Investing in People for Social and Economic Justice

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Understanding the Heavily Indebted Poor Countries (HIPC) Initiative and Its Implications for Zimbabwe

INTRODUCTION

Zimbabwe currently is saddled with an unsustainably high level of debt, estimated to be US$5,7 Billion, owed to various multilateral and bilateral creditors. According to analysts, arrears and interest constitute above 50 percent of the debt. Furthermore, the debt could balloon to US$7 billion by 2011 according to some projections, if is not addressed and reduced in a consistent and systematic fashion[1]. The government is formulating an optimal and sustainable debt strategy consistent with the broader macroeconomic policy objectives of the country.

Four debt and arrears clearance options are widely reported to be under consideration. These are (i) Internal resource inflows, (ii) Resource based debt restructuring (iii) Paris Club Debt restructuring and (iv) Highly Indebted Poor Country Initiative (HIPC). The proposal on HIPC specifically has raised some debate, as some stakeholders believe that HIPC will facilitate foreign interference in the country's economic and political affairs, as well as project the country as an economic basket case.

As a social and economic justice network, focusing on the debt problem the Zimbabwe Coalition on Debt and Development (ZIMCODD) would like to contribute constructively to policy consultations in search of a lasting solution to the country's debt problem. Civic organisations focusing on the debt view unsustainable public debt as the biggest threat to citizens' realization of social and economic rights. This is because countries have to forgo financing of development plans, and social sectors such as health, and education for the sake of servicing debts. To illustrate this point, an analysis done by ZIMCODD on the social effects of public debt in Zimbabwe shows that government expenditure on social welfare reached a peak of 40 times as much as expenditure on social welfare between 1996 and 2001.

INTEREST EXPENDITURE AS % OF LABOUR 5 SOCIAL WELFARE ALLOCATIONS[2]

PERIOD	PERCENTAGE
1996-97	929%
1997-98	412%
1999	1,771%

[1] UNDP 2008 report cited in 'Development Finance, Private and Public Sectors in Zimbabwe: Sustainability or Odious Debt?' By Sarah Bracking and Lloyd Sachikonye, March 2009, BWPI Working Paper 84 (Bracking and Sachikonye)
[2] Source: Social Effects and Politics of Public Debt Management in Zimbabwe' (ZIMCODD: 2001)

2000	**2,304%**
2001	**3,948%**

The World Bank and International Monetary Fund (IMF) launched HIPC, a creditor initiated debt relief mechanism, in 1996. It provides debt relief and low-interest loans to cancel or reduce external debt repayments to sustainable levels. An enhanced form of HIPC was launched in 1999 (HIPC II), and recently extended through the Multilateral Debt Relief Initiative (MDRI) in 2005. These initiatives were developed with the aim of addressing the external debt problems of many developing countries. The majority of African countries external debt has remained a major obstacle to development. As of September 2009, the HIPC program had identified 40 countries (29 of which are in Sub-Saharan Africa) as being potentially eligible to receive debt relief.

The Minster of Finance has previously stated that the country's indicators reflect that the country is now a Low income country, and therefore qualifies for HIPC. If the debt remains unsustainable at completion point, the country can then be considered under the MDRI Initiative. This means that the country has to be reclassified under the World Bank and the ADB lending criterion frameworks from Middle to Low income country[3]. In this context, ZIMCODD assesses the implications of HIPC as a debt sustainability framework for Zimbabwe, using key implementation experiences of other countries.

KEY FEATURES OF THE HIPC INITIATIVE

The World Bank and IMF devised **HIPC** in 1996 to tackle the debt problems of developing countries. HIPC is based on idea of 'debt sustainability'. At HIPC's inception in 1996, the primary threshold requirements for a country to qualify were:

i) A country's debt must remain at unsustainable levels despite full application of traditional, bilateral debt relief. Debt was considered unsustainable when the ratio of debt-to-exports exceeded 200-250 % or when the ratio of debt-to-government revenues exceeded 280%;
ii) In order to qualify for HIPC, countries had to prove their commitment to 'sound policies' by getting through two 3-year IMF Structural Adjustment Programmes (SAPs). After the first, they could get to 'decision point' on their eligibility and after the second they would reach 'completion point'. This is the point at which debt relief promised at decision point is delivered if all conditions are met.

