INTERNATIONAL MONETARY FUND AND
INTERNATIONAL DEVELOPMENT ASSOCIATION

Heavily Indebted Poor Countries (HIPC) Initiative: Status of Implementation

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- Twenty-six countries are benefiting from debt relief under the enhanced HIPC Initiative, of which six have reached the completion point. Since the spring, two countries (Burkina Faso and Mauritania) have reached completion points and two preliminary HIPC documents have been considered (Côte d'Ivoire and Democratic Republic of Congo). Bringing the remaining dozen countries to the decision point continues to be a challenge as these countries are mostly conflict-affected; and many of them have substantial arrears problems. To provide the opportunity for all eligible HIPCs to benefit from HIPC relief, it is proposed to extend the sunset clause of the Initiative by another two years to end-2004.

- Many countries in their interim periods may take longer than anticipated to reach their completion points due to the need to develop their PRSPs and overcome difficulties in the implementation of their economic adjustment and reform programs. The provision of interim assistance by major creditors supports the efforts of HIPCs, and lowers these countries' near-term debt-service costs substantially.

- As noted in the last progress report, the outlook for many HIPCs has deteriorated with the global economic downturn and the fall in commodity prices. Accordingly, some shareholders and external observers have made proposals for additional relief. The Initiative has the flexibility to ensure a sustainable exit from the Initiative by providing, when appropriate, additional debt relief at the completion point.

- To maintain long-term debt sustainability beyond the HIPC Initiative, HIPCs will have to achieve sustained economic growth and export diversification through sound economic management, and improved governance and institutions. The international community needs to provide strong support through adequate financing on highly concessional terms. An increase in grants will help ensure that external financing is consistent with the repayment capacity in countries that are particularly vulnerable, and the recent expansion of grants in the IDA-13 replenishment will contribute to this.

- Donor support has played a critical role in the provision of debt relief by multilateral creditors under the HIPC Initiative. However, the expected financing needs of the Initiative have not been fully met, including the potential costs of "topping-up". Recent indications of donor support could help meet these needs, but need to be converted into firm commitments. Any increase in debt relief, including through modifications to the Initiative, would require additional donor financing to avoid a weakening of the capacity of multilateral creditors to provide financial support to low-income countries, including the HIPCs.

- Full participation by all creditors is essential in order to ensure that the debt stocks of HIPCs are reduced to sustainable levels. The staffs are seeking ways to raise the participation of multilateral and non-Paris Club official bilateral and commercial creditors. This remains a key issue for the successful implementation of the HIPC Initiative.

I. INTRODUCTION

1. Part I of this report reviews progress in the implementation of the HIPC Initiative since March 2002.[1] Amongst other items, this includes updates on the status of implementation in countries during their interim period, the status of creditor participation under the Initiative, new information on the operations of the HIPC Trust Fund, and on creditor litigation against HIPCs. The report also proposes an extension of the sunset clause and moving to an annual review cycle.

2. As a follow up to the earlier analysis of long-term debt sustainability, Part II of this paper updates the HIPCs' external debt outlook and discusses key issues that are important for achieving long-term debt sustainability, including a review of long-term projections under the HIPC Initiative, an analysis of the impact of an increase in grant financing, and a brief account of proposals to modify the HIPC framework.

PART I. PROGRESS OF IMPLEMENTATION

II. IMPLEMENTATION UPDATE

3. Since March 2002, Burkina Faso and Mauritania reached their completion points and preliminary HIPC documents were considered for Côte d'Ivoire and the Democratic Republic of Congo. Looking ahead, in the next few months, Côte d'Ivoire is expected to reach its decision point, Mali its completion point, and a preliminary HIPC document is under preparation for the Central African Republic.

4. The implementation of the Initiative for the remainder of 2002 and into 2003 will continue to face the challenges noted in the Spring 2002 progress report. As indicated in Table 1 and Annex II, 12 countries that are expected to require HIPC relief have not yet reached their decision points. Most of these countries are conflict-affected[2] and/or have substantial arrears problems, with inherent complexities in designing and implementing a viable reform package. Wherever possible, the staffs continue to work with the authorities in these countries to develop strategies for moving ahead.

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[1] "Heavily Indebted Poor Countries Initiative Status of Implementation," SM/02/94, March 25, 2002, http://www.imf.org/external/hipc, and IDA/SecM2002-0155, March 22, 2002, http://www.worldbank.org/hipc.

[2] For an in-depth analysis of the challenges facing post-conflict countries, see "Assistance to Post-Conflict Countries and the HIPC Initiative," IMFC/Doc/3/01/7 and DC2001-0014, April 20, 2001, http://www.imf.org/external/np/hipc and http://www.worldbank.org/hipc.

Table 1. Enhanced HIPC Initiative: Committed Debt Relief and Outlook
Status as of July 2002
(In millions of U.S. dollars) 1/

	Reduction in NPV Terms			Nominal Debt Service Relief			
	Original HIPC Initiative	Enhanced HIPC Initiative	Total	Original HIPC Initiative	Enhanced HIPC Initiative	Total	Date of Approval
Countries that have reached their Completion Points (6)							
TOTAL	**2,740**	**4,788**	**7,528**	**5,510**	**7,830**	**13,340**	
Bolivia	448	854	1,302	760	1,300	2,060	Jun-01
Burkina Faso	229	324	553	400	530	930	Apr-02
Mauritania	0	622	622	0	1,100	1,100	Jun-02
Mozambique	1,716	306	2,022	3,700	600	4,300	Sep-01
Tanzania	0	2,026	2,026	0	3,000	3,000	Nov-01
Uganda	347	656	1,003	650	1,300	1,950	May-00
Countries that have reached their Decision Points (20)							
TOTAL	**377**	**16,851**	**17,228**	**660**	**26,720**	**27,380**	
Benin	0	265	265	0	460	460	Jul-00
Cameroon	0	1,260	1,260	0	2,000	2,000	Oct-00
Chad	0	170	170	0	260	260	May-01
Ethiopia	0	1,275	1,275	0	1,930	1,930	Nov-01
The Gambia	0	67	67	0	90	90	Dec-00
Ghana	0	2,186	2,186	0	3,700	3,700	Feb-02
Guinea	0	545	545	0	800	800	Dec-00
Guinea-Bissau	0	416	416	0	790	790	Dec-00
Guyana	256	329	585	440	590	1,030	Nov-00
Honduras	0	556	556	0	900	900	Jul-00
Madagascar	0	814	814	0	1,500	1,500	Dec-00
Malawi	0	643	643	0	1,000	1,000	Dec-00
Mali	121	401	522	220	650	870	Sep-00
Nicaragua	0	3,267	3,267	0	4,500	4,500	Dec-00
Niger	0	521	521	0	900	900	Dec-00
Rwanda	0	452	452	0	800	800	Dec-00
São Tomé and Príncipe	0	97	97	0	200	200	Dec-00
Senegal	0	488	488	0	850	850	Jun-00
Sierra Leone	0	600	600	0	950	950	Mar-02
Zambia	0	2,499	2,499	0	3,850	3,850	Dec-00
Countries still to be considered (12)							
Côte d'Ivoire 2/	345	2,519	2,519	800	3,950	3,950	Mar-02 3/
Burundi	…	…	…	…	…	…	
Central African Republic	…	…	…	…	…	…	
Comoros	…	…	…	…	…	…	
Congo, Dem. Rep. of	0	5,773	5,773	0	9,800	9,800	Jun-02 3/
Congo, Rep. of	…	…	…	…	…	…	
Lao PDR	…	…	…	…	…	…	
Liberia	…	…	…	…	…	…	
Myanmar	…	…	…	…	…	…	
Somalia	…	…	…	…	…	…	
Sudan	…	…	…	…	…	…	
Togo	…	…	…	…	…	…	
Memorandum item:							
Debt relief committed under original and enhanced frameworks 4/	**3,462**	**21,639**	**25,101**	**6,970**	**34,550**	**41,520**	

Sources: HIPC Initiative country documents; World Bank and IMF staff estimates.
1/ In net present value (NPV) terms of the decision point year.
2/ It is suggested that debt relief under the original framework be overtaken by HIPC relief under the enhanced framework.
3/ Preliminary document issued.
4/ Countries that have reached their decision points under the enhanced HIPC framework through mid-February 2002 and Côte d'Ivoire, which had reached the decision point under the original framework earlier.

5. Twenty countries are currently in their interim periods. They have shown mixed economic performances (see Annex II for more details on PRGF, PRSP, and HIPC Initiative status). Of the ten countries mentioned in the Spring 2002 report as having encountered problems in the implementation of their macroeconomic programs, three countries have now resumed their PRGF-supported programs (Guinea, Niger, and Rwanda); another four countries are implementing corrective measures agreed with the IMF and World Bank staff in order to build a track record of policy performance for the resumption of a PRGF-supported program (Malawi, Nicaragua, Guyana, and São Tomé and Príncipe). The remaining three countries (Guinea-Bissau, Honduras, and Senegal) continue to have difficulties in the implementation of their economic reform programs. Madagascar joined this group due to prolonged domestic uncertainty following the presidential election dispute, which has delayed the second review of the program. Of the three countries that earlier experienced delays in preparation of their PRSP, the government of Mali adopted its PRSP in end-May 2002, and Benin and Cameroon have also made progress and are expected to finalize their PRSPs in the third quarter of 2002.

6. The HIPC relief committed so far to the 26 countries that have either reached their completion points or are in their interim period, together with debt relief under the traditional mechanism and additional bilateral debt forgiveness over and beyond the HIPC Initiative, represents a reduction in the outstanding debt stock of about US$40 billion in NPV terms, or a two-thirds reduction of the overall debt stock of these countries. The HIPC Initiative continues to provide substantial savings in terms of debt-service payments for HIPCs, notwithstanding the delay in bringing a number of countries to their completion points (Box 1). Compared with the levels recorded in 1998–99, average annual debt service due during 2001–05 for these countries is expected to be lower by almost 40 percent, with the savings averaging about US$1.3 billion per year (Appendix Table 2). This relief in part enables countries to increase social expenditures, which on average could rise from 6 percent GDP in 1999 to 9 percent in 2002, a level almost four times that spent on debt service (Appendix Table 4). Nevertheless, the amount of debt-service savings and the related increase in social expenditures in the near term vary across countries depending on their specific situations. As countries strive to implement their PRSP, poverty-reducing spending is expected to increase in all countries that are on track in their economic reform programs, with financing from increased revenue and international support in the form of new aid flows and debt relief.

Box 1. HIPC Initiative: Evolution and Achievements to Date

Evolution:
The HIPC Initiative was launched in 1996 and is aimed at providing comprehensive relief to reduce the debt burden for the world's poorest and most heavily indebted countries pursuing economic and social reform aimed at reducing poverty. The Initiative marked the first time that multilateral creditors provided debt relief. In 1999, a consensus emerged for a modification of the framework to provide three key enhancements:

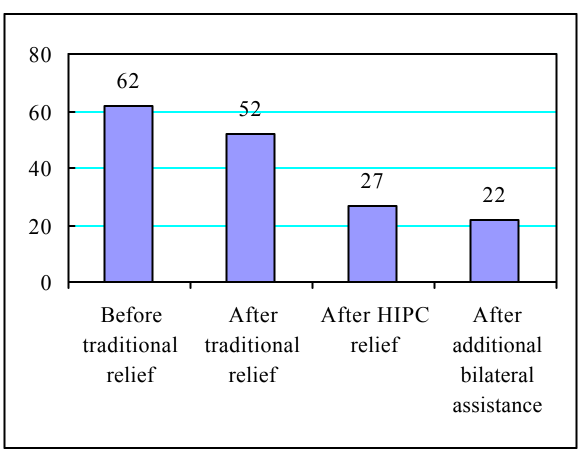
- **Deeper and Broader Relief:** External debt sustainability thresholds were lowered from the original framework providing more debt relief. Also, more countries have become eligible for debt relief and some countries became eligible for greater relief.

- **Faster Relief:** A number of creditors began to provide interim debt relief immediately at the decision point. Countries could reach the completion point faster.

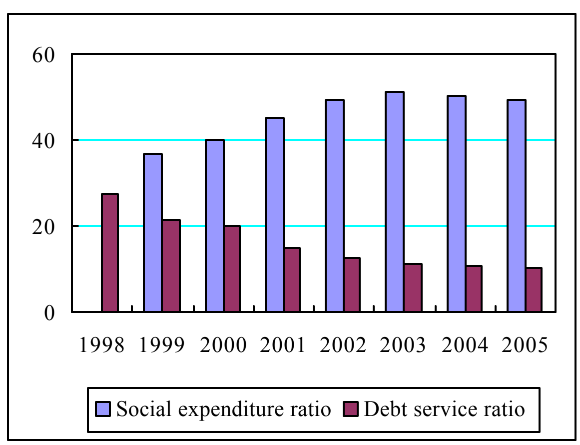
- **Stronger Link Between Debt Relief and Poverty Reduction:** Freed resources were to be used to support poverty reduction strategies–in the form of PRSPs–developed by national governments in consultation with civil society.

Achievements *(for the 26 decision point countries–as of July 2002):*
- Debt relief approved for 26 out of 38 countries projected to require relief. The countries yet to reach decision points face serious challenges as most are conflict-affected and/or have substantial arrears problems;
- Six countries reached completion points where debt relief is released unconditionally. Creditor participation is high but not complete;
- Twenty countries are receiving interim debt relief;
- Average NPV of external debt cut by approximately two-thirds (with other forms of debt relief);
- Debt service as a percentage of exports cut by half from 16.5 percent in 1998–99 to 8 percent in 2001-05 compared to an average for other developing countries of over 20 percent;
- Debt service as a percentage of GDP reduced from 4 percent in 1998–99 to 2 percent;
- Debt service as a percentage of government revenue reduced from 24 percent in 1998–99 to about 10 percent by 2005; and
- Social expenditures projected to increase substantially, in part financed by resources freed up by HIPC relief; poverty-reducing spending will rise from less than two times that on debt-service payments to more than four times.

Debt Stock Reduction in NPV of Debt
(In billions of U.S. dollars in decision point terms)



Debt Service Reduction and Social Spending
(In percent of fiscal revenue)



III. UPDATE OF COSTS

A. Projected Costs of HIPC Relief

7. The costs of providing debt relief under the Initiative to 34 countries are estimated at US$37.2 billion in 2001 NPV terms or slightly higher than the projections made last March of US$36.4 billion (Table 2 and Box 2). The underlying assumptions and caveats on the updated costing are detailed in Annex I. The revision in total costs reflects mainly (i) revision in debt data for Burkina Faso at its completion point; (ii) topping up of debt relief to Burkina Faso at its completion point (US$129 million in NPV terms); (iii) upward revision of costs for the Democratic Republic of Congo (by US$545 million) and for Côte d'Ivoire (by US$94 million); and (iv) slight revisions in decision point debt data for Mali and Benin in light of revised DSAs associated with their upcoming completion point documents. The costs of potential additional debt relief at the completion point for other cases are discussed separately below (see Section III.B).

Table 2. HIPC Initiative: Estimates of Potential Costs by Creditor Group 1/
(34 countries)

	March 2002 Costing Exercise	July 2002 Costing Exercise 2/	July 2002 Share of Total Costs
	(In billions of U.S. dollars, in 2001 NPV terms)		(In percent)
Total costs	**36.4**	**37.2**	**100.0**
Bilateral and commercial creditors	**18.8**	**19.2**	**51.8**
Paris Club	14.1	14.3	38.4
Other official bilateral	3.2	3.2	8.7
Commercial	1.5	1.6	4.4
Multilateral creditors	**17.6**	**17.9**	**48.3**
World Bank	8.1	8.2	22.1
Of which: IDA	7.4	7.5	20.2
IBRD	0.8	0.8	2.2
IMF	2.7	2.7	7.4
AfDB/AfDF	3.0	3.2	8.5
IaDB	1.2	1.2	3.2
Other	2.6	2.6	7.0
Memorandum item:			
Total costs including Liberia, Somalia, and Sudan	45.3	46.0	123.7

Sources: HIPC Initiative country documents; and Fund and Bank staff estimates.

1/ All HIPCs, excluding Liberia, Somalia, Sudan, Angola, Kenya, Lao P.D.R., Vietnam, and Yemen (see Annex I).
2/ Reflects updated DSAs for Benin, Burkina Faso, Democratic Republic of Congo, Côte d'Ivoire and Mali.

Box 2. Historical Perspective on Costs of HIPC Relief

Since the HIPC Initiative was introduced in 1996, the costs of financing the Initiative have increased considerably. The first estimate of the costs of HIPC relief under the Original Initiative in 1996 was US$5.6 billion in 1996 NPV terms and covered the costs for 13 countries. Over time, the number of countries included in the costing exercise has increased, even though the number of countries eligible for relief under the HIPC Initiative has remained at 40–42. This is because the costing exercise is based on the availability of reliable debt data, the prospects for countries to qualify for HIPC relief, and countries' intention to seek debt relief. As a result of changes in these three factors, the estimated costs of debt relief under the HIPC Initiative has increased to US$37.2 billion in 2001 NPV terms for 34 countries. Other reasons for the increase in costs include:

- An increase in the number of countries included in the costing estimates from 13 in 1996 to 34 currently. These 34 countries reflect the entire group of potentially eligible HIPCs (42) but exclude those countries which are expected to be sustainable under the current framework (four countries: Angola, Kenya, Vietnam, and Yemen) as well as Lao P.D.R., Liberia, Somalia, and Sudan.

