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THE INTERNATIONAL DEVELOPMENT ASSOCIATION

REPUBLIC OF MOZAMBIQUE

**Initiative for Heavily Indebted Poor Countries (HIPC)
Completion Point Document**

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I. INTRODUCTION

1. **In April 1998, the Executive Boards of the Fund and the Bank agreed that Mozambique was eligible for assistance under the Initiative for Heavily Indebted Poor Countries (HIPC Initiative), with the completion point expected in June 1999, subject to continued strong performance.** The Boards also agreed on the amount of assistance to be provided by their respective institutions at the completion point—subject to satisfactory assurances of participation by Mozambique’s other creditors—that would reduce the ratio of the net present value (NPV) of debt to exports from the 466 percent projected for end-1998 to 200 percent (plus or minus 10 percentage points) in mid-1999.² Total assistance to Mozambique required to achieve this target under the HIPC Initiative was established at US\$1.4 billion in NPV terms. Such assistance, additional to that under traditional debt-relief mechanisms, would entail a 57 percent reduction in the NPV of debt (US\$2.9 billion in nominal terms at end-1998). Achievement of this debt reduction has involved exceptional efforts on the part of Mozambique’s creditors.

2. **The decision to shorten the interim period between the decision and completion points to a little over a year took into account Mozambique’s sustained record of strong performance.** The mid-1999 completion point was made conditional on continued satisfactory policy implementation, and specifically on (i) completion of the midterm review of the program supported by the third annual arrangement under the Enhanced Structural Adjustment Facility (ESAF) approved in June 1996; (ii) Fund approval of a successor ESAF arrangement; (iii) satisfactory progress in implementing the social and structural policies monitored under the Initiative and supported by IDA; and (iv) satisfactory assurances of participation of the official creditors in the Initiative. The midterm review of the ESAF program was successfully completed on May 5, 1999, and a request for a new three-year ESAF arrangement will be considered by the Executive Board of the Fund, at the same time that this HIPC completion point document will be discussed. As detailed in Appendix I, progress in implementing the structural and social reforms monitored under IDA programs has been satisfactory, and all conditions for the release of the second tranche of the IDA adjustment operation (Economic Management Reform Operation) have been met.

3. **This document presents the assessment of the staffs of the Fund and IDA that Mozambique has fulfilled the conditions for reaching the completion point under the HIPC Initiative.** Section II reviews Mozambique’s recent economic policies and performance, including progress in structural and social reforms, and summarizes the authorities’ medium-term program supported by the successor ESAF arrangement and IDA programs. Section III updates the debt sustainability analysis. Section IV reports on the status of creditor participation and on the delivery of assistance. Section V presents the benefits of

² Republic of Mozambique—Final Document on the Initiative for Heavily Indebted Poor Countries (EBS/98/66; 3/31/98) and (IDA-R98-37; 4/1/98).

HIPC assistance. Section VI concludes that, subject to the Fund approving the new three-year ESAF arrangement, **Mozambique will have met all the conditions for reaching the completion point under the HIPC Initiative, but that the amount of assistance committed at the decision point is not sufficient to achieve the debt sustainability target. It therefore proposes that, in addition to the assistance agreed at the decision point and in line with the framework of the HIPC Initiative, an additional amount of assistance sufficient to achieve the debt sustainability target range be provided, subject to agreement by Mozambique's other creditors.** This paper will be published after being considered by the Boards of the Fund and IDA.

II. ECONOMIC POLICIES AND PERFORMANCE

A. Economic Performance in 1998–99

4. **Mozambique's economic performance remained strong in 1998 and early 1999.** The government continued to build on the gains achieved in 1996 and 1997 in both macroeconomic stabilization and economic liberalization to encourage the rapid expansion of the private sector. The economy grew by 12 percent in 1998, the second consecutive year of double-digit growth and in excess of the program target (Table 1).³ Growth continued to be broad based, with agriculture, industry, and services all growing above 7 percent in 1998. Inflation remained low, with the 12-month rate at less than 2 percent in May 1999, reflecting sound fiscal and monetary management, a strong supply response, and a substantial decline in import prices. Increased confidence in the economy resulted in long-term capital inflows, larger foreign aid flows, and a stable exchange rate. Gross international reserves continued to increase and stood at almost seven months of imports of goods and nonfactor services at the end of 1998.

5. **Progress continued to be made on structural reforms** (Box 1 and Appendix I). The status of those highlighted in the Decision Point Document is summarized in the following:

³ Macroeconomic indicators (Table 1) are based on a revised set of national accounts, which incorporate the results of the 1996 household survey. For 1997, the revision implies a higher nominal GDP (by some 25 percent, from US\$2,753 million to US\$3,438 million) and a substantially different mix of demand components. Moreover, in contrast to the Decision Point Document, all shares as a percent of GDP have been calculated on the basis of total output, including large projects. Therefore, a direct comparison with the indicators presented in the decision point document would not be meaningful.

Box 1. Mozambique: Summary Record of Structural Reforms

Area	Completion Date	Area	Completion Date
Fiscal policy		Divestiture of public enterprises	
◆ Effecting regular adjustment of utility prices to cover costs and ensure commercial viability	1996-ongoing	◆ Established private company to take over the oil importing function of state-owned Petromoc	1998
◆ Promulgated new budget framework law	1996	◆ Completed privatization of about 90 large enterprises	1998
◆ Lowered direct tax rates	1998	◆ Completing privatization of about 1,200 small and medium enterprises	1999
◆ Developing medium-term expenditure framework	1998-ongoing	◆ Signed memoranda of understanding with private consortia for management of selected ports and rail lines	1998-99
◆ Introduced value-added tax	1999	◆ Granted concession of CFM's port terminal facilities at Maputo and Beira to private sector operators	1998-99
		◆ Notified selected bidder for private management of urban water supply in the five major cities	1999
Private sector development		External sector	
◆ Simplified licensing and investment procedures	1996	◆ Developed interbank foreign exchange market	1996
◆ Simplified import registration and import administration	1998	◆ Reduced number and dispersion of import tariff rates	1996-99
		◆ Rationalizing and reducing customs exemptions	1996-ongoing
		◆ Eliminated export surrender requirements	1997
Public administration and transparency		Poverty, health and education	
◆ Undertaking customs reform, including contracting of private management of customs	1996-ongoing	◆ Increasing expenditures in health and education as a share of total current expenditure	1994-ongoing
◆ Approved code of ethics for public officials	1998	◆ Implementing health sector program	1995-ongoing
◆ Publishing budget and quarterly budget execution reports	1998-ongoing	◆ Improving coverage of health and education services	1995-ongoing
◆ Implemented new career stream and compensation structure	1999	◆ Completed poverty assessment	1998
◆ Completed salary decompression	1999	◆ Approved poverty action plan	1999
		◆ Approved and commenced implementation of education sector program	1999
Financial sector		Agriculture and the environment	
◆ Privatized the two large state-owned banks	1996/1997	◆ Approved regulations to implement new land law	1998
◆ Conducting regular on-site inspections of banks	1998-ongoing	◆ Approved regulations for environmental assessment	1998
◆ Complying with the Basle Committee's Core Principles of Banking Supervision	1999-ongoing	◆ Commenced implementation of agricultural sector expenditure program	1999
◆ Revised Financial Institutions Law	1999		
◆ Adopting indirect instruments of monetary control	1999		

Privatization and Public Enterprise Reform

- The program of privatization and restructuring of large enterprises (those on the list of the Technical Unit for Enterprise Restructuring), was completed in September 1998 (Box 2). The program of privatization and restructuring of small and medium-scale enterprises is on track to be completed in mid-1999. By end-March 1999, over 1,100 enterprises had been privatized and restructured, and progress was being made towards the privatization and restructuring of the remaining 115 enterprises.
- The concessioning of facilities of the state-owned port and railway company CFM is well under way. Most port terminal facilities at Maputo and Beira are now operational and concessioned to the private sector. The concessioning of the remaining ports and railways, except for the CFM-Center rail network, is expected to be completed by end-1999. The corporate restructuring of CFM is also under way.
- A private company, IMOPETRO, was established in 1998 and took over the oil importing function of the state-owned PETROMOC.
- Privatization of management of water companies in five major cities is well under way. The selected bidder for private management of the five largest urban water supply systems (lease contract for Maputo; management contract for Beira, Nampula, Quelimane, and Pemba) was notified. Contract signatures will follow effectiveness of an IDA credit, to be considered by IDA's Board in June 1999.

Fiscal Reform

- A value-added tax was introduced on June 1, 1999, to replace the cascading turnover tax. Simultaneously, the consumption tax was replaced with a set of excise taxes.
- Personal and corporate tax rates were lowered in 1998.
- The dispersion of import duties was reduced through the lowering of the top tariff rate from 35 to 30 percent in April 1999. Including this reduction, the trade-weighted import duty rate was lowered from 18 percent in 1996 to 10 percent in 1999.
- A medium-term expenditure framework was developed in 1998 and provided the basis for the 1999 budget proposal.

Box 2. Mozambique: Privatization

Since 1990, Mozambique has made substantial progress in privatizing and restructuring the state-owned enterprises. Economic activity, once predominantly under state control, is now conducted primarily by the private sector. Public enterprises account for less than one-fifth of industrial output, compared with over two-thirds in 1990.

The program of privatization of selected large enterprises was completed in September 1998, with the exception of the national airline. In the absence of acceptable bids, the airline was converted into a limited liability company, with the intention of selling the government's shares in the future stock exchange. As a result of the program, 87 large private companies were established from existing state enterprises, 22 of these in 1998.

The program of privatization and restructuring of small and medium-sized enterprises is to be completed in mid-1999. In March 1999, over 1,100 of these enterprises had been privatized or restructured, and preparations were well under way for the remaining 115 to be completed by mid-year.

Another important step was the privatization of the two large state-owned banks, which, at the end of 1995, represented 71 percent of commercial banks' assets. This step improved monetary control and fostered the healthy development of the financial sector.

With the completion of the government's privatization and restructuring program of both large as well as small and medium-sized enterprises, over 1,300 enterprises will have been privatized, concessioned, or liquidated. After that, only 11 wholly owned public enterprises and 22 companies with majority government shareholding will remain. Sixteen of these 33 enterprises are large enterprises; and most of them are utilities and public service companies.

Civil Service Reform

- The new career stream and compensation structure was finalized and adopted in 1999.
- The second phase of salary decompression was implemented in 1999, raising the ratio of the highest to the lowest salary from 9.6 in 1997 to as much as 15 for certain categories.

Social Sector Reforms and Poverty

- An Education Sector Strategic Program, targeting improved access to, and higher quality of primary education, was approved in early 1999.
- A review of the Health Sector Recovery Program was carried out in 1998.

- The shares of health and education in total current expenditure increased from 8 percent and 17 percent in 1997, to 9 percent and 18 percent in 1998, respectively.
- The first national poverty assessment was completed in December 1998, and the poverty action plan was adopted by the cabinet in April 1999.

6. In addition, key steps were taken to improve the business environment for private sector development. Import procedures and the licensing of importers were made more transparent, and regulations for the 1997 Land Law were adopted. In the financial sector, a new law of financial institutions was drafted, and banking supervision continued to be strengthened. A major effort to identify off-budget flows was launched, and an action plan to strengthen the auditing function in government was developed.

B. Economic Program for April 1999–March 2002

7. The government's medium-term program aims to strengthen the foundations for real GDP growth of about 7–10 percent a year, limit inflation to 5–6 percent a year, and maintain gross international reserves at about five months of imports of goods and nonfactor services.⁴ **Sustained, broad-based real GDP growth and low inflation, together with improved delivery of social services, are central to the government's efforts to reduce poverty in the medium term.** To attain these objectives, the government is committed to maintaining economic stability, improving further the environment for the expansion of private sector activities, and creating the conditions for the development of a strong export base through liberal trade and investment policies.

8. **Fiscal policy aims at a gradual reduction of the budget deficit (before grants) from 1999 onward, while creating space for increased expenditures in priority sectors.** The program reflects the impact of HIPC assistance committed at the decision point. Initially, the domestic primary budget deficit (before grants) is expected to rise from 0.6 percent of GDP in 1998 to 2.6 percent of GDP in 1999. Apart from including the costs of conducting this year's parliamentary and presidential elections, the increase reflects a number of tax and expenditure reforms, most of which intended to encourage private sector development and improve public administration. Even with a higher budget deficit in 1999, because of large inflows of foreign aid, the government is expected to increase its deposits in the banking system; these deposits may be drawn down over the medium term.

⁴ This program is outlined in more detail in the government's Policy Framework Paper of June 1999.

9. **Monetary policy will be aimed at maintaining price stability, while accommodating the projected increase in economic growth and enabling a real increase in credit to the economy.** During 1999, the supply of broad money is projected to increase by 17 percent, and by a somewhat slower rate in 2000-2001. The central bank will conduct monetary policy through the use of indirect instruments of monetary control, supported by effective banking supervision and the enforcement of prudential regulations.

10. **The structural reform agenda for the next three years will build on the stabilization and structural policies carried out in recent years, and will aim at further improving the foundation for a rapidly growing market economy.** The government's program, as expressed in the Policy Framework Paper of June 1999, focuses on further strengthening the fiscal base, liberalizing trade, developing the financial sector, reforming the legal system, increasing the efficiency of the remaining state-controlled enterprises, and providing basic services (Box 3). Consequently, the program aims at mobilizing government revenue through the strengthening of tax administration and the widening of the tax base; improving the efficiency and transparency of government operations by adopting new accounting practices, reducing off-budget transactions, and reinforcing internal auditing; divesting government shares in privatized enterprises and undertaking further privatization; reforming the civil service and increasing its human capital; simplifying the regulatory framework; eliminating obstacles to entry and private sector participation in the transport, communications, energy, and water sectors; and reducing further import tariff rates.

C. Implementation of Social Reforms

11. **The government has continued to make progress in implementing its programs for poverty reduction and social development, broadly in line with the expectations and targets set out at the decision point (Appendix I).** The government completed its poverty assessment in 1998. The assessment indicates that about 70 percent of the population lives in absolute poverty. While poverty is widespread, its incidence, depth, and severity are greatest in rural areas, where over 80 percent of Mozambique's poor live. The poverty assessment formed the basis for the government's poverty action plan, which was approved by the cabinet in April 1999. This plan is based on (i) generating rapid and sustainable growth, particularly in rural areas; (ii) investing in human capital through improved delivery and quality of social services; and (iii) developing a program, including safety nets, that fosters the social and economic integration of the most vulnerable groups. Implementation of the plan is beginning with the definition of the institutional arrangements for integrating the plan into the government's regular policy and budgetary processes and will be reflected in the budget and the medium term expenditure framework from the year 2000 onward.

12. **In the area of education, considerable progress has also been made in pursuing targets to increase access, improve quality, and build capacity (Appendix I).** The share of the government's own budgeted current spending devoted to education has continued to increase, reaching 18 percent in 1998 (equivalent to about US\$80 million) compared to

Box 3. Structural Reform Agenda, 1999–2002

Sharpen the poverty-reduction focus of policies and programs. The Government of Mozambique's objective is to reduce the level of absolute poverty through growth and expanded social services for the poor. To this end, in 2000 the government will budget for, and commence implementation of, its poverty action plan. Provincial poverty profiles, to be completed in 2000, will help to improve the targeting of programs to the poor. The government will also establish a systematic technical review process, reporting to the cabinet, to consider the impact of major policy changes on poverty.

