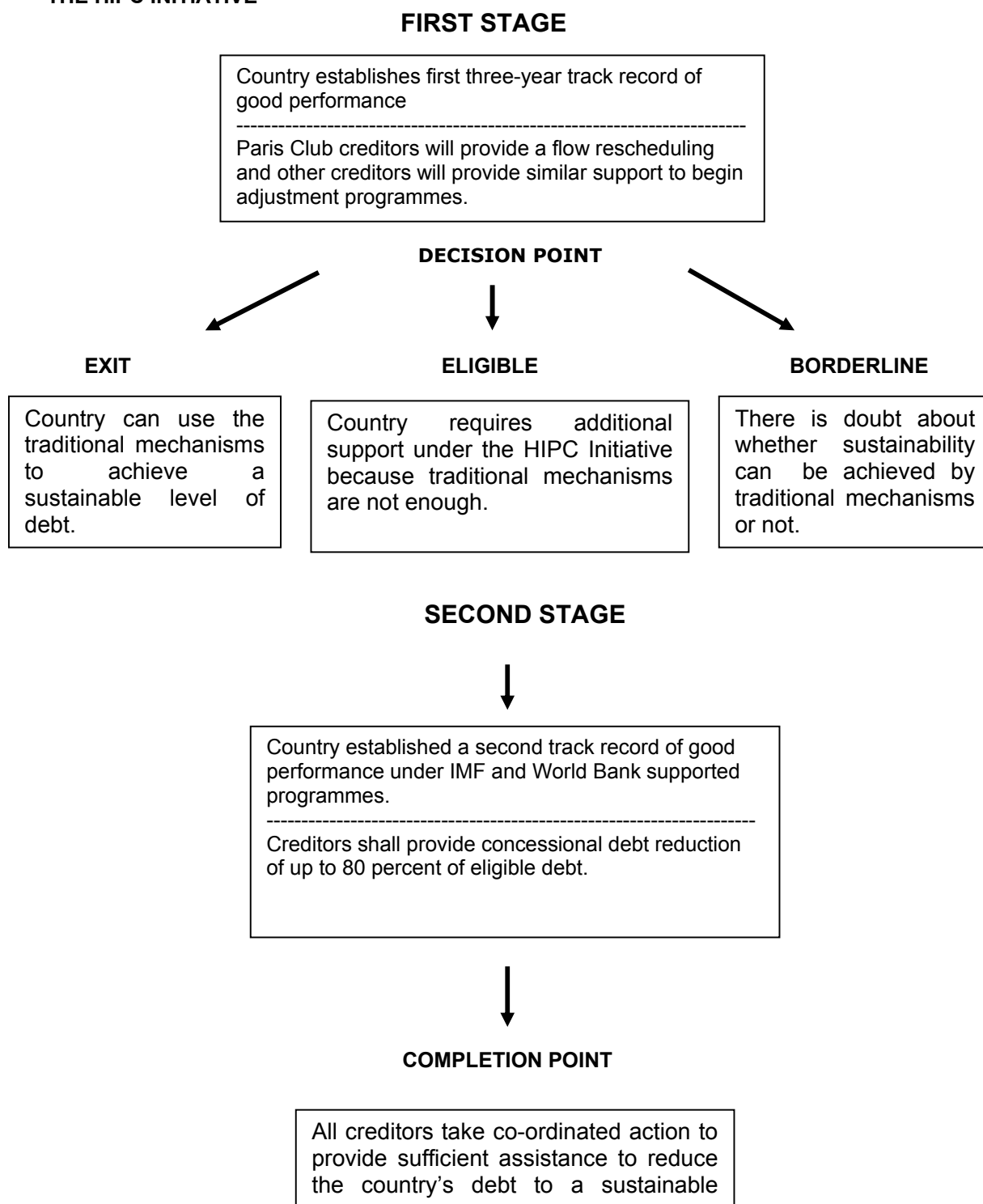
The possible answer to the DSA could be:

- a) *Exit* of the Initiative because the country are able to reach a sustainable level of debt through the traditional mechanisms for debt relief;
- b) To be on the *borderline*, because there are doubts over whether traditional mechanisms may enable that country to reach the sustainable level of debt;
- c) To be *eligible*. If a country is chosen to receive debt relief under the HIPC Initiative, it proceeds to the second stage.

The first time, 41 developing countries were accepted through the DSA, and categorised as Heavily Indebted Poor Countries by the IMF and the World Bank.

For eligible countries to obtain support through the Initiative, a second three-year record of Structural Adjustment programmes is required. During this stage, private and official, bilateral and multilateral creditors would provide flow rescheduling on enhanced terms involving a reduction of *eligible* debt up to 80 percent.

Diagram 1
THE HIPC INITIATIVE



Adapted from 'The Heavily Indebted Poor Countries Initiative – Summary', IMF, 1998b

Table 1**INTERNATIONAL DEVELOPMENT ASSOCIATION (IDA) BORROWERS – 2002****HEAVILY INDEBTED POOR COUNTRIES (Those in bold)****AFRICA**

Angola
Benin
Burkina Faso
Burundi
Cape Verde
Cameroon
Central Africa Republic
Chad
Comoros
Congo, Republic of
Congo, Democratic Republic of
(formerly Zaire)

Ivory Coast
Ethiopia
Eritrea
Gambia
Ghana
Guinea
Guinea-Bissau
Kenya
Lesotho
Liberia
Madagascar
Malawi
Mali
Mauritania
Mozambique
Niger
Nigeria
Rwanda
Sao Tome and Pr.
Senegal
Sierra Leone
Somalia
Sudan
Tanzania
Togo
Uganda
Zambia
Zimbabwe