- The enhancement of the framework in September 1999 more than doubled the costs of the Initiative (see Box 1 for details of the changes to the framework).

- Changes in economic factors (i.e., value of exports due to changes in prices and/or quantities) and financial parameters (i.e., exchange rates and interest rates) have also served to increase the costs of the Initiative. The decrease in Commercial Interest Reference Rates (CIRRs), which are the basis for the discount rates used to derive NPV terms, observed over the past few years has also served to increase debt stocks and debt relief costs in NPV terms.

Costs of HIPC Relief
(In billions of U.S. dollars)

	Original Framework				Enhanced Framework			
	June 1996	July 1997	Aug. 1998	April 1999	Dec. 1999	Aug. 2000	Aug. 2001	Aug. 2002
Costs in NPV terms 1/	5.6	7.4	8.2	12.5	28.2	28.6	33.2	37.2
Costs in 2001 NPV terms 2/	7.5	9.9	11.0	14.9	31.7	32.1	35.2	37.2
Number of countries included for costing exercise	13 Burundi Ethiopia Guinea-Bissau Madagascar Mozambique Myanmar Nicaragua Niger Rwanda São Tomé and Príncipe Uganda Zaire Zambia	19 Added: Bolivia Burkina Côte d'Ivoire Guyana Mauritania Tanzania	20 Added: Mali	26 Added: Cameroon Chad Rep. of Congo Guinea Malawi Sierra Leone	32 Added: Benin CAR Honduras Lao PDR Senegal Togo	32 Dropped: Lao PDR Added: The Gambia	34 Added: Comoros Ghana	34

Source: HIPC Initiative documents; and staff estimates.

[1]Costs in 1996, 1997, and 1998 are in 1996 NPV terms; costs for April 1999 are in 1998 NPV terms; costs for December 1999 and 2000 are in 1999 NPV terms; costs for 2001 are in 2000 NPV terms; and costs for 2002 are in 2001 NPV terms.
[2]To convert to 2001 NPV terms, note that a constant discount rate of 6 percent per annum was used.

8. The costs of assistance remain broadly equally divided between bilateral and multilateral creditors. An estimated US$26 billion of HIPC relief in 2001 NPV terms has been committed to the 26 decision point countries (Table 3 and Appendix Table 6) corresponding to about 70 percent of the estimated total cost of HIPC relief.[3] For multilateral creditors, commitments already made reflect about 77 percent of their estimated total costs, while for bilateral creditors commitments already made reflect 63 percent of the total cost.

Table 3. HIPC Initiative: Breakdown of Potential Costs by Main Creditors and by Country Groups

(In billions of U.S. dollars, in 2001 NPV terms) 1/

		Decision Point Cases (26)			Post-2001
	Total (34 countries)	Retroactive 2/ (8 countries)	New cases 3/ (18 countries)	Total (26 countries)	Other 4/ (8 countries)
Total costs	**37.2**	**7.4**	**18.7**	**26.0**	**11.1**
Bilateral and commercial creditors	**19.2**	**2.9**	**9.3**	**12.2**	**7.0**
Paris Club	14.3	2.2	6.5	8.7	5.6
Other official bilateral	3.2	0.6	2.3	2.9	0.3
Commercial	1.6	0.1	0.5	0.6	1.0
Multilateral creditors	**17.9**	**4.5**	**9.3**	**13.8**	**4.1**
World Bank	8.2	2.0	4.6	6.6	1.7
Of which: IDA	7.5	2.0	4.3	6.3	1.2
IBRD	0.8	0.0	0.3	0.3	0.5
IMF	2.7	0.7	1.4	2.1	0.6
AfDB/AfDF	3.2	0.5	1.3	1.8	1.4
IaDB	1.2	0.6	0.6	1.2	0.0
Other	2.6	0.7	1.5	2.1	0.5
Memorandum item:					
In percent of total cost	100	19.8	50.3	70.0	30.0

1/ Excluding Angola, Kenya, Lao P.D.R., Liberia, Somalia, Sudan,Vietnam, and Yemen.

2/ Benin, Bolivia, Burkina Faso, Guyana, Mali, Mozambique, Senegal, and Uganda. Côte d'Ivoire is a retroactive case but has not reached its enhanced decision point.

3/ Cameroon, Chad, Ethiopia, The Gambia, Ghana, Guinea, Guinea-Bissau, Honduras, Madagascar, Malawi, Mauritania, Nicaragua, Niger, Rwanda, São Tomé and Príncipe, Sierra Leone, Tanzania, and Zambia.

4/ Burundi, Central African Republic, Comoros, Democratic Republic of Congo, Republic of Congo, Côte d'Ivoire, Myanmar, and Togo.

[3] One retroactive case, Côte d'Ivoire, reached its decision point under the original framework in 1998, but has not yet reached its completion point under the original framework, or its decision point under the enhanced HIPC Initiative.

B. Potential Costs of Completion Point Topping Up

9. Updated projections for the 20 countries that are in their interim periods show that the NPV of debt-to-exports ratio in 8–10 countries could be above the 150 percent threshold at their completion points. In total, the debt of these countries (in NPV terms) after additional debt forgiveness already announced by a number of bilateral creditors and in excess of the HIPC threshold could be in the range of US$0.4–0.7 billion (Table 4). This estimate is basically unchanged since March 2002 after allowing for the actual provision of topping up to Burkina Faso—those costs have been shifted into the estimates of overall HIPC relief discussed in Section A above. Other changes since the spring include new DSAs for several countries (Benin and Mali), a revision to the amount of additional bilateral relief in the case of Ethiopia, and revised export projections.

10. As noted in the Spring 2002 progress report, whether or not a country should be considered for topping up of HIPC relief, and if so, for what amount, will need to be evaluated on a case-by-case basis at the completion point in line with the currently agreed-upon methodology.[4]

IV. STATUS OF CREDITOR PARTICIPATION

A. Overview of Creditor Participation

11. Based on the most recent available information for the 26 countries that have reached their decision points under the enhanced HIPC Initiative, the average participation of creditors in providing HIPC relief to these countries (financing assurances) amounts to 88 percent of the total required HIPC relief (Appendix Table 6). Among the six completion point countries, Bolivia and Uganda have a creditor participation of 95–96 percent of total relief; Burkina Faso, Mozambique, and Tanzania of 88–90 percent; and Mauritania 80 percent. Burkina Faso has not yet received financing assurances amounting to 80 percent of the total required for the topping up element of the HIPC relief, and staffs have contacted creditors on this. Among the 20 countries in the interim period, nine countries have commitments of more than 90 percent, nine countries have financing assurances of 80 percent or more, and two countries have assurances of less than 80 percent. For the latter two countries, Niger and Senegal, the participation of non-Paris Club creditors will be critical as a sizable amount of claims is held by these creditors. Côte d'Ivoire and the Democratic Republic of Congo are cases where only preliminary documents have been issued; financing assurances for these two countries are currently less than 80 percent.

[4] "The Enhanced HIPC Initiative—Completion Point Considerations," EBS/01/141, August 21, 2001, http://www.imf.org/external/hp/hipc, and IDA/SecM2001-0539/1, August 21, 2001, http://www.worldbank.org/hipc.

Table 4. Potential Cost of Additional Debt Relief at the Completion Point 1/

	Projection at Decision Point 2/ After additional bilateral debt forgiveness		Spring 2002 Projections After additional bilateral debt forgiveness		Updated Projections 3/ After additional bilateral debt forgiveness	
	NPV/export ratio (In percent)	Debt in excess of HIPC threshold (Millions of US$ NPV terms)	Range for NPV/export ratio 4/ (In percent)	Range for potential topping up 4/ (Millions of US$)	Range for NPV/export ratio 4/ (In percent)	Range for potential topping up 4/ (Millions of US$)
Benin	138	…	148 - 154	0 - 15	158-170	28-70
Chad	188	85	188 - 219	91 - 161	188-224	91-169
Ethiopia	149	0	164 - 186	129 - 339	137-159	0-88
The Gambia	153	4	162 - 177	15 - 32	162-174	14-30
Guinea-Bissau	107	…	147 - 152	0 - 1	147 - 152	0 - 1
Malawi	156	12	158 - 165	36 - 67	165-165	68-71
Niger	164	38	144 - 148	…	159-167	25-48
Rwanda	185	44	161 - 171	16 - 33	180-198	46-73
Senegal	112	…	157 - 158	94 - 110	158-159	111-128
Zambia	106	…	151 - 154	10 - 41	152-154	15-46
Cameroon	101	…	99 - 112	…	95-113	…
Ghana	82	…	…	…	82-83	…
Guinea	123	…	139 - 141	…	135-140	…
Guyana	57	…	68 - 76	…	69-77	…
Honduras	74	…	90 - 91	…	91-92	…
Madagascar	101	…	75 - 81	…	76-83	…
Mali	143	…	139 - 140	…	128-130	…
Nicaragua	93	…	108 - 117	…	108-117	…
São Tomé and Príncipe	139	…	124 - 140	…	132-143	…
Sierra Leone	139	…	…	…	139-150	…
Total		183		391-800		391-725
Excluding Chad 5/		98		300-638		300-555
Memo Item:						
Including Burkina Faso and Chad 6/		273		520 - 929		520 - 854

Source: World Bank and IMF staff estimates and projections.

1/ Consideration for topping up of HIPC relief will need to be evaluated on a case-by-case basis at the completion point in line with the currently agreed-upon methodology.

2/ For the year preceding the assumed completion point.

3/ The figures differ from those presented in the Spring 2002 report due to: a) revisions to the additional bilateral relief for Ethiopia; b) updated export projections; c) new DSAs conducted for certain countries; and d) Burkina Faso having passed its completion point.

4/ The range is calculated based on the debt ratio for the year preceding the assumed completion point and the ratio assuming a 1-year delay in reaching the completion point.

5/ High debt-to-export ratios for Chad are projected to be temporary due to an expected surge in oil-related exports from 2004 on. Thus Chad is not expected to require a topping up of HIPC relief at its completion point.

6/ Burkina Faso reached its completion point in April 2002, at which time debt relief was topped up by US$129 million in NPV terms.

B. Multilateral Creditors

12. The adjustments in assistance by multilateral creditors since the last review are minor. Such creditors account for US$17.9 billion of the US$37.2 billion in total costs for the HIPC Initiative in 2001 NPV terms, of which US$13.8 billion is to the 26 HIPCs that have reached their decision points. IDA, the IMF, the AfDB, and the IaDB are the largest multilateral creditors (Table 5). They, along with the majority of other multilateral creditors, are providing assistance to countries that have reached their decision points and have delivered their full share to countries that have reached their completion points.[5] The multilateral creditors that are providing HIPC relief or are committed to do so accounted for US$13.8 billion, or more than 98 percent of the debt relief that is currently expected from multilateral creditors. So far, multilateral creditors have delivered over US$3.2 billion in relief. IDA and the IMF represent 11 percent of total disbursements delivered to date under both the original and enhanced HIPC frameworks. The MDBs still not committed to delivering their share of relief under the Initiative are shown in Table 5.

13. For the **World Bank Group**, the financing of its overall HIPC relief will require not only the fulfillment of the existing funding, but also the financial support over the longer term by donors. A broadening of the list of countries (see Box 2), or any modification to the HIPC Initiative framework that raises the total cost of debt relief, will have cost implications for all creditors concerned, including the World Bank. In the absence of additional donor funding, this will reduce the resources available for new IDA lending.

14. The total cost to the **IMF** is estimated at US$2.7 billion (2001 NPV terms), of which US$2.1 billion is for the 26 decision point countries. The IMF has already committed to provide the latter relief in full; this amounts to US$1.9 billion (equivalent to SDR 1.6 billion) in decision point terms. Of this, SDR 0.8 billion in HIPC relief has already been delivered in the form of grants (Appendix Tables 9 and 10).[6] The IMF has secured sufficient resources to finance its participation in the HIPC Initiative (excluding the potential debt relief cost for Liberia, Somalia, and Sudan).[7]

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[5] Administrative procedures are still underway to complete this process for Burkina Faso and Mauritania, which only reached their completion points in April and June 2002, respectively.

[6] No relief has been provided to São Tomé and Príncipe, which had no outstanding obligations to the IMF at the decision point, and Nicaragua, which has experienced track record interruptions in its PRGF arrangement. The release of the topping up amount for Burkina Faso is subject to satisfactory financing assurances.

[7] See "Update on the Financing of PRGF and HIPC Operations and the Subsidization of Post-Conflict Emergency Assistance" SM/02/273, August 21, 2002.

Table 5. Delivery of HIPC Relief by Multilateral Creditors

Status	Multilateral Creditor	Cost of HIPC Relief to 26 Decision Point Countries (In millions of U.S. dollars, in 2001 NPV terms)
Delivering or committed to delivering debt relief 1/	World Bank	6,556
	International Monetary Fund (IMF)	2,123
	African Development Bank (AfDB)	1,821
	Inter-American Development Bank (IaDB)	1,194
	Central American Bank for Economic Integration (CABEI)	539
	European Union/European Investment Bank (EU/EIB)	484
	International Fund for Agricultural Development (IFAD)	238
	Arab Bank for Economic Development in Africa (BADEA)	162
	OPEC Fund for International Development	152
	Islamic Development Bank (IsDB)	129
	Corporación Andina de Fomento (CAF)	102
	Arab Fund for Social and Economic Development (AFESD)	68
	Caricom Multilateral Clearing Facility (CMCF)	63
	West African Development Bank (BOAD)	45
	Fund for the Financial Development of the River Plate Basin (FONPLATA)	27
	Nordic Development Fund (NDF)	24
	Caribbean Development Bank (CDB)	19
	Banque Centrale des Etats d'Afrique de l'Quest (BCEAO)	6
	Nordic Investment Bank (NIB)	4
	Banque des Etats de l'Afrique Centrale (BDEAC)	1
Not yet approved debt relief for any HIPCs	Economic Community of West African States (ECOWAS)	15
	Arab Monetary Fund (AMF)	13
	Eastern and Southern African Trade and Development Bank (PTA Bank)	8
	East African Development Bank (EADB)	4
	Conseil de L'Entente (FEGECE)	3
	Fondo Centroamericano de Estabilizacion Monetaria (FOCEM)	2
	Fund for Solidarity and Economic Development (FSID)	1

Sources: HIPC documents; HIPC authorities; multilateral creditors, and Bank and Fund staff estimates.

1/ Several of these creditors are providing relief on a case-by-case basis, and have yet to agree to participation in the entire HIPC Initiative. Moreover, for a few of these creditors significant delays in developing the modalities and the actual delivery of debt relief have been experienced.

C. IDA-Administered HIPC Trust Fund

15. The HIPC Trust Fund helps support the provision of debt relief to eligible HIPCs by regional and sub-regional multilateral creditors and by the World Bank. It has long been recognized that the pledged funding of the HIPC Trust Fund would fall short of that required. In this context, in June 2002 the G-8 members agreed to fund their share of the shortfall, recognizing that it will be up to US$1 billion.[8]

16. **World Bank Group Financing**. It is expected that future IDA debt service relief to eligible countries will average over US$500 million per year well into the next decade. The IBRD has so far allocated US$1.4 billion out of its net income and surplus to the World Bank component of the HIPC Trust Fund, out of a total pledge of US$2.15 billion in NPV terms over time. In the absence of additional donor contributions to finance IDA debt relief before the beginning of IDA14, estimated IBRD net income transfers of about US$240 million per year on average will be needed over the next four years in order to fulfill this pledge and enable the Trust Fund to reimburse IDA for the debt relief it will be providing over that period. On August 8, 2002, the World Bank Executive Board recommended to the Board of Governors the transfer of US$240 million of fiscal year 2002 net income to the HIPC Trust Fund. The financing of IDA's unfunded HIPC relief costs will be addressed in 2004 during the IDA14 replenishment discussions.

17. Because IBRD net income transfers to the HIPC Trust Fund cannot be used to provide debt relief for the three countries that have substantial levels of outstanding IBRD debt (Cameroon, Côte d'Ivoire, and Honduras), IDA debt relief grants and credits are being used to finance this debt relief. These grants and loans are estimated to total about US$700 million during the IDA13 period. These additional IDA funding requirements for debt relief for these three countries during IDA13 were taken into account in the development of the overall IDA13 replenishment package.

18. **Bilateral Donor Support**. As of end-June 2002 pledges by bilateral donors to the HIPC Trust Fund to support the debt relief provided by regional and sub-regional creditors totaled approximately US$2.5 billion[9] with paid–in contributions reaching US$1.7 billion. Payments received in FY 02 totaled US$730 million from 16 donors including Euro 250 million (US$226 million) from the European Commission and US$239 million from the United States. Total outstanding pledges to the Trust Fund for these creditors as of end-June 2002 were correspondingly close to US$800 million. Almost all of these pledges are expected to be paid-in by the end of the year.

19. **Recipients of HIPC Trust Fund Support**. The AfDB is the largest recipient among the regional and sub-regional creditors. From its inception, the Trust Fund has entered into agreements providing US$818 million in donor resources to the AfDB. Other regional and sub-regional creditors receiving support from the Trust Fund include: IaDB US$78 million, CABEI US$44 million, CAF US$56 million, FONPLATA US$19 million, BOAD US$19 million, IFAD US$8 million, and CMCF US$2 million.