HIPC was soon criticized from some quarters for a number of reasons.

i) By 1999, only few countries had made any 'progress' in HIPC.
ii) HIPC's six year programme was too long and inflexible for debtor nations
iii) Debt was not canceled until completion point, so heavy debt payments remained whilst countries struggled to implement reforms
iv) The programme undermined poverty alleviation through privatisation and other ESAF conditions
v) The programme promoted creditor interests over those of debtors

[3] Speech by the Minister of Finance, Hon. T. Biti, at the ZIMCODD 'Economy in Transition Dialogue Conference: Towards a Sustainable Public Debt for Zimbabwe' 30 June 2009.

At its 1999 summit in Cologne, Germany, the G8 sought to satisfy the Jubilee Campaign demands for action by 2000 by creating ‘Enhanced’ HIPC, which expanded the definition of unsustainable debts. Enhanced HIPC has a number of inter-related components. These are:[4]

i) A country's debt must remain at unsustainable levels. However, the gauge for sustainability was also improved slightly as the targets for determining sustainability decreased to a debt-to-export ratio of 150% and a debt-to-government revenues ratio of 250%;
ii) The debtor country must qualify for assistance under the World Bank (International Development Assistance) or the IMF (Poverty Reduction and Growth Facility, the successor to ESAF);
iii) The six-year structure was abandoned and replaced by a ‘floating completion point’ that allows countries to progress towards completion in less than six years.
iv) A country starts receiving interim debt relief at decision point while the remaining relief is delivered at the completion point.[5]

The Poverty Reduction Strategy Paper (PRSP), which is part of the PRGF process, was not initially part of the 1996 HIPC initiative. This was introduced in 1999 in response to the demand to link debt relief to poverty reduction. PRSPs describe the macroeconomic, structural, and social programs that a country will follow to promote economic growth and reduce poverty. A broad range of government, CSO and private sector groups must participate in the development of the PRSP to ensure the plan has local support. Under the revised HIPC, a country reaches decision point after it has implemented a PRSP for one year and demonstrated macroeconomic stability.

The IFIs decided to declare 24 countries eligible before 2000 in order to get positive millennium publicity. More countries moved through the programme in next couple of years, but still with minimal cancellation and strengthened IMF programs. By 2002, the World Bank issued another report outlining failures of HIPC and Enhanced HIPC. G8 began talking about taking HIPC further in 2004. For the first time, some officials began speaking of possible 100% cancellation of multilateral debt; G8 Finance Ministers announced the plan for this in June 2005. Within the G8, the UK and the US were apparently the prime movers for this while Canada was persuaded and the others were dragged along. This led to the MDRI.

Multilateral Debt Relief Initiative (MDRI) Debt Initiative[6]

This is essentially an extension of HIPC which aims to provide additional support to HIPCs to attain the Millennium Development Goals (MDGs). Under the MDRI, beneficiary countries are those that have gone through entire HIPC process and reached completion point. The difference is that after reaching completion point, 100% of IFI debt is cancelled. Debt disbursed before end-December 2004 (IMF, AfDB and the IADB) and end December 2003 (IDA) and still outstanding at the time of qualification (after HIPC Initiative debt relief) is cancelled. A further element is that the IMF has agreed that all countries with per-capita income of US$380 a year or less (whether HIPCs or not) will receive MDRI debt relief financed by the IMF's own resources through the MDRI-I Trust. To qualify, the IMF Executive Board required that these countries be current on their obligations to the IMF and demonstrate satisfactory performance in

[4] Debt Relief and Beyond – Lessons Learned and Challenges Ahead – World Bank Conference Edition Edited by Carlos A, Primo Braga, Dorte Domeland.
[5] ‘HIPC Study: The Case of Zambia’ Chrispin Mphuka, December 2002
[6] A critical Review of Legal Framework of the Public Loan Contraction and Debt Management System in Zimbabwe - ZT Chadambuka 2009

macroeconomic policies, implementation of a PRSP and a proper public expenditure management system.