Further improve access to, and quality of, health and education services. The government is implementing integrated sector-wide programs in health and education that will continue to increase expenditures in these sectors annually, both in real terms and as a share of total current expenditures. The programs aim at improving access to, and quality of, education and health services, particularly at the primary level, so as to achieve targeted improvements in key social indicators. By end-2000, the government will complete a new health sector strategic plan for the next decade and develop strategies for tertiary, technical, and vocational education; by mid-2000 it will adopt a strategic plan on HIV/AIDS.

Strengthen the legal system and improve the regulatory environment for private sector development. During 2000, the government will adopt a plan for strengthening the justice system, open the Center for Judicial Studies and Training, and permit dispute resolution through arbitration. A new Commercial Code, covering company and contract law, is being prepared and will be submitted to the National Assembly in 2001. Regulations governing urban land use under the 1997 Land Law will be finalized and adopted by end-1999. The Interministerial Commission for Removal of Administrative Barriers is to publish its reports annually in a move to increase its accountability.

Improve governance and the effectiveness of public administration. Civil service regulations that include performance standards and incentive mechanisms will be prepared by end-1999; a code of administrative procedures for the civil service will be established by end-2000. The Public Administration Training System (SIFAP) will be implemented according to an operational plan to be completed in early 2000. A comprehensive plan for public sector reform, including a functional review of ministries, will be submitted to the cabinet in mid-2000.

Improve fiscal management. A medium-term expenditure framework has been developed and will be updated and approved by the cabinet annually as part of the budget process. From 1999, the government will progressively incorporate remaining off-budget revenue and incentive flows into the budget. A new system of accounting and a schedule for its implementation will be adopted in 1999. Consolidated budget accounts are to be formally closed and submitted to auditing in 1999, and annually thereafter. In the area of revenues, the government will review the tax and tariff system, rationalize exemption regimes, and create a recording system for exemptions on domestic taxes by March 2000. Tax auditing procedures and capacity will also be strengthened with the additional recruitment and training of staff.

Strengthen public enterprises management. In 2000, the government will adopt (i) a policy regarding the remaining 11 public enterprises and 22 companies with majority public ownership; (ii) a strategy for government shares in privatized enterprises, including criteria for divestment; and (iii) a strategy for distributing the shares in these companies held on behalf of labor. All performance contracts with public enterprises will be revised to improve the delivery of services and to rationalize flow of funds with government.

Further liberalize trade. Revised customs legislation will be submitted to the National Assembly in 1999. In January 2002, the top import tariff rate will be lowered from 30 percent to 25 percent.

Promote agricultural growth and sustainable use of natural resources. The government is implementing an agricultural sector expenditure program aimed at raising the effectiveness of sectoral public expenditure and increasing agricultural production. The institutional capacity for effective implementation of the Land Law of 1997 is being strengthened, and the government will complete identification and commence reduction of the backlog in land title applications. To promote the sustainable use of natural resources, an environmental assessment review system and associated capacity building plan will be in place by mid-2000.

Improve access and service and lower costs in the transport, telecommunications, water, and electricity sectors. The government expects to have all main port and railway systems of the three transport corridors under private sector operation, and to complete the corporate restructuring and downsizing of CFM in 2000. The management and sustainability of the road network will be enhanced through annual increases in the government's share of periodic and routine maintenance expenditure, institutional reforms to improve road management, and a reclassification of the road network. Legislation and regulations permitting entry of private companies into the telecommunication sector will be submitted to the National Assembly in mid-2000. Effective operation by the private sector of the five major urban water supply companies is expected to commence in 1999. A plan for demand-based water provision in rural areas will be implemented in all provinces by 2002; strategies for national water resource management and for internationally shared river basins will be developed. By end-1999, regulations will be adopted to permit private sector involvement in the generation and distribution of electricity and the establishment of an autonomous regulatory body.

17 percent in 1997 and an average of 13 percent in 1993–95.⁵ Progress in increasing access to primary education has generally met or exceeded the targets set out at the decision point. Between 1992 and 1998, the number of primary classrooms, particularly in rural areas, increased by more than 60 percent, and the total number of primary schools in the country has now surpassed prewar levels. The primary gross admission rate reached 79 percent in 1998. While access to education has thus increased, improving educational quality has been more difficult; the increase in the number of qualified teachers has not fully kept pace with the expansion of enrollment, as new recruitment of teachers has been partially offset by departures. The target of maintaining the availability of textbooks for primary school students at one per pupil has broadly been attained. The planned transformation of the curriculum is under way, and a number of quality enhancing activities—such as in-service training and the revitalization of the pedagogical clusters combined with a move toward cycles of learning (rather than “stop” examinations)—are expected to increase significantly the cost effectiveness and the internal efficiency of the education system.

13. To address the continuing challenges of education in Mozambique, the government developed an Education Sector Strategic Program (ESSP) agreed with donors in May 1998. This strategy is based on the medium-term objective of achieving education coverage for all by the year 2010, with substantial quality improvements. IDA is supporting this sector-wide program with a US\$71 million credit, which was approved by the IDA Board in February 1999. Under the five-year integrated expenditure program, bringing donors together under a sector-wide approach, the government’s own financed current expenditures in education are to continue increasing annually both in real terms and as a share of total current expenditures. A real increase of 15.8 percent is programmed for 2000, taking into account committed assistance under the HIPC Initiative.

14. The sector-wide program is designed to increase the access to, and improve the quality of, education in Mozambique. The program targets improvements of 1-2 percentage points a year in the gross enrollment rate and in the proportion of students passing key examinations, as well as a 1-2 percentage points annual reduction in the average repetition rate in primary and lower secondary schools. The program will also support a further expansion of the school network, and emphasize the promotion of higher enrollment rates for girls and for those living in underserved regions. To achieve the dual objectives of greater access and higher quality, the program will raise the number of qualified teachers through increased pre-service and in-service training. Lower and upper primary education will be merged in 1999 to make better use of the existing teaching staff. The curriculum and

⁵ Total social sector expenditures substantially exceed those in the government’s own current expenditure budget due to external grants and other aid financing. As part of the government’s program to improve expenditure management, an integrated approach is being implemented through the development of a medium-term expenditure framework. It is estimated that, in the health and education sectors together, externally-provided flows from donors and NGOs constitute more than one-half of total expenditures.

evaluation processes for grades 1-7 are being revised to better reflect local needs and will be completed by 2001. These measures, by improving quality and efficiency, are expected to lower the currently high repetition rates and increase completion rates. The implementation of the ESSP will be supported by strengthening the institutional capacity of the Ministry of Education, especially to manage resources at the provincial, district, and school levels. The first joint annual review of the ESSP, completed in May 1999, confirmed that the program had made a good start under government leadership. Broad agreement has been reached with donors on the next steps in operationalizing the sector program through common financial and administrative procedures.

15. Substantial progress has been made in the health area against targets for improving the access to, and delivery and quality of, health services (Appendix I). The government's Health Sector Recovery Program (HSRP), adopted in 1995, is based on a strategy aimed at increasing access to health care and improving the quality of services through the rehabilitation and construction of first-level care facilities and rural hospitals, and the provision of adequate medical supplies. The strategy also emphasizes improving institutional and management capacity at the Ministry of Health (at both the central and provincial levels), while developing human resources in the health sector through the training of health workers and enhancement of university medical training. The share of the government's own budgeted current expenditures that are devoted to health was 9 percent in 1998 (equivalent to about US\$40 million), exceeding the target of 8 percent. In terms of results, vaccinations continued to increase, reaching a coverage of 77 percent in 1998 (exceeding the target of 60–65 percent), the proportion of health facilities stocked with essential drug kits reached 88 percent (exceeding the target of 80 percent for 2000), and 86 percent of the facilities are staffed with trained personnel. Progress also continued to be made in reducing geographical inequities and in expanding the overall delivery of health services, although at a somewhat slower pace than earlier planned. Indicators of health service quality, such as the proportion of health centers stocked with basic drug kits and trained personnel, have improved at the targeted rates.

16. Domestically-financed current expenditures in the health sector will be increased annually, both in real terms and as a share of total current expenditures. Real expenditures are expected to increase by 16 percent in 2000, bringing the share to 10 percent of total locally-financed current expenditure. Furthermore, the government will be using key outcome indicators to monitor progress on access and quality. By 2001, coverage of DPT vaccinations⁶ is targeted to increase to 80 percent (from 70 percent in 1998); the index of geographical inequality in the provision of health services will be reduced to below 2.8 (from 3.1 in 1998); the proportion of health posts/centers stocked with drug kits will be increased to 90 percent (relative to 86 percent in 1997); and the proportion of health posts/centers staffed with trained personnel will be increased to 90 percent (from 88 percent in 1998). The

⁶ Diphtheria, pertussis, and tetanus.

government is also committed to combating HIV/AIDS, and to that end in mid-2000 it intends to adopt and commence implementing a National Multisectoral Strategic Plan for HIV/AIDS.

17. **The government and donors recognize that the health sector is moving from a phase of recovery after the devastation caused by the civil war to a longer-term focus on improving basic health services.** Consequently, at a joint review of the Health Sector Recovery Program (HSRP) in October 1998, it was agreed to adapt the HSRP to the improved economic and social conditions in Mozambique and to move toward a sector-wide approach for donor coordination, including a common financial and administrative system. The government's own program of financial management reform is continuing to be implemented and will benefit from the completion of a joint government/World Health Organization (WHO) evaluation of the health information system completed in March 1999. As a follow-up to the annual review, the Ministry of Health has taken the initiative of preparing a longer-term strategy and policy for the sector that will outline the specific program for the period 2000–04. By December 2000, the government will complete and begin implementing a new Health Sector Strategic Plan that will establish sectoral policies, programs, and targets for the new decade. The plan will provide the policy framework for the development of a sector-wide approach in which the government will work with donors to develop joint procedures for budgetary support in the health sector.

III. UPDATE OF THE DEBT SUSTAINABILITY ANALYSIS

18. The debt sustainability analysis (DSA) has been updated to reflect revised debt and export data for end-1998, as well as new export projections and other modifications to the macroeconomic framework (Box 4). **As a result of these changes, and after taking into account the impact of traditional debt-relief mechanisms, the NPV of debt-to-exports ratio is now estimated at 538 percent in 1998, compared with 466 percent projected in the decision point document.** After taking into account the HIPC assistance committed at the decision point, this ratio would fall to 254 percent, outside the targeted range. The higher debt ratios result mainly from a higher NPV of debt and, to a lesser extent, from a lower value of exports in the denominator (Table 3).

19. **The NPV of external public and publicly guaranteed debt at end-1998 is now estimated at US\$2,731 million, compared with US\$2,528 million projected in the Decision Point Document.** The increase in the NPV of debt (measured in U.S. dollars) is explained largely by a sharp decline in discount rates (CIRRs)⁷ and by the depreciation of the U.S. dollar against major currencies during 1998 (Table 4). It is estimated that these factors, taken together, explain the increase, as the reconciliation of creditor and debtor data on

⁷ The currency-specific discount rates used to convert projected debt service to net present value are the Commercial Interest Reference Rates published by the OECD.

Box 4. Main Assumptions in the Debt Sustainability Analysis

The following assumptions are used in the debt sustainability analysis:

- Real GDP growth is projected to average 8 percent a year during 1999–2001, largely as a result of the construction of the Mozal aluminum smelter; thereafter, it is assumed to average about 6 percent a year.
- Inflation is assumed to remain at about 5 percent a year throughout the projection period.
- The investment-to-GDP ratio is projected to peak at 36 percent in 1999 on account of investment related to the Mozal project. It is expected to decline gradually thereafter and stabilize at about 20 percent by 2005. The domestic savings rate is projected to increase from about 2 percent of GDP in 1998 to 11 percent in 2005.
- Exports of goods and nonfactor services, excluding electricity and aluminum, are projected to grow at an annual rate of about 9 percent in U.S. dollar terms in the period 1999–2005. In volume terms, export growth is in line with output growth. These results assume a steady increase in service receipts, in particular transportation and tourism. Including exports of electricity and aluminum, a strong growth of over 16 percent a year is expected for the same period. As a result, the ratio of exports of goods and services to GDP would increase from 14 percent in 1998 to about 21 percent in 2005.
- Imports of goods and services, including those related to the investments in large projects, are projected to increase sharply in 1999–2005; excluding imports related to large projects, imports are expected to grow more modestly, at an average of 6 percent (the same in volume terms). As a share of GDP, overall imports of goods and services are projected to peak at 43 percent in 1999 and decline thereafter to 26 percent in 2005.
- After peaking at 34 percent of GDP in 1999, the external current account deficit (excluding grants) is projected to decline to less than 10 percent of GDP in 2005. This pattern mirrors the aforementioned developments in the Mozal project. The current account deficit will be financed through (i) increased external private capital flows, in particular related to the Mozal project; (ii) grants and official foreign borrowing on concessional terms; and (iii) debt relief. Official grants are assumed to be maintained at about their current level. Gross international reserves are projected to average about four months of imports of goods and nonfactor services during 1999–2005.

the stock of bilateral and multilateral debt outstanding and disbursed as of end-1998 led to little change in the debt. A joint IDA-IMF mission that visited Maputo in April 1999 assisted the authorities in finalizing the debt-reconciliation exercise. Bilateral debt data were updated to remove discrepancies between the authorities' database and the creditors' records.⁸

⁸ The reconciled stock of public and publicly-guaranteed debt in nominal terms at end-1998 is estimated at US\$6.4 billion. In addition, there was about US\$2 billion of private nonguaranteed debt.

20. The 1998 export denominator (the 1996–98 average of exports of goods and nonfactor services) was revised downward because **exports of goods and nonfactor services were significantly lower in 1998 than had been projected at the decision point.** The marked fall in commodity prices and delays in resuming electricity exports to South Africa account for about one-half of the difference between the projections and the outcome, with the remainder explained by worse-than-expected performance of nonfactor services (25 percent) and manufacturing products (12 percent).

21. **The long-term balance of payments and debt prospects are favorable,** assuming continued pursuit of sound macroeconomic policies and implementation of structural reforms, and continued availability of external financing on concessional terms. To ensure the full benefits of debt reduction in the context of a continued large need for external financing, the government is strengthening its debt-recording and debt management capabilities and its policy is to continue to limit new borrowing to loans on highly concessional terms (Tables 5 and 6).

