Abstract

The Enhanced HIPC Initiative was launched in 1999 to reduce the NPV of poor country foreign debt to a sustainable threshold of 150 percent of their exports. This paper applies a simple growth-with-debt model to sixteen post-completion point HIPCs to assess whether or not this goal will be met by 2015. Our somewhat optimistic base case projections suggest that participation in the current Enhanced HIPC-MDRI initiative will only reduce the NPVs of their external debt as a whole to 176 percent of exports by this date. Sensitivity tests which expose these countries to adverse exogenous shocks help draw attention to policies that could ensure that unsustainable debt levels are not again accumulated by the world's poorest countries.

Keywords: Africa, debt sustainability, growth, Enhanced HIPC, Multilateral debt relief

Acknowledgements

I am indebted to Nicholas Snowden and to a referee from this journal for detailed comments in this paper. The usual disclaimers apply.

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