

**Leonie F. Guder, The Administration of Debt Relief by the International Financial Institutions**

## Abstract

This study addresses the mechanisms of debt relief for Heavily Indebted Poor Countries jointly coordinated by the International Monetary Fund and the World Bank under the HIPC Initiative.

Forty countries, most of them in Sub-Saharan Africa, have participated in the Initiative and pursued the Initiative's reform agenda in exchange for debt relief. Through the last decade since its inception, the HIPC program has not only become the linchpin for debt relief, addressing about one fourth of the international community and 725 million people in Sub-Saharan Africa, but has also created a new operational field of World Bank and IMF activity. With regard to its funding and finances as well as its institutional practices, this new operational field deviates significantly from the traditional areas of IMF and World Bank engagement.

This study describes the content of the HIPC program and classifies it as a legally non-binding instrument under public international law. A case study on Ghana further illustrates the reform process under the HIPC Initiative, sheds light on its implementation practice and provides some insight into the collaboration between the IMF, the World Bank and the respective HIPC member states.

As the study reveals, the Initiative's soft-law character contrasts with its capacity to effectively integrate and coordinate other multilateral and bilateral creditors under the HIPC relief scheme and to prescribe to HIPC debtors a detailed reform program. It is hence by means of a global governance perspective and global administrative law theory that the study demonstrates that design and sequencing of the HIPC Initiative create a regulatory space of coordinated creditor and debtor interaction in which the IMF and the World Bank assume a central position in the provision and coordination of debt relief.

Thus, for the specific category of heavily indebted and very poor member states, the IMF and World Bank succeeded to establish a sovereign state insolvency mechanism. To this day, however, the long-term economic effectiveness of this mechanism remains disputed.