IV. STATUS OF CREDITOR PARTICIPATION

A. Assistance Committed at the Decision Point

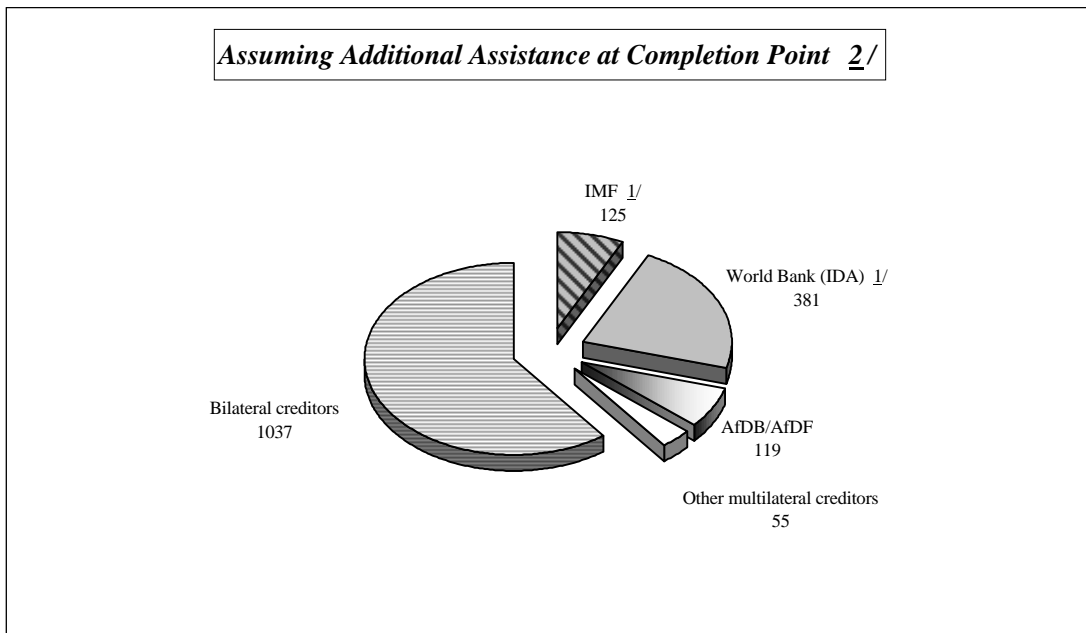
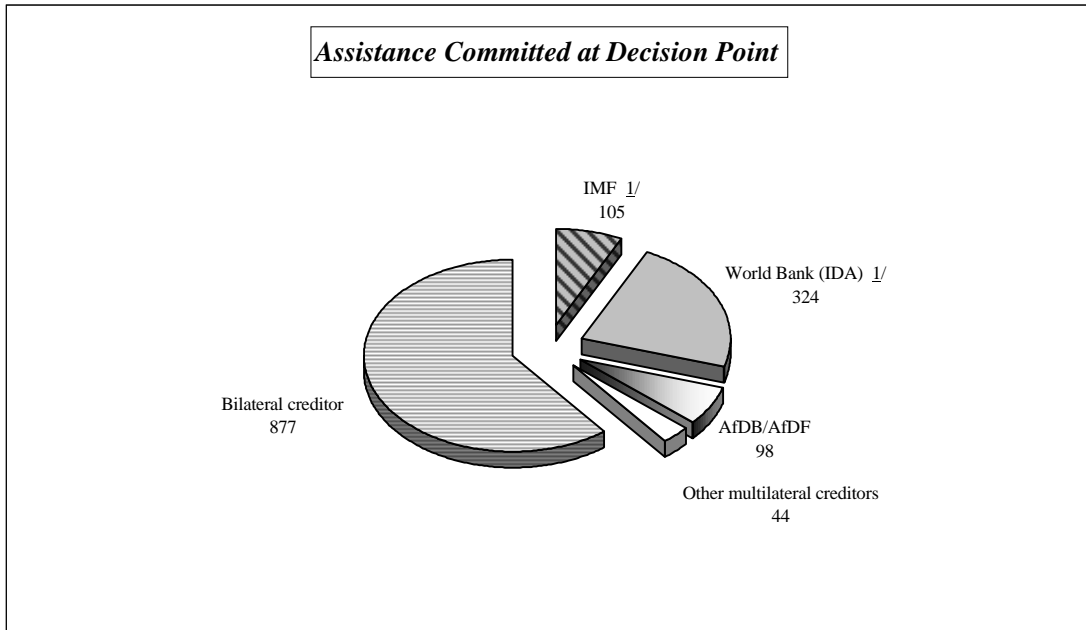
22. As a result of exceptional efforts by Paris Club creditors and joint action by the Fund and the Bank, **a fully financed assistance package under the HIPC Initiative was put together for Mozambique at the decision point, amounting to US\$1,442 million in NPV terms.**⁹ Under proportional burden sharing, the contribution from multilateral creditors would amount to US\$526 million in NPV terms, or about 36 percent of the total, while bilateral assistance would amount to US\$916 million. However, under Lyons terms (80 percent NPV reduction), a financing gap would have emerged, requiring additional action by creditors. To fill the gap, Paris Club creditors agreed to provide additional assistance of US\$170 million in NPV terms. The remaining gap was filled by additional contributions from the Fund, IDA, and some donors, and the assumption of fully proportional burden sharing by non-Paris Club creditors.¹⁰

23. Following the decision point, all **multilateral creditors** confirmed that, at the completion point, they would provide assistance to reduce the NPV of their claims in accordance with the decision taken by the Boards of IDA and the Fund (Figure 1). **IDA assistance** would amount to US\$324 million in NPV terms and would be delivered first through a US\$150 million IDA grant provided during the interim period and equivalent to an

⁹ Assistance from the Fund and IDA was conditional on, inter alia, satisfactory assurances of commensurate action by Mozambique's other creditors.

¹⁰ The financing plan to cover the gap is detailed in "Supplementary Information on the Final Document" (EBS/98/66, Sup. 1; 4/6/98; IDA/R98-37/1; 4/6/98).

**Figure 1. Mozambique: Structure of HIPC Assistance at the Completion Point
(in millions of U.S. dollars, NPV terms)**



Sources: Mozambican authorities; and Bank and Fund staff estimates.

^{1/} Amounts shown for World Bank and IMF include the additional contributions committed by the Bank and the Fund (US\$29 million and US\$10 million in NPV terms, respectively) during the gap-filling exercise at the decision point.

^{2/} Necessary to meet 200 percent NPV of debt-to-exports ratio.

NPV of debt reduction of about US\$54 million¹¹. The remainder of US\$268 million would be delivered using resources from the HIPC Trust Fund to purchase and cancel IDA credits, starting with the oldest credits. In addition, about US\$2 million in NPV terms would be delivered through payments of debt service by the HIPC Trust Fund after the completion point (Table 7). After committed HIPC assistance, debt service to IDA would average about US\$11 million a year in 2000–2005, compared with about US\$24 million a year before committed HIPC assistance. On a cash basis, total assistance from IDA would amount to over US\$620 million. **Assistance from the Fund** would take the form of a grant (equivalent to US\$105 million in NPV terms)¹² deposited into an escrow account at the completion point. This amount, plus accrued interest, would be used to cover part of Mozambique’s debt service to the Fund under an agreed schedule. Fund assistance would be slightly front-loaded but spread over the life of Mozambique’s current obligations to the Fund. On a cash basis, this assistance would amount to about US\$30 million in 1999–2000 and would average about US\$15 million a year over 2001–05. Relief of US\$131 million in NPV terms would be provided on debts owed to the **African Development Bank Group** comprised of US\$98million provided by the AfDB with assistance from the HIPC Trust Fund and US\$34 million committed by bilateral donors as part of the gap filling exercise. The modalities of assistance of all **multilateral creditors** are summarized in Box 5.

24. **Paris Club creditors** agreed to provide a stock-of-debt operation, involving 80 percent NPV reduction in eligible debt, and to provide exceptional debt reduction of US\$170 million in NPV terms at the completion point. They also decided to provide interim assistance by broadening the coverage of the 1996 flow rescheduling and topping up the NPV debt reduction to 80 percent.¹³ The Mozambican authorities have now signed bilateral agreements with all creditors participating in the November 1996 Paris Club flow-rescheduling agreement except for Russia and Japan. Despite their best efforts, the authorities have so far not been able to conclude agreements with **non-Paris Club bilateral creditors** on comparable terms.

¹¹ This amount includes US\$29 million committed at the decision point as part of the gap-filling exercise.

¹² This amount includes US\$10 million committed at the decision point as part of the gap-filling exercise.

¹³ “Republic of Mozambique–Further Information Note on the Status of Discussions Under the HIPC Initiative” (EBS/98/21; 2/11/98; IDA/R98-37/1; 4/6/98). The interim assistance resulting from granting Lyon terms on the 1996 flow rescheduling is estimated to be around US\$23 million in NPV terms. This amount has been taken into account in the determination of the required assistance.

Box 5. Delivery of Multilateral Assistance 1/

All multilateral creditors have responded favorably to Mozambique's request for assistance under the HIPC Initiative. The following are the indicative modalities through which each multilateral creditor may deliver the assistance after the completion point.

Creditor	Debt Relief In NPV Terms 2/ (US\$ million)	Modalities
World Bank <u>1/</u>	324	An IDA grant of US\$150 million (equivalent to the provision of US\$54 million of debt relief in NPV terms) was provided during the interim period. An additional US\$270 million of debt relief (in NPV terms) will be provided by the HIPC Trust Fund, drawing on IBRD net income transfers, through purchase and cancellation of IDA credits.
IMF <u>1/</u>	105	Grant from HIPC/ESAF Trust Fund to be deposited into an escrow account in the name of the government, to be used to meet Mozambique's debt service to the Fund under an agreed schedule. Assistance to be slightly front-loaded and spread over the life of current obligations.
African Development Bank	98	The HIPC Trust Fund would make a grant to the AfDB of US\$53 million, which, together with AfDB's own contribution of UA 33 million (equivalent to about US\$45 million), will allow the AfDB to provide a total of US\$98 million of debt relief in NPV terms to Mozambique. In addition, in order to fill the bilateral gap identified at the decision point, the HIPC Trust Fund would (subject to the receipt of applicable bilateral contributions) make a grant of US\$34 million to the AfDB to be used to provide another US\$34 million of debt relief by way of cancellation of outstanding loans.
European Union / European Investment Bank (EIB/EDF)	17	Refinancing on grant terms
International Fund for Agricultural Development (IFAD)	10	Debt service to be limited to a token US\$35,000 per year with the rest being forgiven until the required NPV debt reduction is achieved. Mozambique would resume payments to IFAD under normal terms thereafter.
Arab Bank for Economic Development in Africa (BADEA)	8	Concessional rescheduling of the disbursed and outstanding balances of seven loans (amounting to US\$14.85 million in nominal terms) at a reduced interest rate of 0.5 percent with a maturity of 33 years, including a six-year grace period.
OPEC Fund	6	Rescheduling by extension of maturity sufficient to deliver required NPV reduction, as well as refinancing through a concessional loan. The precise terms of the two modalities to be worked out between the OPEC Fund and the Government of Mozambique.
Nordic Development Fund (NDF)	2	Debt service due by Mozambique to be paid by the NDF through the HIPC Trust Fund for a sufficient number of years to deliver the required NPV reduction.
Total	561	

1/ Includes exceptional assistance by the Fund and the Bank (US\$10 million and US\$29 million in NPV terms, respectively) committed toward filling the bilateral assistance gap that existed at the decision point. Does not include proposed additional assistance to meet debt sustainability targets discussed in paragraphs 25–27. All U.S. dollar figures converted from original loan currency at end-1998 exchange rates, and rounded to the nearest million dollars.

2/ Debt relief is based on relative proportion of NPV of debt outstanding at end-1997 among the multilateral creditors, and incorporates revisions of data presented in the decision point document after further debt reconciliation.

B. Additional Assistance

25. **The updated debt sustainability analysis shows that the amount of HIPC assistance committed at the decision point would fall short of bringing the NPV of debt-to-exports ratio to the targeted range.** It is now estimated that the amount of additional assistance required to bring the NPV of debt-to-exports ratio to the 200 percent target would be US\$274 million (Table 9). Agreement on this additional amount by bilateral and multilateral creditors would raise the total HIPC assistance to US\$1,716 million from the US\$1,442 million committed at the decision point.¹⁴ This level of assistance would imply an overall debt reduction under the HIPC Initiative equivalent to about 63 percent of the debt outstanding at end-1998 in NPV terms, instead of the 57 percent estimated at the decision point.

26. Including the additional assistance required to meet the 200 percent target, total **required multilateral assistance** would amount to US\$641 million.¹⁵ The contribution of the Fund and the Bank would be about US\$125 million and US\$381 million, respectively, in NPV terms (Figure 1).¹⁶ The proposed schedule for the delivery of Fund assistance, including the additional assistance, is shown in Table 8. The debt service profile for IDA, including both the committed and the additional assistance, is shown in Table 7. The total **bilateral assistance** would amount to US\$1,076 million; however, taking into account US\$39 million already committed by the Fund and IDA at the decision point toward the closing of the financing gap, this amount would be reduced to US\$1,037 million. For bilateral creditors, the NPV reduction consistent with proportional burden sharing is equivalent to topping up previous debt relief to 90 percent of eligible debt, compared with the 89 percent estimated at the decision point.

27. **The staffs of the Fund and IDA have begun to consult with Mozambique's other creditors to mobilize the additional assistance required for Mozambique to meet the debt sustainability target.** Paris Club creditors have reaffirmed the delivery at the completion point of the assistance committed at the decision point and have indicated their willingness to provide the required additional assistance consistent with achieving the

¹⁴ If the top of the range (210 percent) is considered instead, the required additional assistance would amount to US\$225 million, bringing the total HIPC Initiative assistance to US\$1,667 million.

¹⁵ This is equivalent to 75.5 percent of the multilateral NPV of debt outstanding at end-1997 (Table 9).

¹⁶ Includes the US\$10 million (in NPV terms) committed by the Fund and US\$29 million (in NPV terms) committed by IDA, both towards filling the financing gap that emerged at the decision point.

200 percent target. The agreement of concerned multilateral development bank creditors will be sought at a meeting on the HIPC Initiative chaired by the World Bank on June 25, 1999, and an update will be provided by the staff to the Boards on the result of this meeting.

V. BENEFITS OF HIPC ASSISTANCE

28. **Mozambique's external debt and debt-service burden will be significantly reduced with the delivery of assistance under the HIPC Initiative.** On the basis of the **assistance committed at the decision point**, the NPV of debt-to-exports ratio would fall from 538 percent in 1998 to 132 percent in 2005; over the same period, the debt service ratio would be reduced by more than two-thirds from its actual level of 24 percent in 1998 (Figures 2 and 3). The committed debt relief of US\$1.4 billion in NPV terms is equivalent to an estimated total saving of debt service payments of US\$3.1 billion over time (Figure 4). When the **additional assistance** required to meet the debt sustainability target is included, debt service payments would fall from US\$104 million actually made in 1998 to an annual average of US\$73 million in 1999–2005 (Figure 5). The estimated total saving of debt service payments would amount to US\$3.7 billion. By 2005, the NPV of debt-to-exports ratio would fall to 116 percent, and the debt-service ratio would decline to about 6 percent (Table 10).

