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Policy Brief

Deadly Delays:
How IMF and World Bank Economic Conditions Undermine Debt Cancellation

November 30, 2005

Jubilee USA Network is the US arm of the international movement working for impoverished country debt cancellation and right relationships between nations. Jubilee USA is a network of more 70 religious denominations, diverse faith communities, environmental organizations, community groups, research institutes, and solidarity organizations. Jubilee USA engages in public education and mobilization, research and policy analysis, and advocacy.

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GLOSSARY OF TERMS

G-8	The Group of Eight. The G-8 consists of Canada, France, Germany, Italy, Japan, Russia, the United Kingdom and the United States of America. The G-8 countries are generally considered to be the most powerful economies in the world. Their political leadership holds annual economic and political summits.
HIPC	Heavily Indebted Poor Countries. An initiative of the International Monetary Fund (IMF) and World Bank that outlines a plan for debt relief (and now cancellation) of some of the debts of 38 impoverished countries. Debt cancellation under HIPC is conditional on compliance with economic policies mandated by these institutions.
IFIs	International Financial Institutions. Financial institutions that act on the international level, as opposed to those that act on a national or regional level. The main players are the global institutions, such as the Internatioanl Monetary Fund (IMF) and the World Bank, and regional development banks.
IMF	International Monetary Fund. The international organization mandated to oversee the global financial system. It also provides technical and financial assistance.
MDGs	Millennium Development Goals. Eight goals – which range from halving extreme poverty to halting the spread of HIV/AIDS and providing universal primary education – that all 191 United Nations member states and all leading development institutions have agreed to try to achieve by the year 2015.
PRGF	Poverty Reduction and Growth Facility. The IMF's concessional lending facility, which provides finance for Poverty Reduction Strategy Papers (PRSPs).
PRSP	Poverty Reduction Strategy Paper. Documents required by the IMF and World Bank before a country can be considered for debt cancellation within the HIPC initiative. In the PRS process, a country is supposed to assess the nature and causes of poverty in the country, prioritize macroeconomic, structural and social policies according to their impact on poverty, and select and track outcome indicators. The policies mandated by these plans are often identical to the structural adjustment programs (SAPs) of the past.
SAP	Structural Adjustment Program. The traditional instruments of the IFIs, supported by the broader donor community, for imposing economic reforms on countries in return for loans. The reforms include internal changes (notably privitization and deregulation), as well as external ones, especially the reduction of trade barriers.

EXECUTIVE SUMMARY

The agreement reached by President Bush and other world leaders this summer to cancel the debts of 18 countries (including 14 in Africa) to the International Monetary Fund (IMF), World Bank, and African Development Bank represents an important and precedent-setting step towards addressing the debt crisis faced by impoverished countries.[1] The agreement would allow up to 38 countries to eventually qualify for debt cancellation. However, for any *additional* countries to become eligible for cancellation, they must comply with a series of harmful economic policy reforms mandated by the IMF and World Bank. This policy brief examines these one-size fits all economic policies in four impoverished countries in Africa and Latin America. We find that IMF and World Bank policy prescriptions and the delays they cause for debt cancellation cost lives, and should be abandoned.

The deal reached by (Group of 8) G-8 leaders this summer is to be implemented under the framework of the Heavily Indebted Poor Countries (HIPC) Initiative of the IMF and World Bank. In order to advance to the final stage or “completion point” in the Initiative in which 100% debt stock cancellation is possible, countries must comply with IMF and World Bank economic policies including Poverty Reduction Strategy Papers (PRSPs) and other IMF and World Bank loan instruments.

