

A Dynamic Panel Model to Evaluate the Impact of Debt Relief on Poverty

Authors : Loujaina Abdelwahed

Abstract : Debt relief granted to low-and middle-income countries effectively provides additional funds for governments that can be used to increase public investment on poverty-reducing services to alleviate poverty and boost economic growth. However, little is known about the extent to which the poor benefit from the increased public investment. This study aims to assess the impact of debt relief granted through multiple initiatives during the 1990s on poverty reduction. In particular, it assesses the impact on the level, depth and severity of poverty in 76 low-and middle income countries over the period 1990-2011. Debt relief is found to have a significant impact on reducing the level, the depth and the severity of poverty. Analysis of the different types of debt relief reveals that debt service relief reduces poverty, whereas debt principle relief does not have a significant impact.

Keywords : debt relief, developing countries, HIPC, poverty, system GMM estimator

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