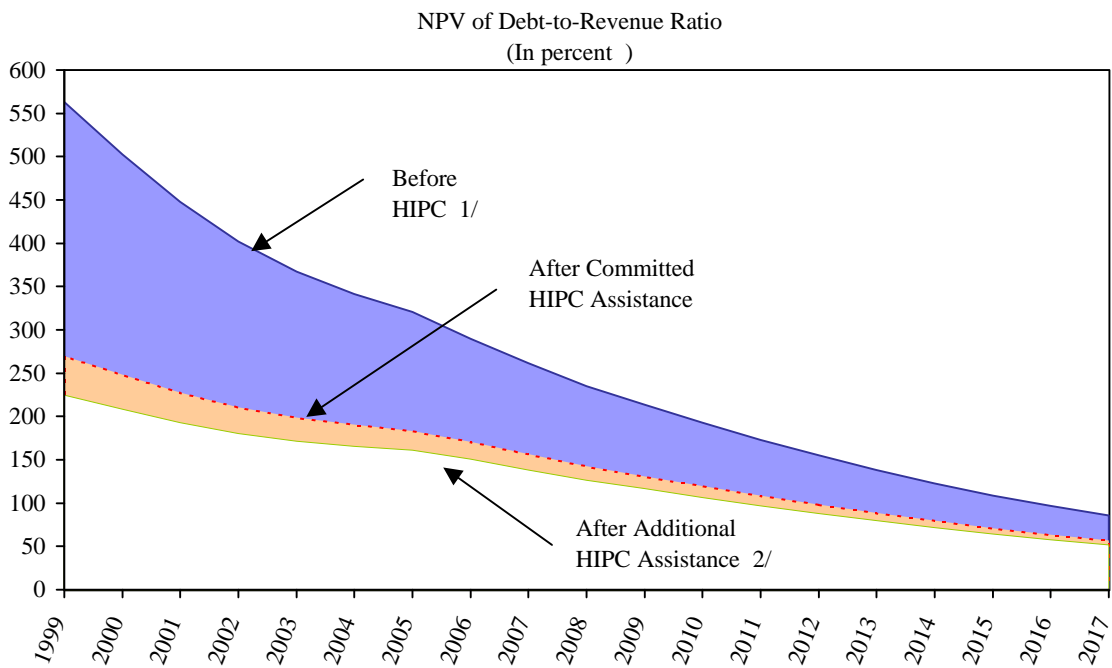
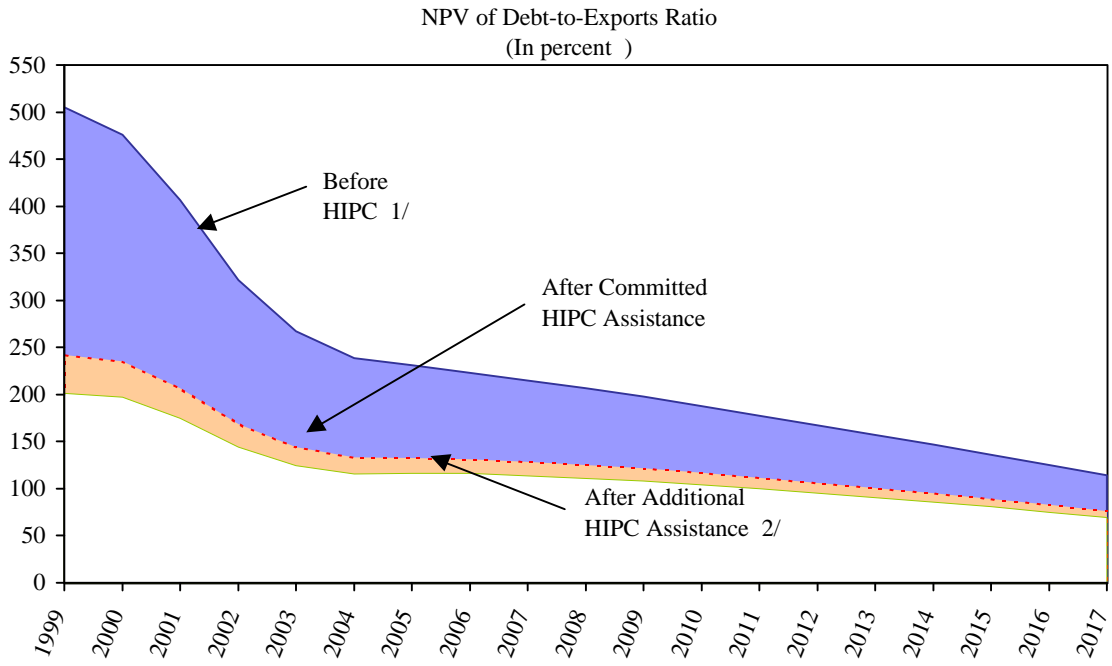
29. **The fiscal burden of external debt would also fall markedly following the HIPC Initiative assistance.** On the basis of the assistance committed at the decision point, the NPV of debt-to-revenue ratio is expected to fall from 610 percent at the end of 1998 to 183 percent in 2005 and 120 percent in 2010. The ratio of debt service to revenue would fall from 24 percent in 1998 to less than 10 percent in 2005 and to about 5 percent in 2010 (Figure 3). When the additional assistance is considered, this ratio would decline further to 8 percent in 2005 and below 5 percent by 2010. At the same time, the NPV of debt would fall to 161 percent of revenue in 2005 and to 107 percent in 2010 (Figure 2).

30. **Assistance under the HIPC Initiative will free budgetary resources for additional development spending, thus providing momentum toward achieving the 2015 International Development Goals.** Current spending on health and education is projected to increase by about 16 percent in real terms over the 1999–2000 period. As shares of the government's own budgeted current spending, they are projected to increase from 9 percent and 18 percent, respectively, in 1998 to 10 percent and 20 percent in 2000. At the same time, the economic reform process would continue to aim at improving the environment for private sector activity, which is essential to achieve sustainable economic growth and to reduce poverty.

VI. CONCLUSION

31. Mozambique's economic performance remains strong, and implementation of social and structural policies is progressing well. All multilateral and Paris Club creditors have confirmed delivery of the amounts committed at the decision point, and strong efforts have been made to reach agreement with other bilateral creditors on comparable terms.

Figure 2. Mozambique: Impact of HIPC Assistance: NPV Ratios, 1999-2017

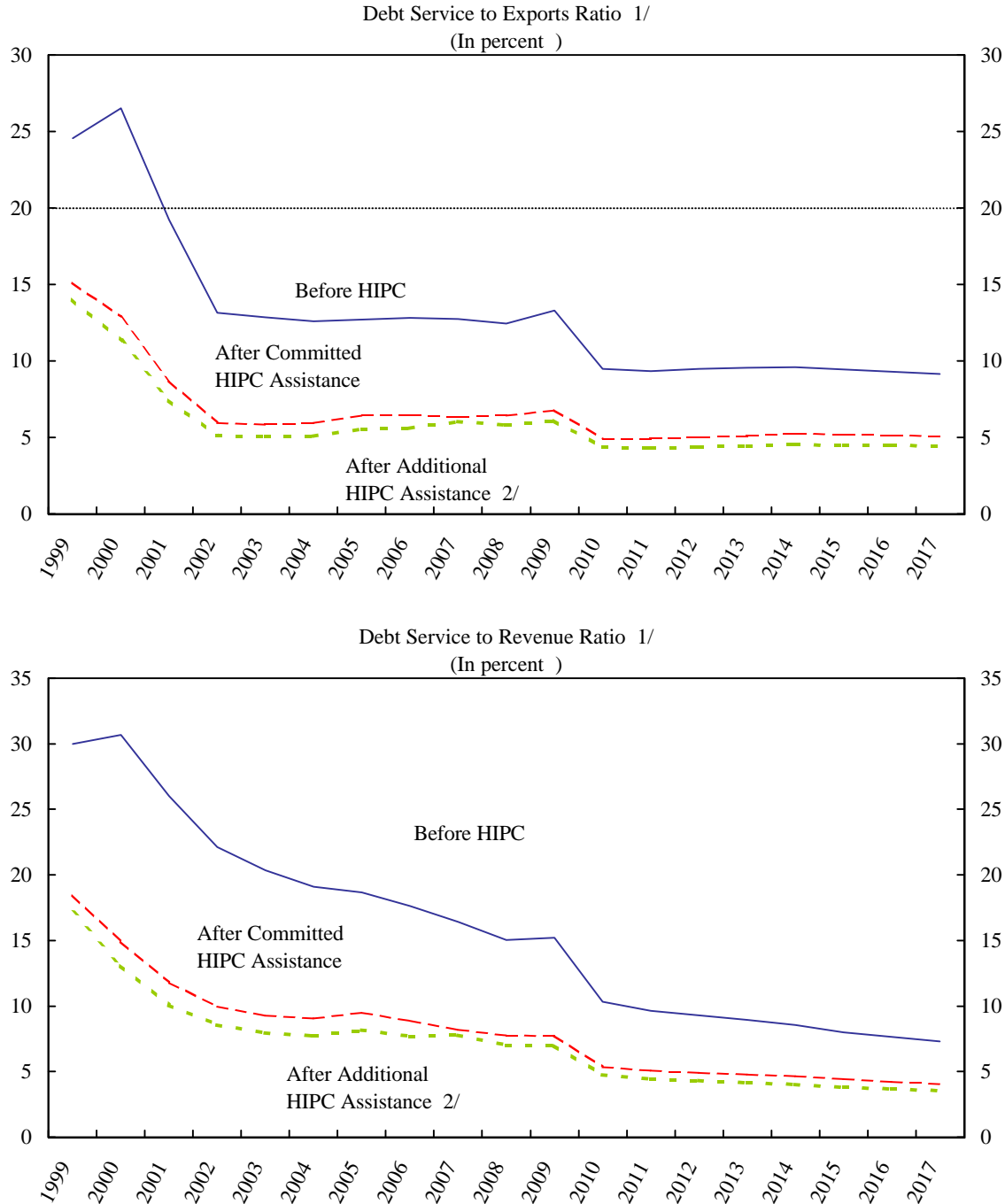


Sources: Mozambican authorities; and Bank and Fund staff estimates

1/ Ratios before HIPC relief includes the impact of debt relief on traditional mechanisms (Naples terms).

2/ Necessary to meet 200 percent NPV of debt-to-exports ratio.

Figure 3. Mozambique: Impact of HIPC Assistance: Debt Service Ratios, 1999-2017

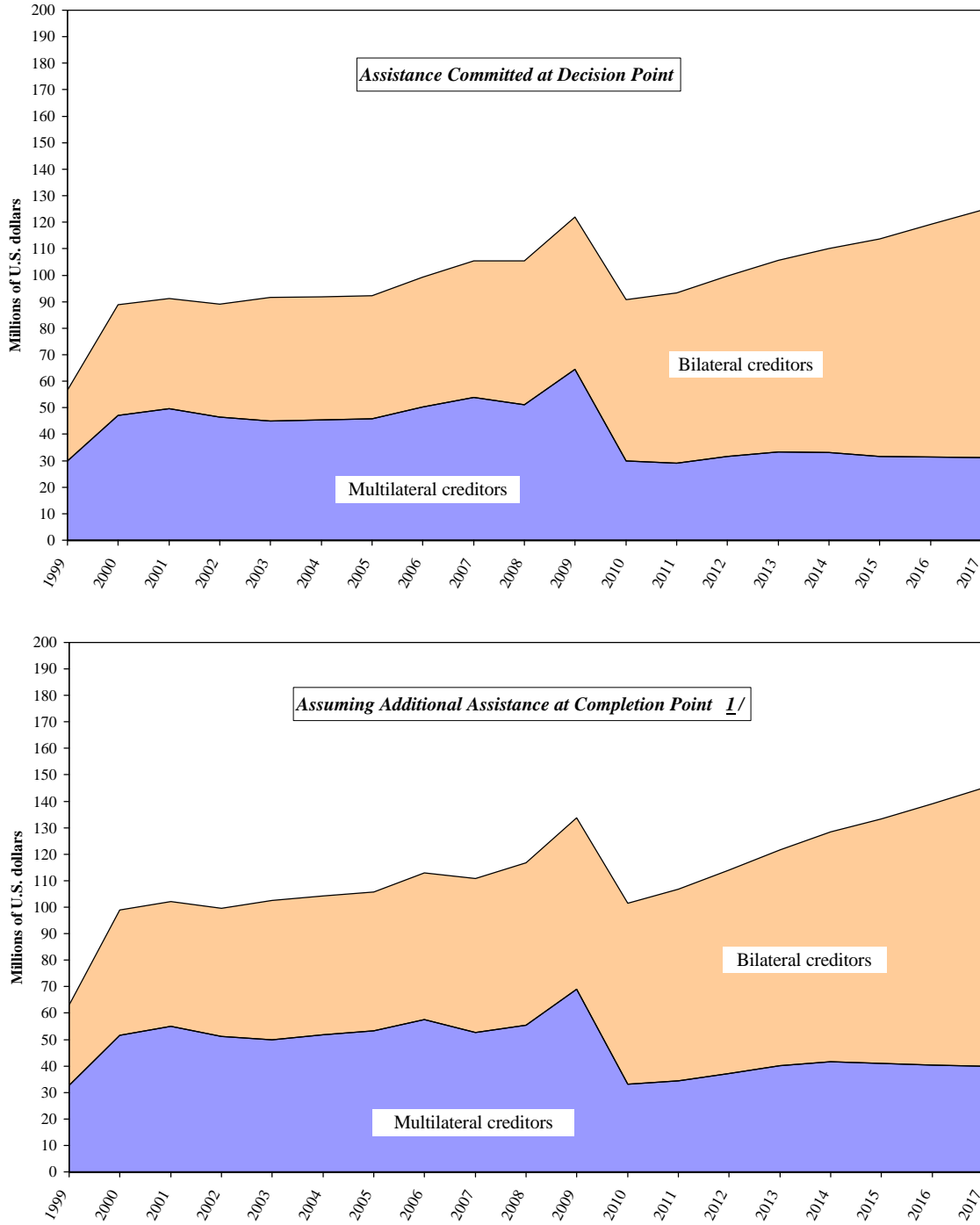


Sources: Mozambican authorities; and Bank and Fund staff estimates

1/ Includes new borrowing assumed for 1999-2017. Debt service before HIPC relief includes the impact of debt relief on traditional mechanisms (Naples terms).

2/ Necessary to meet 200 percent NPV of debt-to-exports ratio.

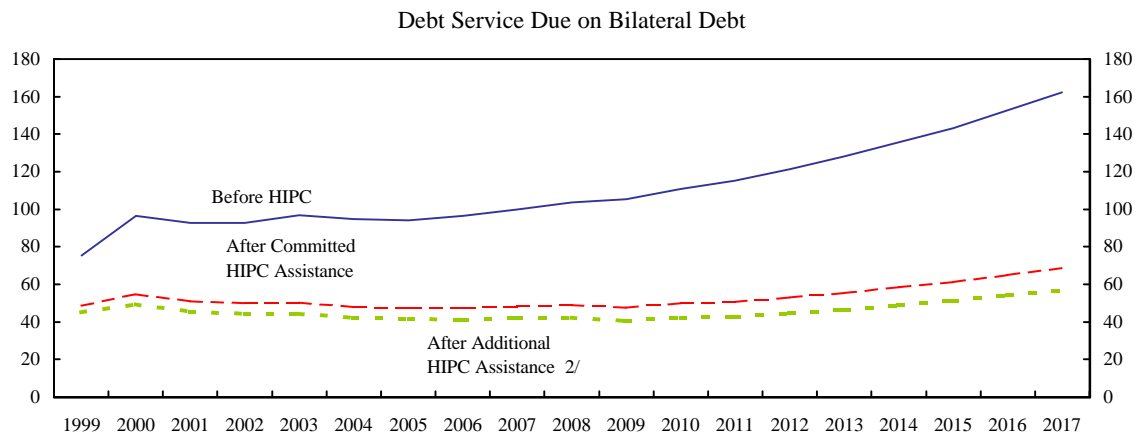
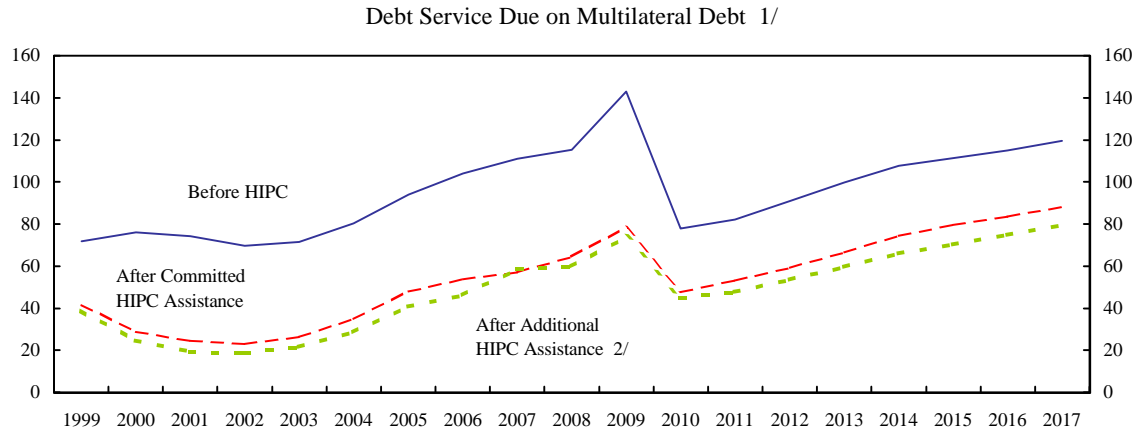
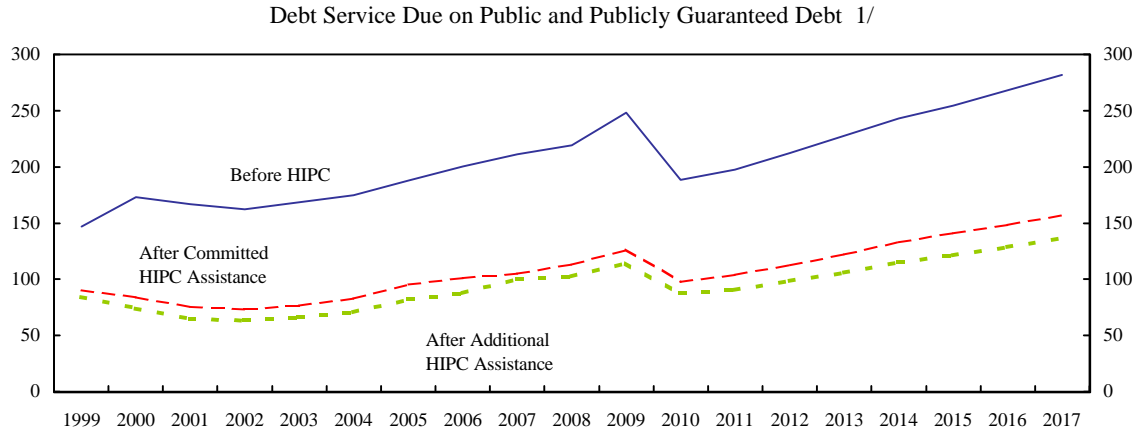
**Figure 4. Mozambique: Estimated Time Profile of HIPC Assistance, 1999-2017
(Reduction in Debt Service Obligations)**



Sources: Mozambican authorities; and Bank and Fund staff estimates.