The Board determined that 19 countries qualified for immediate MDRI relief. They included 17 HIPCs that had reached the completion point, and two non-HIPC countries whose per capita income was below the established threshold. These countries benefited from MDRI relief in January 2006. Among the 17 initial beneficiary countries were 13 African countries. Although apparently IMF staff, management, and non-G8 European countries unsuccessfully attempted to nullify the MDRI by imposing new requirements (on top of HIPC completion) on countries to get full cancellation. The move was defeated through public pressure except in case of Mauritania. Following the implementation of corrective actions, Mauritania qualified for and received MDRI relief in June 2006. A few other countries have followed since then, these including Sierra Leone. It has become clear that the IMF was concerned at the prospect of losing policy leverage over borrowing countries.

A new ‘facility’ they developed in tandem with MDRI is called Policy Support Instrument (PSI). PSI offers IMF ‘advice’ to countries without a loan. It was first used in Nigeria, in unique circumstances. However, there, as in other places, it is a way of perpetuating IMF policy domination while allowing government to claim, falsely, that it is keeping distance from IMF. Uganda, Cape Verde, and Tanzania intend to take out PSI. Ghana is about to do so and Kenya is very likely to do so. Georgia may become first non-African country to adopt PSI. Uganda is now learning that IMF will impose conditions just as vigorously as under other programs, as it tries to curtail lending program for small farmers on grounds it violates market principles.

Unfortunately most countries have since incurred additional IFI debt, keeping them part of debt system. Indeed, only Bolivia has declared that it will the use opportunity to free itself from IMF while African governments have largely failed to seize long-denied opportunity. In addition, HIPC and MDRI have been accused of including far too few countries, that is, only those that have gone through harsh HIPC terms.

Unlike the HIPC Initiative, the MDRI does not propose any parallel debt relief on the part of official bilateral or private creditors, or of multilateral institutions beyond the IMF, IDA, and the AfDF. Thus MDRI is not, in fact, 100 per centum debt cancellation. However, 100 per centum multilateral finance institutions debt is significant and it is notable that MDRI does eliminate countries’ obligations to those institutions that have systematically deprived countries of policy sovereignty. Furthermore, access to the IDA Debt Reduction facility does mean that there are possibilities of extinguishing or at least mitigating the commercial debt through MDRI and HIPC. Also notable is that HIPC alone i.e. without regard to its relationship with MDRI, is still important. This is so as MDRI relates only to multilateral debt but HIPC has wider application. Thus joining HIPC in itself also leads to some limited cancellation of bilateral debt.

Another means by which MDRI debt relief could have wider significance relates to the signaling role that IFIs play. An example is with the Paris club which in the 1990s began to treat the HIPCs and non-HIPCs differently. The Paris club began to grant increasingly larger debt reductions for the HIPCs. For the non-HIPCs, the club engaged less in debt reductions and moved towards encouraging the absorption of financial losses by bondholders and other private creditors. This response to IFI distinctions and other signals continues such that relations with IFIs, and unfortunately their SAPs, affect the possibilities of debt rescheduling and other modes of debt relief. France has, for example stated that it was willing to write off Zimbabwe’s debt, but could only do this in the framework of the Paris Club and only on condition of re-engagement by Zimbabwe with the Bretton Woods Institutions. At the same time, Zimbabwe does have relatively high debts owed to countries and organisations that do not usually take signals from the IFIs such as China and countries in the Middle East.