EAST ASIA

Cambodia
Indonesia
Laos
Mongolia
Myanmar
Papua New Guinea
Kiribati
Solomon Island
Samoa
Tonga
Vanuatu
Vietnam

SOUTH ASIA

Afghanistan
Bangladesh
Bhutan
India
Maldives
Nepal
Pakistan
Sri Lanka

EASTERN EUROPE

Albania
Armenia
Azerbaijan
Bosnia-Herzegovina
Georgia
Kyrgyz Republic
Moldova
Tajikistan
Uzbekistan
Yugoslavia Fed. Rep. of

MIDDLE EAST AND NORTH AFRICA

Djibouti
Yemen, Republic of

LATIN AMERICA

Bolivia
Guyana
Haiti
Honduras
Nicaragua
Dominica
Grenada
St. Lucia
St. Vincent

Last Updated: July, 2002
www.worldbank.org/ida/eligible.htm

The eligible debt is determined on a case-by-case basis, but keep in mind that never the eligible debt involved all the external debt of a country.

The analysis of the HIPC initiative constituted one of the two focal points of this research.

2.2 Civil society resistance movements opposing the external debt

Concerning the resistance movements, the main actors in the external indebtedness have been international creditors and debtor countries.

In the group of creditors and leading the process are the World Bank and the IMF. Other creditors include some commercial banks and also governments of developed countries. Every country in the world belongs to the group of debtors although with huge differences among them, not only in terms of their economic, political and social conditions, but also in terms of their indebtedness and their ability to repay the debt.

However, a new actor that has gained a special place in this matter is a group of civil society organisations, such as religious associations, a group of scholars, and international Non-Governmental Organisations (NGOs) which are directly involved with the external debt issue, from now on ED-NGOs, External Debt-NGOs.

The increasing importance and presence of NGOs all over the world as the main voice of civil society has been widely recognised. The significance that NGOs have reached is a consequence of a variety of factors, one of the most important being the dominance and implementation of the neo-liberal agenda. NGOs, as part of the private initiative, were considered more efficient agents than the state to deliver welfare services to populations in need. Therefore, NGOs reached a particular place and role in society, being a bridge between markets and sectors of population, which could not be reached by those markets.

The obvious expectations of IFIs as donors were that these NGOs backed their policies. At a first stage, it appeared that development NGOs were indeed playing their role in consonance with neo-liberal measures. But very soon it was obvious that IFIs as the NGOs' main source of funding and simultaneously main designers of the global policy agenda could seriously undermine the NGOs' independence and autonomy.

At this point it is important to emphasise that for me is clear that NGOs cannot be treated as an homogeneous group, due to their wide variety of institutional missions, concerns, activities, sources of funding, resources, etc.

In facing the dilemma of being situated between their official funding and bilateral donor recognition, on the one hand, and their autonomy and independence, on the other, NGOs have also developed different positions. Whilst some of them appear to act as implementers of donor policies, many other development NGOs are explicitly acting against some of the hegemonic donor policies and are seeking alternatives. This is the case of some individual development NGOs and also of some international coalitions of NGOs. Some examples are environmentalist groups like The Greens politics or the Rainforest Action Network or the Anti-Free Trade Agreements movement (Anti-AFA) or the group of development NGOs involved with the external debt relief process. The experience of the last group was the second focal point of this research.

NGOs have been studied and analysed from various perspectives. However, approaches that perceive NGOs as critical movements represent a perspective that only recently has received attention from academia.

These are some examples:

- Brecher J. *et al.* (2000) *Globalisation from Below*. www.alternet.org
- Korten C. (2000) *The Post Corporate World; Life after Capitalism*. San Francisco: Kumarian Press Inc.
- Starr, A. (2000) *Naming the Enemy: Anti-Corporate Movements Confront Globalisation*, New York: Zed Books

3) Research Objectives

The specific world-wide appeal that some civil society organisations, among them development NGOs, have within the process of external debt relief has been in general terms poorly understood, partly because it has not been systematically documented and analysed.

For example, individual NGOs and coalitions acting against international economic and social policies make their presence felt in the public arena through public demonstrations. But they also carry out other activities to reach their goals, including research and analysis of the international policies they oppose, analyses and perspectives that, however, have not received the same attention.

Hence, this research aimed to contribute to the studies on development NGOs as part of antagonistic movements, in this case, particularly in relation to the external debt relief process. Therefore, I went through a close insight into analyses that those NGOs use to develop their criticisms –regarding the HIPC Initiative– contributing to the understanding of their institutional position about the external debt and the external debt relief process.

Therefore my research questions were:

Research Questions

- 1) What explains the role of development ED-NGOs within the external debt relief process, particularly in the HIPC Initiative?
- 2) What is the analytical position of those ED-NGOs towards the HIPC Initiative?, and
- 3) How this analytical position of ED-NGOs is related to their role within the debt relief process?

4) Methodological Aspects

In this research 'the action plan for getting from here to there' (for getting from objectives to results) was extensively but not exclusively qualitative, because also the analysis of some relevant statistical data was carried on.

Regarding qualitative data collection techniques, the semi-structured and in-depth interview were chosen as main techniques.

Also, available publications of analysts of some ED-NGOs were used as a tool to identify the appropriate people to be interviewed in those identified ED-NGOs. Additional to the standard questionnaire, some interviewees were asked to clarify or elaborate on specified

points of their own publications on the topic, specially, if some changes were detected between the information and/or considerations that an interviewee provided at the time in which an article was written, and his/her current perspective.