1/ Necessary to meet 200 percent NPV of debt-to-exports ratio.

Figure 5. Mozambique: Impact of HIPC Assistance: Debt Service, 1999-2017
(In millions of U.S. dollars)



Sources: Mozambican authorities; and Bank and Fund staff estimates.

1/ Includes new borrowing assumed for 1999-2017. Debt service before HIPC relief includes the impact of debt relief on traditional mechanisms (Naples terms).

2/ Necessary to meet 200 percent NPV of debt-to-exports ratio.

Therefore, **in the view of the staffs of the Fund and IDA, provided the Fund approves the proposed new three-year ESAF arrangement, Mozambique will have met all the necessary conditions for reaching the completion point under the HIPC Initiative.** With respect to the additional assistance required to meet the NPV of debt-to-exports target range of 190–210 percent, the Paris Club has already indicated its willingness to provide its share of additional assistance under proportional burden sharing, consistent with a 200 percent target, and similar commitments are being sought from multilateral creditors. Against this background, and subject to the participation of the other creditors, the staffs of the Fund and IDA recommend approval of the additional assistance required to reach the target range. The current framework of the Initiative provides for additional assistance sufficient to reach the top end of the target range (210 percent in this case). However, given the views of the Paris Club and the circumstances of Mozambique, **the staffs recommend that Directors consider additional assistance sufficient to reach the original debt sustainability target of 200 percent.**

32. As Directors know, the international community has been actively considering ways to strengthen the HIPC Initiative, and this topic was considered at the Development and Interim Committees in April 1999. The staffs intend to submit specific proposals to strengthen the Initiative so that decisions can be endorsed at the next meetings of these Committees. Directors have already expressed the view that additional assistance resulting from a strengthening of the Initiative should be provided to all eligible countries, including those that have already reached decision and completion points, provided that they qualify under any revised thresholds. If a change in the Initiative that would benefit Mozambique is agreed, the staffs would come back with proposals as to how this could be effected later in the year. In the meantime, the staffs recommend that Directors agree to provide assistance to Mozambique under the current Initiative as recommended in paragraph 31 above.

VII. PROPOSED DECISION

The following draft decision, which can be adopted by a majority of the votes cast, is proposed for adoption:

1. The Fund, as Trustee (the Trustee) of the Trust for Special ESAF Operations for the Heavily Indebted Poor Countries and Interim ESAF Subsidy Operations (ESAF/HIPC Trust Instrument) established by Decision No. 11436 (97/10), February 4, 1997, determines that:

(i) the conditions specified in paragraph (ii) of Decision No.11702 (98/41), adopted April 7, 1998, for the Republic of Mozambique to reach the completion point have been met; and

(ii) the net present value of the debt-to-exports ratio for the Republic of Mozambique is outside the target range specified in paragraph (iii) of Decision No. 11702 (98/41).

2. In order to allow the net present value of the debt-to-exports ratio to fall within the target range specified in paragraph (iii) of Decision No. 11702 (98/41), the Trustee decides that, in accordance with Section III, paragraph 3(d) of the ESAF/HIPC Trust Instrument, the SDR equivalent of US\$104.9 million committed at the decision point shall be increased to the SDR equivalent of US\$124.6 million. Upon a finding by the Fund that satisfactory assurances have been received regarding the exceptional assistance to be provided to the Republic of Mozambique under the HIPC Initiative by the Republic of

Mozambique's other creditors, this amount shall be made available by the Trustee to the Republic of Mozambique in the form of a grant that shall be paid on [date] to an account for the benefit of the Republic of Mozambique established and administered by the Trustee in accordance with Section III, paragraph 5 of the ESAF/HIPC Trust Instrument. The proceeds shall be used by the Trustee to meet the Republic of Mozambique's debt-service payments on its existing debt to the Fund as they fall due, in accordance with the schedule specified in the attached Table.

Mozambique: Proposed Delivery of IMF Assistance Under the HIPC Initiative, 1999-2008 1/
(In millions of SDRs, unless otherwise indicated)

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Profile of delivery (in percent of amount deposited in escrow account (principal))	11.0	13.0	16.0	14.0	12.0	11.0	7.0	7.0	6.0	3.0
Repayments falling due on current IMF obligations 2/	11.5	22.2	21.0	17.1	14.8	14.1	12.6	11.3	7.6	3.8
IMF HIPC Initiative assistance 3/ <i>Of which: principal</i>	10.3 10.3	14.1 12.1	18.4 14.9	15.9 13.0	13.4 11.2	11.9 10.3	7.7 6.5	7.3 6.5	6.1 5.6	3.0 2.8
Proportion of each repayment falling due during the period to be paid by HIPC Initiative assistance from principal deposited in escrow account (in percent) 4/	88.9	54.7	71.1	76.2	75.5	72.9	51.8	57.5	74.0	74.0
Scheduled IMF debt service 5/ <i>Of which: covered by IMF HIPC assistance 5/</i>	5.3 2.3	4.7 2.9	3.4 2.8	1.9 1.7	1.6 1.4	1.6 1.1	1.8 0.7	1.9 0.6	1.7 0.5	1.4 0.2
Memorandum item										
Exports of goods and nonfactor services (current year, in millions of U.S. dollars)	599	652	869	1,235	1,309	1,391	1,480	1,566	1,658	1,758

Sources: Mozambican authorities and Fund staff estimates.

1/ Assuming additional assistance required to meet the 200 percent NPV of debt-to-exports target at the completion point. The U.S. dollar amount of 124.6 million to be deposited in SDRs in an escrow account three business days after the completion point valued at the SDR/U.S. dollar exchange rate prevailing at the completion point (i.e. the date of Executive Board approval of Mozambique's completion point). The SDR equivalent is estimated at SDR [93.2] million on the basis of the SDR/U.S. dollar exchange rate of [0.747884] prevailing on [June 4, 1999].

2/ As of mid-1999.

3/ It is assumed that the amounts in escrow earn a rate of return of 4.5 percent in SDR terms. Actual interest earnings may be higher or lower. Interest earned will be accumulated through the calendar year and used toward payment of the first repayment obligation falling due in the following year, except in the final year, when it will be used toward payment of the final repayment obligation falling due that year.

4/ For 1999, the proportion is calculated on the basis of repayments falling due three business days after the completion point.

5/ In percent of current-year exports of goods and services.

Table 1. Mozambique: Selected Economic and Financial Indicators, 1997-2001

	1997	1998	1999 Prog.	2000 Proj.	2001 Proj.
(Annual percentage change, unless otherwise specified)					
National income and prices					
Nominal GDP (in billions of meticaís)	39,693	46,134	52,913	60,177	67,790
Nominal GDP (in millions of U.S. dollars)	3,438	3,893	4,147	4,505	4,940
Real GDP	11.3	12.0	9.7	7.0	7.2
Real GDP per capita	8.9	9.5	7.3	4.6	4.9
GDP deflator	11.1	3.8	4.5	6.3	5.1
Consumer price index (annual average)	6.4	0.6	1.5	6.6	5.0
Consumer price index (end of period)	5.8	-1.3	5.5	5.0	5.0
External sector					
Merchandise exports	1.7	7.9	18.6	9.4	57.8
Merchandise imports	-2.9	14.3	60.8	-20.5	-3.1
Merchandise export volume	1.7	13.0	15.9	7.2	54.4
Merchandise import volume	5.7	19.3	57.6	-22.3	-4.3
Terms of trade	8.8	-0.3	0.3	-0.2	0.9
Nominal effective exchange rate (end of period) 1/	6.5	-5.7	-2.4	...	...
Real effective exchange rate (end of period) 1/	9.4	-9.7	-6.9	...	...
Government budget					
Total revenue	31.8	14.9	17.9	20.2	17.0
Total expenditure and net lending	34.7	7.5	28.9	5.6	9.0
Current expenditure	38.8	23.3	24.2	9.0	10.2
Capital expenditure and net lending	31.3	-5.5	33.7	2.2	7.8
(Annual change in percent of beginning-period broad money, unless otherwise specified)					
Money and credit					
Net domestic assets	11.8	9.3	1.6	23.0	21.6
Of which: net credit to the government	-22.3	-16.0	-11.1	3.7	1.3
credit to the rest of the economy	31.1	17.7	17.5	18.9	19.4
Broad money (M2)	24.4	19.2	16.5	12.8	12.6
Velocity (GDP/ average M2)	5.9	5.7	5.6	5.6	5.6
Rediscount rate (in percent; end of period; 1999 end-June)	13.0	10.0	10.0	...	...
(In percent of GDP)					
Investment and saving					
Gross domestic investment	19.1	20.4	35.5	25.6	19.8
Government	8.0	9.3	10.6	10.7	10.5
Other sectors	11.1	11.1	24.8	14.8	9.3
Gross national savings	5.5	4.2	10.7	6.7	7.5
Government	9.7	7.6	10.6	7.3	7.4
Other sectors	-4.3	-3.3	0.1	-0.6	0.1
Government budget					
Total revenue	11.6	11.5	11.8	12.5	13.0
Total expenditure and net lending	23.9	22.1	24.9	23.1	22.3
Overall balance before grants	-11.9	-10.7	-13.0	-10.6	-9.4
Total grants	9.3	8.3	12.1	7.0	6.4
Overall balance after grants	-2.6	-2.4	-1.0	-3.5	-3.0
Domestic primary balance	0.7	-0.6	-2.6	-1.7	-1.6
Domestic bank financing	-3.3	-2.3	-1.8	0.6	0.2
External sector					
Current account balance before grants	-17.8	-20.5	-34.1	-23.7	-15.9
Current account balance after grants	-8.7	-12.4	-22.4	-16.8	-9.6
(In percent of exports of goods and nonfactor services)					
Net present value of total external debt outstanding 2/	710.8	699.2	505.2	475.7	406.5
External debt service (nonfinancial public sector)					
Scheduled, before debt relief	66.2	72.8	68.0	79.7	57.9
Scheduled, after debt relief in Naples terms	19.2	20.1	24.6	26.5	19.2
Scheduled, after debt HIPC assistance 3/	...	...	15.5	13.4	9.1
(In percent of government revenue)					
External debt service (nonfinancial public sector) 4/					
Scheduled, before debt relief	73.9	77.1	73.3	83.3	70.5
Scheduled, after debt relief in Naples terms	22.6	23.7	30.0	30.7	26.0
Scheduled, after HIPC assistance 3/	...	...	19.0	15.5	12.3
(In millions of U.S. dollars, unless otherwise specified)					
External current account after grants	-298	-483	-931	-759	-475
Overall balance of payments	-98	-204	-196	-485	-473
Gross international reserves (end of period)	532	625	734	647	567
in months of imports of goods and nonfactor services	6.8	6.7	5.0	5.5	5.0
in percent of broad money	82.8	82.7	83.4	65.2	50.7
Total external debt (end of period)	7,439	8,344	7,682	8,069	8,215
External arrears (public sector; end of period) 5/	741	762	0	0	0
Exchange rate (meticaís per U.S. dollar; end of period)	11,543	12,366	...	...	...

Sources: Mozambican authorities; and staff estimates and projections.

1/ A minus sign indicates depreciation. Figure for 1999 represents change over 12 months through March.

2/ Public and publicly guaranteed debt after rescheduling, in percent of three-year export average.

3/ Based on the amount committed at the decision point.

4/ Excludes IMF debt.

5/ In view of the best efforts being undertaken by Mozambique to conclude debt-rescheduling agreements, the country is deemed to have no arrears outstanding for programming purposes.

Table 2: Mozambique: Selected Social Indicators
(In percent, unless otherwise indicated)

	1995 or 1996 actual 1/	1997 or 1998 estimate 2/	2001 target
Health			
Proportion of health posts staffed with trained personnel	70 *	86 *	90
Proportion of first level health facilities properly stocked with essential drugs program kits	40 *	88 *	90
Vaccination coverage with DPT third dose	58	77	80
Service units per inhabitant 3/	2.6	3.1	3.6
Geographic inequity index 4/	3.6	3.0	2.8
Education			
Gross primary enrollment rate	62	71	73-75
Repetition rate	33	25	23-21

Source: Ministry of Health, Ministry of Education.

1/ Refers to 1996 unless indicated with an asterisk.

2/ Refers to 1998 unless indicated with an asterisk.

3/ "Service units" is a weighted sum of inpatient days, hospital deliveries, vaccination doses, outpatient consultations, and MCH visits.

4/ This index is defined as the number of health units servicing the 25 percent most favoured population divided by the number of units servicing the 25 percent least favoured population.

Table 3. Mozambique: NPV of Debt and NPV of Debt-to-Exports Ratio, End-December 1998
(In millions of U.S. dollars, unless otherwise indicated)

	Projected at Decision Point	Actual 1/
Net present value of debt	2,528	2,731
Multilateral creditors	923	1,019
IDA	539	564
African Development Bank Group 2/	169	202
IMF	157	168
Others	59	86
Bilateral creditors 3/	1,606	1,712
Paris Club	1,281	1,334
Non-Paris Club official bilateral	256	302
Commercial	69	76
NPV of debt-to-exports ratio (in percent)		
Before committed assistance	466	538
After committed assistance	200	254
Memorandum items:		
Additional assistance required to meet target		
In millions of US\$ (in NPV terms)		274
In percent of exports of goods and nonfactor services 4/		54
Exports of goods and nonfactor services (current year)	636	534
Exports of goods and nonfactor services 4/	543	507

Sources: Mozambican authorities and staff estimates.