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[8] See The Kananaskis Summit Chair's Summary, The 2002 Summit, Kananaskis, Canada, http://www.g8.gc.ca/kan_docs/chairsummary-e.asp.

[9] Excludes funding provided by bilateral donors to support debt relief to be provided by IDA or the IMF. It also does not include the funds provided to the Trust Fund by the Nordic Development Fund to finance its debt relief under the HIPC Initiative.

20. **Financing Requirements**. It is currently estimated that the financing required to support the debt relief of these creditors for the 34 HIPCs that have already reached their decision points or are expected to require HIPC relief in the future will fully exhaust the resources mobilized to date by the HIPC Trust Fund and will leave a potential funding gap of up to US$750–800 million. It is expected that donors will meet this fall to review the financing requirements of the HIPC Trust fund. Additional donor pledges to address this gap are needed by the end of 2002.

21. This estimated funding gap includes potential funding requirements for the HIPC Trust Fund that could be created by decisions to top up debt relief at completion point. It has been estimated that such topping-up could increase the financing requirements of the Trust Fund to support AfDB debt relief by as much as US$100 to US$150 million.

22. The above shortfall estimate does not include additional HIPC Trust Fund support for IFAD, beyond that which has already been specifically earmarked by individual bilateral donors as part of their contribution. Should donors decide to earmark additional support through the HIPC Trust Fund to IFAD, this will correspondingly increase on a one-to-one basis the financing shortfall faced by the HIPC Trust Fund.

23. **Multilateral Development Banks**. Since the last status report, there has been some discussion about identifying ways to enable Multilateral Development Banks (MDBs) which do not currently benefit from support under the HIPC Trust Fund, to participate in the Initiative. Up to now, eight MDBs have used the Trust Fund to help finance the delivery of their share of HIPC relief, but several other MDBs have approached the HIPC Trust Fund for possible financial support in order to be able to provide their required debt relief.[10] As Table 5 above shows, the HIPC costs for creditors which have yet to provide relief totals US$46 million in 2001 NPV terms.

D. Paris Club Creditors

24. Since March 2002, Paris Club creditors have provided completion point stock-of-debt relief on Cologne terms to Burkina Faso[11] and Mauritania. Upon reaching the decision point under the enhanced HIPC Initiative, Ghana received a flow rescheduling on Cologne terms. Paris Club creditors also started providing interim assistance to Ethiopia and Sierra Leone by reducing cash debt-service obligations under their existing Naples flow reschedulings further by 70 percent in approximation to the level of debt service under a Cologne flow rescheduling. Côte d'Ivoire, which had previously reached its decision point under the original HIPC Initiative, received a flow rescheduling on Lyon terms that will be topped up to Cologne

[10] As noted above, AfDB, IaDB, CABEI, CAF, FONPLATA, BOAD, IFAD, and CMCF have accessed the HIPC Trust Fund and the CDB was included as an eligible creditor within the context of the Latin American financing framework. For IFAD, donors have made specific allocations.

[11] They also committed to provide the topping up of relief, but have yet to agree the modalities for doing so.

terms when it reaches the enhanced decision point. After the clearance of some arrears, Paris Club creditors have agreed to provide interim assistance to Zambia (Appendix Tables 12 and 13). In addition, a number of Paris Club creditors have started to provide additional bilateral debt cancellation for the decision point countries (Appendix Tables 14 and 15).

E. Non-Paris Club Official Bilateral Creditors

25. Some progress has been made since the last report in securing the participation of non-Paris Club official bilateral creditors. India indicated its willingness to provide its share of HIPC relief. Saudi Arabia agreed to provide debt relief to Mauritania at its completion point; Côte d'Ivoire also agreed to deliver debt relief to Burkina Faso and other HIPCs; and the Republic of Korea has agreed to provide relief to Uganda (Appendix Table 16). Overall, there are still 24 creditor countries that have not yet expressed their intention to provide relief (Tables 6 and 7). Participation by all creditors and the prompt delivery of the required debt relief by these creditors has become a pressing issue, especially for countries that have already reached their completion points (Appendix Table 17). To secure the full benefit of HIPC relief as more HIPCs reach their completion points, it remains very important that all creditors fully participate in the Initiative.

26. In a small number of cases, non-Paris Club official bilateral creditors have resorted to litigation as a means of recovering assets (see Annex III). There have also been cases where non-Paris Club creditors have threatened to litigate against HIPCs and/or have chosen to ignore the requests for HIPC relief. This is particularly distressing for the completion point countries. A recent example is the case of Burundi which has initiated legal proceedings to recover debt owed by Uganda (US$15 million sought against US$1.5 million recorded at Uganda's completion point). The Burundi authorities have indicated to the staffs that they will not pursue legal action further.

27. As discussed in the Spring 2002 progress report, Bank and Fund staffs are seeking to raise the participation of non-Paris Club official bilateral creditors. In an effort to increase awareness of the need to participate in the HIPC Initiative, Bank and Fund managements sent letters to the Governors of the Bank and the Fund after the spring meetings calling on their authorities to participate in the HIPC Initiative and reminding creditors of their responsibilities under the Initiative as part of the international community. The staffs have had follow-up discussions with a number of creditors.

28. The staffs are in the process of examining ways to help HIPC creditors provide relief to HIPC debtors. One possibility being explored would be to use bilateral donor resources to finance relief for such claims, possibly through a separate trust fund. The resources required would be relatively small. Such a mechanism would have to reconcile outstanding issues, including establishing the eligibility for access to such a Trust Fund, whether to provide this support retroactively to cover debt relief already provided and the treatment of outstanding credits in the process of litigation.

Table 6. Delivery of HIPC Relief by Non-Paris Club Official Bilateral Creditors

Status	Non-Paris Club Official Bilateral Creditors	
Delivered debt relief on all claims on HIPCs	Argentina Brazil	South Africa Tanzania
Agreed to deliver debt relief on all claims on HIPCs	Côte d'Ivoire Egypt 1/ Honduras Hungary*	India* Morocco Pakistan*
Delivered or agreed to deliver debt relief on some, but not all, claims on HIPCs	Algeria * 2/ Bulgaria 3/ China* 4/ Costa Rica 5/ Czech Republic* 6/ Guatemala 5/ Kuwait*	Mexico* 7/ Poland* 8/ Republic of Korea* 9/ Saudi Arabia* Slovak Republic* 6/ United Arab Emirates* 10/ Venezuela 11/
Not yet agreed to deliver HIPC relief	Angola Burundi Cameroon Cape Verde Colombia* Cuba Democratic Republic of Congo Former Yugoslavia 12/ Iran Iraq Libya Niger	Nigeria Oman* People's Democratic Republic of Korea Peru* Romania Rwanda Senegal Taiwan Province of China Thailand Togo Zambia Zimbabwe

Sources: HIPC documents; HIPC authorities; and correspondence between Bank and Fund staff and creditor authorities.

* denotes creditors that have been in touch with Bank and Fund staff regarding the provision of HIPC relief.

1/ Egypt has written off its (small) claims on Tanzania, and has contacted Guinea about the delivery of HIPC relief.

2/ Algeria provided relief to Mozambique on Lyon terms in 1998 under the original HIPC Initiative. Mozambique has requested a topping up to Cologne terms under the enhanced HIPC Initiative.

3/ Bulgaria agreed to deliver HIPC relief to Nicaragua.

4/ In the context of a broader debt relief for 32 African countries, China has provided debt relief to 15 decision point HIPCs. The Chinese authorities have indicated that currently there is no political basis to provide debt relief to countries which do not have diplomatic ties with China.

5/ Guatemala has provided HIPC relief to Nicaragua, and Costa Rica has indicated its intention to provide relief to Nicaragua.

6/ The Czech and Slovak Republics have already provided relief on terms consistent with the HIPC Initiative to Nicaragua and have agreed to provide relief to Zambia, but have sold claims on other HIPCs to commercial creditors in the secondary market.

7/ Mexico rescheduled debt owed by Nicaragua in 1996.

8/ Poland has agreed to provide relief to Mozambique and Nicaragua, and to work toward finding a solution with Tanzania once the nature of the claims is established.

9/ The Republic of Korea has agreed to provide debt relief to Uganda.

10/ United Arab Emirates and Mauritania have begun negotiations for the delivery of HIPC relief.

11/ Venezuela wrote off its claims on Bolivia in 1997.

12/ Successor states.

Table 7. Non-Paris Club Creditors Which Have Yet to Commit HIPC Relief 1/
(In millions of U.S. dollars in 2001 NPV terms)

Total amount of HIPC relief (24 creditor countries)	**795.0**
HIPCs	27.4
Angola 2/	25.8
Burundi 3/	0.2
Cameroon 4/	0.0
Democratic Republic of Congo	0.3
Niger	0.3
Rwanda	0.6
Senegal 4/	0.0
Togo 4/	0.0
Zambia	0.2
Non-HIPCs	767.6
Bank/Fund members	461.5
Cape Verde	0.2
Colombia	3.9
Former Yugoslavia	56.3
Iran	54.0
Iraq	85.0
Libya	213.9
Nigeria	1.7
Oman	1.3
Peru	7.9
Romania	36.8
Thailand	0.4
Zimbabwe	0.1
Non-Bank/Fund members	306.1
Cuba	1.9
People's Democratic Republic of Korea	19.4
Taiwan Province of China	284.8

Source: HIPC country documents; and IMF and World Bank staff estimates.

1/ For 26 HIPCs which have reached decision points.
2/ Angola is believed to have a sustainable debt, and is not expected to require HIPC relief.
3/ Based on Uganda's completion point document, where total claims were shown as US$1.5 million. However, Burundi has initiated litigation for an amount of US$15 million against Uganda.
4/ Total claims are less than US$0.1 million.

F. Commercial Creditors

29. Debt relief from commercial creditors accounts for only 4.4 percent of HIPC relief, but is the most difficult to obtain and track, as these creditors generally have little interaction with the World Bank and the IMF. Securing their participation in the HIPC Initiative will require extra efforts by the international community. While small in NPV terms, commercial creditors can create pressure for settling claims because debtors may fear the impact of litigation and/or impairment of creditor-debtor relationships.

30. As noted in the previous progress report, commercial claims have been retired mostly under the IDA-administered commercial debt reduction facility and operations are currently under way in Cameroon and Tanzania. Mozambique is considering the possible use of the IDA-administered buyback facility to retire debt not treated in its 1991 IDA buyback. It is expected that more decision point HIPCs will use this facility in the future.

G. Creditor Litigation Against HIPCs

31. The issue of creditor litigation, and in particular that of vulture funds and other debt brokers purchasing HIPC debt in the secondary market and then seeking to maximize recovery through litigation, has received heightened public attention in recent years (see Annex III). Staffs conducted a survey among 28 HIPCs for which HIPC documents have been prepared. Of the 23 HIPCs that responded, 13 indicated that they were not facing any lawsuits, though they did note that they had yet to receive any HIPC relief from some of their non-Paris Club creditors. However, 10 HIPCs responded that they were facing litigation on credits held by commercial creditors and the governments of Iraq and Burundi. The information provided is summarized in Table 8 below. For some, such proceedings can be quite burdensome. Uganda is facing six cases of litigation, Sierra Leone five cases, Nicaragua three cases and the other HIPCs one or two cases each.

32. One promising development is that Del Favero, which had previously been pursuing legal action against Cameroon, has recently decided to rejoin negotiations in the London Club. In the case of Sierra Leone, threats of litigation have resulted in partial payments to creditors for small amounts. This is exceptional, however, although several creditors have received judgments against HIPC debtors, the HIPCs have yet to make payment to these creditors.[12]

33. Bank and Fund staffs have taken a number of measures to minimize the impact of creditor litigation against HIPCs. As HIPCs reach critical points under the Initiative, the staffs have regularly informed non-Paris Club official bilateral creditors of their expected participation; the issue of debt relief delivery has also been raised during consultation missions to the creditor countries. Moreover, staff and management have discouraged non-Paris Club official bilateral creditors from selling HIPC debt in the

[12] The recent case of Red Mountain's claims on Democratic Republic of Congo (DRC) preceded DRC's consideration under the HIPC Initiative.

Table 8. Creditors Entering into Litigation Against HIPCs 1/

Creditor	Domicile of Creditor	HIPC debtor	Amount of Original Claim (US$ mn)	Judgement for Creditor (US$ mn)
Commercial				
TransRoad	Yugoslavia	Uganda		
Industry o14 Oktobar, Krusevac	Yugoslavia	Uganda		
Banco Arabe Espanol	Spain	Uganda		
Sours Fab Famous Rz Promet	Yugoslavia	Uganda		
		Sub-total	***14.5***	***33.8***
Scancem International	Norway	Sierra Leone		
Executive Outcomes	US	Sierra Leone		
J&S Franklin	UK	Sierra Leone		
Umarco	France	Sierra Leone		
Chatelet Investments Ltd.	Sierra Leone	Sierra Leone		
		Sub-total	***24.2***	***Not yet made***
Van Eck Emerging Markets Opportunites Fund	US	Nicaragua		
Leucadia	US	Nicaragua		
GP Hemisphere Associates	US	Nicaragua		
		Sub-total	***70.1***	***275.6***
Kintex	Bulgaria	Ethiopia		
Yugoimport	Yugoslavia	Ethiopia		
		Sub-total	***131.7***	***Not yet made***
Exim Bank	Taiwan Prov. of China	Niger		
Banque Belgolaise	France	Niger		
		Sub-total	***65.0***	***78.2***
Laboratorios Baco	Argentina	Honduras		
Booker Plc	UK	Guyana		
		Sub-total	***13.6***	***Not yet made***
Winslow	Bahamas	Cameroon		
Salah Turkmani	n.a.	Bolivia		
Red Mountain	US	Congo, D.R.		
		Sub-total	***17.8***	***28.4***
Non-Paris Club official bilateral				
Iraq		Uganda		
Burundi 2/		Uganda		
		Sub-total	***8.9***	***Not yet made***
Memo item:				
		Total	***345.8***	***416.0***

Source: HIPC authorities.

1/ Information as reported by individual HIPCs. The Bank and Fund have not made any independent inquiries into the accuracy of the information or the current disposition of the cases. As of July 2002, 13 HIPCs (Benin, Chad, Cote d'Ivoire, The Gambia, Ghana, Guinea, Malawi, Mali, Mauritania, Mozambique, Rwanda, Sao Tome and Principe, and Tanzania) had no cases pending against them. Responses have not yet been received from five countries (Burkina Faso, Guinea-Bissau, Madagascar, Senegal, and Zambia).

2/ Burundi has decided to suspend its court claim.

secondary market, with a view to limiting the supply of debt that could form the basis for legal action by third parties. Looking ahead, in addition to continuing these efforts, the staffs will monitor closely lawsuits brought against HIPCs, and encourage a more active use of the IDA debt reduction facility to help retire debt to commercial creditors. These countries would also benefit from technical assistance in dealing with legal actions against them.

V. OTHER HIPC INITIATIVE ISSUES

A. Extension of the Sunset Clause

34. The establishment of a track record under IMF- and IDA-supported programs has been one of the main requirements for eligible members to qualify for assistance under the HIPC Initiative. The 1996 Program of Action had stated that "the Initiative would be open to all HIPCs that pursue or adopt programs of adjustment and reform supported by the IMF and IDA in the next two years, after which the Initiative would be reviewed and a decision made whether it should be continued." The inclusion of a sunset clause was intended to prevent the HIPC Initiative from becoming a permanent facility and was also meant to encourage HIPCs to adopt adjustment programs that could be supported by the IMF and IDA. In the event, the Boards reviewed the sunset clause in 1998 and in 2000 and agreed to a two-year extension at both junctures.

35. Since end-2000, the Democratic Republic of Congo started an adjustment program with IMF and World Bank support. However, eight among the HIPCs have yet to do so: Angola, Burundi, Comoros, Republic of Congo, Liberia, Myanmar, Somalia, and Sudan. Except Angola, all these countries are expected to require HIPC debt relief based on preliminary analysis of their debt situations. Staff propose that the sunset clause be extended by another two years to end-2004 to provide the opportunity for these countries to begin to establish a policy track record that would allow their consideration for HIPC relief.

B. Annual Review Cycle

36. Since the launch of the HIPC Initiative, staffs have reported every six months on the progress in its implementation. In light of the maturing of the HIPC Initiative and progress in its implementation, staff suggest in the future to move to a six-monthly statistical update on implementation, and an annual cycle for a more comprehensive analytical review. Periodic reports to the Boards on policy issues that arise would still be prepared as needed.

PART II. REVIEW OF DEBT SUSTAINABILITY AND RELATED POLICY ISSUES

VI. REVIEW OF DEBT SUSTAINABILITY IN HIPCS

A. Update of Country Debt Sustainability Prospects

37. Bank and Fund staffs reported in Spring 2002 that the global economic slowdown in 2001, together with a significant decline in many primary commodity prices, had led to a deterioration of many HIPCs' external debt indicators. These concerns have prompted public officials, academics, and non-governmental organizations (NGOs) to call for a better understanding of the causes and nature of the recent changes and to propose actions to ensure that the objectives of the HIPC Initiative are achieved. This review is based on a partial update of data utilized in the Spring 2002 paper.[13] It confirms that (i) for the group of HIPCs whose debt indicators worsened in 2001, the principal source of the deterioration was lower exports owing mainly to declining commodity prices; and (ii) while the world economy is recovering slowly, the prices of key export commodities of HIPCs continue to be depressed and are not expected to recover quickly. As a result, the HIPCs' debt sustainability outlooks remain broadly unchanged since this Spring. However, this assessment will have to be kept under close review in light of developments in the world economy and exchange rates.