IMPLICATIONS OF HIPC FOR ZIMBABWE: KEY IMPLEMENTATION EXPERIENCES OF OTHER COUNTRIES

Flaws in the Implementation of HIPC

The experiences outlined below show serious flaws in the implementation of HIPC in Africa.

i) Un-Sustainability Of The Debt

Many African countries that have so far qualified to receive some relief under HIPC are still paying more each year in debt repayments. African countries' efforts to address urgent domestic priorities, from poverty reduction to the fighting of HIV/AIDS, continue to be undermined by their persistent debt burden. Most African governments still spend up to three times more on debt repayments than on health care and education combined. Not only are some countries spending more on debt payments after they receive debt relief, but they are also overshooting the World Bank and IMF own definitions of debt sustainability. [7]

Uganda, the first HIPC graduate, in 2003 had debts of over 200% of the debt-to-exports ratio. It was the third time Uganda has exceeded its debt sustainability *after* reaching Completion Point. Surprisingly, the World Bank and IMF changed definitions of debt sustainability to include liquidity as the operative criterion. Uganda conformed to rigid economic conditions imposed by these institutions for ten years and needed financial breathing space.

Ethiopia, for example was to have its total debt stock reduced by 47% at completion point in 2003, the benefits of this relief were to be felt through reductions in debt service only in the short run. Yet, in the long run, even after HIPC assistance, Ethiopia’s debt service remained high - more than $74 million per year. It was more than $100m from 2004/05 onwards, absorbing roughly 5% of government revenues.

In Burkina Faso, it was anticipated that the HIPC initiative will bring down its existing external debt value to below the HIPC sustainability threshold of 150% of exports; its total debt will remain between 180% and 190% of its exports until beyond 2015[8]. But the country continued to have some of the worst human development indicators, with 45% of its population living below the poverty line and a life expectancy of 46.1years.

Tanzania’s debt increased rapidly from US$2,2 billion in 1980 to more than US$5 billion at the beginning of the 1990s.[9]. Although Tanzania in 2003 was spending more on education than on debt service, its budgetary allocation for health was less than what it was paying back to creditors[10]. This has serious implications, particularly for a country where 40% of the population dies before the age of 35.

The amount of debt relief released from HIPC is not sufficient to put a country on a sustainable path to debt reduction. There is a need to reverse this form of resource transfer from the South to

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[7] Africa action, A Critique of the HIPC, www.africaaction.org, June 2002.
[8] Jubilee 2000 Research: Profile Burkina Faso Analysis.
[9] Mwanza, 1991 SAPEM vol 4 No. 9. p18
[10] Melly.P. and Ette. M. (2001) Debt Relief in News Africa magazine, March 12, 2001.

the North if poverty has to be seriously eradicated. Mozambique found itself borrowing more since debt relief was offered to it, and 60% of its budget depended on external credit. Under HIPC arrangements, Zambia was still spending more on debt servicing than on health and education combined.

ii) Policy Contradictions

Since the start of the HIPC process in most of the poor countries, their industrial base has shrunk even further (de-industrialization). The policy prescriptions under HIPC have negatively affected economic growth, threatened the sustainability of reforms, and prevented the development of a capable and functioning state due to the fiscal crisis that they engender. In Tanzania, factories that were privatized worked at lower capacity with fewer staff and a number of them closed down. One example is the textile industry that was once a flourishing industry that completely collapsed. The initial assumption of job creation through privatization did not prove to be realistic. Privatization did not really broaden the revenue base through increase in taxes. It rather meant massive retrenchments and more suffering for the ordinary Tanzanians. A growing income gap, galloping inflation, sky-rocketing prices of basic commodities, illiteracy, diseases such as HIV/AIDS and malaria, and natural disasters have also contributed to Tanzania’s poverty.