1/ Figures are based on reconciled end-1998 data, using end-1998 exchange rates and the six-month average Commercial Interest Reference Rate (CIRR) at end-December 1998.

2/ Includes Nigerian Trust Fund.

3/ Includes the impact of a hypothetical Paris Club stock of debt operation on Naples terms at end-1998 as well as comparable treatment on other bilateral and commercial pre-cutoff date debt.

4/ three-year moving average .

Table 4. Mozambique: Exchange Rates and Discount Rates, 1997-98

	Exchange Rates (currency per U.S. dollar)		Discount Rates (CIRR) 1/ (in percent)	
	end-1997	end-1998	end-1997	end-1998
Paris Club				
Austrian Schilling	12.49	11.75	5.79	5.28
French Franc	5.99	5.62	5.91	5.36
German Mark	1.79	1.67	5.88	5.16
Japanese Yen	130.11	115.60	2.50	2.22
Portuguese Escudo 2/	181.36	171.83	6.06	5.25
Russian Ruble 3/	0.60	0.60	7.31	6.23
Spanish Peseta	150.06	142.61	6.52	5.31
Swedish Kronor	7.76	8.06	6.81	5.66
Swiss Franc	1.46	1.38	5.91	4.05
U.K. Pound	0.61	0.60	7.95	6.81
U.S. Dollar	1.00	1.00	7.31	6.23
Non-Paris Club				
Bulgarian Leva 2/	70.83	70.83	6.06	5.25
Chinese Yuan 2/	8.28	8.28	6.06	5.25
Indian Rupee 2/	39.28	42.48	6.06	5.25
Iraqi Dinar 4/	0.31	0.31	7.31	6.23
Kuwaiti Dinar 2/	0.30	0.30	6.06	5.25
South African Rand 2/	4.87	5.86	6.06	5.25
Multilateral				
ECU 5/	0.90	0.86	5.88	5.00
SDR 6/	0.74	0.71	6.06	5.25
U.S. dollar 7/	1.00	1.00	7.31	6.23
UA 8/	0.74	0.71	6.06	5.25

Sources: OECD; and IFS.

1/ Six-month average of commercial interest reference rate (CIRR) for July-December 1997 and July-December 1998.

2/ Discount rate based on SDR CIRR.

3/ Reflects exchange rate agreed in September 17, 1997 Paris Club memorandum of understanding.

4/ Discount rate based on U.S. dollar CIRR, reflecting exchange rate peg.

5/ Applied to loans from the European Investment Bank and European Fund for Economic Development.

6/ Applied to loans from IDA, IMF, International Fund for Agricultural Development, and Nordic Development Fund.

7/ Applied to loans from the OPEC Fund and Arab Bank for Economic Development in Africa (BADEA).

8/ African Development Bank/Fund unit of account, applied to all AfDB/AfDF loans.

Table 5. Mozambique: Medium- and Long-Term Balance of Payments, 1998-2017
(In millions of U.S. dollars, unless otherwise specified)

	Projections								Outer Years		Averages	
	1998	1999	2000	2001	2002	2003	2004	2005	2010	2017	1998-07	2008-17
Trade balance	-620	-1,102	-788	-567	-399	-431	-450	-469	-678	-1,177	-588	-849
Exports (f.o.b.)	248	294	322	508	844	884	929	976	1,201	1,716	708	1,373
Imports (c.i.f.)	-868	-1,396	-1,110	-1,075	-1,243	-1,315	-1,379	-1,446	-1,878	-2,893	-1,296	-2,222
Services (net)	-176	-311	-280	-218	-309	-252	-222	-191	26	457	-222	164
Receipts	333	349	374	403	433	467	504	545	826	1,401	464	1,021
Expenditures	-509	-661	-654	-620	-742	-719	-726	-736	-800	-944	-686	-857
<i>Of which: interest on public debt</i>	-150	-162	-161	-147	-133	-119	-106	-95	-82	-61	-125	-75
Current account, excluding grants	-796	-1,413	-1,068	-785	-708	-683	-672	-660	-652	-719	-811	-684
Unrequited official transfers ^{1/}	313	482	309	310	307	304	301	299	292	313	322	300
Current account, including grants	-483	-931	-759	-475	-402	-380	-372	-362	-360	-406	-489	-384
Capital account	270	735	274	2	-35	-4	81	156	301	392	199	338
Foreign borrowing	307	642	506	276	266	319	354	374	290	282	371	292
Public sector	225	147	165	165	187	225	245	260	90	35	203	76
<i>Of which: IDA</i>	134	100	130	130	150	190	200	210	70	30	157	60
Private sector ^{2/}	81	495	341	111	79	94	109	114	200	247	168	217
Amortization	-249	-252	-353	-352	-393	-429	-395	-360	-282	-378	-329	-321
<i>Of which: amortization on public debt</i>	-211	-201	-306	-306	-309	-316	-277	-235	-109	-176		
Short term and errors and omissions (net)	9	0	0	0	0	0	0	0	0	0	1	0
<i>Of which: commercial banks (net)</i>	15	0	0	0	0	0	0	0	0	0	2	0
Overall balance	-204	-196	-485	-473	-436	-384	-291	-205	-59	-14	-289	-47
Financing	204	196	485	473	436	384	291	205	59	14	289	47
Bank of Mozambique	-77	-100	79	75	52	10	-27	-52	-34	-69	-8	-49
o/w: Gross int. reserves (inc.-)	-93	-109	87	81	64	31	-4	-25	-34	-69	-30	-29
o/w: Use of IMF credit (net)	10	9	-7	-6	-12	-21	-23	-27	0	0	-7	-12
Net change in arrears (increase +)	20	-762	0	0	0	0	0	0	0	0	-74	0
Financing gap	261	1,057	406	398	384	374	318	258	93	83	372	96
Debt relief ^{3/}	261	127	0	0	0	0	0	0	0	0	39	0
Remaining gap ^{4/}	0	930	406	398	384	374	318	258	93	83	333	96
Memorandum items:												
Current account deficit ^{5/}												
Before grants	149	236	164	90	57	52	48	45	33	23	92	30
After grants	90	156	116	55	33	29	27	24	18	13	57	17
Gross international reserves	625	734	647	567	503	472	477	502	563	914	548	684
(in months of imports of goods and services)	6.7	5.0	5.5	5.0	3.8	3.4	3.3	3.3	3.0	3.3	4.2	3.1
Debt-service ratio ^{6/}												
Before debt relief	72.8	68.0	79.7	57.9	39.5	37.0	31.2	26.2	11.6	9.8	44.6	11.6
After debt relief on Naples terms ^{7/}	20.1	24.6	26.5	19.2	13.2	12.9	12.6	12.7	9.5	8.9	16.7	10.1
After committed HIPC assistance ^{8/}	...	15.5	13.4	9.1	6.2	6.0	6.0	6.5	4.9	5.0	8.4	5.3
Fiscal debt service ratio ^{9/}												
Before debt relief	77.1	73.3	83.3	70.5	59.4	52.2	44.2	37.4	12.6	9.5	66.1	13.6
After debt relief on Naples terms ^{7/}	23.7	30.0	30.7	26.0	22.1	20.4	19.1	18.7	10.3	8.8	24.6	11.9
After committed HIPC assistance ^{8/}	...	19.0	15.5	12.3	10.3	9.4	9.1	9.5	5.3	4.0	12.2	6.1
After additional HIPC assistance ^{8/}	...	17.5	13.5	10.5	8.8	8.1	7.8	8.2	4.7	3.5	10.6	5.5

Sources: Mozambican authorities and staff estimates and projections.

^{1/} In 1999 includes US\$150 million of grants provided by IDA as interim assistance under the HIPC Initiative.

^{2/} Private borrowing, not guaranteed by the government or the Bank of Mozambique.

^{3/} Includes the impact of the 1996 Paris Club flow rescheduling on Naples terms, including rescheduling of the debt to Russia after an up-front discount of 80 percent. Also includes the 1997 commercial debt rescheduling with the Bank of Brazil. Debt relief in 1998 and 1999 includes US\$23 million of interim assistance provided by Paris Club creditors under the HIPC Initiative. Part of this assistance (the topping up of the 1996 flow rescheduling to Lyons terms) is included above the line, as reduced debt service.

^{4/} Financing gaps after mid-1999 to be covered by HIPC assistance and the application of traditional rescheduling mechanisms by non Paris Club creditors.

^{5/} In percent of exports of goods and nonfactor services.

^{6/} In percent of exports of goods and nonfactor services; excludes private sector debt.

^{7/} Assumes Naples terms flow rescheduling through mid-1999 and a stock-of-debt operation (67 percent NPV reduction) on all eligible claims at end-1998.

^{8/} Assumes hypothetical stock-of-debt operation at Lyon terms (80 percent NPV reduction) as well as debt relief under the HIPC Initiative.

^{9/} In percent of government revenue.

Table 6. Mozambique: Medium- and Long-Term External Debt Service, 1999-2017
(In millions of U.S. dollars, unless otherwise indicated)

	Projections							Outer years		Averages	
	1999	2000	2001	2002	2003	2004	2005	2010	2017	1999-07	2008-17
Total debt service	476.1	642.9	630.6	656.8	683.0	639.7	600.2	506.3	635.6	591.0	566.9
Principal	283.2	382.9	381.2	417.8	456.4	425.4	395.7	301.4	427.9	370.5	357.1
Interest	192.9	260.0	249.3	238.9	226.6	214.3	204.5	204.9	207.8	220.5	209.9
Scheduled debt service ^{1/}	407.8	493.4	477.6	453.3	442.5	390.0	335.3	155.8	151.3	378.3	161.3
Principal	273.6	369.8	368.9	360.0	364.7	327.2	286.0	128.5	140.0	297.6	139.7
Multilateral	52.9	57.0	54.4	49.6	50.4	52.4	52.2	42.1	57.5	52.0	49.5
<i>Of which</i> : IDA	5.6	8.7	9.4	11.7	14.6	17.4	20.7	32.0	44.6	14.8	36.6
AfDB/AfDF	9.4	9.5	9.1	7.9	8.6	7.6	6.2	7.6	11.1	7.8	8.9
IMF	31.3	30.3	28.9	23.6	20.7	19.9	17.8	0.0	0.0	22.1	0.5
Bilateral	169.9	266.7	271.1	273.0	274.9	233.5	190.7	33.8	21.1	201.9	34.7
Paris Club (excluding Russia and Brazil)	88.5	182.2	184.6	184.2	183.1	176.0	169.8	31.4	21.1	143.8	33.1
Post-cutoff date	14.7	15.4	17.2	16.1	14.3	12.5	12.2	5.6	3.4	13.9	4.6
Pre-cutoff date	73.8	166.8	167.3	168.0	168.8	163.4	157.6	25.8	17.7	129.9	28.5
<i>Of which</i> : previously rescheduled on Toronto terms	1.0	107.5	107.5	107.5	107.5	107.5	107.0	5.5	0.0	73.0	5.0
previously rescheduled on London terms	10.3	17.4	18.0	18.7	19.5	14.1	8.8	16.7	17.7	14.3	21.0
Russia	12.0	8.2	5.5	3.0	1.2	0.4	0.2	0.0	0.0	3.4	0.0
Brazil	32.6	37.5	40.7	44.0	47.3	24.4	0.0	0.0	0.0	25.2	0.0
Other official	19.6	19.3	19.4	19.4	19.4	19.2	18.5	0.8	0.0	15.7	0.8
Commercial	17.2	19.4	20.9	22.4	23.9	13.5	2.2	1.6	0.0	13.8	0.8
Private sector debt ^{2/}	50.8	46.0	43.4	37.4	39.4	41.2	43.1	52.6	61.3	43.7	55.5
Interest	134.2	123.6	108.7	93.3	77.8	62.8	49.3	27.3	11.4	80.7	21.6
Multilateral	18.6	17.6	16.7	15.9	15.1	14.3	13.6	11.5	8.8	15.3	10.6
<i>Of which</i> : IDA	10.0	10.0	9.9	9.8	9.7	9.6	9.5	8.6	6.5	9.7	7.9
AfDB/AfDF	5.9	5.3	4.7	4.2	3.8	3.4	3.1	2.5	2.0	4.0	2.4
IMF	1.0	0.8	0.7	0.6	0.4	0.3	0.1	0.0	0.0	0.4	0.0
Bilateral	108.1	98.5	84.9	71.0	56.9	43.3	31.1	14.4	2.5	59.7	10.2
Paris Club (excluding Russia and Brazil)	80.2	74.8	65.7	56.6	47.5	38.5	29.9	14.2	2.5	48.4	10.1
Post-cutoff date	4.7	4.1	3.6	3.1	2.6	2.2	1.9	0.7	0.2	2.8	0.5
Pre-cutoff date	75.5	70.7	62.1	53.5	44.9	36.3	28.0	13.5	2.3	45.6	9.6
<i>Of which</i> : previously rescheduled on Toronto terms	36.8	35.4	30.1	24.8	19.5	14.2	8.9	3.0	0.0	19.8	1.9
previously rescheduled on London terms	17.5	16.9	16.0	15.0	14.1	13.1	12.6	10.1	2.3	14.3	7.4
Russia	0.8	0.5	0.3	0.1	0.1	0.0	0.0	0.0	0.0	0.2	0.0
Brazil	14.3	12.1	9.6	6.8	3.9	1.2	0.0	0.0	0.0	5.3	0.0
Other official	4.2	3.6	3.0	2.5	1.9	1.3	0.7	0.1	0.0	2.0	0.1
Commercial	8.6	7.5	6.3	5.0	3.6	2.2	0.4	0.1	0.0	3.8	0.1
Private sector debt ^{2/}	7.6	7.5	7.1	6.5	5.8	5.2	4.6	1.4	0.0	5.7	0.7
Debt service on new borrowing and rescheduled debt	68.3	149.5	153.0	203.4	240.4	249.7	264.9	350.5	484.3	212.7	405.6
Principal	9.6	13.1	12.4	57.8	91.7	98.2	109.7	172.9	287.9	72.9	217.3
On rescheduled debt	9.6	13.1	9.2	11.2	18.1	18.3	18.6	44.4	112.1	16.4	67.1
On new borrowing ^{3/}	0.0	0.0	3.1	46.6	73.6	79.9	91.2	128.5	175.8	56.5	150.2
<i>Of which</i> : private sector ^{2/ 4/}	0.0	0.0	3.1	46.6	73.6	77.0	81.7	120.3	140.1	51.5	126.2
Interest	58.7	136.4	140.7	145.6	148.8	151.5	155.2	177.6	196.4	139.8	188.3
On rescheduled debt	47.7	65.3	63.9	63.6	63.3	62.9	62.5	60.1	46.4	61.5	55.7
On new borrowing ^{3/}	11.0	71.1	76.7	82.0	85.5	88.6	92.6	117.5	150.0	78.3	132.6
<i>Of which</i> : private sector ^{2/ 4/}	10.9	69.8	74.1	78.1	80.1	81.5	83.8	101.5	132.6	72.5	116.0
Memorandum items:											
External Debt (Naples terms) ^{5/}	5,531	5,613	5,689	5,791	5,912	6,061	6,230	6,541	5,757	5,954	6,281
NPV of debt (Naples terms) ^{5/}	2,765	2,831	2,872	2,954	3,036	3,128	3,223	3,516	3,294	3,052	3,466
NPV of debt after committed HIPC assistance ^{5/}	1,382	1,457	1,520	1,610	1,705	1,810	1,913	2,277	2,356	1,722	2,323
NPV of debt-to-exports ratio (Naples terms) ^{5/ 6/}	505.2	475.7	406.5	321.6	266.9	238.5	231.3	187.9	114.1	320.3	161.6
NPV of debt-to-exports ratio after committed HIPC assistance ^{5/ 6/}	252.5	244.9	215.2	175.3	149.9	138.0	137.3	121.7	81.6	175.8	107.6
NPV of debt-to-exports ratio after additional HIPC assistance ^{5/ 6/}	201.2	197.4	175.0	144.1	124.4	115.7	116.1	104.2	69.4	144.8	91.9

Sources: Mozambican authorities and staff estimates and projections

^{1/} Debt service on stock of debt outstanding as of December 31, 1998. Excludes late interest on loans extended to the Cahora Bassa hydropower company in the early 1970s.