The economic policy reforms required by the PRSPs and other loan instruments include privatization of government-run services and other entities, increased trade liberalization, and budgetary spending restrictions. Such policies have not been shown to increase per capita income growth or reduce poverty over the last twenty-five years in which they have been carried out throughout Africa and Latin America.[2] As a result, donors and international financial institutions (IFIs) are beginning to take a second look at the conditions that are tied to aid and debt relief. The UK, for example, has taken a position that future aid will not be “conditional on specific policy decisions by partner governments” including privatization or trade liberalization.[3]

This policy brief provides four case studies of the problematic policies that countries are required to implement in order to receive multilateral debt cancellation. Two of the countries examined by this study, **Nicaragua** and **Zambia**, have already implemented the required reforms to reach HIPC “completion point” and should therefore obtain debt cancellation under the G-8 debt deal in 2006. Their stories offer lessons for other countries. The other two, **Cameroon** and **Malawi**, have remained at “decision point” since 2000, and must undertake additional reforms to reach completion point in the HIPC Initiative. They are facing deadly delays. We call the delays deadly because while countries like Cameroon and Malawi are held up from receiving debt cancellation, people in these countries are dying because of lack of access to health care, to HIV/AIDS drugs, and to clean water. UNICEF estimates that in 2003 alone 240,000 children were orphaned in Cameroon due to their parents dying of HIV/AIDS.[4]

In **Nicaragua,** the government was directed by the IMF and World Bank to privatize electricity which resulted in the tripling of prices and decreased access for the poor in a country where only half the population had electricity to begin with. **Zambia**’s health and education programs were compromised by the IMF’s macroeconomic policies which focus on maintaining low inflation and strict budget ceilings, preventing the government from spending the necessary amount to fund schools or HIV/AIDS programs. **Cameroon** is currently under pressure to privatize its water system to qualify for full debt cancellation, despite evidence from many other countries that water privatization leads to increased costs and decreased access especially for the poor. In **Malawi**, the country's food crisis has been exacerbated by a combination of IMF fiscal policy and restructuring of the agricultural sector. These four case studies are not isolated instances but are reflective of the experience of each country in the HIPC program.

It is critical that resources released by debt cancellation reach those who need it most. As a result Jubilee USA Network works closely with partner organizations in indebted countries to assure accountability and transparency. But while we support accountability and transparency, we do not support the imposition of economic conditions on impoverished countries by the IMF and World Bank as a condition of debt cancellation.

> ***Total cancellation of the debt of 14 African countries is an important step. We must ensure that the effects of this initiative are not undermined by conditionalities. We must also ensure that the principle of debt reduction for all African countries is firmly laid down, since it is all African countries that are crushed, under similar conditions, by this debt.***
> – Alpha Oumar Konaré, chairperson, African Union Commission, July 2005

We call on the US government, along with the IMF and World Bank, to provide 100% cancellation of the debts of all impoverished countries without requiring those countries to implement harmful economic conditions such as privatization of essential services and restrictive social sector spending. Especially for impoverished countries like Cameroon and Malawi, delays to debt cancellation cost lives.

Nicaragua and Electricity Privatization

Nicaragua is one of the most impoverished countries in the Western Hemisphere. Its per capita income is US$790 and 48% of the population lives below the national poverty line.[5] Yet the central government spends more on debt service than it spends on either health or education[6] – though there is hope that this will change in 2006, when Nicaragua's IMF and World Bank debt will be cancelled (though Inter-American Development Bank debt will remain).

> ***An increase of 15 or 25% to the electricity rate would have an impact on the price of all goods and services which in turn would severely decrease consumers' spending power and could possibly cause a recession…It is unwise to apply such measures to a weak economy where over 80% of the population lives on less than US$2 a day.***
> – Adolfo Acevedo, Nicaraguan Economist, October 2005

To reach completion point and qualify for this debt cancellation under the Heavily Indebted Poor Countries (HIPC) Initiative, Nicaragua has been mandated to comply with IMF and World Bank loan conditions. In order to advance from "decision point" to "completion point," Nicaragua had to comply with conditions under its IMF Poverty Reduction and Growth Facility (PRGF) loan. These loan conditions have included the privatization of essential services including electricity and water. In particular, since the 1990s, the Nicaraguan PRGF has mandated moves towards the privatization of the public electricity utility, ENEL.[7] The sale of ENEL to the private Spanish company Union Fenosa in 2001 represented the culmination of this process which had begun in 1997, when private sector involvement in electricity was first re-introduced.[8] In 2000, prior to privatization, 48 percent of the country had access to electricity in Nicaragua.