A useful database, consisting of about seven hundred documents reviewed for this research, with all relevant information about them, was set up, and it can be counted as an additional product of this research.

Available analytical and statistical information published jointly by the World Bank and the IMF on the HIPC Initiative were frequently consulted. In addition, other available databases, collected and presented by other kind of organisations, were analysed.

In fact, one of the reasons for using different techniques to collect data was to obtain a more complete set of pertinent data, but also to test and verify the consistency of compiled information, process that is referred to as *triangulation*. Indeed, the typical notion of comparing/contrasting was the most used as part of the method for analysing the collected information, especially among perspectives of IFIs, civil society organisations and academia.

5) Main results and conclusions

Very briefly I am going to present the main findings of this research. Let's remember that the first research question was related to the role of the NGOs, with the external debt issue.

To explain how many NGOs came to take part of the critique movements about the external debt process, it was necessary to go back to the history of various kind of civil society organisations.

In summary, let me say that most NGOs were created as emergency relievers during war times and natural disasters, back during the 40s and 50s. However, especially during the 80s and 90s, period of time in which their number increased massively all over the world, NGOs changed their role. The literature review show that particular interests and targets of the international development agenda and specific characteristics of some civil society organisations, placed those organisations to play an important role as part of the mentioned development agenda.

In responding to the request of the neo-liberal agenda, a sector of civil society organisations, especially some NGOs, turn into a bridge between the private and official services providers and the impoverished sectors of society.

The implementation of projects was specially focused by NGOs to those heavily impoverished populations beyond the reach of markets or states. Therefore, those NGOs began to supply them basic services, such as clean water, health, education or assistance in development projects, among others. In doing so, the implementation of the neo-liberal agenda was actively supported by many NGOs, now Development NGOs.

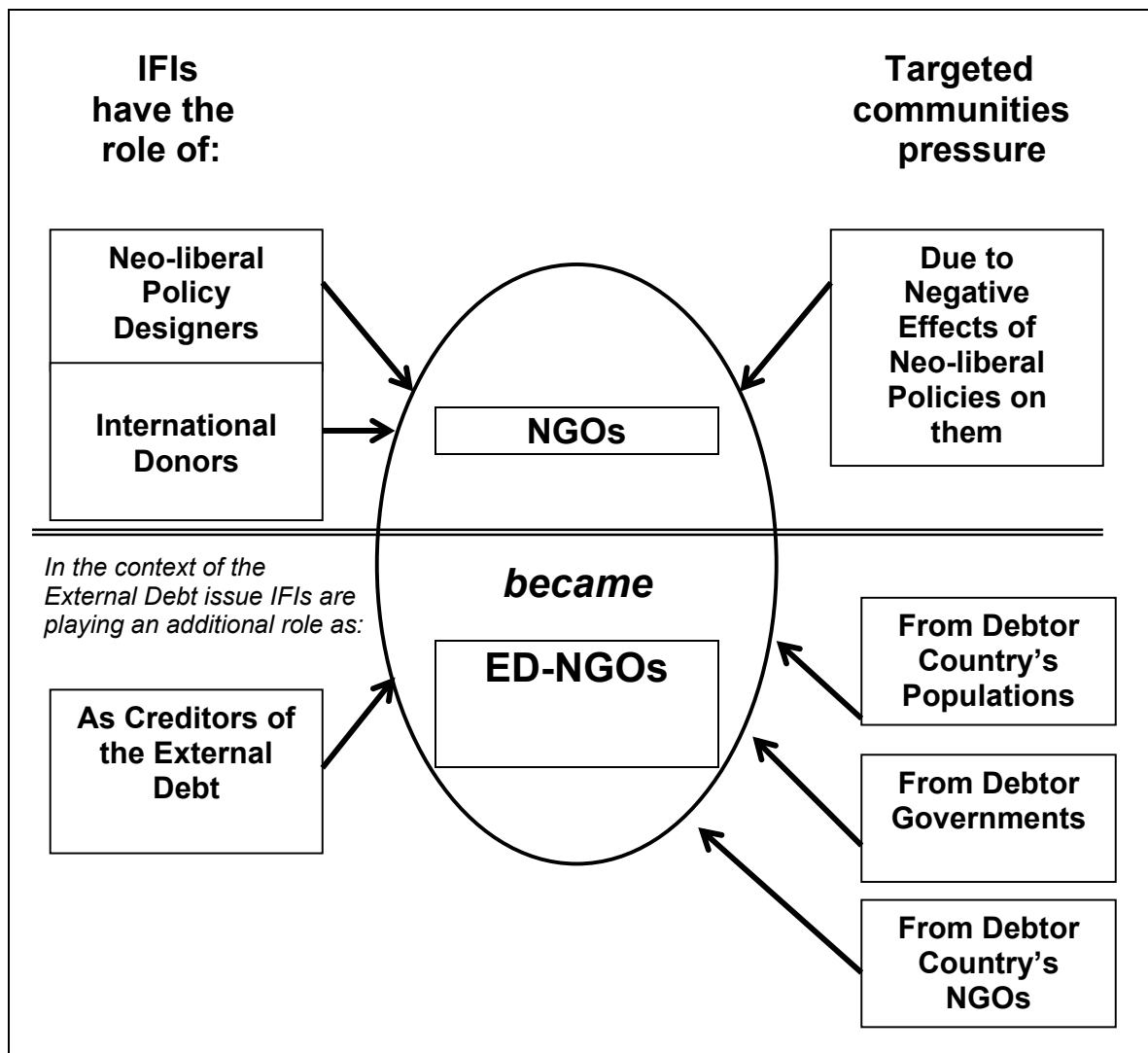
Findings of this research suggest that given that those development NGOs were motivated and economically supported by IFIs and international donors, their active participation within the international agenda placed them in a dilemma in which their own interests

about their targeted communities, on the one hand, and the effects of the implementation of some of the donor policies on those communities, on the other hand, were opposed.