Key Factors Affecting External Debt Indicators in 2001

38. Updated data confirm that debt-service ratios were reduced substantially for virtually all HIPCs in 2001 from the levels in 1999–2000, reflecting the impact of interim relief. However, interim relief has little effect on the debt stocks. The NPV of debt-to-exports ratios are estimated to have been higher in 2001 than the decision point projections in 15 out of the 23 countries for which updated data are available (Table 9).[14] Large deteriorations compared to the projections (larger than 15 percentage points) are estimated to have occurred in 11 countries, while the NPV of debt-to-exports ratio improved or remained essentially unchanged in eight countries. For those countries which had worsened NPV of debt-to-exports ratios and for which there are new estimates of debt stocks at end-2001 (eight countries), a decomposition of the changes in the ratios reveals that, on average, lower exports accounted for about 56 percent of the deterioration in the NPV of debt-to-exports ratios (Table 9). The NPV of debt for these eight countries has been revised for a number of reasons: higher than projected new borrowing; revisions to the

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[13] This partial update includes new data on exports, revenue, GDP, and debt service in 24 countries. The NPV of debt figures are largely unchanged from the data set used in the Spring 2002 staff paper.

[14] This is the same coverage as in the Spring 2002 review and assumes that in countries for which updated debt data is not available, results are determined by changes in exports alone. Ghana and Sierra Leone both reached their decision points in early 2002 and thus are not included in the comparison of 2001 outturns vs. decision point projections but their medium-term debt outlooks are assessed in this review (see Annex II).

Table 9. HIPCs: Estimated NPV of Debt-to-Exports Ratios in 2001 Compared with Ratios Projected for 2001 at the Decision 1/
(In percentage points)

	Percentage Points Difference NPV of Debt-to-Export Ratio	Effect of NPV of Debt (Numerator) 1/ 2/	Effect of Exports (Denominator)
15 countries with worsened debt-to-exports ratios			
Benin	82	70	11
Burkina-Faso	88	57	30
Chad	. . . 3/	. . . 3/	4
Gambia, The	21	6	15
Guinea	. . . 3/	. . . 3/	25
Guinea-Bissau	. . . 3/	. . . 3/	99
Guyana	55	49	5
Honduras	. . . 3/	. . . 3/	12
Malawi	. . . 3/	. . . 3/	9
Mauritania	75	37	38
Nicaragua	12	-47	59
Sao Tome and Principe	. . . 3/	. . . 3/	45
Senegal	. . . 3/	. . . 3/	33
Uganda	44	19	25
Zambia	58	1	57
8 countries with improved/unchanged debt-to-exports ratios			
Bolivia	-36	-33	-4
Cameroon	-1	-2	1
Madagascar	-31	-7	-25
Mali	-8	10	-18
Mozambique	-34	-7	-27
Niger	. . . 3/	… 3/	-11
Rwanda	-49	3	-51
Tanzania	-41	-22	-19

Sources: Decision Point documents, and World Bank and Fund staff estimates.

1/ Reflects delivery of HIPC relief in line with the assumptions on completion point dates, which differ from figures in Table 4 which are based on the unconditional delivery of HIPC relief .
2/ Includes new borrowing and revisions in the outstanding stock. In the case of Benin, Burkina Faso, and Guyana, the higher NPV of debt is largely due to delays in reaching completion points, implying that the delivery of HIPC relief did not occur as early as originally projected. For countries with recent DSAs, changes in interest and exchange rates have also affected the NPV calculations.
3/ Insufficient information on the NPV of debt was available to make a complete assessment of the NPV debt-to-exports ratio. The estimated effect of exports (3rd column) shows the change in the ratio assuming NPV of debt was as predicated in the Decision Point.

Note: The decomposition of debt and export effects is derived as

$$\Delta(D_t/X_t) = (D_{t-1}/X_t)*(\Delta D_t/D_{t-1} - \Delta X_t/ X_{t-1})$$

where D is the NPV of the debt, X is exports, and Δ is the first difference operator.

debt stock at the decision point; delays in reaching the completion point compared with decision point projections (Benin, Burkina Faso and Guyana);[15] and changes to discount and exchange rate assumptions. Exports were lower than projected at the decision point in 16 of the 23 cases and in ten cases lower exports have contributed to at least a 15 percentage point decline in the NPV of debt-to-exports ratio.

39. Exports in HIPCs that experienced a deterioration in their debt indicators grew only by 3 percent, on average, compared to 12 percent recorded in other HIPCs (Table 10). Also, the export under-performance was significant compared to the average growth rates of 11–14 percent projected at the decision points. This reflected to a large extent a substantial drop in the prices of their key export commodities. On average, the export price index of these countries fell by 4.8 percent, compared to a decline of 1.1 percent in other HIPCs where debt indicators did not worsen. A review of these countries' export structure shows that their exports are concentrated heavily in cotton, coffee, cashews, fish, and copper—commodities that experienced large price reductions last year.[16] A broader measure of external conditions, the terms of trade, declined by 1.5 percent for the HIPCs with worse debt ratios, but rose by 3 percent for other HIPCs.

40. A much larger share of the HIPCs with worsened debt indicators experienced interruptions in their PRGF-supported macroeconomic programs in 2001 (over 50 percent) compared with other HIPCs (11 percent). Their programs had envisaged higher fiscal deficits (including grants) and new external borrowing relative to GDP than other HIPCs, and actual developments confirmed this. However, both groups of HIPCs had slightly higher fiscal deficits than projected and actually borrowed much less in 2001 than projected, in part reflecting lower disbursements from multilateral creditors in cases where programs supported by these creditors went off track. Exogenous shocks have contributed to the worse-than-expected outturns in fiscal and other macroeconomic policy performance in a number of cases.

41. The structural characteristics of these economies show that, on average, the countries with worsened debt indicators have a slightly higher export commodity dependence and a much greater volatility in historical exports, as compared to other HIPCs. These structural characteristics, together with the type of commodities they produce and export, were a contributing factor determining performance in 2001. A fuller discussion of the relative roles of domestic policies versus exogenous factors and judgment on whether the changes are temporary or permanent must take account of each country's specific situation. The country notes for each of the HIPCs in Annex II provide summary information on the latest projections of key external debt indicators, the status of the PRSP, and of HIPC relief.

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[15] Delays in reaching completion when compared with decision point projections result in an increase in projected debt levels because the full impact of HIPC relief on debt stocks is projected at decision point to be provided at the completion point.

[16] The world price for coffee, the main export crop in five HIPCs, fell by 35 percent in 2001. Cotton, the main export in three HIPCs fell by 19 percent. Other commodities that constitute the primary export of at least one HIPC saw large price declines: cashews (a decline in prices of 69 percent), fish (21 percent), and copper (13 percent).

Table 10. HIPCs: External Debt and Other Indicators, 2001 1/

	Debt Indicators Worse than Decision Point Projection 2/ (15 countries)	Debt Indicators Improved/ Unchanged 3/ (8 countries)
	(Annual percentage change, or in units indicated)	
Deviation of external debt indicators from decision point projection (in percentage points)		
NPV of debt-to-exports	44	-26
Debt service-to-export ratio	0.2	-3.2
GDP and Export performance		
Exports	3.0	12.0 4/
GDP	4.5	5.6
Incremental output to net external financing ratio 5/	0.45	0.69
External conditions		
Export price index 6/	-4.8	-1.1
Terms of trade index 6/	-1.5	3.3
Fiscal and borrowing policies		
PRGF status (share of countries on track, in percent)	47	88
Fiscal deficit (in percent GDP, actual) 7/	-6.0	-3.3
New borrowing (in percent of GDP)	6.7	3.8
Structural characteristics of economy		
Commodity export dependence 8/	63	48
Per capita income (in U.S dollars)	385	374
Memorandum items:		
Decision point projections		
Exports	11.3	13.8
GDP	5.5	6.0
Fiscal deficit (in percent of GDP) 7/	-5.6	-2.7
New external borrowing (in percent of GDP)	9.3	5.6
Incremental output to new borrowing ratio	0.94	0.83
Historical growth volatility 9/		
Exports	21.0	16.9
GDP	4.4	6.6

Sources: Decision Point documents; IMF World Economic Outlook, 2001; and World Bank and Fund staff estimates.

1/ All figures are simple averages, unless otherwise indicated.
2/ Countries with actual NPV of debt-to-export ratio in 2001 higher than decision point projections:
Benin, Burkina Faso, Chad, The Gambia, Guinea, Guinea-Bissau, Guyana, Honduras, Malawi, Mauritania, Nicaragua, Sao Tome and Principe, Senegal, Uganda and Zambia.
3/ Countries with actual NPV of debt-to-export ratio lower than decision point projections:
Bolivia, Cameron, Madagascar, Mali, Mozambique, Niger, Rwanda and Tanzania.
4/ This figure is heavily influenced by Mozambique. The weighted average is 9.8 percent.
5/ Estimated based on GDP growth and net external financing data.
6/ Weighted average; weights equal to country's share in total export of each group of countries.
7/ Central government, including grants.
8/ Defined as the ratio of three main commodities in total exports, based on 2001 data.
9/ Standard deviation from mean calculated based on data for 1992-2000 period.

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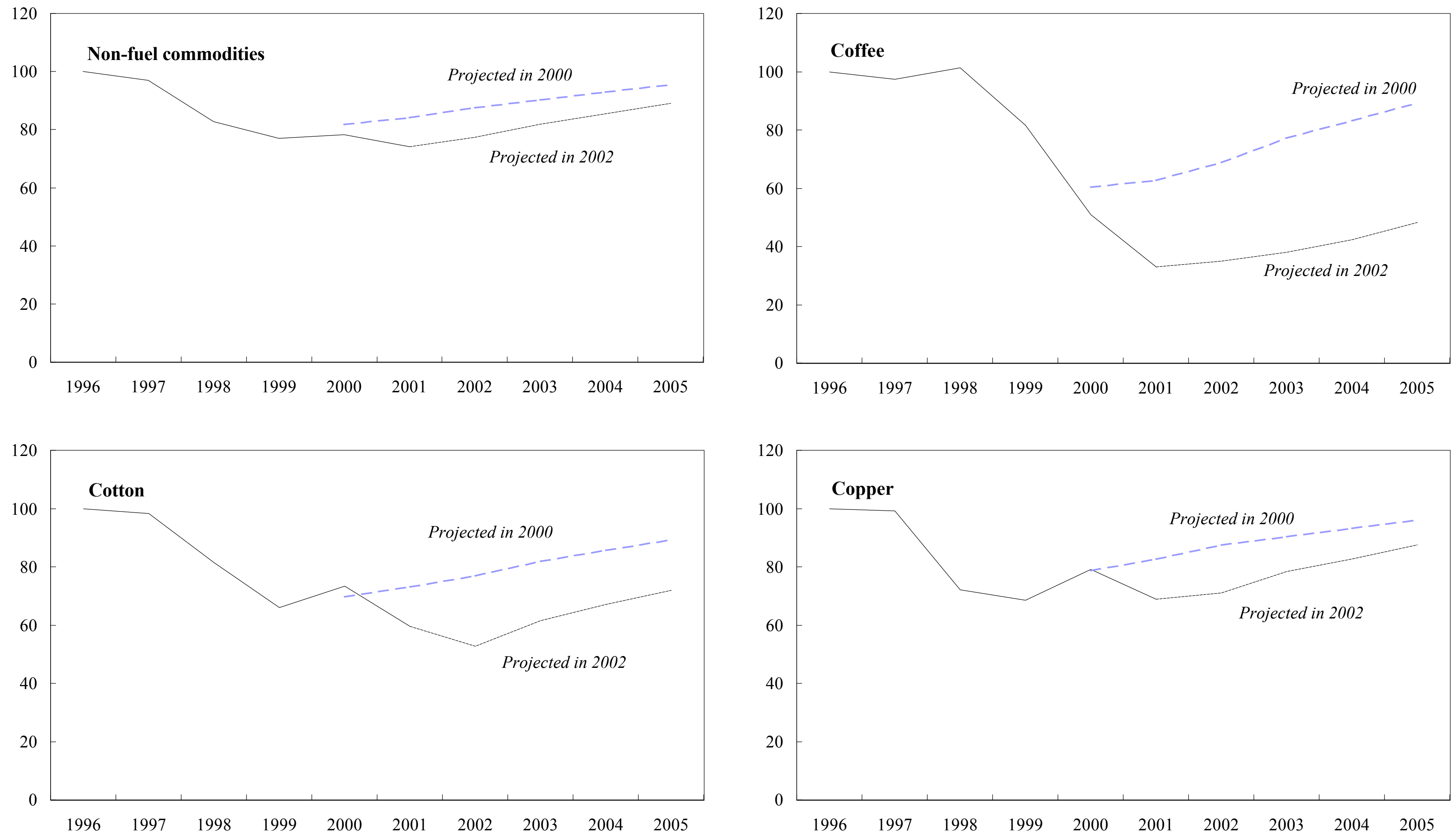
42. Although most commodity prices are forecast to rise over the medium term, the latest IMF and World Bank projections, which are similar to the projections made in the Spring of 2002, suggest that the recovery would be slow and key export commodity prices of the HIPCs would remain below the levels projected two years ago for quite some time (Figure 1). This will have adverse effects on future export earnings of the HIPCs and hence on the debt and debt service-to-exports ratios.

43. Of **the 20 countries in the interim period**, about half are expected to show NPV of debt-to-export ratios in excess of the HIPC sustainability threshold at the time of their completion points: Benin, Chad, Ethiopia, The Gambia, Guinea-Bissau, Malawi, Niger, Rwanda, Senegal, and Zambia. Five of these countries (Chad, Ethiopia, Malawi, Rwanda, and Zambia) had been anticipated to be above the threshold at the time of their decision points. Economic policy performance varies in this group of countries. Guinea-Bissau and Malawi have had extended program interruptions, due largely to problems in fiscal and public resource management, while Senegal experienced delays in implementation of its PRGF-supported program. Zambia's external debt indicators have deteriorated since the decision point as export earnings are projected to be lower reflecting lower world copper prices and the decision of a key foreign firm to discontinue its mining operations in Zambia. Two countries' NPV of debt-to-exports ratios are expected to fall to below 150 percent a few years after their completion points. After including additional bilateral assistance, Benin's debt-to-exports ratio will fall below 150 percent in 2005, and Chad's substantial new investments in the oil sector are expected to lead to a six-fold increase in exports by 2004. Among the countries that have qualified for debt relief under the Initiative's fiscal window, Ghana and Honduras are expected to have their NPV of debt-to-revenue ratios below the 250 percent threshold by the time of their completion points; the ratio for Guyana is projected to fall below the threshold soon after the completion point.

44. Among **the six completion point countries**, the Board approved topping up assistance to Burkina Faso to bring its NPV of debt to 150 percent of exports at the completion point, providing a good basis for the country to maintain debt sustainability over the longer term. The stock of Mauritania's external debt would decline to a sustainable level after HIPC relief at the completion point and after additional assistance committed on a bilateral basis by some Paris Club creditors. As indicated earlier, Bolivia, Mozambique, and Tanzania are expected to have their NPV of debt below 150 percent of exports in 2002–2010. Projected debt-service ratios are mostly favorable over the same period for Mozambique (below 5 percent) and Tanzania (below 8 percent), but relatively high in Bolivia (14–15 percent) owing largely to less concessional new borrowing after the completion point. As for Uganda, its NPV of debt-to-exports ratio has risen since reaching the completion point in 2000 mainly due to the collapse in coffee prices. The staffs have been working closely with the authorities to update their DSA (see Box 3), strengthen debt management capacity, including new borrowing policies, and increasing the effectiveness of Uganda's substantial use of foreign aid.

Figure 1: HIPCs: Main Export Commodity Prices, 1996 - 2005
WEO Projections Made at April 2000 and June 2002; Index: 1996 = 100



Source: IMF *World Economic Outlook* .

Box 3. Uganda: The Results of an Updated Debt Sustainability Analysis

Improvements in Indicators. An updated Debt Sustainability Analysis (DSA) was prepared jointly by the staffs in consultation with the Ugandan authorities based on external debt data as of end-June 2001.[1] The resulting debt-to-exports ratio was 171 percent—higher than the 128 percent projected in the enhanced HIPC decision point document[2], but considerably lower than the 210 percent estimated in the Long-Term External Debt Sustainability report[3]. An important factor underlying the deterioration of this ratio since projected at the decision point was lower exports attributed mainly to a sharp drop in coffee prices. Export earnings for 1998–2001 fell short of decision point projections by 16 percent. Coffee export revenues during this period were 36 percent lower than projected at the decision point, largely due to a 53 percent decline in coffee unit prices over the period (compared to the projected decline of only 1 percent) and in part as a result of decreases in coffee export volumes (18 percent relative to projections). Other debt sustainability indicators also improved since the April 2002 paper on long-term debt sustainability in HIPCs, including the ratio of debt service to exports, which remained well below the indicative HIPC target range.