When Union Fenosa bought ENEL in 2001, it did so at a fraction of the cost it was valued at, allowing the company to make a sizeable profit at the outset of its involvement in the country,[9] thereby contributing to lost state revenue. The 2001 contract mandated that UF was not to raise prices for the first five years of operation. Despite this, UF proceeded immediately to ask the government to allow it to raise electricity prices. The government submitted to the company's demands and UF enacted three price hikes between 2002 and 2003, beginning with a price hike of 8.31 percent. The Nicaraguan consumer saw electricity prices rise by 300 percent between 2001 and 2003.[10] This has had the obvious impact of pricing the poor out of the market. In both urban and rural areas, people have resorted to using illegal hookups – which is extremely dangerous.

Even with price hikes, Union Fenosa has been unable to turn a profit in Nicaragua, and in 2003 the company became delinquent in paying its bills to power supply contractors such as the now bankrupt Enron Corporation. By May 2005 the company began enacting rolling blackouts, citing its financial constraints and millions of dollars in profit losses. The company approached the World Bank for arbitration in the same month, alleging that the Nicaraguan government has not lived up to the terms of the privatization contract.

Civil society groups, in particular the Nicaragua Consumers' Defense Network, have filed lawsuits on behalf of the impoverished majority who cannot afford to pay the private company's fees.[11] Ruth Herrera of the Network has estimated that UF could cut its costs by almost 30 percent if the company were to invest the required capital in infrastructure improvement. According to Herrera, the company has spent only $18m in a year on infrastructure despite its monthly revenue of $40m.

By the end of May 2005, President Bolanos decided that a state of emergency was necessary to address the energy crisis in Nicaragua, though his only solution was to further increase rates. In September, the recurrence of rolling blackouts and electricity rationing prompted the National Assembly to fund $12m in electricity subsidies, so that the Nicaraguan population would not bear the cost of increased rates by Union Fenosa. An IMF mission to Nicaragua in late September mandated a further increase in electricity rates.[12]

The Nicaraguan experience with electricity privatization echoes the blackouts the US state of California faced when its electricity market became deregulated. The privatization of an essential service such as electricity is problematic for the simple reason that the costly provision of a basic service will prevent the poor from accessing that service. There is hope that the government will re-consider both privatization and the country's extreme dependence on oil (85 percent of Nicaragua's electricity is generated by petroleum). The privatization of Nicaragua's electricity has been a fiasco and should be a lesson to the IMF and World Bank to avoid such policies in the future. Though Nicaragua has now reached completion point, and is eligible for debt cancellation, it was long delayed due to conditions such as this. Other impoverished countries should not have to face similar delays and policies.

Zambia and the Slashing of Health and Education Budgets

Zambia is one of the most impoverished countries in the world. Two-thirds of its eleven million people live on less than one dollar per day. Its per capita income is US$417 and 30 percent of its youth are illiterate. Life expectancy is just 37.4 years. Further, the country faces an HIV/AIDS crisis with a 16.5 percent HIV infection rate.[13] At the same time, Zambia spends approximately three times more servicing its unsustainable debt burden than on health care and four times more on debt service than on education.[14] Zambia will have a chance to turn around some of these devastating realities thanks to debt cancellation promised in 2005. But the road Zambia took to get to this point has been a rocky one. And Zambia's road to recovery will remain rough if the IMF continues to push the same one-size fits all economic prescriptions it has been mandating for decades and which have not reduced poverty thus far.

> ***"Conditionalities that have ruined our agriculture, industry and now our education and health systems, should not be taken as immutable dogmas."***
> – The Post (Zambia), January 2005

The situation was not always so grim in Zambia. The standard of living, as measured by key indicators such as child mortality rates, life expectancy, primary school enrollment and literacy rates rose markedly between 1975 and 1985 despite serious economic problems.[15] This is because of "the cushion that [government] subsidies and free services provided to the population."[16] For example, the state provided free primary schooling and basic health services such as immunizations and free consultations for some services at health clinics and hospitals. But twenty years of World Bank and IMF conditions imposed through so-called structural adjustment programs (SAPs) which are now requirements for Zambia to qualify for debt cancellation under the Heavily Indebted Poor Countries (HIPC) Initiative, have contributed to deteriorating social conditions in the country. Today many social indicators are at lower levels than they were in the early 1970s. In the area of education, a significant decline in primary school enrollment and youth literacy rates has been noted. In the health sector, a drastic increase in mortality rates for children between one and five years old and a 13-year decline in life expectancy have been observed.[17]