NGOs were placed between their targeted communities and IFIs, both of which were simultaneously playing different roles, depending on whether those organisations were Development NGOs (Next diagram above the line) or ED-NGOs (Next diagram below the line).

Diagram 2

ED-NGOs and their Position among other Actors in the External Debt Relief Process



Indeed, the detailed documentation review was a very interesting process, because it shows in a progressive way the questioning that NGOs subjected themselves to as a result of the contradictions they began to find in relation to their daily activities, their targets, their policies, their original values, their funding, etc.

In responding to this dilemma, placed by interests and targets of the promoters of neo-liberal and 'good governance' agenda, development NGOs –particularly those that became involved with controversial issues, such as the external debt– have adjusted once again their role:

- From being originally relief providers, during emergency times
- first they turn into basic services suppliers and development project implementers for impoverished sectors of society, and now
- their role was again transformed to becoming critical agents as part of wider resistance movements. (See Diagram 3)

In the same way that one must take into account that NGOs are very heterogeneous, it is important to clarify that the group of ED-NGOs which took part of this research was composed by some of the biggest and most powerful in the world. I mean OXFAM, Christian Aid, Save the Children, World Vision, CAFOD, World Development Movement, EURODAD, COCAD, among others. I am speaking of NGOs, which count on huge budgets and organisations which, for instance, have to come to represent entire countries in the negotiation table with the IMF and the World Bank.

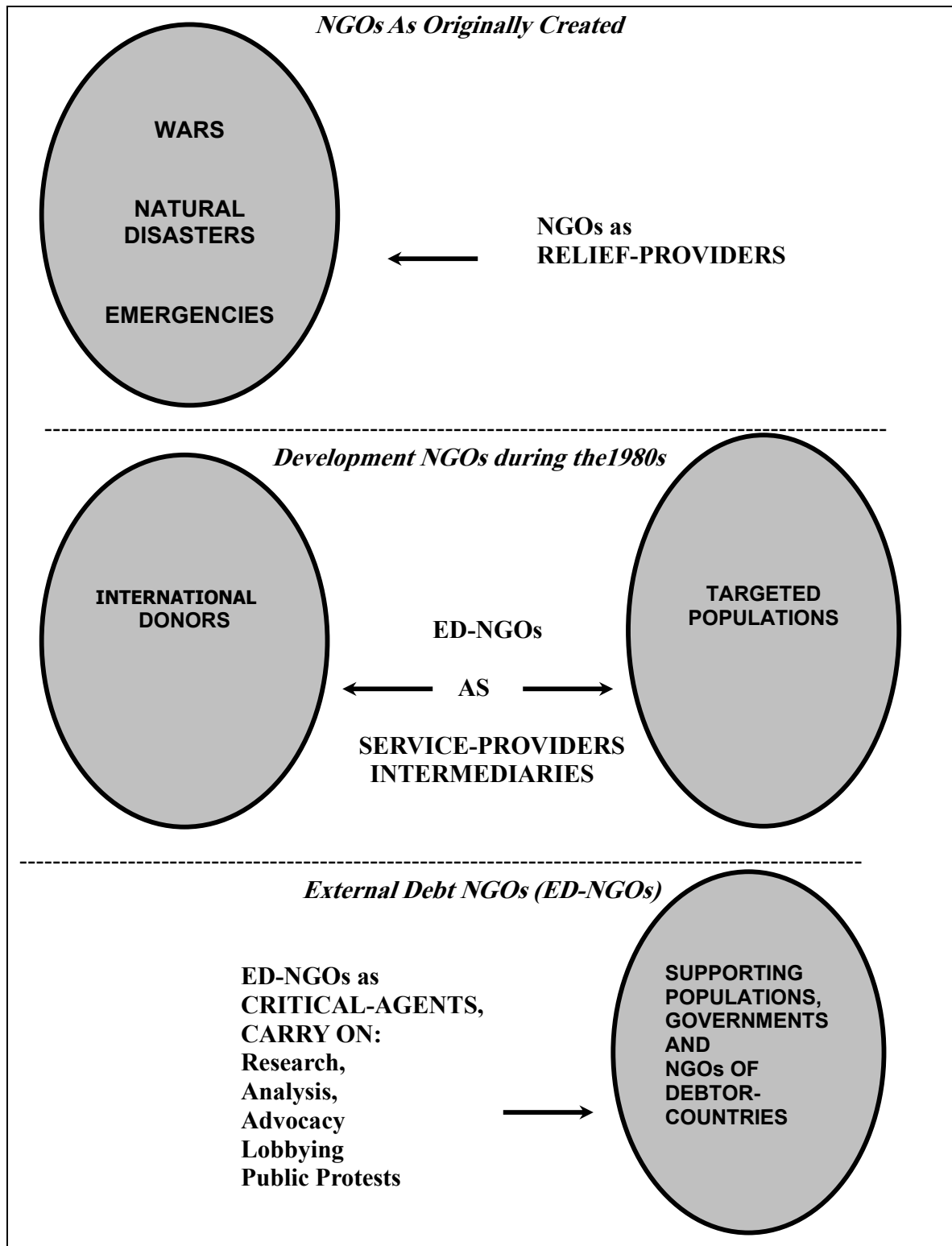
To explain what are the features of the role that ED-NGOs are playing nowadays, I chose the concept of Globalisation from Below, which is part of the resistance movements' theory.