Delivery of Relief. Although the revised DSA assumed full delivery of HIPC relief, some of Uganda's creditors have yet to sign HIPC debt-relief agreements, while other creditors have signed agreements that fall short of providing the prescribed NPV reduction. Some commercial creditors have also resorted to litigation to seek full payment of outstanding obligations. Non-delivering creditors are concentrated in non-Paris Club bilateral creditors, small multilateral creditors and commercial creditors. Taking into account only the HIPC assistance for which agreements had been signed, under-delivery of debt relief (traditional relief as well as original and enhanced HIPC relief) adds US$323 million in NPV terms to the outstanding stock of debt as of end-June 2001, equivalent to 48 percent of exports. The challenge facing Uganda is to secure debt relief from these creditors to the fullest extent possible.

New Financing. New financing beyond that anticipated at the decision point did contribute to the increase in the debt-to-export ratio as of end-June 2001. An increase in the concessionality of new borrowing, including more use of grants, will gradually assist in reducing Uganda's debt-to-exports ratio. Over the longer term, a continuation of sound domestic economic policies combined with measures by the international community to ensure access to concessional financing will be critical to Uganda's ability to achieve long-term debt sustainability and mitigate the potential impact of external shocks.

The Way Forward. Uganda's debt sustainability concerns are being addressed in the context of the updated PRSP, which inter alia emphasizes export promotion and diversification, a gradual fiscal consolidation that does not jeopardize poverty reduction programs, and greater use of grant financing. The updated debt sustainability analysis is based on the revised macroeconomic framework of the PRSP. Uganda's adjustment efforts continue to be supported by IDA (which approved a second PRSC on July 23, 2002) and by the Fund (a new PRGF arrangement is scheduled to be considered by the Fund's Board in mid-September 2002).

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[1] See "Uganda: Updated Debt Sustainability Analysis and Assessment of Public External Debt Management Capacity," IDA/SecM2002-0419, July 16, 2002, forthcoming in the IMF.

[2] See "Uganda – HIPC Debt Initiative: Second Decision Point Document," January 20, 2000, IDA/R2000-9 and Corrigendum, IDA/R2000-9/1, January 27, 2000,and EBS/00/6, January 19, 2000. The same external debt and export data sets and debt indicators were used in the enhanced HIPC Completion Point document, IDA/R2000-37, April 5, 2000, and Corrigendum, IDA/R2000-37/1, April 13, 2000, and EBS/00/67, April 5, 2000.

[3] "The Enhanced HIPC Initiative and the Achievement of Long-Term External Debt Sustainability," IDA/SecM2002-0162, March 27, 2002, and SM/02/95, March 26, 2002.

B. The Role of Projections Under the HIPC Initiative

45. Eligibility for and the amount of debt relief under the HIPC Initiative are determined on the basis of actual information. However, economic projections do play an important role in assessing long-term debt sustainability, as the latter depends critically upon future GDP and export growth, which generate the resources for future debt servicing. Staffs' review of the export projections embodied in decision point documents suggests that earlier projections turned out to be optimistic in two-third of the countries reviewed, but exports were higher-than-projected in the other third that were less affected by external shocks (Annex IV). It also confirms an earlier finding that projected future growth for decision point HIPCs was significantly higher than may be expected on the basis of past export performance alone.[17] Average annual export growth for 26 HIPCs was projected at 7.5 percent in the decision point documents compared with only 4.7 percent achieved over the previous 30 years.

46. This difference reflects several factors. Projections made in 2000 and early 2001 were constrained by the information available at the time and did not anticipate the global economic downturn and significant declines in commodity prices in 2001. In addition, projections are typically projections of trends that do not directly reflect the high export volatility observed historically in HIPCs. An analysis of 26 HIPCs that have reached their decision points to date indicates that export volatility (defined as the standard deviation around a 10-year trend) varies on a country-by-country basis from 7 percent to 36 percent with an average of 15 percent. Export volatility is significantly correlated with export concentration. Perhaps more importantly, while it is not unrealistic to anticipate that HIPCs will grow at a faster pace after the decision point because debt relief presents the opportunity for a break with the past, earlier projections often contained overly optimistic macroeconomic assumptions, reflecting assumptions about full implementation of policy reforms or inadequate analysis of the likely sources of growth and of the expected impact of planned policies.

47. Improving projections in the future is a challenge involving efforts on several fronts. Macroeconomic projections in HIPCs are inherently difficult and subject to large margins of error as these countries are facing a highly volatile external environment and great uncertainty regarding the effects of government policies. In light of this, and as discussed in the PRSP progress report, staffs are encouraging countries to develop alternative macroeconomic scenarios, including a policy-based "optimistic" scenario and a conservative scenario that would reflect a country's vulnerabilities and the uncertainties of the external environment.[18] Bank and Fund staffs will be expected to base their own

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[17] "The Challenge of Maintaining Long-Term External Debt Sustainability," SM/01/94, March 21, 2001, http:/www.ifm.org/external/np/hipc, and IDA/SecM2001-0202, March 20, 2001, http:/www.worldbank.org/hipc.

[18] "Poverty Reduction Strategy Papers   Progress in Implementation," SM/02/250 and IDA/SecM2002-0453, August 2002.

growth projections on a thorough analysis of the likely sources of growth and presenting such analyses explicitly in discussions with the authorities, as well as in staff documents. This should allow a better acknowledgement of the limitations arising from export concentration and volatility by underscoring the policy-based nature of the projections, and by subjecting these projections to vigorous stress testing. While such alternative scenario projections are a useful tool in macroeconomic management, and facilitate the development of contingency plans, a timely policy response, including adjustment where warranted, in the amount and terms of new borrowing, is essential to prevent an accumulation of unsustainable debt in the future.

VII. ADDRESSING WORSENED DEBT SUSTAINABILITY OUTLOOKS

48. In considering how to address worsened debt sustainability prospects, it is important to recall that sustainability is determined by a combination of factors notably the country's existing stock of external debt, the future development of fiscal and external repayment capacity which is linked closely to economic growth, and the future availability and concessionality of new external financing. The HIPC Initiative is designed to deal with the first of these three determinants—i.e., the existing stock of debt—by providing debt relief and reducing the net present value of external public debt to 150 percent of a country's exports (or 250 percent of government revenues) at a given point in time. As stated in earlier staff papers, debt relief under the HIPC Initiative provides a basis, but no guarantee, for long-term debt sustainability in HIPCs. This raises two issues: (i) at what level of debt should the Initiative provide for the HIPCs to exit from debt relief; and (ii) what can be done to maintain external debt sustainability beyond the completion point when the HIPC Initiative process ends. These issues are discussed below both in terms of the HIPC Initiative framework and recent calls to modify it.

A. Ensuring a Sustainable Debt Position for Countries to Exit from the HIPC Initiative

49. HIPC relief is committed at the decision point, and, once fully delivered, would bring a HIPC's NPV of debt to 150 percent of exports (or 250 percent of revenue where the fiscal window applies) at the decision point. However, if the external outlook deteriorated or economic performance was worse than expected, some countries could have a debt ratio at the completion point which exceeds the level that was envisaged in projections made at the decision point and the HIPC threshold level. The current framework of the HIPC Initiative has the flexibility to respond to a deterioration of the debt sustainability outlook for countries that have yet to reach their completion point. Burkina Faso was the first case to demonstrate this flexibility. The operational framework for providing additional assistance at the completion point beyond that committed at the decision point was endorsed by the Boards in September 2001.[19] Central to the approach is a comprehensive assessment based on actual debt and

[19] "The Enhanced HIPC Initiative—Completion Point Considerations," EBS/01/141, August 21, 2001, and IDA/SecM2001-0539/1, August 20, 2001. For consequential changes to the Fund's PRGF-HIPC Trust Instrument, see EBS/02/104, June 13, 2002.

other economic data available at the completion point on whether a country's economic circumstances have been fundamentally changed due to exogenous developments. Key principles guiding this assessment include:

- given that the sustainability thresholds under the enhanced HIPC Initiative already provide a substantial safety cushion, additional debt relief would only be granted in exceptional cases;

- exogenous factors must be clearly demonstrated to have fundamentally changed the economic circumstances of a country and adversely affected its prospects for long-term debt sustainability; and

- that additional assistance, if granted, should be based upon a full account of all debt relief including additional debt forgiveness beyond HIPC relief provided and/or committed by official bilateral and commercial creditors.

50. In developing the current guidelines for the topping up of assistance at the completion point, there were considerable discussions on the level of additional debt relief and whether it should be provided to all countries with a NPV of debt-to-exports ratio exceeding the HIPC threshold. Three proposals, which have also been suggested more recently, were noteworthy and are discussed below.

51. **Topping up to the NPV of debt-to-exports ratio at the completion point that was projected at the decision point**. One option that was considered was to top up relief not to bring the NPV of debt-to-exports ratio to 150 percent, but only to the level for the completion point that had been anticipated at the decision point. The estimated costs for potential topping up under these assumptions would amount to US$0.2–0.5 billion, about half of the costs under the current methodology (see Table 4). The debate at the time recognized the moral hazard risks associated with the completion point topping up and the importance of not providing additional assistance to compensate for poor policy implementation. Nevertheless, it also recognized the large uncertainty associated with projections, which vary across countries and could not be applied as a topping up criterion without compromising equal treatment of deserving cases. In addition, topping up at the completion point could not be automatically linked to any particular debt sustainability threshold because a high level of debt may sometimes be economically justifiable if it finances productive investment that would enhance long-term debt sustainability. Chad provides a good example of a country where the NPV of debt-to-export ratio is projected to be well above the HIPC threshold for several years because it is borrowing to finance petroleum sector development.

52. **Exclusion from topping up of unanticipated new borrowing during the interim period**. Another consideration was whether topping up at the completion point should be provided for new borrowing during the interim period which is over and above that anticipated at the decision point. The rationale behind such an exclusion would be to remove moral hazard for additional borrowing during the interim period. This was not pursued for the reasons similar to those elaborated in the preceding paragraph.

53. **Exclusion of additional relief provided by official bilateral creditors in the calculation of topping up**. There were also proposals to use topping up to provide a larger cushion against future shocks. Several bilateral creditors proposed that additional bilateral relief be excluded from the calculation of topping-up of HIPC assistance at the completion point. If topping-up were to be calculated before additional bilateral relief, 14–15 HIPCs, including half of the completion point cases, would likely have debts at the completion point in excess of the HIPC Initiative thresholds by an amount of about US$2.0–2.4 billion. As higher HIPC relief would replace a part of additional bilateral relief, the net additional relief for HIPCs—assuming all of the excess debt were to lead to topping up—could amount to about US$1.5–1.8 billion (or US$1.1 billion after accounting for current estimates of topping up, as shown in Table 4 above). One consideration in assessing this option was that this additional relief would need to be provided mainly by multilateral creditors and non-Paris Club creditors. The provision of existing relief by the former was not fully funded and many of the latter were already reluctant to provide the debt relief currently required. Also, it was considered that such a cushion would not be equitable across countries because the amount of debt to be forgiven by these bilateral creditors over and beyond the HIPC Initiative may not be evenly distributed across deserving cases.

54. In approving the current methodology for topping up and in subsequent discussions on completion point cases, Executive Directors stressed the importance of achieving the objectives of the HIPC Initiative by providing a solid basis for HIPCs to maintain long-term debt sustainability, once they exit from the HIPC Initiative process.

B. Recent Proposals to Modify Debt Relief

55. The HIPC Initiative continues to be a prominent focus of public attention. The recent deterioration of external debt indicators has prompted proposals from NGOs, academia and other sources for forestalling a relapse by HIPCs into an unsustainable debt position, including proposals to deepen and broaden the scope of debt relief (see Annex VI). Staffs welcome the dialogue on the critical issues of achieving external debt sustainability in HIPCs and would need to assess such proposals/recommendations carefully on their possible merits/drawbacks. Bank and Fund staffs will continue to work closely with HIPCs to find solutions to their debt problems in the context of their PRSPs and Fund- and Bank-supported programs.

56. Many of the proposals put forward are consistent with and supportive of efforts already being pursued by the Bank and the Fund within the framework of the enhanced HIPC Initiative. They include the close monitoring of debt sustainability, programs to strengthen the capacity of HIPCs for debt management, better and fuller disclosure of new lending on the part of creditors and fuller creditor participation in HIPC relief.

57. Other proposals call for extending relief beyond the HIPC Initiative. They fall into three broad categories:

- **Linking debt relief explicitly to the Millennium Development Goals (MDGs).** Under these proposals,[20] debt relief would be calculated in such a way as to close the "residual financing gap" and thereby enable social sector expenditures to be increased sufficiently for HIPCs to meet the MDGs. In some proposals, the amount of debt relief would be determined by an independent review panel with representatives of both creditor and debtor countries.

- **Linking debt relief to particular levels of debt service.** These proposals aim to modify the enhanced HIPC framework by calculating debt relief on the basis of debt service rather than the stock of debt.[21] Particular benchmarks that have been proposed include reducing debt service to no more than 2 percent of GDP, or reducing budget outlays for debt service to no more than 10 percent of annual budget revenues (excluding grants). In the case of countries afflicted with a health crisis, it has been proposed that debt service should amount to no more than 5 percent of government revenue.

- **Deepening and broadening debt relief.** It has been proposed that debt relief be furnished to a broader range of poor countries including Indonesia, Nigeria, Pakistan, and Zimbabwe. It has also been proposed that a contingency facility be established to protect HIPCs from exogenous shocks for a ten-year period after the completion point.[22]

58. The intended benefits of these proposals are clear. Several additional issues, however, would need to be considered in their evaluation. First, each proposal involves additional costs, calling into question their feasibility when the existing initiatives are not yet fully financed. There are no reliable estimates of the cost of scaling up debt relief to achieve the MDGs. Total cancellation of the 26 decision point countries' existing external debt would increase the debt relief costs for these countries from US$26 billion under the HIPC Initiative (Table 3) to US$48 billion in NPV terms. Preliminary estimates of the cost of additional debt relief that would allow the debt service-to-fiscal revenue ratios (after accounting for additional bilateral relief already committed) to fall to 10 percent each year in 2002–05 for the decision point HIPCs could amount to US$1.2 billion; the cost could increase to US$3.8 billion if the ratio was to fall to 5 percent. Broadening the HIPC Initiative to include countries such as Indonesia could increase the cost by some US$60 billion, according to the proposal's proponents.

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[20] Eurodad, "Putting Poverty First", October 2001, http://www.eurodad.org/.); Jubilee Plus, "The Unbreakable Link – Debt Relief and the Millennium Development Goals", February 2002, http://www.jubilee2000uk.org/index.htm).

[21] See, for example, debt relief bill in U.S. Congress (H.R.4524); also N. Birdsall and J. Williamson, "Delivering on Debt Relief: From IMF Gold to a New Development Architecture," Institute of International Economics, April 2002.

[22] Birdsall and Williamson (April 2002) propose both broader debt relief and a contingency facility.

59. Second, debt relief, while critical in removing the burden of existing debt, can only realistically be expected to contribute a relatively small part of the financing needed to achieve the MDGs. The bulk of the external financing needed to meet the MDGs will have to be from new flows.

60. Third, new financing may be a more appropriate instrument for dealing with future economic shocks. New financing, as compared to debt relief, can be tailored to the resulting needs and is not a function of a country's debt level. It is more flexible, and could be provided in a more timely way when needed. This underscores the central importance that HIPCs, in the context of implementing their own poverty reduction strategies, increase the effectiveness of using external financial resources by pursuing sound economic management, good governance and improved institutions. This should help attract not only official aid, but also private, non-debt creating flows, including foreign direct investment.

61. Fourth, it has been pointed out that repeated debt relief can have adverse effects by reducing the incentives for creditors to lend even for good projects to these countries. It would also have a detrimental effect on the creation of a credit culture. Building such a culture, in which borrowers understand they need to repay and creditors have the trust that this obligation will be honored, is crucial for financing economic activity and development. Since this is a cumulative process, it is in the long-term interest of the debtors not to resort to more debt relief once their debt burden is reduced to sustainable levels. Repeated debt relief would also limit the pool of resources available to multilateral creditors to provide financial support to other low-income countries.

C. Maintaining External Debt Sustainability Beyond the HIPC Initiative Framework

62. Beyond the HIPC Initiative, the benefits of improvements in the use of resources by the debtors and responsible lending by their creditors have been recognized. The former would go a long way to strengthen debtor countries' repayment capacity and the latter would contribute to a sustainable debt profile over the longer term.

63. To maintain debt sustainability, HIPCs have a responsibility to adhere to sound macroeconomic policies and implement structural reforms to diversify their production and export base away from commodity dependence, and to strengthen growth and export performance overall. They should utilize their Poverty Reduction Strategy Papers (PRSPs) as the main vehicles for addressing these tasks, by taking the central role in diagnosing country-specific challenges, deepening ownership of economic development strategies, and improving governance and institutions and hence the effectiveness with which they utilize resources, including foreign aid. In this regard, it is important that HIPCs continue to improve their public expenditure management systems, building on the progress made in this area under the HIPC Initiative.[23]

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[23] For progress in improving the tracking of poverty-reducing public expenditure and public expenditure management system in PRSP countries, see "Poverty Reduction Strategy Papers - Progress in Implementation," SM/02/250 and IDA/SecM2002-0453, August 2002.