The structural adjustment reforms of the 1980s and early 1990s included massive cuts to health and education budgets, the introduction of user fees for many basic health services and for primary education, and the cutting of crucial programs such as child immunization initiatives. Since then not only has Zambia seen the drastic increases in mortality rates and decreases in life expectancy and youth literacy that were noted above, but also a marked increase in child prostitution, which some observers link to the desperate social conditions facing children and families who cannot afford food, school fees and basic health care services.[18]

These harmful economic reforms - with the exception of school fees which have now been abolished using limited debt relief proceeds - have largely continued under the HIPC Initiative. One of the primary objectives of the Poverty Reduction Strategy Paper (PRSP) and Poverty Reduction and Growth Facility (PRGF) framework mandated under HIPC is to maintain macroeconomic stability with a focus on fiscal restraint and low inflation, which was the main objective of previous structural adjustment.[19] This objective and the accompanying policy requirements prevent Zambia from increasing spending on health and education to the levels recommended by the UN Millennium Development Goals (MDGs) in order to alleviate extreme poverty, thus preventing Zambia from attempting to reverse the downward spiral of suffering its people are experiencing. Recent studies show, for example, that there is a significant gap between the spending required to achieve the MDGs for health and education over the next decade and the amount of spending that is allowable under the IMF economic development model.[20]

The IMF pressures impoverished countries to maintain tight macroeconomic policies from year to year, whereas any realistic long-term development strategy involving a 10 to 15-year plan might involve temporarily higher deficits, higher public spending and moderately higher inflation over the short or medium term. Thus the IMF's conditions can permanently prevent countries from adopting the economic policies to make the long-term investments to rebuild their health, education or agriculture systems that have been chronically under-funded since the original IMF stabilization loans made during the debt crisis of the 1980s.[21]

Zambia has suffered through years of IMF and World Bank conditions to finally reach HIPC "completion point" in 2005, and thus become eligible for debt cancellation under the recent G-8 deal. These policy conditions were unnecessarily harmful and other impoverished countries should not continue to be forced to implement them. Moreover, current IMF policies continue to prevent Zambia from increasing government spending in the amounts necessary to make a sincere attempt to reverse the drastic decline in social standards that it has seen over the past 20 years of IMF and World Bank-dictated economic policies. Increasing such spending without the institutions' approval could result in punitive measures such as the cessation of foreign aid, which Zambia also cannot afford. But at a time when even greater challenges such as the HIV/AIDS crisis are staring Zambia in the face, it is clear that something must be done to turn the tide. Even with debt cancellation, Zambia and other impoverished countries cannot and should not have to risk continuing with the harmful policy prescriptions mandated primarily by the IMF. It is time for a new approach.

Cameroon and the Privatization of Water

Cameroon is an impoverished country in sub-Saharan Africa struggling with the HIV/AIDS crisis among other serious social and environmental challenges. Cameroon's per capita income is US$714 and 40% of the population lives below the national poverty line.[22] Yet the central government spends three times more on debt service than it spends on health,[23] despite having an HIV prevalence rate of seven percent.

Cameroon qualified to enter into the IMF and World Bank's Heavily Indebted Poor Countries (HIPC) Initiative in 1998, and implemented the first set of required policy reforms in 2000 to reach "decision point" in HIPC. Since 2000, however, Cameroon has remained at decision point because of the government's failure to comply with the full slate of conditions mandated by the IMF and World Bank. One of these key conditions is the privatization of the country's water system.[24]

Water privatization has been a failure in many cities and countries,[25] due to a combination of factors including increased costs which impact the poor hardest, inefficiencies in privatized delivery mechanisms, and the costly binding contracts that municipalities and states are forced to enter into, as a result of the entry of the private provider into the market.