After a literature review, three main approaches were identified:

- Falk, R. (1997) Resisting 'Globalisation-from-above' Through 'Globalisation-from-below' in *New Political Economy* Vol. 2 Number 1, March, Sheffield
- Santos De Soussa, B. (1998) *A Reinvencao Da Emancipacao Social. Explorando as Possibilidades de Globalisation Contra-Hegemonica*. Social Centre Studies, Economics School, Coimbra University, Coimbra.
- Starr, A. (2000) *Naming the Enemy: Anti-Corporate Movements Confront Globalisation*, New York, London: Zed Books

'Globalisation from Below' is situated, in the case of Falk, as part of the general theory of Resistance Movements developed in the early 1990s. In the case of Santos De Soussa, the concept, although also part of the resistance movements theory, is part of the most specific 'Encounter-Hegemonic Paradigm'. In Starr's case, the concept is analysed as part of the Anti-Corporate Movements.

Diagram 3
The New Role Played for ED-NGOs



The concept of 'Globalisation from Below' proved to capture the main features of ED-NGOs and the analysis led to conclude that some of these main features are:

- The bringing closer to the lay public an issue which has been conventionally considered exclusively a part of the highest financial economic field. In this case the topic of the external debt;
- Not only the bringing it closer, but also the building of alternative approaches to the debt relief process;
- ED-NGOs working as world-wide networks around this issue;
- The building of these world-wide networks using all means and technology of the same system they are opposing;
- To emphasise they are not a anti-globalisation movement, but anti-negative effects of globalisation as it is now;
- The promotion of changes of their relationships with the State, among other characteristics.

These movements have identified different targets, all of them multiple and different expressions of the neo-liberal paradigm, one of them being the external debt issue.

In order to answer the second research question through a first review of the collected data, five key-issues of the HIPC Initiative were identified. They were:

- a) Causes of and Responsibility for External Indebtedness
- b) The Concept of 'Sustainable Level of Debt'
- c) The HIPC Indicators of Sustainable Level of Debt
- d) The Inclusion of the Poverty Reduction Strategy Papers (PRSPs); and
- e) The Requirement of Civil Society Participation

Through the various data collection techniques I created a dialogue among IFIs, academia and ED-NGOs on these particular topics.

In relation to **a) Causes of and Responsibility for External Indebtedness** the main findings were the following:

The starting point about this topic was the consideration that the way in which the main causes of the external debt problem and the responsibilities of international indebtedness are perceived, should, in practice, influence the design of programmes to deal with it –in this case– should influence the HIPC Initiative.

In relation to the analysis of the causes of the external debt, four main groups of explanations of the genesis of massive international debt were identified.

The first one related to the OPEC oil price hike during the early seventies; then, the Centre-Periphery approach based on dependency theories; as a third explanation, the Euro-Market interpretation in relation to non-national regulations for the banking system; and finally, the Debt-based Financial System perspective, emphasising the creation of new money and the management of the international credit system.

I am not going into the details of these explanations, however, findings of this research identified an interesting, and I could say an 'intentional', inconsistency when compared explanations about causes of external debt and perceptions of ED-NGOs about them.

This research suggests that regarding the position of ED-NGOs in terms of the causes of the external debt, most of them agree with the oil hike explanation, which is regarded as the less structural explanation, in the sense that it is based on one event, the hike of the oil price in the early 80s by the OPEC countries and the recycling of the petro-dollars, while in terms of ED-NGOs' analyses on the responsibility for the indebtedness situation, virtually all of them placed such responsibility on both creditors and debtors.

And this is precisely the inconsistency, given that if they considered that external debt was originated by the OPEC oil hike price, why the responsibility of this event is placed on creditors and debtors? Neither creditors nor debtors were part of the OPEC so there is an incoherence between the ED-NGOs' considerations about causes of and responsibility for the external indebtedness. When asked to clarify this point the answer of many of them was quite interesting.

Although most of the ED-NGOs participating in this research are well aware about the more complex and elaborated explanations than the oil price increase, only a few of them support them publicly for the following considerations:

- The analysis and debate about causes of external debt is not a topic that stimulates wide audiences. This is a topic for more specialised public, so they are not interested to invest a lot of energy and time in disseminating information about this particular topic.
- The other consideration is that for reaching wide audiences, most of the ED-NGOs have chosen discourses based on moral and/or social values, rather than economic arguments. For the ED-NGOs themselves, to grasp economic arguments has been a tough task that implied to work with scholars and specialised experts. They used economics in their dialogues with IFIs and governments, but not with their activists and supporters.
- The third consideration, which was accepted by agents of ED-NGOs, but not expressed by themselves, was that to publicly admit a more structured explanation about the causes of external debt, let's say the one based on the dependency theory, leaves them less negotiation and debating room with IFIs and creditor governments. In other words, in order to be consistent, the more structured the causes that ED-NGOs have about the external debt are, the more radical they should be to oppose the IFIs and creditor governments. Many of them are not interested to get into this situation.

b) 'Sustainable Level of Debt' is the key concept over which the HIPC Initiative was designed, particularly in two ways: first of all, because it is the main HIPC Initiative objective:

"The Initiative is designed to enable HIPCs that have a strong track record of economic adjustment and reforms to achieve a sustainable debt position over the medium term." (IMF, 1998c: 40)

Secondly, because the way in which this concept is understood determines the way in which the debt of a poor country is considered sustainable or unsustainable.