^{2/} Debt service not contracted or guaranteed by the government or the Bank of Mozambique. Includes amortization of loans extended in the early 1970s and servicing of loans extended in 1995 and 1996 to the Cahora Bassa hydropower company.

^{3/} Disbursed after December 31, 1998.

^{4/} Includes debt service on new loans to the Cahora Bassa hydropower company, Mozal and other large projects.

^{5/} Refers to public and publicly guaranteed debt only. Incorporates the terms of the November 1996 Paris Club agreement (including with Brazil) and of a hypothetical stock-of-debt operation on Naples terms (67 percent NPV reduction) at end-1998. Non-Paris Club official bilateral and commercial creditors are assumed to reschedule eligible debt on comparable terms. All Russian loans disbursed before 1992 are subject to an 80 percent up-front discount; of the remaining, pre-cutoff-date loans are treated on comparable terms and post-cutoff-date arrears are rescheduled to achieve a further 56 percent NPV reduction.

^{6/} In percent of the three-year moving average of exports of goods and nonfactor services.

Table 7. Mozambique: Proposed Delivery of World Bank Assistance Under the HIPC Initiative, 1999-2035

(In millions of U.S. dollars, unless otherwise indicated)

	1999	2000	2001	2002	2003	2004	2005	Cumulative			
								2006-15	2016-25	2026-35	1999-2035
IDA debt service before HIPC relief	15.6	18.7	19.3	21.6	24.3	27.0	30.2	407.0	507.0	306.4	1377.1
IDA debt service after committed HIPC relief 1/	9.6	7.9	8.6	9.0	10.0	12.7	15.4	201.7	275.9	203.5	754.3
IDA debt service after additional HIPC relief 2/	10.9	7.9	8.5	8.9	9.9	10.7	11.3	163.0	210.3	141.1	582.4
IDA relief after committed assistance 3/ 4/	6.0	10.8	10.7	12.5	14.3	14.3	14.8	205.3	231.1	102.9	622.8
IDA relief after additional assistance 4/ 5/	4.7	10.8	10.8	12.6	14.4	16.3	18.9	244.1	296.7	165.3	794.8
Memorandum items:											
Debt relief after committed assistance											
as a percent of IDA debt service due (in percent)	38.5	57.8	55.5	58.1	59.0	52.9	49.1	50.4	45.6	33.6	45.2
Debt relief after additional assistance											
as a percent of IDA debt service due (in percent)	30.3	57.9	56.0	58.6	59.3	60.5	62.5	60.0	58.5	54.0	57.7

Sources: Mozambican authorities; and IDA staff estimates.

1/ Total HIPC assistance of \$1,442 million in NPV terms was committed at the decision point, of which IDA's share was estimated at \$295 million in NPV terms.

2/ Assuming additional assistance required to bring the NPV of debt-to exports to the target set at the decision point.

3/ Translates into US\$269.89 million in NPV terms, using updated discount and exchange rates.

4/ An IDA grant of US\$150 million (equivalent to \$54.22 million in NPV terms) were delivered before the completion point as interim assistance. This amount includes US\$29 million in NPV terms contributed by IDA toward filling the bilateral assistance gap that existed at the decision point.

5/ Translates into US\$326.89 million in NPV terms, using updated discount and exchange rates.

Table 8. Mozambique: Proposed Delivery of IMF Assistance Under the HIPC Initiative, 1999-2008 1/
(In millions of SDRs, unless otherwise indicated)

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Profile of delivery (in percent of amount deposited in escrow account (principal))	11.0	13.0	16.0	14.0	12.0	11.0	7.0	7.0	6.0	3.0
Repayments falling due on current IMF obligations 2/	11.5	22.2	21.0	17.1	14.8	14.1	12.6	11.3	7.6	3.8
IMF HIPC Initiative assistance 3/ <i>Of which</i> : principal	10.3 10.3	14.1 12.1	18.4 14.9	15.9 13.0	13.4 11.2	11.9 10.3	7.7 6.5	7.3 6.5	6.1 5.6	3.0 2.8
Proportion of each repayment falling due during the period to be paid by HIPC Initiative assistance from principal deposited in escrow account (in percent) 4/	88.9	54.7	71.1	76.2	75.5	72.9	51.8	57.5	74.0	74.0
Scheduled IMF debt service 5/ <i>Of which</i> : covered by IMF HIPC assistance 5/	5.3 2.3	4.7 2.9	3.4 2.8	1.9 1.7	1.6 1.4	1.6 1.1	1.8 0.7	1.9 0.6	1.7 0.5	1.4 0.2
Memorandum item										
Exports of goods and nonfactor services (current year, in millions of U.S. dollars)	599	652	869	1,235	1,309	1,391	1,480	1,566	1,658	1,758

Sources: Mozambican authorities and Fund staff estimates.

1/ Assuming additional assistance required to meet the 200 percent NPV of debt-to-exports target at the completion point. The U.S. dollar amount of 124.6 million to be deposited in SDRs in an escrow account three business days after the completion point valued at the SDR/U.S. dollar exchange rate prevailing at the completion point (i.e the date of Executive Board approval of Mozambique's completion point). The SDR equivalent is estimated at SDR [93.2] million on the basis of the SDR/U.S. dollar exchange rate of [0.747884] prevailing on [June 4, 1999].

2/ As of mid-1999.

3/ It is assumed that the amounts in escrow earn a rate of return of 4.5 percent in SDR terms. Actual interest earnings may be higher or lower. Interest earned will be accumulated through the calendar year and used toward payment of the first repayment obligation falling due in the following year, except in the final year, when it will be used toward payment of the final repayment obligation falling due that year.

4/ For 1999, the proportion is calculated on the basis of repayments falling due three business days after the completion point.

5/ In percent of current-year exports of goods and services.

Table 9. Mozambique: Overall Assistance Under the HIPC Initiative 1/
(In millions of U.S. dollars, unless otherwise indicated)

	Assistance at completion point 2/							Multilateral (in percent of NPV at decision point)
	Total	Bilateral 3/	Multilateral	of which				
				IDA	IMF	AfDB	Other	
Decision Point Document	1,442	916	526	295	95	98	38	62.9
Required to reach 200 percent target	1,716	1,076	641	352	115	119	55	75.5
Memorandum items:								
NPV of debt 1/	2,731	1,712	1,019	564	168	202	86	
Paris Club (excl. Russia; incl. Brazil)	...	1,129	...					
Russia 4/	...	205	...					
Other official bilateral	...	302	...					
Commercial	...	76	...					
Three-year average of exports	507	...	...			
NPV of debt-to-exports ratio 5/	538	...	...			

Sources: Mozambican authorities and staff estimates.

1/ Based on latest data available at completion point after full application of traditional debt relief mechanisms, i.e. a hypothetical stock-of-debt operation on Naples terms and appropriate comparable treatment at end-1998.

2/ Amounts shown for bilateral creditors include, and for IDA and IMF exclude, US\$29 million and US\$10 million in NPV terms committed by IDA and IMF as part of the gap-filling exercise at the decision point.

3/ Includes official bilateral and commercial creditors.

4/ After an up-front discount of 80 percent on all Russian claims disbursed before 1992, the application of Naples terms is assumed on pre-cutoff date debt in 1997 and post-cutoff date arrears in 1998, with NPV reductions of 67 percent and 56 percent, respectively.

5/ In percent of three-year export average.

Table 10. Mozambique: Key External Debt-Sustainability Indicators 1/
(In percent)

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Key ratios																				
NPV of debt to exports ratio 2/																				
Before HIPC Assistance 3/	538	505	476	407	322	267	238	231	223	215	206	198	188	178	167	157	147	136	125	114
After Committed HIPC Assistance 4/	254	242	235	207	169	144	133	132	131	128	125	121	117	111	106	101	95	89	83	76
After Proposed HIPC Assistance 5/	200	201	197	175	144	124	116	116	116	113	111	108	104	100	95	91	86	81	75	69
NPV of debt to revenue ratio 6/																				
Before HIPC Assistance 3/	609	563	503	448	402	367	342	320	289	262	235	214	193	173	155	138	123	109	97	86
After Committed HIPC Assistance 4/	288	270	248	228	211	199	190	183	171	156	142	131	120	108	98	89	80	71	64	57
After Proposed HIPC Assistance 5/	226	224	209	193	180	171	166	161	151	138	126	117	107	97	88	80	72	64	58	52
NPV of debt to GDP ratio																				
Before HIPC Assistance 3/	70	67	63	58	54	50	48	46	43	41	38	36	33	31	28	26	24	22	20	18
After Committed HIPC Assistance 4/	33	32	31	30	28	27	27	26	25	24	23	22	21	19	18	17	15	14	13	12
After Proposed HIPC Assistance 5/	26	27	26	25	24	23	23	23	22	21	20	20	18	17	16	15	14	13	12	11
Debt-service ratio 7/																				
Before HIPC Assistance 3/	20.1	24.6	26.5	19.2	13.2	12.9	12.6	12.7	12.8	12.7	12.5	13.3	9.5	9.3	9.5	9.6	9.6	9.4	9.3	9.1
After Committed HIPC Assistance 4/	...	15.5	13.4	9.1	6.2	6.0	6.0	6.5	6.4	6.3	6.5	6.7	4.9	4.9	5.0	5.0	5.2	5.1	5.1	5.0
After Proposed HIPC Assistance 5/	...	14.3	11.7	7.7	5.3	5.1	5.1	5.5	5.6	6.0	5.8	6.1	4.3	4.2	4.3	4.4	4.5	4.4	4.4	4.3
Debt-service to revenue ratio 6/																				
Before HIPC Assistance 3/	23.7	30.0	30.7	26.0	22.1	20.4	19.1	18.7	17.6	16.4	15.0	15.2	10.3	9.7	9.3	8.9	8.5	8.0	7.7	7.3
After Committed HIPC Assistance 4/	...	19.0	15.5	12.3	10.3	9.4	9.1	9.5	8.9	8.2	7.8	7.7	5.3	5.0	4.9	4.7	4.6	4.4	4.2	4.0
After Proposed HIPC Assistance 5/	...	17.5	13.5	10.5	8.8	8.1	7.8	8.2	7.7	7.8	7.0	7.0	4.7	4.4	4.2	4.1	4.0	3.7	3.6	3.5

Source: Mozambican authorities and staff estimates.

1/ Refers to public and publicly guaranteed debt only.

2/ In percent of the three-year moving average of exports of goods and non-factor services.

3/ Assumes Naples terms flow rescheduling through mid-1999 and a hypothetical stock-of-debt operation (67 percent NPV reduction) on all eligible claims at end-1998.

4/ Assumes HIPC assistance committed at the decision point, including a hypothetical stock-of-debt operation on Lyon terms (80 percent NPV reduction).

5/ Assumes HIPC assistance committed at the decision point and additional HIPC assistance necessary to meet 200 percent NPV of debt-to-exports target, including a hypothetical stock-of-debt operation on Lyon terms (80 percent NPV reduction).

6/ In percent of government revenues excluding grants.

7/ In percent of current year exports of goods and non-factor services.

Mozambique: Status of Structural and Social Reforms Envisaged at the HIPC Decision Point

Policy Area/Objectives/Targets	Status	Actions Taken/Results	Observations/Future Actions
Privatization and public enterprise reform			
Complete privatization of large enterprises under the Technical Unit for Enterprise Restructuring (UTRE).	Done	22 large enterprises privatized in 1998, completing list under UTRE.	Options and proposed policies for remaining public enterprises and enterprises with majority state ownership to be developed over the next year.
Complete privatization of small and medium-sized enterprises.	On track	Program nearly complete. Over 1,100 companies privatized or restructured under this program as of March 1999, with preparations well advanced for the remaining 115 to be completed by midyear.	Strategy on government shares in mixed enterprises and criteria for disposal of government's remaining interest in enterprises to be developed.
Establish a private oil-importing company to replace the state-owned oil company (PETROMOC).	Done	Private oil importing company established in Nov. 1998 with minority ownership by PETROMOC.	
Privatize the management of five major water management companies.	Under way	Selected bidder notified for private management of five largest urban water supply systems (lease contract for Maputo; management contracts for Beira, Pemba, Nampula, and Quelimane). Contract signatures is tied to effectiveness of IDA credit, successfully negotiated in May 1999 and to be considered by the Board in June 1999.	Beginning of longer-term program to delegate management of water supply towards municipal ownership, and manage it on commercial basis. Legislation provides for decision to be made in three years with respect to five initial cities, with extension to other cities to follow. Rural water supply strategy and management options to be developed to move to demand-based water supply system during 1999.

Mozambique: Status of Structural and Social Reforms Envisaged at the HIPC Decision Point

Policy Area/Objectives/Targets	Status	Actions Taken/Results	Observations/Future Actions
CFM's ports and railways (1998-99).	Under way	Process of concessions is well under way, monitored through preparation of IDA credit. Most port terminal facilities at Maputo and Beira concessioned to private sector operators and operational. All other rail and port facilities, except central rail network, under negotiation. Concessioning expected to be completed by end-1999. Concessioning of central (Machipanda) line delayed by decision to package it together with Sena line; active search under way for concessionaire.	CFM's strategic objective is to divest itself of any involvement in the direct operation and management of the ports and railways in the country. Restructuring of CFM is under way, to be supported by the IDA credit negotiated in April. The proposed restructuring would involve (i) incorporation of a new holding company to manage CFM's subsidiaries and affiliates, the government's equity in the concessionaire companies, and residual commercial activities and public assets (i.e., not taken over by the concessionaires); (ii) redefining the role of the existing CFM; and (iii) regularizing the financial flows between the CFM and the government.
Fiscal reform			
Introduce value-added tax (VAT)	Done	Government announced introduction of VAT on April 1; commenced implementation June 1, 1999.	Further strengthening of tax administration is to continue with the hiring of additional staff, improvements in collections control and audit, and training staff.
Revise personal and corporate taxes.	Done	Personal and corporate income tax rates lowered and corporate rates restructured in 1998.	Further rationalization of tax and exemption regimes to be made, following a comprehensive review of tax and tariff system.
Reduce dispersion of import duties.	Done	Top tariff rate reduced from 35% to 30% in April 1999.	Trade liberalization to continue. Top tariff rate to be reduced to 25% by January 2002.