A 2002 United Nations report urged that governments' ensure "equal access for basic services" and found that privatization of an essential service such as water can lead to the establishment of a two-tiered supply scheme with a corporate segment that focuses on the wealthy and an under-funded public segment that focuses on the poor. The report also found that privatization creates an overemphasis on commercial objectives at the expense of social objectives such as the provision of water for those who cannot afford commercial rates.[26] This is especially relevant in impoverished countries where the majority of the population is poor and many do not have access to clean water. According to a 2003 UNDP report, only one-half of Cameroon's population of 15 million have access to clean water.[27]

Cameroon had initially been mandated to privatize its water system, SNEC, in 2000. French multinational Suez, which has been involved in failed water privatization attempts around the world,[28] put in a bid to the central government at that time. Disagreements between the government and Suez over the purchasing price led to a breakdown in negotiations and a withdrawal of the bid in 2002.[29] Despite this, the IMF has continued to pressure the government to privatize water. The terms of the latest Poverty Reduction and Growth Facility (PRGF) loan agreed to in October 2005 included the government's commitment to move forward with the privatization of SNEC and to complete this process of selling the state water utility to a private company by July 31, 2006.[30] Fulfilling the conditions of the PRGF loan are required for Cameroon to reach "completion point" in HIPC and become eligible for full debt cancellation.

It is unclear how the privatization of water will lead to increased access to clean water for the impoverished in Cameroon. Given the problematic track record of water privatization in various countries, it is a detriment especially to the impoverished population of the capital city of Yaounde where SNEC mainly operates, for the international financial institutions to continue to push for privatization of water in Cameroon. What's clear is that Cameroon and other impoverished nations should not face delays in receiving debt cancellation over the privatization of water.

The Role of IMF Policy in Malawi's Food Crisis

Malawi, an impoverished country in Southern Africa, has a per capita income of US$605, with 65.3% of the population living under the national poverty line, and 76.1% living on less than $2 per day. The effects of poverty are compounded by an HIV/AIDS prevalence rate of 14.2%.[31] Though Malawi's dire circumstances demand attention, in recent years, IMF and World Bank economic policies have exacerbated the situation.

> ***"IMF and World Bank shareholders have recognised that many poor countries will need 100 percent debt cancellation if they are to fight poverty. Now, they must act on this recognition and provide 100 percent debt cancellation for all poor countries that need it. They must also eradicate the harmful conditions attached to debt cancellation."***
> – Collins Magalasi, Global Call to Action Against Poverty and Action Aid - Malawi, September 2005

Malawi reached "decision point" in the Heavily Indebted Poor Countries (HIPC) Initiative in 2000, but progress has since stalled. Due to harmful economic policy conditions imposed by the IMF and World Bank, "completion point" – and the debt cancellation promised by the G8 – remains a long way off.

One example of these harmful economic conditions is the institutions' involvement in Malawi's agricultural sector that has severely undermined Malawi's capacity to respond to food crises. Before international financial institutions (IFIs) brought pro-privatization and anti-subsidy agendas to Malawi in the mid-1990s, Malawi had been able to weather more severe conditions without descending into a crisis.[32] But in order to meet IMF conditions, Malawi was required to dismantle institutions and change policies that provided a buffer for food shortages, leaving the country more vulnerable than ever to famine. The implementation of these policies in Malawi is but one example of the broader push by the IMF, World Bank, and WTO towards increased trade liberalization which has more often than not led to decreased food security in many countries.[33]