64. In addition to ensuring improvements in a country's repayment capacity, strengthened debt management, including prudent policies on new borrowing, is important in improving debt sustainability prospects, especially for countries where debt ratios are not expected to fall below the HIPC thresholds for a number of years (Box 4). Irrespective of export performance, HIPCs undertaking new borrowing should aim to adhere to the following key principles: limiting or avoiding nonconcessional borrowing; integrating plans for new borrowing with the broader macroeconomic and fiscal framework and tailoring new borrowing to a country's debt-servicing capacity; following best practices in debt management; and ensuring a productive use of funds to assure sufficient returns to repay future obligations. The latter element is of utmost importance and much caution should be exercised before contracting new debt unless prospects for sufficiently high returns are very good.

Box 4. Strengthening Debt Management Capacity in HIPCs

Following a 2001 survey and the presentation of the March 2002 report to the World Bank and IMF Boards[1], Executive Directors recommended that staffs explore proactive measures to improve the coordination of donors, technical assistance providers, HIPCs and multilateral institutions so as to strengthen debt management capacity in HIPCs. The survey also revealed substantial demand by HIPCs for improvement in information sharing among HIPC debt management agencies, and for support from technical assistance providers to strengthen cooperation and coordination. Staffs have continued to work with donors, technical assistance providers and HIPCs in order to strengthen the mechanisms for improving debt management capacity.

Recognizing the importance of debt management capacity building, staffs are currently evaluating potential measures to: (i) strengthen the linkages between HIPC country level debt management and broader country economic management; (ii) establish a stronger communication link between agencies as a means of collaborating capacity-building measures; and improve efficiency by reducing duplication and strengthening complimentary; (iii) improve country ownership of debt management; and (iv) establish a set of HIPC debt management standards. A number of measures could be implemented without delay:

- As part of a comprehensive approach to strengthen HIPCs' debt sustainability prospects, with the assistance of their development partners, HIPCs are expected to prepare and update their own DSA regularly as they reach the completion point. Uganda's recent DSA provides a good example. This could be part of the macroeconomic framework defined in the PRSP and be followed up in subsequent PRSP progress reports.

- Stronger monitoring of new borrowing both by debtors and creditors is also key to maintaining such sustainability. Domestic debt should be included as part of a systematic and regular monitoring of overall public debt. Moreover, creditors should take on increasing responsibility for disclosure of the terms and conditions of outstanding credits.

- A key measure for maintaining long-term external debt sustainability is an institutionalized periodic review of the effectiveness of external financing by HIPCs themselves. This could be done as part of periodic public expenditure review or review of the public investment program.

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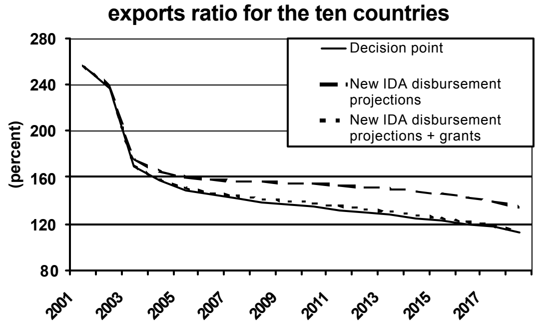
[1]See "External Debt Management in HIPCs," SM/02/92, March 22, 2002, http://www.imf.org/external/np/hipc, and IDA/SecM2002-0148, March 21, 2002, http://www.worldbank.org/hipc.

65. On the donor/creditor side, responsibility lies in the provision of adequate external financing on sufficiently concessional terms in support of HIPCs' poverty reduction and growth strategies without jeopardizing their external debt sustainability. This includes an increase in grant financing from both bilateral and multilateral development partners. The recently concluded 13th IDA replenishment agreement to provide a proportion of IDA resources in the form of grants to particularly vulnerable low-income countries will be an important step forward in this regard (see Box 5). The effect on the debt ratios of a substitution of part of HIPCs' new borrowing with grants would be small in the short term, but the cumulative impact could be significant over the longer term. More concessional financing from the international community would help ensure that new external financing is consistent with the payments capacity in countries that are particularly vulnerable. Over the longer term, however, the international community must help these countries to regain their creditworthiness and reduce reliance on grants.

Box 5. The Impact of an Increase in IDA Grants on HIPCs' Debt Sustainability

Over the past two years, IDA lending to the ten countries that were projected in the progress report of last spring to have their NPV of debt-to-exports ratios above the HIPC threshold at the completion point[1] has been slightly greater than was anticipated in the decision point documents and future lending is also programmed at higher levels in many cases. As a result, the NPV of debt-to-exports ratios in these countries may therefore increase beyond the levels previously projected. At the same time, IDA donors have recently agreed that up to 40 percent of financial support to HIPCs under the thirteenth replenishment of IDA resources (IDA-13) may be furnished in the form of grants. The likely impact of those two new developments on long-term debt sustainability is presented in Annex V for these ten countries.

Chart 1: Weighted average of the debt-to-exports ratio for the ten countries



As a result of increases since decision point in projected IDA disbursements, the NPV of debt-to-exports for the ten countries is projected to average 155 percent in 2010 compared with 135 percent projected in the decision point documents. By 2018 the average ratio is now projected at 135 percent compared with the previous estimate of only 112 percent.

If the ten countries would qualify to obtain 40 percent of IDA resources in the form of grants, the likely impact would be to offset almost completely by 2018 the effect on the debt-to-exports ratio of larger-than-anticipated IDA lending. With 40 percent of new IDA financing being furnished in grant form, the NPV-of-debt to exports ratio would average 114 percent in 2018 which is very close to that projected in the decision point documents.

It is clear that the beneficial impact on HIPCs' long-term debt sustainability outlooks of shifting IDA lending toward partial grants can be magnified if other creditors followed suite to adjust their financing terms to increase their concessionality.

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[1] Benin, Burkina Faso, Chad, Ethiopia, Gambia, Guinea-Bissau, Malawi, Rwanda, Senegal, and Zambia. Burkina Faso reached its completion point subsequently in April 2002.

VIII. ISSUES FOR DISCUSSION

66. **HIPC Initiative Decision Point Eligibility Framework.** Do Directors agree that the existing criteria and framework for eligibility under the Initiative continue to provide a sound basis for reducing the debt burdens of highly indebted poor countries? Do Directors agree to extend the Sunset Clause under the Initiative in order to provide an additional two-year period to end-2004 for countries to satisfy the conditions to reach decision point?

67. **HIPC Initiative Completion Point Framework.** Do Directors agree that the current provisions of floating completion point conditions, preparation of the full PRSP and establishment of viable macroeconomic program and track record are a sufficient basis for the provision by creditors of irrevocable debt relief? Do Directors concur that the staffs should incorporate realistic projections and stress testing in HIPC documents? Do Directors agree that the staffs should apply fully the flexibility of the established framework to respond to the deterioration of debt sustainability outlook for countries upon reaching their completion points?

68. **Long-Term Debt Sustainability Beyond Completion Point.** Do Directors agree that, while the existing framework provides the basis for countries to achieve a sustainable level of debt, there is a need for a continued vigilance to ensure long-term debt sustainability beyond the completion point? For this, do Directors confirm that for countries exiting the Initiative the PRSP provides an appropriate framework within which the authorities should seek to maintain a sustainable debt burden?

69. **Financing Needs of HIPCs and Appropriate Terms.** Do Directors agree that HIPCs' efforts to implement PRSPs and sound macroeconomic management should be supported by adequate financing on appropriate terms?

70. **Financing Requirements.** Do Directors agree that staff seek to implement the recent pledges to help close the financing gap for the provision of debt relief by multilateral creditors?

71. **Annual Review Cycle.** Do Directors agree that the current semi-annual review cycle should be replaced by an annual cycle beginning in September 2002? Six-monthly statistical updates on implementation and periodic reports on policy issues would still be provided in addition to the annual reviews.

Country Coverage, Data Sources, and Assumptions for HIPC Costing Exercise

Country Coverage

- The costing analysis is based on 42 HIPCs: Angola, Benin, Bolivia, Burkina Faso, Burundi, Cameroon, Central African Republic, Chad, Comoros, Democratic Republic of Congo, Republic of Congo, Côte d'Ivoire, Ethiopia, The Gambia, Ghana, Guinea, Guinea-Bissau, Guyana, Honduras, Kenya, Lao P.D.R., Liberia, Madagascar, Malawi, Mali, Mauritania, Mozambique, Myanmar, Nicaragua, Niger, Rwanda, São Tomé and Príncipe, Senegal, Sierra Leone, Somalia, Sudan, Tanzania, Togo, Uganda, Vietnam, Yemen, and Zambia.

- From the above list, Lao P.D.R., with debt deemed unsustainable after application of traditional debt-relief mechanisms, has been excluded from the costing exercise because reliable debt data are not yet available.

- Yemen has been excluded from the costing exercise because its debt levels have been found to be sustainable after traditional debt relief, based on the latest debt sustainability analysis. In addition, Angola, Kenya, and Vietnam have been excluded because their debt levels are expected to be sustainable after application of traditional debt-relief mechanisms.

- As in the past, Liberia, Somalia, and Sudan have not been included due to weaknesses in the data and/or the protracted time that will be required to resolve their arrears problems.

Data Sources

- Enhanced decision point documents have been presented to the Boards of the Bank and the Fund for the following 26 countries: Benin, Bolivia, Burkina Faso, Cameroon, Chad, Ethiopia, The Gambia, Ghana, Guinea, Guinea-Bissau, Guyana, Honduras, Madagascar, Malawi, Mali, Mauritania, Mozambique, Nicaragua, Niger, Rwanda, São Tomé and Príncipe, Senegal, Sierra Leone, Tanzania, Uganda, and Zambia.

- Recently collected debt figures have been used to update the potential cost estimates for Côte d'Ivoire and the Democratic Republic of Congo.

- There have been no data updates for the following 13 countries: Angola, Burundi, Central African Republic, Republic of Congo, Kenya, Lao P.D.R., Liberia, Myanmar, Somalia, Sudan, Togo, Vietnam, and Yemen. Data for the following three countries are particularly weak or unavailable: Liberia, Myanmar, and Somalia.

Assumptions for the HIPC Costing Exercise

- Calculations of total costs include costs under the original and enhanced HIPC Initiative frameworks, including assistance that has already been delivered.

- Countries must make full use of traditional debt-relief mechanisms (i.e., a stock-of-debt operation which provides a 67 percent reduction in the NPV of eligible debt from the Paris Club, and comparable treatment by non-Paris Club bilateral and commercial creditors) before becoming eligible for assistance under the enhanced HIPC Initiative. The cost estimates are based on data after full use of traditional debt-relief mechanisms.

- All eligible countries are assumed to request assistance under the enhanced HIPC Initiative.

- Each country-specific DSA is based on macroeconomic assumptions regarding exports and fiscal revenues developed by Bank and Fund staffs in consultation with country authorities.

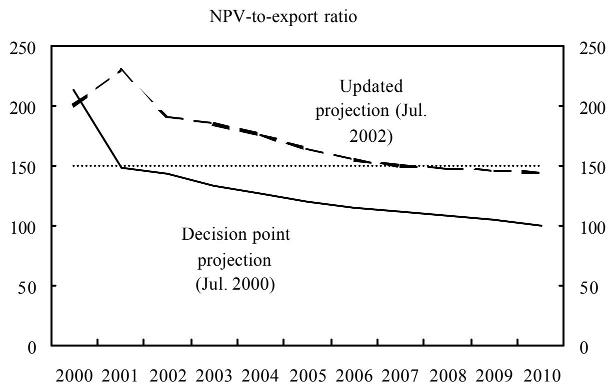
- Total costs of assistance for Burkina Faso include topping up of debt relief (US$129 million in 2002 NPV terms), which is assumed to be delivered in the same year as its completion point (2002).

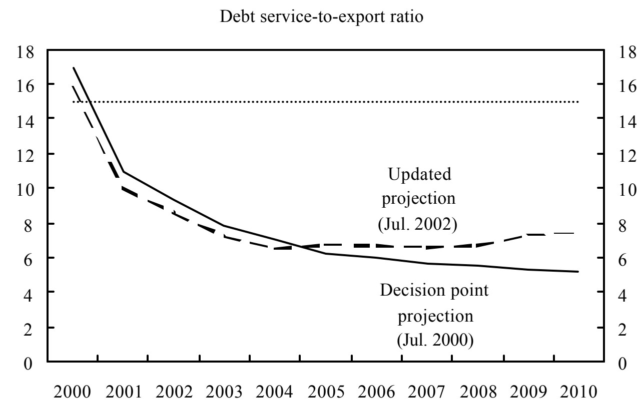
- Total costs of assistance to the Democratic Republic of Congo include relief provided by multilateral, bilateral and commercial creditors on short-term debt in arrears.

Section I. HIPCs in the Interim Period

Benin: Implementation Status, July 2002

External Debt Indicators After HIPC Debt Relief





There has been a deterioration of approximately 30 percentage points in the NPV of debt-to-exports ratio relative to decision point projections (after accounting for a delay in the expected completion point). This has been primarily due to lower exports associated with depressed cotton prices, lower discount rates at end-2001 relative to the base year, and higher than projected new borrowing. The target ratio of 150 percent is projected to be attained in 2006. However, the debt-service ratio is somewhat lower than projected for the next two years and are now expected to average around 7 percent for the 2002–10 period.

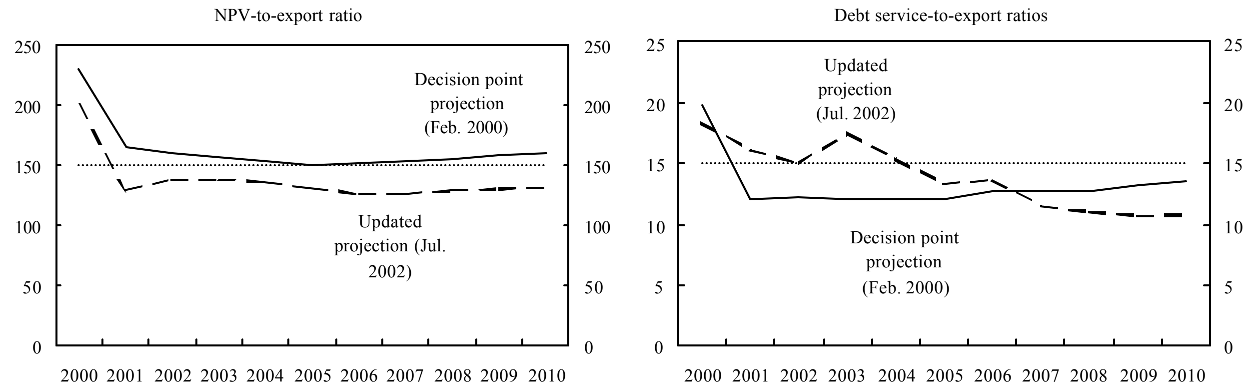
PRSP Status: The government discussed the PRSP with development partners earlier this year. A number of weaknesses that were identified are being remedied, and the final draft is to be discussed with civil society. Social spending continues to increase, outlays in health and education are expected to have increased by 37 percent in 2001. More spending has been appropriated for HIV prevention, and child immunization.

Policy Performance: The three-year PRGF arrangement was extended for another 8 months. In the third review, completed in July 2002, macroeconomic performance was strong and in line with program targets and all performance criteria were met. However, performance on structural measures was mixed. Progress with HIPC Initiative completion point triggers has been slow, primarily in the area of structural reforms, such as the privatization of the public enterprise in the cotton sector, adoption of an anticorruption strategy, and the establishment of a MTEF. A strategy to fight HIV/AIDS and the adoption of a monitoring and evaluation system for the health sector are also pending. The completion point is expected in the last quarter of 2002 or the first quarter of 2003.

Creditor Participation: Creditors holding 85 percent of Benin's debt are participating in the delivery of HIPC relief. Interim assistance is being provided by the multilateral creditors and the Paris Club. In addition, IFAD, the OPEC Fund, and China have agreed to provide HIPC relief at the completion point. Some bilateral creditors (DRC, Libya, Kuwait, and Nigeria) have not yet agreed to provide debt relief.

Bolivia: Implementation Status, July 2002

External Debt Indicators After HIPC Debt Relief



The NPV of debt-to-exports ratio is lower than projected at the decision point as beyond-HIPC relief more than offset the fall in projected exports. However, the debt-service ratio deteriorated after the completion point, as Bolivia contracted significant amounts of new external debt, most of it on nonconcessional terms, to cover its budget deficit.

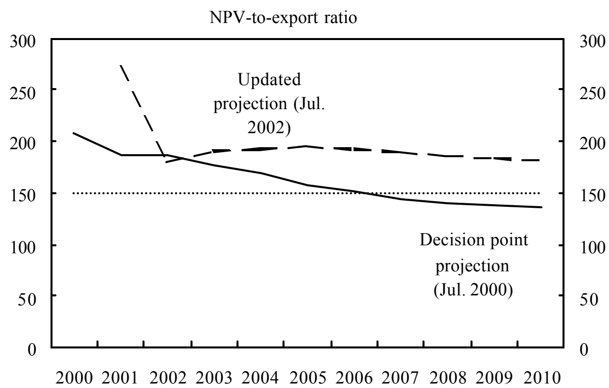
PRSP Status: The PRSP was completed in April 2001 and the first progress report is being prepared. Tracking of poverty-related expenditure requires improvement especially at the local government level. Social spending has reached 12 percent of GDP in 2002 and is projected to increase to 14 percent in 2003.