Mozambique: Status of Structural and Social Reforms Envisaged at the HIPC Decision Point

Policy Area/Objectives/Targets	Status	Actions Taken/Results	Observations/Future Actions
Develop a medium-term expenditure framework (MTEF).	Done	First annual framework introduced in September 1998.	Draft of next year's MTEF expected June 1999. MTEFs to be approved and published annually as part of budget process.
Civil service reform			
Finalize new career stream and compensation structure.	Done	New career streams and compensation structure introduced as of April 1999.	Reform process to continue with new performance standards and incentive mechanisms, code of administrative procedures, and public administration training system.
Complete salary decompression according to new structure.	Done	Second phase of decompression implemented in April 1999. Ratio of highest to lowest salary was raised from 9.6:1 in 1997 to as much as 15:1 for certain categories of workers.	Salaries may be further decompressed within framework of revised career streams and compensation structure. System of merit-based pay increases and promotions will be instituted.
Social sector reforms and poverty reduction			
Education			
Medium-term objective is to extend primary education coverage to all by 2010, with substantially improving quality.		Objective has been confirmed and strategy to achieve targets articulated in education sector strategy agreed with donors in May 1998. Donor financing of program coordinated through Sector Investment Program—IDA support approved by IDA Board in Feb. 1999. Progress made in coverage while maintaining or improving quality.	Annual review meeting with donors took place in May 1999.

Mozambique: Status of Structural and Social Reforms Envisaged at the HIPC Decision Point

Policy Area/Objectives/Targets	Status	Actions Taken/Results	Observations/Future Actions
<p>Increase public spending in education, by meeting the following target:</p> <ul style="list-style-type: none"> Increase share of education in current spending from 17.3% in 1997 to 18% in 1998, with future increase consistent with medium-term expenditure program 		<p>Share of education in current spending was 18% in 1998.</p>	<p>Current expenditures on education to increase both in real terms and as a share of total current expenditure, in line with medium-term expenditure framework.</p>
<p>Improve monitoring of spending in education, by meeting the following target:</p> <ul style="list-style-type: none"> Install information system by 1998. 	<p>Slower than expected</p>	<p>Expanded monitoring system to integrate financial and educational information being finalized. Delay from original schedule due to need to achieve consensus with donors. System will substantially improve ability to monitor educational allocations and equity, as well as contributions of donor support.</p>	<p>Completion of system improvement program expected in 1999.</p>
<p>Increase effectiveness and efficiency of public expenditures in education, by meeting the following target:</p> <ul style="list-style-type: none"> Approve, in coordination with donors, integrated education sector expenditure program. 	<p>Done</p>	<p>Integrated education sector expenditure program included in 1999 budget and supported by World Bank project approved Feb. 19, 1999.</p>	<p>Rolling five-year program to be updated annually.</p>
<p>Increase access to primary education, including by meeting the following targets:</p>		<p>Increase in access to primary education has generally met or exceeded targets.</p>	

Mozambique: Status of Structural and Social Reforms Envisaged at the HIPC Decision Point

Policy Area/Objectives/Targets	Status	Actions Taken/Results	Observations/Future Actions
<ul style="list-style-type: none"> Raise primary gross admission rate from 75% in 1996 to 79-81% in 1998 and to 82-86% in 2000. 	Met	Primary gross admission rate ¹ estimated to be 79% in 1998.	Plan is to increase admission rate by 1-2% per year. Rates are based on old census projections of school-age children and may be underestimated.
<ul style="list-style-type: none"> Increase primary gross enrollment rate to 79% in 2000. 	Continued progress	Rate ² increased from 62% in 1996 to 71% in 1998.	Improvement of 1-2% per year is now expected. Enrollment rate affected by combined rate of progress on dropout and repetition rates.
<p>Improve quality of primary education, including by meeting the following targets:</p>		Pace of improvement in indicators of quality slower than anticipated, though no overall deterioration has accompanied expansion of coverage.	Ministry entering new five-year program to address quality issues, supported by IDA through sector-wide program with donors.
<ul style="list-style-type: none"> Increase number of primary school teachers by 10 percent per year while maintaining share of qualified teachers at 70%. 	Not met, being addressed	Net increase in number of teachers has averaged about 7.5 percent, as recruitment rate of about 13 percent has been partially offset by departures. Share of qualified teachers at 68% in 1998. Incentives and ability of secondary schools to produce new teachers have been constraints.	Reform of civil service salary structure and definition of separate career stream for teachers are expected to help address teacher supply issue, along with other measures under the Education Sector Strategic Program.
<ul style="list-style-type: none"> Maintain availability of textbooks at level of at least one per pupil. 	Substantially met	Textbook coverage ratio increased from 25% in 1995 to 95% in 1998 in primary levels.	Textbooks provided for use free. In addition, about 2.5% of students purchase new textbooks for their own retention.

¹ Defined as the ratio of new entrants in primary school (as a percentage of age cohort).

² Defined as ratio of all students in primary school as a percentage of primary school age cohort.

Mozambique: Status of Structural and Social Reforms Envisaged at the HIPC Decision Point

Policy Area/Objectives/Targets	Status	Actions Taken/Results	Observations/Future Actions
<ul style="list-style-type: none"> Maintain pupil-to-teacher ratio at no more than 60. 	Not met, being addressed	Pupil: teacher ratio of 61.5 in 1998, compared with 60.8 in 1997. Rise in ratio due to slightly smaller increase in number of teachers than planned.	Program is to return to ratio of no more than 60, based on improved recruitment and retention incentives for teachers.
<ul style="list-style-type: none"> Complete revision of curriculum by 2000. 	On track	Grade structure reform agreed; draft curriculum reform of November 1998, on track to be completed by 2000.	Broad consultation process under way. New curriculum and evaluation process will provide greater flexibility to local school administrations, while core program will be retained.
Increase internal efficiency of primary education, by meeting the following targets:			
<ul style="list-style-type: none"> Increase primary school completion rate from 6% in 1996 to at least 8% in 1998 and 10% by 2000. 	Met	Completion rate ³ was 8% in 1998. Measured as graduation rate of entry cohort in first grade, rate was 23.7% in 1998, compared with 19.5% in 1995 and 23% in 1996.	Progress in raising completion rates will continue to be monitored closely.
<ul style="list-style-type: none"> Reduce repetition rate from 33% in 1996 to 27-29% in 2000. 	Not met, being addressed	Repetition rate appears to have remained at about 25% in recent years according to new measurement basis.	Revised curriculum and evaluation process is expected by government to yield reductions in repetition rate.
<ul style="list-style-type: none"> Reduce dropout rate from 8% in 1996 to 5-6% in 2000. 	Not met	Dropout rate 8.4% in 1998 compared with average of 12% in 1992-95.	Future progress on this indicator appears to be difficult to attain.

³ Completion rate defined as ratio of number of students graduating to total number of students five years earlier in primary school.

Mozambique: Status of Structural and Social Reforms Envisaged at the HIPC Decision Point

Policy Area/Objectives/Targets	Status	Actions Taken/Results	Observations/Future Actions
Health			
<p>Health Sector Recovery Program (MSRP) aims at reducing infant, child, and maternal mortality rates to sub-Saharan Africa averages by 2000, through increased access to quality health care and in institutional capacity of health delivery system. Targets are based on original 1995 program, to be updated on the basis of midterm review.</p>		<p>Midterm review undertaken in October 1998. Evolution of program into a comprehensive sector-wide program (SWAP) under way.</p>	<p>Reprogramming of HSRP under way. Movement to SWAP will be based on development of strategic planning document for 2000-04, to be produced over coming year.</p>
<p>Increase public spending in the health sector by meeting the following target:</p>			
<ul style="list-style-type: none"> Raise share of health in total recurrent expenditures from 7.8% in 1997 to 8% in 1998, with future increases consistent with medium-term expenditure framework. 	<p>Target exceeded</p>	<p>Share in expenditures was 9 % in 1998.</p>	<p>Current expenditures on health to increase both in real terms and as a share of total current expenditures, in line with medium-term expenditure framework.</p>
<p>Improve monitoring of internally and externally financed spending in health sector, by meeting the following target:</p>			
<ul style="list-style-type: none"> Install pilot and information system by 1998. 	<p>Ongoing</p>	<p>Joint Ministry of Health and World Health Organization evaluation of health information system completed in March 1999, on basis of which specific modifications will be planned.</p>	<p>Reform of financial management system is in second year of implementation, aimed at improving monitoring of execution of internal and external funding.</p>

Mozambique: Status of Structural and Social Reforms Envisaged at the HIPC Decision Point

Policy Area/Objectives/Targets	Status	Actions Taken/Results	Observations/Future Actions
Increase efficiency and effectiveness of health sector expenditures, by meeting the following target:			
<ul style="list-style-type: none"> Complete midterm review of Health Sector Recovery Program in 1998 and start implementation. 	Done/ongoing	Midterm review undertaken in October 1998. Recommendations for improved information system are under consideration by donors' steering committee.	High-level ministry committees considering policy issues and work plan arising from review. Donors meeting on transforming health recovery program into a sector-wide program to integrate all donor flows in sector.
Increase access to basic health services, especially in rural areas, by meeting following targets:			
<ul style="list-style-type: none"> Increase DPT(3) coverage from 58% in 1996 to 60-65% in 1998 and 80% in 2000. 	Target exceeded	Coverage reached 63% in 1997 and 77% in 1998, reflecting 13% increase in vaccinations delivered. Target for 2000 already reached.	Higher-than-projected coverage is due to more rapid increase in health facilities in rural areas, greater use of mobile health units, and lower estimates of population from new census.
<ul style="list-style-type: none"> Decrease geographical inequity index⁴ from 3.6 in 1996 to 2.6 in 1998 to near 1 in 2000. 	Continued progress	Index is estimated to be 3.0 in 1998, (3.3 in 1997), compared with 6.6 in 1994. Deceleration in reduction in index now expected in light of expansion of services already achieved in rural areas.	Revised target: decrease in ratio of 0.1 per year. Initial target now believed to have been unrealistic.

⁴ This index is defined as the number of health units serving the 25 percent most-favored population divided by the number of units servicing the 25 percent least favored population.

Mozambique: Status of Structural and Social Reforms Envisaged at the HIPC Decision Point

Policy Area/Objectives/Targets	Status	Actions Taken/Results	Observations/Future Actions
<ul style="list-style-type: none"> Increase “service units” per inhabitant from 2.6 in 1996 to 3.9 in 2000. 	Continued progress	Index reached 2.8 in 1997 and an estimated 3.1 in 1998. Realistic goal for 2000 now considered to be 3.6	Service-unit measure gives larger weight to in-patient days, whereas improvements have been greatest in vaccinations and consultations. Focus will be on expanding delivery of maternal and child health services.
Increase quality of health services by meeting the following targets:			
<ul style="list-style-type: none"> Increase proportion of health posts/centers stocked with the Essential Drugs Program Kit from 40% in 1996 to above 50% in 1998 and 80% in 2000. 	Met	UNICEF survey indicates that 88% of health centers were stocked with Essential Drugs Program Kit in 1997.	Indicator will continue to be regularly monitored.
<ul style="list-style-type: none"> Increase proportion of health posts/centers staffed with trained personnel from 70% in 1995 to 80% in 1998 to 95% in 2000. 	Met	Proportion of posts with trained personnel was 86% in 1997. Deepening of training now under way. Proportion staffed by medical doctors estimated to be 77% in 1998, compared with less than 40% in 1995.	
Increase sustainability of health expenditures over the medium term by meeting the following targets:			
<ul style="list-style-type: none"> Complete cost-sharing strategy. 	Met	Draft cost-sharing strategy prepared.	Exemption in place for the poorest. Cost-sharing is seen more as a means of engaging community support and expanding local services than of ensuring financial sustainability per se

Mozambique: Status of Structural and Social Reforms Envisaged at the HIPC Decision Point

Policy Area/Objectives/Targets	Status	Actions Taken/Results	Observations/Future Actions
<ul style="list-style-type: none"> Increase share of receipts of user fees in recurrent health expenditure from 2% in 1995 to 10% in 2000. 	Progress	User fees remained at about 4% of recurrent health expenditures in 1997-98 in view of continued rapid expansion of government budgets for recurrent health expenditures.	User fees retained at local level. Exemptions provided for treatment of communicable diseases, preventative services, and for those unable to pay.
Poverty action plan			
<p>A poverty action plan, based on a poverty assessment, would be developed, aimed at creating an integrated social safety net for the entire country. The first target to be met under this plan is the following:</p>		Poverty action plan has been developed and is being integrated with medium-term expenditure planning and sector strategy in key sectors.	
<ul style="list-style-type: none"> Complete poverty assessment and poverty action plan (end-1998). 		Draft poverty assessment completed Dec. 1998 and released. Poverty action plan completed in March 1999.	Poverty action plan approved by cabinet in April 1999. Institutional arrangements for integration of poverty action plan into policy processes being defined. Action plan to be implemented through budget for year 2000.

HIPC Initiative: Status of Country Cases

Country (In order of expected decision point within groups)	Decision Point	Completion Point	NPV of Debt-to- Export Target (In percent)	Assistance at Completion Point (In millions of U.S. dollars, present value, at completion point)					Percentage Reduction in NPV of Debt 1/ Debt 1/	Estimated Total Nominal Debt Service Relief (In millions of U.S. dollars)	Satisfactory Assurances from Other Creditors
				Total	Bilat- eral	Multi- lateral	IMF	World Bank			
				Mozambique	Apr. 98	Mid-99	200 2/ 200 3/	1,442 1,716				877 1076	565 641	105 125	324 381	57 63	3,100 3,700	Received Being sought
Completion point reached											
Uganda	Apr. 97	Apr. 98	202	347	73	274	69	160	20	650	Received
Bolivia	Sep. 97	Sep. 98	225	448	157	291	29	54	13	760	Received
Guyana	Dec. 97	May 99	107 4/	256	91	165	35	27	24	410	Received
Decision point reached and assistance committed by IMF and World Bank											
Burkina Faso	Sep. 97	Apr. 00	205	115	21	94	10	44	14	200	Being sought
Côte d'Ivoire	Mar. 98	Mar. 01	141 4/	345	163	182	23	91	6 5/	800	Being sought
Mali	Sep. 98	Dec. 99	200	128	37	90	14	44	10	250	Being sought
Total assistance provided/committed (of seven countries)				3,355	1,618	1,737	305 6/	801	24	6,770	
Preliminary HIPC document issued; targets based on majority view in preliminary discussions at IMF and World Bank Boards; assistance based on preliminary HIPC documents and subject to change											
Guinea-Bissau	2000 7/	2003	200	300	148	153	8	73	73	600	...
Ethiopia	1999 8/	2002	200	636	225	411	22	214	23	1,300	...
Mauritania	Jul-99 9/	2002	200	271	114	157	21	43	25	550	...
Debt judged sustainable											
Benin	Jul. 97	...	...	...	...	...	...	...	...	...	...
Senegal	Apr. 98	...	...	...	...	...	...	...	...	...	...

Sources: IMF and World Bank Board decisions, completion point documents, decision point documents, preliminary HIPC documents, and staff calculations.

1/ In percent of net present value of debt at completion point, after full use of traditional debt-relief mechanisms.

2/ Committed at decision point.

3/ Includes additional assistance required to meet 200 percent debt-to-exports target at completion point for Mozambique.

4/ Eligible under fiscal/openness criteria; NPV of debt-to-exports target chosen to meet NPV of debt-to-revenue target of 280 percent, as projected at the decision point.

5/ Nonreschedulable debt to non-Paris Club official bilateral creditors and the London Club, which was already subject to a highly concessional restructuring, is excluded from the NPV of debt at the completion point in the calculation of this ratio.

6/ Equivalent to SDR 212 million.

7/ Debt situation needs to be revisited once the current conflict has ended and a new recovery program agreed.

8/ Country case is delayed due to conflict.

9/ Boards will be recommended to agree that Mauritania could be considered to be ready to reach the decision point in July 1999 once the new ESAF arrangement is approved by the Fund Board. The formal decision point would be expected in the fall of 1999, when assistance is expected to be committed by the Boards on the basis of the enhanced HIPC Initiative framework expected to have been agreed by that time.