In 1994, the IMF and World Bank required Malawi to devalue its currency and reduce fertilizer subsidies, causing fertilizer prices to soar 250% over the course of a decade and effectively eliminating poor farmers' ability to nourish their crops with vital agricultural inputs.[34] The World Bank's own findings reaffirmed the connection between its lending conditions and low food production, stating: "Discussion groups from a number of countries in Africa, and particularly Malawi and Zambia, link increased hunger and food insecurity to the higher costs of inputs in recent years, especially fertilizer."[35] Further subsidy cuts for fertilizer and seeds were mandated in 2000 under Malawi's participation in the HIPC initiative to control the fiscal deficit,[36] causing more farmers not to be able to afford agricultural inputs. Recently, *The Washington Post* reported on the connection between World Bank policies and decreased food security, citing Malawian agricultural secretary Randson Mwadiwa: "international donors and the World Bank had rushed Malawi into sharply scaling back the old system before it could build a new one," adding, "the state-run system had stabilized prices and distributed a steady supply of corn seeds and fertilizer deep into the countryside."[37] The article goes on to describe the plight of Malawian farmer Benford Bizeki whose harvest of 10 bags of corn is pitifully short of the 50 or 60 he usually produces with fertilizer.[38] Malawians like Bizeki must endure the consequences of IFI-mandated fiscal policies if they are to receive even minimal debt relief.

The resulting food shortage forced the IMF to concede to reinstating food subsidies, which the Malawian government renewed at great cost, in addition to importing critical supplies of maize.[39] Ironically, shouldering this cost made it so that Malawi's "domestic primary expenditure exceeded the plans made in the Poverty Reduction and Growth Facility (PRGF) framework by more than 5 percent of GDP in 2002/03 and 2003/04."[40] This "public overspending" as one IMF official dubbed it, now contributes to Malawi's "off-track" record.[41] Even though this "off-track" record was caused in part by IMF policies, the stigma attached to IMF disapproval caused donors and creditors to waver in their commitments to Malawi.[42] Thus the IMF continues to delay the country's "completion point" date, effectively keeping Malawi from qualifying for full debt cancellation under the recent G-8 deal.

Another related agricultural reform mandated by the IMF and World Bank was the privatization of Malawi's state agricultural marketing board (ADMARC). According to the Bretton Woods Project, a UK-based NGO, a World Bank-commissioned study found that ADMARC played a crucial role in supporting the lives of poor women and men, and that privatization would destroy this important role. For two years the Bank refrained from publishing these results, releasing them only after the Malawian parliament voted the privatization of ADMARC into law.[43] The privatization of ADMARC has negatively affected the poorest Malawians by dismantling their national network of rural markets, causing their meager dispensable income to be eaten away by transportation costs. In addition, the private markets intended to more efficiently fill the gap left by ADMARC have hardly resulted in less corruption; instead, farmers complain about the false weights employed by unscrupulous private traders.[44]

The IMF and World Bank also urged the government to sell its strategic grain reserves in order to repay $9 million in foreign debt, as has been charged by government ministers.[45] Collins Magalasi, a spokesperson for the Global Call to Action Against Poverty and an official with Action Aid-Malawi, concurs that in Malawi the World Bank "pushed through the privatization of the strategic grain reserve, despite opposition from Parliament and the general public" resulting in poor Malawians facing grain shortages during a food crisis.[46]

In Malawi's case, the IMF and World Bank mandated strict fiscal policies and agricultural sector reforms that were harmful. The economic conditions associated with the Poverty Reduction Strategy Paper (PRSP) and PRGF frameworks and required for Malawi to reach HIPC completion point impose a burden on Malawi through the harmful policies they sanction, policies that in the end only deepen the intensity of poverty.

Endnotes

[1]Jubilee USA Network, "First Step on A Long Journey: Putting the G-8 Debt Deal into Perspective," June 2005, for a more comprehensive analysis of positive elements and shortcomings of the G-8 debt agreement and additional recommendations for action. Available at www.jubileeusa.org. This brief focuses specifically on economic policy conditions.

[2] See Mark Weisbrot and David Rosnick, Center for Economic and Policy Research, "The Scorecard on Development: 25 Years of Diminished Progress," September 2005 and Branko Milanovic, Carnegie Endowment for International Peace, "Why Did the Poorest Countries Fail to Catch Up?" October 2005.

[3] See UK Department for International Development, "Partnerships for poverty reduction: rethinking conditionality," March 2005, pp. 2,10; and World Bank Operations Policy and Country Services Department, "Review of World Bank Conditionality," September 2005.

[4] UNICEF, Cameroon At-A-Glance, 2005.

[5] World Bank, World Development Indicators, 2005.

[6] United Nations Development Program (UNDP), Human Development Report (HDR), 2005.