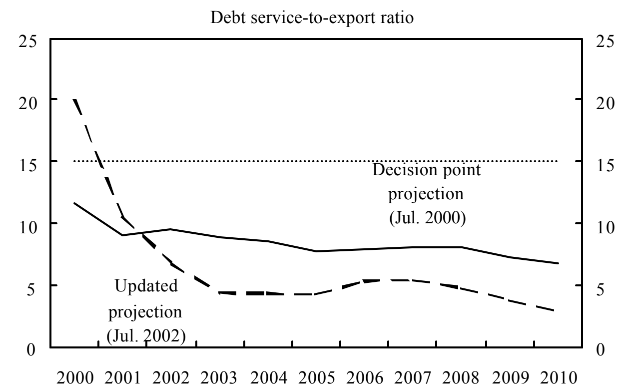
Policy Performance: The third year program under the PRGF arrangement was approved in June 2001. The first review could not be completed owing to a missed prior action on tax reform. Performance under a shadow program for 2002 has been broadly adequate, in the midst of regional and political uncertainty. A new PRGF arrangement is expected to be negotiated with the new administration taking office in August 2002. The **c**ompletion point was reached in June 2001.

Creditor Participation: Creditors holding around 95 percent of debt have been delivering debt relief and some creditors have already provided relief beyond HIPC. Assurances of debt relief have not been provided by China and Taiwan Province of China, and the agreement to receive assistance from Brazil is pending approval by the Brazilian congress.

Burkina Faso: Implementation Status, July 2002

External Debt Indicators After HIPC Debt Relief





Burkina Faso reached its completion point in April 2002. The outlook for the NPV of debt-to-exports ratios was significantly higher than that anticipated at the time of the decision point. This was due to new borrowings over 2002–04 to finance public infrastructure and poverty alleviation measures, lower than projected export performance resulting from a fall in export volumes (impact of white fly), a decline in the international price of cotton and gold exports, and the adverse effects of tensions in Côte d'Ivoire on other categories of exports. Topping up assistance was provided at the completion point to mitigate the adverse effect on Burkina Faso's debt ratios resulting from exogenous shocks.

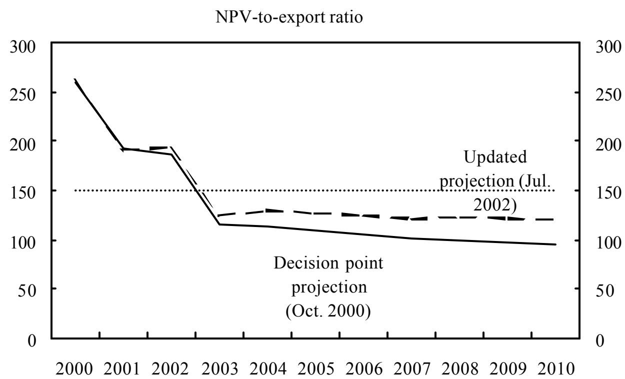
PRSP Status: The Fund and the Bank Boards considered the first progress report on the implementation of the PRSP in November–December 2001. Total poverty-reducing social expenditure increased from 5.3 percent of GDP in 1999 to 6.2 percent in 2001, and is expected to increase to 7.9 percent of GDP in 2002. The authorities committed 80 percent of the residual HIPC Initiative resources provided in 2000/01, as prior actions for the fifth review under the PRGF.

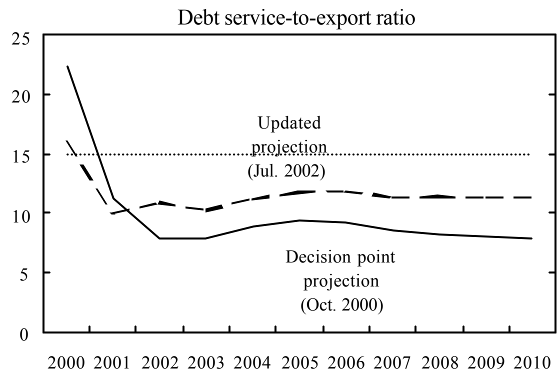
Policy Performance: The Fund Board approved the completion of the fifth review under the PRGF on April 9, 2002. The PRGF-supported program (approved September 1999) is largely on track despite poor tax collection and slow spending of HIPC Initiative resources. All end-December 2001 quantitative performance criteria, benchmarks, and indicators were met, except for the indicator on current revenue. There have been some delay in meeting structural benchmarks concerning the Supreme Audit Court becoming operational and amendments to the VAT procedures.

Creditor Participation: Creditors accounting for 88 percent of debt have agreed to provide enhanced HIPC relief. Financing assurances are still being sought for the topping-up at the completion point. The debt owed to the IMF, the World Bank, and the Paris Club creditors constitutes 59 percent of total topping-up assistance.

Cameroon: Implementation Status, July 2002

External Debt Indicators After HIPC Debt Relief





The outlook for external debt has worsened marginally relative to the projections made at the decision point in October 2000, primarily because of lower-than-anticipated oil export volumes. The NPV of debt-to-exports ratio remains below the 150 percent target for debt sustainability, while the debt service ratio would rise above10 percent.

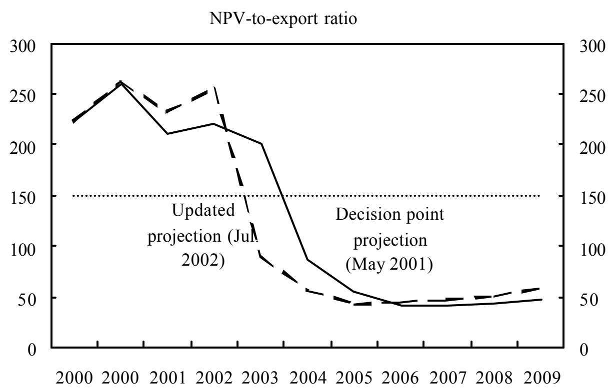
PRSP Status: The full PRSP is expected to be completed in late August/early September 2002 (it was originally scheduled for completion by end-November 2001), owing partly to delays in carrying through the comprehensive household survey (ECAM II) launched in the fall of 2001 and the sectoral strategies for health, education, basic infrastructures, and rural development (including their respective costing). Budgetary allocations to priority social sectors have increased steadily in recent years, in line with the Interim PRSP. Social expenditure is projected to rise from 3.2 percent of GDP in 2000 to 5.2 percent of GDP by 2005.

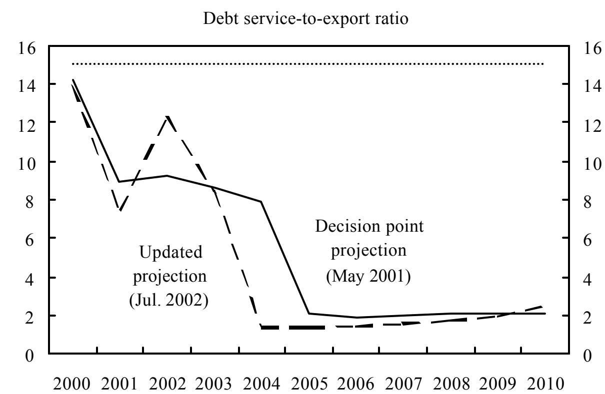
Policy Performance: Performance under the PRGF-supported program has been satisfactory (although the implementation of structural reforms is slow) since the country reached the decision point in October 2000. The third review is expected to be completed in late August 2002. Some progress has been made in meeting the HIPC completion point triggers. However, renewed efforts, notably with respect to the structural reforms under the World Bank CAS III, are needed to ensure timely achievement of the HIPC completion point triggers by end-September 2003. Cameroon may reach the HIPC completion point by the last quarter of 2003.

Creditor Participation: Cameroon has received financing assurances from creditors accounting for more than 98 percent of total debt relief. With regard to the commercial debt, agreement was reached on May 24, 2002 on a cash buyback operation. However, two commercial creditors (which account for about 0.2 percent of the country's nominal stock of debt at the decision point) are litigating. Paris Club creditors, the World Bank, the AfDB group, and the Fund have provided interim assistance. So far, China, Kuwait, and Saudi Arabia have not yet decided to provide HIPC relief.

Chad: Implementation Status, July 2002

External Debt Indicators After HIPC Debt Relief





Debt indicators in the short-term have deteriorated relative to decision point projections following the decline in the world price for cotton (Chad's main export) and subsequent downward revision of export estimates and projections. With oil production and exports now expected to start in 2004, the NPV of debt-to-exports ratio is now projected to decline to below the 150 percent target in 2004 rather than 2005, as envisaged at the time of the decision point.

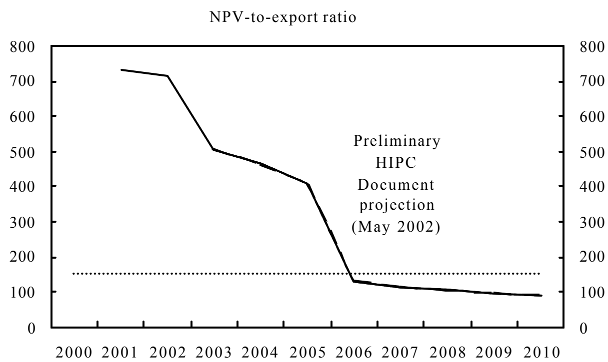
PRSP Status: A draft full PRSP was completed in spring 2002 and is expected to be finalized in the summer of 2002. Some delays have occurred in the implementation of the budget for the social sectors in the first months of 2002, but a full catch-up is expected later in the current year.

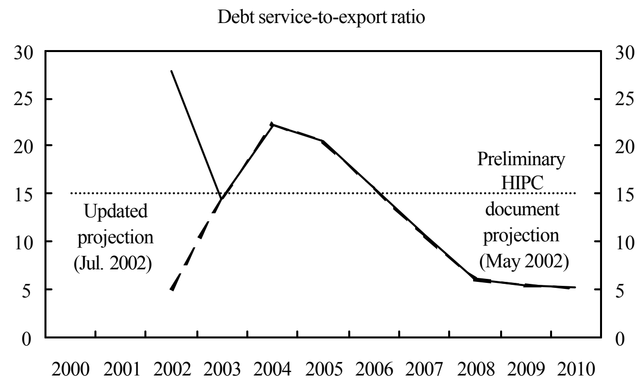
Policy Performance: The PRGF arrangement was approved by the IMF Board in January 2000. The third review of the program in February 2002 indicates satisfactory performance. Fiscal policies are on a prudent path and structural reforms have advanced as programmed. However, structural reforms in the energy sector have been slow and revenue collections have been affected by weak administrative capacity. Good progress is being made toward achieving the conditions for attaining the HIPC completion point, although some indicators have recently deteriorated in the health sector and some delay occurred in the finalization of the full PRSP. The completion point is now expected to be reached by the end of 2003.

Creditor Participation: Satisfactory assurances were received from 93 percent of Chad's creditors at the decision point. However, Cameroon, China, Côte d'Ivoire, Israel, Kuwait, Saudi Arabia, Senegal, Taiwan Province of China, and Togo have not yet agreed to provide HIPC relief. The IMF's Executive Board approved the authorities' request for additional interim assistance on May 16, 2002.

Democratic Republic of Congo: Implementation Status, July 2002

External Debt Indicators After HIPC Debt Relief





The recent debt sustainability analysis done in the preliminary HIPC document (May 2002) indicates that the target NPV of debt-to-exports ratio of 150 percent and sustainable debt service payments are likely to be attained by 2006. Debt service for 2001, previously projected at over 25 percent (on a scheduled due basis), has amounted to only 5 percent of exports, reflecting an accumulation of arrears.

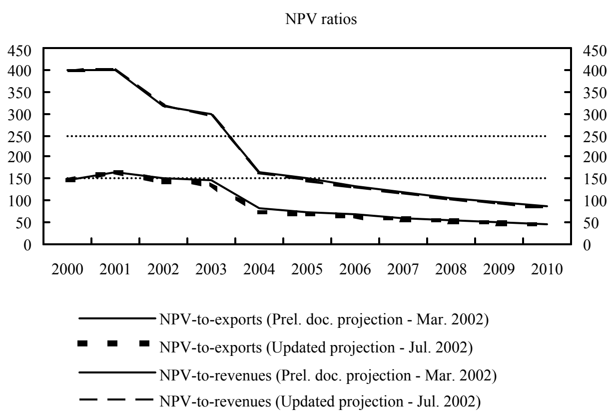
PRSP Status: The I-PRSP was completed in June 2002 and completion of the full PRSP is expected in early 2005. Social spending is targeted to increase from less than 5 percent of primary expenditure (less than 0.5 percent of GDP) in 2001 to about 15 percent in 2002 (about 3 percent of GDP).

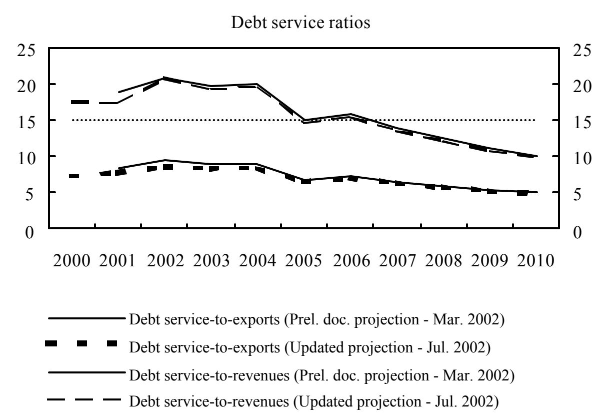
Policy Performance: A PRGF-supported program was approved in June 2002 after successful implementation of a Staff Monitored Program under which the public finances had been rehabilitated, the cycle of hyperinflation and currency depreciation had been broken, major economic distortions had been eliminated and, fundamental improvements in the judiciary and regulatory environment were made.

HIPC Status: The preliminary HIPC document was considered in June 2002. A decision point could be reached in early 2003 at which time floating completion point conditions will be established.

Côte d'Ivoire: Implementation Status, July 2002

External Debt Indicators After HIPC Debt Relief





The preliminary HIPC document indicates that the target NPV of debt-to-exports ratio and NPV of debt-to-revenue ratio of 150 percent and 250 percent, respectively, should be reached by the time of the completion point. Debt service payments will average around 7 percent of exports and 15 percent of government revenues for the 2002–10 period.

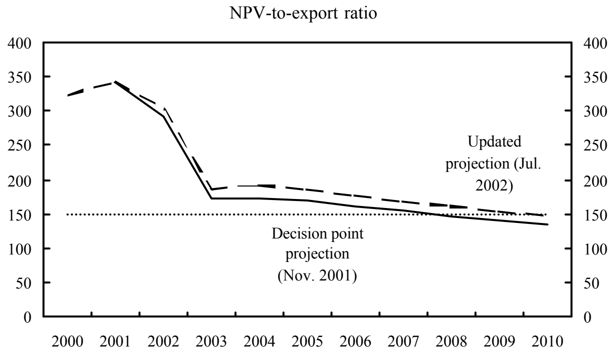
PRSP Status: The IMF and the World Bank Boards endorsed the I-PRSP in March 2002. The full PRSP is expected to be completed by September 2002. Social spending by the central government fell slightly from 4.6 percent of GDP in 2000 to 4.4 percent of GDP in 2001, but is projected to increase to 5 percent in 2003. The expenditure for education was 3.5 percent of GDP and for health sector 0.8 percent of GDP in 2000.

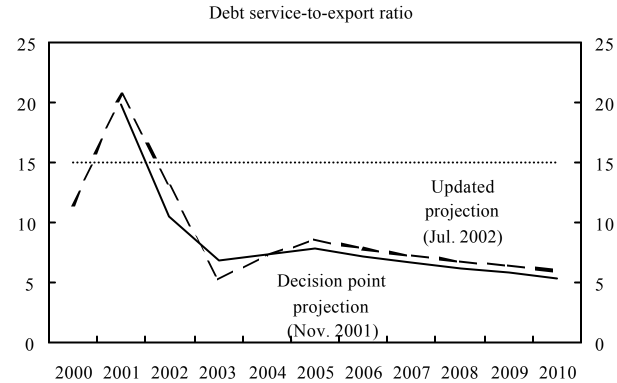
Policy Performance: A three-year PRGF arrangement was approved on March 27, 2002 following the successful implementation of a Staff Monitored Program under which the authorities demonstrated their discipline in macroeconomic management and commitment to structural reforms. The IMF and the World Bank Boards discussed the enhanced HIPC preliminary document in March 2002; a decision point could be reached as early as September 2002. Floating completion point conditions will be set at the decision point.

Creditor Participation: Financing assurances have been provided from creditors holding around 63 percent of total debt, reflecting the debt owed to the IMF, Paris Club, and the World Bank. The Paris Club creditors agreed on a flow rescheduling on Lyon terms in April 2002. It is expected that these terms will be topped up to Cologne terms as soon as Côte d'Ivoire reaches the decision point. The debt to non-Paris Club creditors is small and London Club debt is 23 percent of total debt.

Ethiopia: Implementation Status, July 2002

External Debt Indicators After HIPC Debt Relief





Debt indicators have deteriorated slightly compared to decision point projections in November 2001 mainly because of lower-than-anticipated growth in exports. In the new projections, the target NPV of debt-to-exports ratio of 150 percent is expected to be attained in 2008, one year later than projected at the decision point. A marginal deterioration has been projected for the debt-service ratio.