The Sustainable Level of Debt as defined for the HIPC Initiative when it was initially launched asserted that:

“... the position of a country could be considered sustainable if the country is expected to be able to meet its external obligations in full, without future recourse to rescheduling or relief or the accumulation of arrears, over the medium or long term and without compromising economic growth.” (IMF, 1998c: 14)

Summarising, main conclusions and findings about the analysis of this concept are:

At a first glance, some ED-NGOs considered that was quite an achievement that the World Bank and the IMF recognise that there was an issue of sustainability, breaking new ground, because it was for the first time an attempt to look at the problem from the point of view of indebted countries. However, after reviewing the definition, they noticed that the point of view of debtor countries was nowhere.

Also, sustainable debt seems to consist, for the IMF and the World Bank, only in being able to service the debt on time. Involving other elements could improve the notion of Sustainable Level of Debt of the HIPC Initiative without compromising the debt service. A social interest as part of Sustainable Level of Debt, for example, might involve not only debt servicing on time, but also the social effects on debtor country populations to be able to service debt.

Another criticisms that the IMF and the World Bank received in relation to this way of conceptualising sustainability, was the lack of theoretical analysis to support this notion. However, a detailed examination of different conceptual approaches to the ‘Sustainability’ concept that have been developed, not only by academia, but also by IFIs, show that this is not the case, given that earlier attempts of debt capacity analyses and sustainability go back until the early 30s.

From the literature review it became clear that a number of proposals around the notion of the Sustainable Level of Debt have worked on various elements involved with it, some of them related to trade, taxation, labour sector, and non-profit returned rate, among others. However, all of them were neglected by the World Bank and the IMF when defining the Sustainable Level of Debt for the HIPC Initiative and implemented through the HIPC Indicators as I will expose in the following topic.

c) The HIPC Indicators of Sustainable Level of Debt were initially defined during 1996 when the initiative was launched. These indicators have two main functions:

- First of all, to be ‘entrance requirements’ for debtor countries to take part in the HIPC Initiative and to obtain debt relief. These indicators –from the point of view of the IMF and the World Bank– were set up as critical values that indicate whether a country has a sustainable level of debt.
- Secondly, they are the targets that debtor countries, once they are accepted as part of the HIPC scheme, need to achieve and to maintain in order to have a sustainable debt in the long term.

As originally proposed they were:

Indicators	HIPC
1) NPV Public and Publicly Guaranteed Debt to GNP ratio	80% or higher
2) NPV Debt to Export ratio	220 % or higher
3) Debt Service to Export ratio	22% or higher

At the same time some additional specific sustainability targets were defined for Open Economies:

For Open Economies	
4) NPV Debt to fiscal revenue target	A maximum of 280%
5) Exports to GDP ratio	At least 40%
6) Fiscal revenue to GDP ratio	At least 20%
	In a case-by-case basis

Let me remember that the external debt is constituted of various parts and it is important to note that the HIPC indicators takes into account only the Public and Publicly Guaranteed Debt.

After some modifications, especially those during 1998, which originated what is called the HIPC II, the HIPC indicators are:

Indicators	HIPC	HIPC II
NPV Public and Publicly Guaranteed Debt to GNP ratio	80% or higher	
NPV Debt to Export ratio	220 % or higher	150 % for all countries
Debt Service to Export ratio	22% or higher	The same
For Open Economies		For All Economies
NPV Debt to fiscal revenue target	A maximum of 280%	A maximum of 250 %
Exports to GDP ratio	At least 40%	30%
Fiscal revenue to GDP ratio	At least 20%	15%
	In a case-by-case basis	The case-by-case basis will no longer apply
	Sometimes, the country-specific vulnerability analysis is required.	The country-specific vulnerability analysis was not longer required

After the analysis of the HIPC and HIPC II Indicators, some main conclusions about their merits and critiques are:

The idea that the HIPC Initiative was to provide relief for all types of external debt, involving, for the first time all creditors in a comprehensive way, supposed another great achievement. However, as the design and calculation of the HIPC indicators demonstrated, the relief was considered only for a part of the debt and after to reach critical values, very high for poor countries.

Not only from the academia, but also from the banking sector, there have been a number of indicators proposals in relation to the external debt. However, and despite the variety of approaches, it can be noted that the HIPC Indicators adopted by the World Bank and the IMF prioritise an economic emphasis, neglecting the social dimension of the debt burden. In other words, most factors involved in the mentioned indicators and their critical values are based on calculating the utmost of repayment money that is possible to acquire from debtors, without further considerations about the social consequences for borrower countries in making those repayments. However, this economic emphasis is consistent with the very economic emphasis of the conceptualisation of the 'sustainable level of debt', in the context of the HIPC Initiative.

The removal of specific indicators for open economies suggests that, consistently with the Structural Adjustment Programmes, all debtor countries have or should have open economies; therefore those indicators are not specific anymore and apply for all countries.

Concerning the critical values of some of these indicators the WB admitted that there was a sort of rule of thumb to set them.

For example, Hjertholm (1999) emphasised that the threshold of the fiscal set of indicators was too high, but he also argued that it could be too low for some countries. Other organisations have also expressed in this sense:

"...Eurodad has demonstrated that the two ratios, NPV debts to fiscal revenue, and the fiscal revenue to GDP, compare to a debt to GDP ratio of 56%. This is hardly less than is thought appropriate for the highly industrialised European countries seeking to qualify for the Economic Monetary Union." (EURODAD, 1998: 6 – My emphasis)

There is no explicit analysis of why the critical value for the fiscal indicator, for instance, was set at 280%. The criticism of the lack of analysis of the fiscal indicators was admitted by the staff of the World Bank and the IMF, who claimed that they were "not aware of 'any firm analytical basis' to set up this target." (Hjertholm, 1999: 29 and also EURODAD, 1998: 6)¹

Another criticism is that the time to actually get debt relief is too long. Some organisations expressed in that sense that,

"The HIPC Initiative is extremely slow; countries have to have a track record of typically six years before they actually reach the point whether they get the debt cancelled. And that is far too long because the debt crisis is there now and countries need debt cancellation immediately." (Interview with the British ED-NGO, Jubilee 2000).