[7] See Nicaragua's HIPC Decision Point Document, jointly prepared by IMF and International Development Association, pp. 17, 48. All IMF documents cited are available at www.imf.org.

[8] According to a Nicaraguan debt campaigner, Magda Lanuza, the government was pressured to convince the population that state-run ENEL was inefficient and overly bureaucratic. Another argument made to favor privatization during the late 1990s was that ENEL was incapable of providing electricity to the entire population. There is no evidence that Union Fenosa has been able to reach more Nicaraguans, especially given the high prices.

[9] Nicaragua News Service, 2005, reports that though ENEL's power distribution service was valued at $100m it was sold for $30m.

[10] Latin America News Digest, 'Spanish Union Fenosa Increases Electricity Rates in Nicaragua,' Dec. 18, 2003.

[11] Union Fenosa's provision of privatized electricity has faced challenges elsewhere in Latin America. The US labor group, AFL-CIO, filed a petition to the US Trade Representative against the company's harmful labor practices in Guatemala. (See AFL-CIO Generalized System of Preferences Petition to USTR on Guatemala, December 2002).

[12] See IMF Press Release No. 05/215, "Statement by an IMF mission to Nicaragua," September 23, 2005.

[13] The HIV infection rate is for adults aged 15-49. All statistics are from UNDP HDR, 2005.

[14] UNDP HDR, 2005.

[15] UNDP HDR, 2005.

[16] Jack Jones Zulu, "Leaning against Economic Winds: Zambia's Problems with HIPC," Jubilee-Zambia, November 2003, p.4.

[17] UNDP HDR, 2005; Inter Press Service (IPS), "Children-Health: Poverty Dampens Immunization Drive," Mar. 9, 1995; J.J. Zulu, Ibid.; Judith Matloff, "Child-Sex Booms in Zambia's Poverty," Mail & Guardian (South Africa), Aug. 16, 1996; UN Integrated Regional Information Networks (IRIN), "Hard Road to HIPC Completion," Jan. 2005.

[18] All Africa News Agency, "Zambia: Wrong Prescription Responsible For Zambia's Woes," Aug. 20, 1999; Louise Crosby, "Economic reform makes some countries poorer," The Ottawa Citizen, Nov. 28, 1992; IRIN, Ibid.; IPS, "Poverty Dampens Immunization," Ibid.; IPS, "Zambia; Hiking of Medical Fees," Jan. 5, 2001; J.J. Zulu, Ibid.; Matloff, Ibid.; The New York Times (Editorial), "Poor Nations and the Debt Trap," Apr. 30, 1999.

[19] See IMF's Second PRGF Review, March 25, 2005 and Zambia's Enhanced HIPC Completion Point Document, April 2005.

[20] David Archer and Akanksha A. Marphatia, "Contradictory Commitments: How the Achievement of Education for All is Being Undermined by the International Monetary Fund," Action Aid International, 2005; Rick Rowden, "Changing Course: Alternative Approaches to Achieve the Millennium Development Goals and Fight HIV-AIDS," Action Aid International USA, 2005.

[21] Archer and Marphatia, Ibid.; Rowden, Ibid. Also see research by UNDP economist Terry McKinley which suggests that while higher deficit spending and/or the full expenditure of new increases in foreign aid may have some short-term negative consequences on macroeconomic policy, the medium and long-term benefits for higher economic growth rates and increased public revenues could easily outweigh the short-term negatives if the money is spent strategically. Terry McKinley, UNDP, "Why Is 'Dutch Disease' Always A Disease? The Macroeconomic Consequences of Scaling Up ODA," 2005.

[22] UNDP HDR. 2005.