iii) Exclusion Of Other Eligible Countries

According to the UN Secretary General’s report of 2000 there were 18 least developing countries that are not included in the HIPC category, and some of them were considered severely or moderately indebted according to the World Bank classification. For instance, most of the debt-distressed African countries are classified, as moderately indebted middle-income countries are Kenya, Zimbabwe, Gabon and Nigeria. They are all severely indebted yet excluded from the HIPC initiative[11]. The criteria by the Fund and Bank to classify countries as low, middle and /or high income have not succeeded in providing real solutions to the debt problems in these various countries simply because their definitions are purely based on economics. African countries facing serious poverty situations like Kenya, South Africa, and Zimbabwe are not included in the HIPC arrangements. The eligibility criterion under the HIPC Initiative is overly restrictive. The restriction to poor countries below the IDA operational cut off level of per capita income excludes some highly indebted countries that could benefit from relief.

iv) HIPC Ignores The Illegitimate Debt Issue

The HIPC Initiative blurs the illegitimacy of most of Africa's debt thereby fundamentally undermining the strong imperative for debt cancellation. It sanctions the continued exploitation of indebted countries by rich creditor nations and institutions. Many of the loans that are being re-paid were made during the Cold War to repressive regimes and corrupt leaders, who used the money to strengthen their power or to fill their own pockets. Many more loans were made without attention to the viability of planned projects or to the capacity of the recipient country to make repayments. No foreign loan granted to South Africa during the Apartheid years could have been legitimate because the Apartheid state was immoral; and any attempt to claim ignorance of this fact would not be credible.

v) Lack Of Creditors’ Commitment

[11] UN A/55/422 General Assembly 26 September 2000

In most cases multilateral creditors have failed to provide sufficient relief and have thus violated 'the burden of sharing' approach to the HIPC initiative. For example Burkina's completion point document shows that when calculating the additional relief to be provided, the World Bank and IMF included the additional bilateral conditions committed by creditors such as the UK, US, Germany and France, openly violating 'the burden of sharing' approach[12].

HIPC LIMITED, SELF-CONGRATULATORY SUCCESSES

The following are some of limited, self-congratulatory successes in the implementation of HIPC

- The PRSP process creates greater spaces for participation and ownership by citizens. It also increased commitment of governments to good governance, democracy and human rights, which are essential for equitable national development and social justice.
- Social spending across all HIPCs is estimated to have risen by about 20%. Mozambique introduced a free immunization programme for children. School fees for primary education were abolished in Uganda, Malawi, Zambia and Tanzania. Mali, Mozambique and Senegal also increased their spending on HIV/AIDS prevention.
- These real outcomes, saving and improving the lives of millions of people, have been achieved with relatively limited debt cancellation. Much greater benefits would accrue from deeper debt cancellation. As President Mkapa of Tanzania said in March 2004,

"...even for Tanzania, the remaining level of multilateral, bilateral (for some countries), and commercial debt is still a drain on resources that could produce more results like the ones I have outlined today. The best option for countries like mine is total debt cancellation. Tanzania has shown dramatic improvements in essential social services after getting partial debt relief. Clearly, much more can be done to meet Millennium Development Goals if we can get total debt cancellation."

CONCLUSIONS AND RECOMMENDATIONS

Based on the above analysis, Zimbabwe is an extremely important test case for the HIPC Initiative. Zimbabwe is one of the world's poorest countries recovering from a decade long economic decline and conflict. The current Debt Sustainability Analysis (DSA) of Zimbabwe's external debt to GDP ratio, in net present value terms; the debt-to-export ratio; and the debt-to-government revenues ratio show that the country's debt is unsustainable and above the HIPC threshold. Very high debt ratios would suggest that better policies alone are unlikely to make Zimbabwe's external debt sustainable. Debt relief from both multilateral and bilateral creditors therefore has to be part of the recovery package, otherwise Zimbabwe will over the medium term continue to carry a heavy external debt burden which is continuously accumulating additional arrears.[13] Currently classified as a blend country, Zimbabwe can seek to be classified as an IDA-only country, which is a World Bank pre-condition for access to HIPC debt relief. This requires that it obtains a pre-arrears clearance grant after a sustained period of following a consistent macroeconomic reform program. A credible technical case can therefore be developed to make Zimbabwe eligible for HIPC.[14]