Actually, when you have the opportunity, as I had, of playing with the statistical data regarding the external debt, economic growth and social improvement of debtor and poor

¹ See Hjertholm (1999) also for a detailed analysis of financial criticisms of the fiscal HIPC indicators

countries, it is possible to find very interesting facts regarding this issue. It is a pity that there is not enough time to show you all of them in detail.

However, the next charts show how for HIPCs their bad performance has not only been in financial terms but also in relation to the social welfare of their populations. They are based on information that the World Bank published in the World Development Indicators (2000), comparing other low-income countries with HIPCs.

Modifications that the HIPC I received during 1998 not only concerned HIPC indicators. One of the main of this modifications was the **d) Inclusion of the Poverty Reduction Strategy Papers (PRSPs)**

One of the most common criticisms towards debt relief programmes was related to the inadequate link between poverty and the external debt issue. It is true that the HIPC Initiative was devoted specifically to poor countries, but poor countries categorised as such only because of the global poverty line of \$1 and \$2 per day.

The World Bank and the IMF answered these criticisms with the inclusion of the PRSPs as part of the HIPC Initiative. The Poverty Reduction Strategy Papers (PRSP) are a set of key documents that should

“... describe a country's macroeconomic, structural and social policies and programs to promote growth and reduce poverty, as well as associated external financing needs.” (World Bank, 2001a: 3)

The PRSPs were designed especially for IDA countries, which include also HIPCs. Therefore:

“All countries receiving HIPC Initiative debt relief and all countries in which an IMF Poverty Reduction and Growth Facility (PRGF) is in place or programmed will need to have Poverty Reduction Strategy Papers broadly endorsed by the Boards of the Bank and Fund. The same expectation applies to IDA and IDA-blend countries. This means that the poverty reduction strategies will be on the agenda of about 70 low-income countries over the coming couple of years – and most immediate in the countries receiving debt relief under the enhanced HIPC Initiative.” (World Bank, 2001a: 2)

So, the PRSPs has been on the agenda of about 70 low-income countries over the last two years – and most immediate in the countries receiving debt relief under the HIPC II.

Hence, one of the most important characteristics of the inclusion of the PRSPs is that they are the key-documents mediating not only between debtors and creditors but also between recipients of international aid and donors. The production of PRSPs implicates not only HIPCs, but also other countries interested in obtaining debt relief; countries which have concessional lending from IFIs, and countries that are recipients of international aid. Consequently, effects produced by the establishment of the PRSPs are going to influence not only resources for debt relief but also all other international aid resources.

As stated by the World Bank, the aim of the PRSPs' inclusion within the HIPC Initiative is:

“...to ensure that debt relief, and aid more generally, will be provided in the context of a country-owned, poverty-focused strategy.” (World Bank, 2001a: 4)

Main conclusions of analysing the inclusion of the PRSPs as part of the HIPC Initiative are:

“To measure poverty, the Bank continues using consumption expenditures per capita as a standard. This results in a poverty line, which is defined as the minimum level of consumption someone needs to survive...” (ED-NGO EURODAD, 1996a: 7)

NGOs and also donors have criticised this approach for being too limited, because it only grasps the monetarized aspects of social economy: per capita consumption tells nothing about social exclusion and consumption usually does not take into account public goods and services like access to health care, education, etc.

Given that the approval of the PRSPs is necessary before the WB and the IMF decide to give any debt relief to a poor country, the PRSPs turned into the most recent conditionality of the HIPC Initiative, which came only to make even worse a situation which was already difficult for the poor and indebted countries.

Even with the cover up of a tool for reducing poverty, all policies promoted and/or required by IFIs from debtor countries (including the PRSPs) seem to share the same aim, to open their economies to international markets and follow main precepts of the SAPs.

It takes too much time to seriously write such set of documents and during that time no debt relief is given. Despite the introduction of Interim PRSPs (I-PRSPs) debtor countries need a longer time to seriously produce a document to be endorsed by creditors and civil society. This means considerable delays in the complete implementation of the debt relief process.

Viewing the poverty reduction issue as a new mean of imposing neo-liberal economic measures, has led ED-NGOs to question the issue of the role of the IMF and the World Bank. Speaking on the experiences of these institutions in the past, it was declared:

“The Bank and the Fund should not be the people who say this is good or this qualifies for so and so. Wholly wrong in the past, they haven’t succeeded in increasing growth, they haven’t succeeded in reducing poverty. Why should they be there as the chief arbitrators of what is an acceptable PRSP?” (Interview with the British ED-NGO, CAFOD)

The issue of promotion of ownership of national poverty policies has been also strongly questioned. The following declaration in this sense, could not be more explicit:

“We do not want to second guess the Fund. We prefer to pre-empt them by giving them what they want before they start lecturing us about this and that. By doing so, we send a clear message that we know what we are doing – i.e. we believe in structural adjustment. “ (Finance Minister of a country quoted anonymously in Cheru, 2001 and referred to by WDM, 2001: 8)

The other requirement of the design of a good PRSPs was the **e) Wide Civil Society Participation** in this design. This is the next and final issue I worked on the HIPC Initiative.