[23] UNDP HDR. 2005.
[24] See 'Enhanced HIPC Initiative Completion Point Triggers,' pp. 55-60 in IMF's Cameroon Country Report No. 05/164, May 2005.
[25] One example is US-based Bechtel's subsidiary privatizing water in Cochabamba, Bolivia in 1999. The company doubled and tripled rates. Citizens' groups pressured the municipal government to terminate the contract, which it did in 2000. Bechtel then filed a lawsuit against the government for $25m to recoup its lost future profits. (See San Francisco Chronicle, "Bechtel's Bolivian Debacle," Apr. 29, 2002 and The New York Times, "As Multinationals Run the Taps, Anger Rises Over Water for Profit," Aug. 26, 2002).
[26] UN Commission on Human Rights, "Liberalization of trade in services and human rights," June 2002.
[27] UNDP, "Cameroon MDGs Progress Report," Dec. 2003, p. 16.
[28] In 2002, five years after privatizing Manila's water supply, a Suez subsidiary along with the Philippine company involved pulled out due to financial losses caused in part by disagreement with the government over the level of price hikes. (See Agence France Presse, "Philippine-French joint venture pulls out of Philippine water concession," Dec. 9, 2002). A similar scenario was repeated in the US city of Atlanta when another Suez subsidiary involved in that city's water privatization was asked to leave due to increased inefficiencies, rising prices, and decreased access for the poor. (See Douglas Jehl, "As Cities Move to Privatize Water, Atlanta Steps Back," The New York Times, Feb. 10, 2003, p.A14).
[29] African Economic Outlook Country studies: Cameroon OECD, African Development Bank (ADB), January 2002.
[30] Pascal Fletcher, "Cameroon to boost privatization with IMF support," Reuters, Oct. 26, 2005.
[31] UNDP HDR, 2005.
[32] Max Lawson, "Death on the Doorstep of the Summit." Oxfam International, 2002.
[33] The UK Commission for Africa Report acknowledges the need to reconsider the role of the IMF and World Bank in forcing countries to enact trade reform as a condition for lending. See Commission for Africa, "Our Common Interest: Report of the Commission for Africa," March 2005, pp. 276-299.
[34]Lawson, Ibid.
[35] Klaus Deininger and Pedro Olinto, "Why Liberalization Alone Has Not Improved Agricultural Production in Zambia: The Role of Asset Ownership and Working Capital Constraints," Policy Research Working Paper 2032, The World Bank, 2000.
[36] See the Malawi HIPC Decision Point Document, jointly prepared by IMF and World Bank, Dec. 2000, pp. 17, 27.
[37] Craig Timberg, "A Harvest of Hunger in Parched Malawi," The Washington Post, Nov. 13, 2005, p.A23.
[38] Ibid.
[39] See IMF, Malawi Country Report No. 04/380, December 2004, p. 19.
[40] Alessandra Fontana, "'In-Limbo': Current Status of Some HIPC Decision Point Countries," Eurodad, July 26, 2005.
[41] Jubilee Research, "Profile: Malawi," Feb. 4, 2005.
[42] Ibid.
[43] The Bretton Woods Project, "World Bank Pushes Malawi Agriculture Privatization," Apr. 5, 2004.
[44] Lawson, Ibid.
[45] Ann Pettifor, "World Bank/IMF Forces a Famine On Malawi," DebtChannel.org, July 2002. Also see David Pratt, "Malawi told by IMF: sell grain to pay debts," Action Aid Malawi, and BBC News, "IMF Denies Telling Malawi to Sell Food," May 29, 2002.
[46] Nathaniel Harrison, "Debt Relief Gains Revive Debate Over IMF-World Bank Conditions," Agence France Press, Sept. 25, 2005.

Appendix I. Resources for More Information

Action Aid International USA
http://www.actionaidusa.org

African Forum and Network on Debt and Development (Afrodad)
http://www.afrodad.org

Center for International Studies, Nicaragua (en español)
http://www.ceinicaragua.org.ni/

European Network on Debt and Development (Eurodad)
http://www.eurodad.org

International Monetary Fund Heavily Indebted Poor Countries (HIPC) Initiative Website
http://www.imf.org/external/np/exr/facts/hipc.htm

Jubilee USA Network
http://www.jubileeusa.org

Jubilee Research (UK)
http://www.jubileeresearch.org

Jubilee Zambia
http://www.jctr.org.zm/jubilee-zambia.htm

United Nations Development Program’s Human Development Data
http://hdr.undp.org/statistics/

World Bank HIPC Initiative Website
www.worldbank.org/hipc