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[12] Halifax Initiative, Update and Action Alert. March 2002.
[13] Page 17 UNDP 2008 report cited in Bracking and Sachikonye.
[14] Page 17 Bracking and Sachikonye

However, the flaws in the HIPC framework discussed above need to be challenged if creditors are serious about providing the level of debt relief needed to invest in human development and economic growth. ZIMCODD contends that Zimbabwe must make a bold decision to enter into a debt relief initiative that seeks to work for poverty reduction and development. Such an initiative must be based on principles of social justice and human rights. Current creditor initiated debt relief mechanisms especially HIPC and MDRI are not just and have failed the World's poor. Large amounts of current debts are illegitimate and odious. They were incurred due to high interest rates. Loans were made for poorly designed and performing projects. Export credit guarantees loans were made more on grounds of subsiding creditor country industries, rather than on sensible development criteria. Corruption on the part of both companies and government officials meant that benefits did not go to those in real need. It is unjust that the poor bear the cost of all these damaging and wasteful loans.

A serious debt relief initiative must start recognizing this injustice, and remove this burden from millions of poor people in the country. Such an Initiative needs to address current and future lending mechanisms, which continue to be secretive, and unaccountable. The political and economic motivations for creditors to give loans must be seriously examined at the global level. Debt has continued to be used by creditors as an instrument of domination of the South by the North. Debt relief granted through HIPC has been more successful in protecting the interests of creditors than those of debtors.

Recommendations

To Zimbabwe Government, Policy Officials and Parliamentarians

- **Prioritise an urgent review of the current legal framework and systems governing Public Loan Contraction and Debt Management as the first step** in formulating a debt sustainability framework. Studies show that the current framework does not ensure transparency, accountability, and inclusiveness.[15] Under the current framework, no debt relief or new loans will have an impact on the country's debt situation or development in general. The current legal framework should therefore be reformed in the following key areas:

i) the constitution should deal with issues of loan contraction and debt management in greater detail;
ii) the executive powers of the Minster of Finance and the Presidency must be limited to ensure accountability, transparency and depersonalisation in public business and the administration of state matters;
iii) Parliament must approve all borrowing and there should be a consolidated law on loan contraction and debt management which clarifies both loan contraction principles and procedures. Parliament's capacity in issues of public finance management must be built so that it avoids rubber stamping proposals without carrying due diligence.

- **Establishment of a Public Debt Commission and Official Debt Audit -** there is need for an audit of all Zimbabwe debts so that this informs the debt strategy that is to be pursued. This commission should utilise the doctrine of odious and illegitimate debt, and recommend the repudiation of any past loans which fall in this category. Any contracts and agreements that involve such debts and liabilities should therefore be amended or

[15] ZT Chadambuka 2009

cancelled. Relevant, contextually appropriate changes to debt management policies will be informed by a debt audit.