In the words of the World Bank:

“Participation is the process through which stakeholders influence and share control over priority setting, policy-making, resource allocations and access to public goods and services.” (World Bank, 2001b: 3)

Also in its words, it is expected that those actors participate in all stages of the PRSPs, which mainly are:

- a) Understanding the nature of poverty
- b) Choosing poverty reduction objectives
- c) Defining the strategy for poverty reduction and growth
- d) Designing and implementing public actions; and
- e) Monitoring outcomes and evaluating impacts (Klugman, 2000:4)

Some main conclusions resulting of the analysis of the processes of civil society participation were:

It is almost obvious to wonder if it is possible that the poorest countries in the world have the capacity to accomplish those expectations to achieve a “wide civil participation” for the design of their PRSPs.

Effective participation means a well-defined balance among participating actors; it is a delicate game for establishing strong interrelations but at the same time establishing clear boundaries not to be trespassed.

Some reactions to the issue of ownership have been raised regarding the fact of attachment of SAPs measures.

“Why the PRS Initiative? The PRS Initiative is the institutions’ response to accusations by their critics. The institutions are accused of imposing their lending operations on countries in a top-down fashion and, hence, undermining the capacity and ownership of governments and citizens in borrowing countries. Lack of ownership is, in turn, blamed for the failure of loan operations to achieve lasting results (e.g. reduced poverty and inequality). (...) IMF and World Bank programs undermine “ownership” (a euphemism for “sovereignty”), it violates the sovereignty of borrowing countries. (USA ED-NGO, 50 Years is Enough – 2000:3)

Another criticism of the context to which it is expected that participatory processes generate ownership, refers to the fact that participation is a process and not an event: therefore, one of its conditions is time. Ownership might come as a result of a participatory process provided that a reasonable period is granted. Even the World Bank, admits that, “Speed often compromises ownership” (World Bank-OED, 2000e: 13).

This research also suggested that IFIs are asking the participation of those who already are participating. The requirement of civil society participation –apparently thanks to IFIs request– makes from the use of PRSPs a legitimate process and especially makes ED-NGOs and other organisations of civil society, the actors which are legitimising that process.

The invitation and formalisation of civil society participation by IFIs might be understood as a way to co-opt or, at least, to blur the active resistance of ED-NGOs.

Therefore, ED-NGOs need to clarify their relationships with the IFIs, but not only with them; also relationships with the State are integral to the regulatory framework in which ED-NGOs act.

Evolution of this participatory process is of great importance for all countries that take part in the net of international co-operation, including the HIPC.

The only thing that I am going to say about the third research question is that to answer it, an analytical synthesis of the main findings regarding the first two research questions was

carried out, to determine the existing relationship between the role of ED-NGOs within the debt relief process and their critical position about the HIPC debt relief programme.

6) Possible further developments of this topic

The significance of this study can be seen mainly as:

- Having identified and analysed the external debt relief process as an issue that concerns development NGOs as a resistance movement
- Analyse in detail the HIPC Initiative
- To provide a close insight into the analytical perspective of ED-NGOs, which endorse their position on the particular case of the HIPC Initiative
- Analyse in a systematic way arguments supporting and opposing the HIPC Initiative, not only coming from ED-NGOs, but also from the IFIs and from the academia
- Making evident the importance of the processes of data collection, analysis and their dissemination that NGOs (in this case ED-NGOs) carried on about their topics of interest

However, one of the facts that struck me when carrying on this research was that in selecting the external debt issue and the HIPC Initiative as a case study to analyse perspectives of the global resistance movements, I ended up analysing only one of the multiple and different expressions of the neo-liberal paradigm.

Hence, in the same way that I decided to choose the issue of the external debt, I could have chosen any other of those multiple expressions of the neo-liberal paradigm and its effects.

There is a massive amount of research work to do in this field: not only from the external debt issue in particular but also from the resistance movements opposing to multiple issues of the neo-liberalism, within the globalisation context.

For example, regarding the external debt and natural resources, the swaps scheme; I mean when creditors propose to swap debtors' resources for debt stock.

There have been proposals in the sense of exchange forests by debt and even football players by debt, but there have been also proposals for conservation of water resources for debt, all of them that could be understood as natural resources. It would be very useful and interesting to know what are the swaps schemes that are being implemented today? What have been the results? Is this an useful strategy?

I wonder also if the programmes like the HIPC Initiative are solving the external debt problem of poor countries or the opposite. Given Argentina and Brazil debt situation, not to speak about our own situation, maybe the World Bank and the IMF should think about the Heavily Indebted **Middle** Income Countries Initiative (The HIMIC Initiative)

The most important question: Is there a real solution for the external debt problem? Is there a genuine interest to solve this problem? I don't think so! We would need a new world to solve this problem. And maybe the wide participation of civil society (the participation of all of us) is the only way to obtain this new world, thought that drives me to the global resistance movements topic.

One of the issues within the field of the global resistance movements is what has been named the Ecological Debt, what has been the history and the achievement of the resistance movements like the Greens politics in the world. For example, is it an adequate strategy to boycott some oil companies because of the negative effects their activities have on indigenous communities?

In any case you have a variety of topics to choose, for example about those resistance movements involved with Children rights, Gender issues, Peace movements, Foreign Trade Agreements, Whales conservation, Coca crops issues, Plan Colombia, etc., etc., etc.

The original title of the thesis is:

**Non-Governmental Organisations and the External Debt Relief Process
–The case of the HIPC Initiative–**

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