- **Stronger Office of the Comptroller and Auditor-General.** The law should give this office strong powers, with protection similar to that afforded to judges. Furthermore, the selection, nomination and removal of the Comptroller and Auditor-General by the President be subjected to confirmation by Parliament.[16] This office should be able to audit all accounts. Nothing should prevent any accounts from being audited, even if they raise national security issues. The reports from this office should be easily available to the public.
- **Explicit role for the Attorney-General.** The law should clearly specify a role for this office in the loan contraction and public debt management process.
- **Civil Society consultations -** There is need for legal provision that requires the Government to consult civil society groups and project beneficiaries before borrowing from external sources to ensure that the development priorities outlined in loan agreements reflect the aspirations of the people.
- **A ceiling for international loans** based on economic analysis and considerations. In addition to this, there should be the involvement of Parliament, the PAC and possibly that of another body such as a Public Debt Commission which actually has definitive power in the loan contraction process.
- **Review Councils, Parastatals and Private Sector Borrowing legislation.** The borrowing and repayment procedures of these entities must be reviewed to reduce the levels of public liability. Periodic reports to Parliament must be made binding on such entities and their respective Ministries.
- **Transparency.** Loans and their terms and conditions must be publicised in the Gazette and national newspapers before the contract is signed. Both creditor and debtor should guarantee transparency.
- **Avoid borrowing for consumption**. For as long as a country uses its borrowed capital for other purposes than productive investment, debt is created. Used productively, sustainable economic development will be the result and consequently, prosperity, meeting of the MDGs and better fulfillment of the human rights of the populace.
- **Monitor and clamp down on tax evasion, and corruption.** This proposal is best understood in the context of 'Tax Justice'[17]. Secrecy and non-disclosure by local companies, as well as their linkages with tax havens must be monitored closely. A transparent and progressive tax system with no loopholes will reduce the need to borrow externally as the country earns more from economic activities.
- **Transparent mobilization of internal resource endowments.** Zimbabwe has significant mineral wealth and other resources which we can leverage. There must be an open and transparent audit of the existing mineral claims and a valuation done, so that we know how much we can earn, especially after value addition. The extraction and marketing of these minerals must be transparent and government must end the holding of claims for speculative purposes. Revenue from these resources must not escape the fiscus. Parliament must immediately put the terms of any existing bilateral and other agreements tied to Zimbabwe's resource wealth under scrutiny, to assess the country's returns. Optimising our earnings from internal endowments will reduce the need to borrow externally.

To Creditors, Bilateral Donors and International Financial Institutions

[16] Page 64 Daima Associates Limited
[17] Refer to www.taxjustice.net

- Creditors should **cancel 100%** of debts owed as a moral obligation to the poor people of Zimbabwe. Debt relief is not a substitute for total debt cancellation. The scale of the resources mobilised by developed nations to bail out their domestic banks including the IMF and World Bank suggests that they can cancel the debts of HIPCs. It's a question of political will. Creditors should also **reform their lending policies** to encourage responsible, legitimate lending. Principles should include:

i) fair negotiations between creditor and debtor, an end to unfair interest and penalty clauses;
ii) the cessation of economic policy conditions on loans which insist on unproven reforms such as wholesale privatization;
iii) comprehensive reform of procedures to address unsustainable debt burdens and/or cases of default should these arise – it makes little sense to impose court fines, heavy penalties and/or endless restructurings on poor, heavily indebted and distressed countries as it serves to compound, rather than resolve, the problem;
iv) risk sharing between both creditor and sovereign debtor, i.e. if a project funded by a loan fails, both creditor and debtor should bear losses. This is consistent with the principle of creditor co-responsibility for unsustainable debt.

- **Facilitate fair trade between the Global North and the South after total debt cancellation** to reduce the need for borrowing or facilitate an exit strategy in the long term.
- The World Bank country office must consult more broadly amongst CSOs than it is currently doing and exhibit more sensitivity to these consultations in its programmes.

To Zimbabwean Civil Society

- Continue to **demonstrate the negative social effects of the debt** through research
- Call for **cancellation of any debts that are found to be odious or illegitimate**
- Collaborate with governments with the purpose of disengaging permanently from debt and poverty
- Intensify civic education efforts emphasizing citizen ownership of development programmes
- Demand the immediate establishment of the National Economic Council (NEC) outlined in Article III of the Global Political Agreement, with the explicit inclusion of organised civil society in its ranks. The NEC can develop its capacities to participate as a consultative forum on debt issues.
- Foster better coordination between NGOs within themselves and their umbrella formations on the debt issue.

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