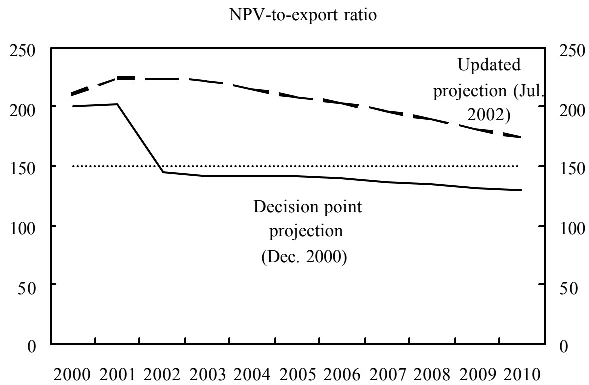
PRSP Status: The IMF and the World Bank Boards endorsed the interim PRSP in March 2001. Following a short delay, the draft of the full PRSP was circulated to the IMF and the Bank in June 2002, and the authorities anticipate that they submit the full PRSP within the next few months. Poverty-targeted outlays (health, education, agriculture, and roads) reached 11.1 percent of GDP in 2000/01. These will increase to 16.7 percent of GDP in 2001/02 and should remain at 18.4 percent of GDP from 2002/03 onwards.

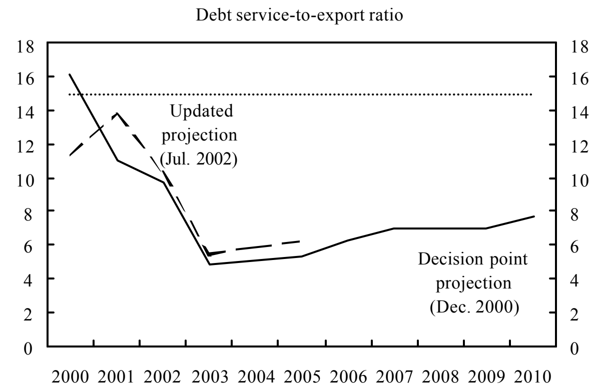
Policy Performance: Performance under the PRGF arrangement (approved in March 2001) was satisfactory following the second review completed in March 2002. Fiscal performance was better than programmed and several measures to strengthen tax administration and the tax system were implemented whilst expenditure was re-oriented from defense to the social sectors and poverty alleviation. Steps were taken to start sterilizing excess liquidity, adopt indirect monetary policy instruments, and move toward a market determination of interest and exchange rates. It is still too early to assess progress on the completion point triggers as Ethiopia reached its decision point in November 2001. The estimated timing of the completion point is September 2003.

Creditor Participation: Creditors holding 91 percent of debt have agreed to deliver debt relief. The Paris Club creditors decided to provide interim relief to Ethiopia in April 2002. The IMF, AfDB, and the World Bank are providing interim assistance.

The Gambia: Implementation Status, July 2002

External Debt Indicators After HIPC Debt Relief





The deterioration in the NPV of debt-to-exports ratio since the decision point largely reflects lower growth rates for exports than previously anticipated.

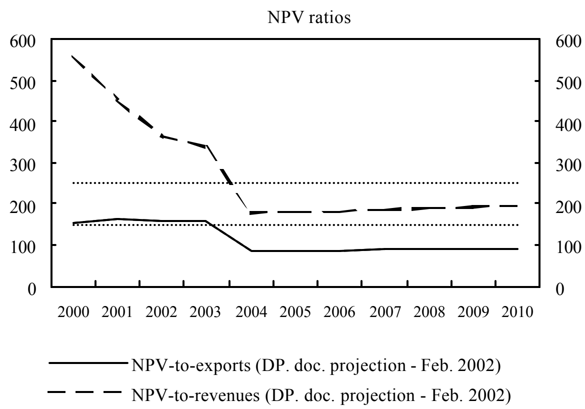
PRSP Status: The full PRSP was sent to the Bank and Fund in May 2002 for review and was presented to the Fund Board on July 10, alongside the joint staff assessment of the latter, and the authorities' request for a new PRGF. In 2001 social spending relative to GDP was 6 percent compared to a ratio of debt service paid to GDP of 3 percent.

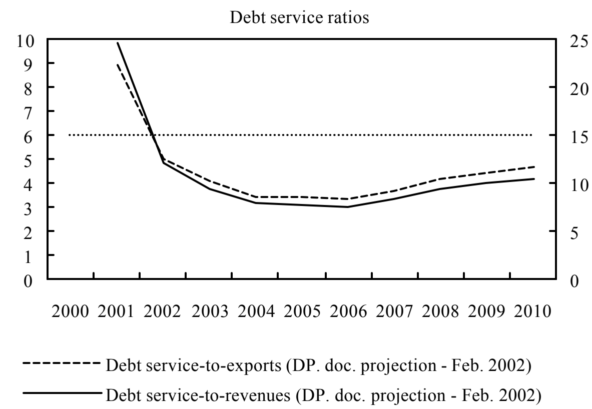
Policy Performance: Policy performance since the end of the three-year PRGF arrangement in 2001 has been mixed. While real GDP growth was robust and inflation remained low, fiscal policy was expansionary in 2001 through the first quarter of 2002, reflecting, in part, one-off expenditures and poor customs revenue performance. A new PRGF arrangement for the period 2002–04 was approved by the Fund's Executive Board on July 10, 2002. Two of the Bank's six active projects (PHPNP project and Municipal Development and Poverty Alleviation) are currently rated as unsatisfactory because of poor execution arrangements. There are plans for a Medium-Term Expenditure Framework which will expand on the work done in the sectoral Public Expenditure Reviews in education, health, and agriculture. Satisfactory progress however, has been made on some completion point triggers including measures to improve transparency and accountability of public finances and bringing to the point of sale, former Alimenta assets. Given the one-year period needed for implementing the PRSP the expected date for the enhanced HIPC completion point could be reached by mid-2003.

Creditor Participation: Creditors with about 81 percent of debt have agreed to provide debt relief. Three non-Paris Club official bilateral creditors (China, Kuwait, Taiwan Province of China), accounting for around 19 percent of HIPC relief, have not yet made any commitments.

Ghana: Implementation Status, July 2002

External Debt Indicators After HIPC Debt Relief





Ghana reached its decision point in February 2002. Projections from the decision point document indicate that debt ratios will fall below 150 percent by 2004; the debt-service ratio falls to 5 percent as early as 2002, and remains below that level for the rest of the decade. Debt service as a share of government revenue is projected to average 7 percent for the 2002–10 period.

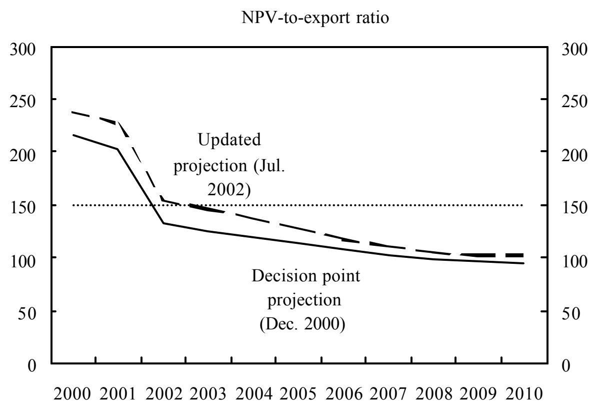
PRSP Status: The status of the PRSP was reviewed in February 2002. Publication of the full PRSP is slated for completion in the second half of 2002. Social spending is projected to increase to 6 percent of GDP in 2002.

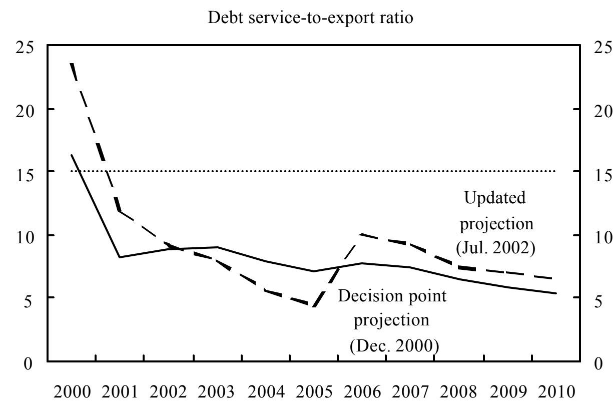
Policy Performance: As of February 2002, the date of the last review, the PRGF has been on-track. Substantial progress was made in restoring macroeconomic stability and most quantitative performance criteria were met in the latest (fourth) review although waivers were sought for non-observance of the ceilings on short-term external debt and the stock of arrears in the road sector. Financial and management audits were conducted for 11 public sector enterprises and the Bank of Ghana Law (enhancing its independence) was passed. However, there were delays in other structural reform measures, including utility pricing and divestiture. The fifth review is planned for the fall of 2002. Ghana's completion point is expected in 2004.

Creditor Participation: Creditors with around 89 percent of total debt have agreed to provide debt relief. The AfDB, EIB, IDA, the IMF, and the Paris Club are delivering interim relief. Other multilateral creditors will provide relief only at the completion point. The participation of Samsung remains to be confirmed.

Guinea: Implementation Status, July 2002

External Debt Indicators After HIPC Debt Relief





The data indicates that NPV of debt-to-exports ratio has deteriorated relative to that projected at the decision point. The disparity is more significant in the short-term and largely reflects a combination of lower export prices, lower discount rates and new debt than projected at the time of the decision point. The debt-service ratio is now projected to be higher from 2006 onwards but would remain below 10 percent.

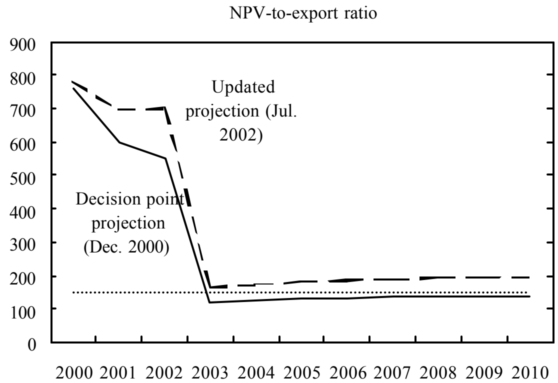
PRSP Status: The full PRSP was completed in December 2001 and adopted by the Council of Ministers in January 2002. The PRSP was endorsed by the Fund and Bank Boards in August 2002. Funds allocated to social and poverty reducing spending have increased with the use of interim assistance. However, more work needs to be done to improve expenditure tracking; authorities are preparing an action plan.

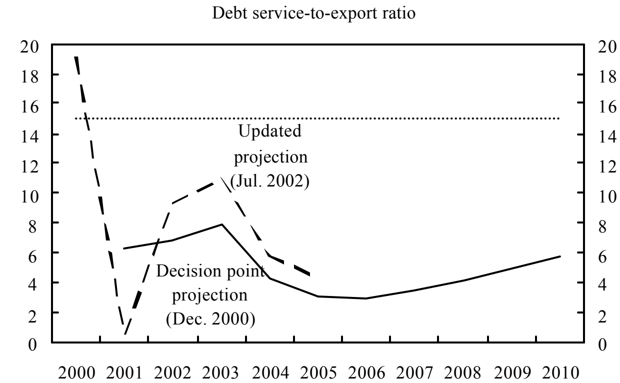
Policy Performance: The PRGF-supported program is broadly on track after the authorities took measures in the first quarter of 2002 to correct weaknesses in revenue mobilization and catch up on priority sector spending. The first review of the PRGF was concluded in August 2002. Satisfactory, albeit slow, progress has been made toward reaching completion point triggers. As a result, the completion point originally scheduled for end 2001 is expected to be reached in mid-2003.

Creditor Participation: Satisfactory assurances were received from creditors holding 85 percent of Guinea’s debt at the decision point. IDA, IMF, and the Paris Club are providing interim assistance. So far, Iraq, Kuwait, Libya, Romania, Saudi Arabia, and Thailand have not agreed to provide HIPC relief.

Guinea-Bissau: Implementation Status, July 2002

External Debt Indicators After HIPC Debt Relief





Debt indicators have deteriorated relative to decision point projections. This reflects a decline in exports in 2001, following a fall in cashew prices of about 30 percent. This shock was mainly the result of the 2001 global downturn and increased supply of cashew nuts from Vietnam. Consequently, the NPV of debt-to-exports ratio is projected to remain above the target 150 percent throughout the medium term although new borrowing has been significantly less-than-projected at the decision point.

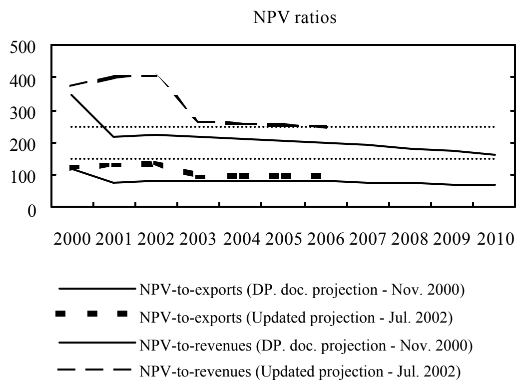
PRSP Status: Progress toward a full PRSP has continued, although at a slower pace than anticipated. A final draft is expected by end-November 2002. Social spending is estimated at 34 percent of GDP for 2002, and is projected to remain at that level through 2005.

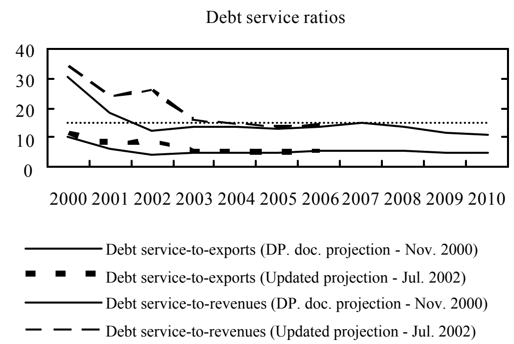
Policy Performance: The PRGF-supported program went off track immediately after it came into force at end-2000. Fiscal policy slippages were initially associated with Guinea-Bissau's military conflict with Senegal but are now related to political interference in financial management following the change of government. Of the Bank's six projects, the one on health is currently rated as unsatisfactory whilst there has been mixed performance on the education, economic rehabilitation and recovery projects. There have been encouraging, albeit slow, developments in addressing structural and social issues, such as in the areas of demobilization, public procurement reform, public enterprise reform, HIV/AIDS and education. Building a track record before the completion point remains a challenge; as a consequence, reaching the completion point by end-2003, though still possible, seems unlikely.

Creditor Participation: Creditors that have agreed to grant HIPC relief to Guinea-Bissau account for more that 81 percent of the country's debt at the decision point. The AfDB, IFAD, the IMF, Paris Club creditors, and the World Bank have provided interim assistance, while China and Cuba have written off their claims on Guinea-Bissau. Due to the status of the PRGF, the Fund suspended its interim assistance at the beginning of 2002. Agreements to reschedule arrears have still to be concluded with a number of multilateral creditors.

Guyana: Implementation Status, July 2002

External Debt Indicators After HIPC Debt Relief





Despite external debt levels being lower than anticipated at the decision point, largely reflecting delays in the implementation of externally-financed programs and projects, the NPV of debt-to-exports ratio increased as exports have been significantly weaker than projected. Bauxite and sugar export volumes have been lower than projected reflecting production difficulties as well as lower-than-projected export prices. Debt service is projected to fall to around 16 percent of government revenue at the expected completion point, and will decline moderately thereafter.

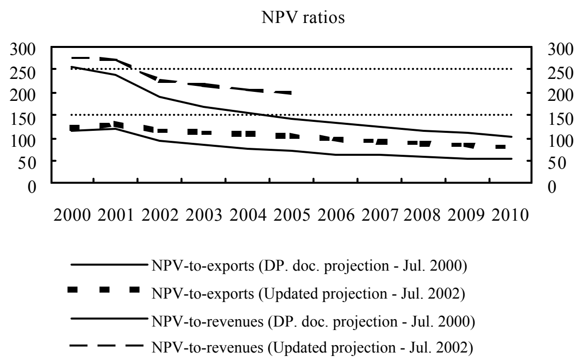
PRSP Status: The PRSP was published in November 2001 and a macroeconomic addendum to the PRSP was completed in February 2002. Social spending has been increasing steadily, and is projected to remain at 15 percent of GDP in 2002 and 2003 before rising to 16 percent of GDP in 2004 and 2005.

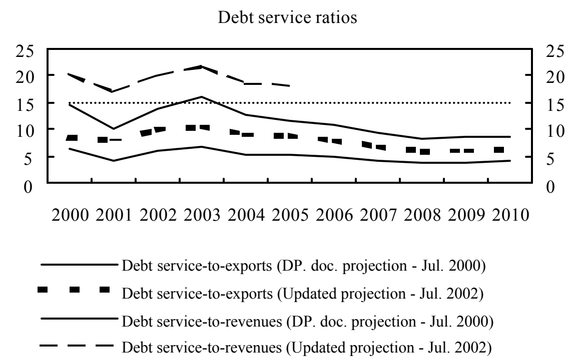
Policy Performance: The PRGF went off-track in 2001, due to slippages in fiscal policy, and a stalled structural reform agenda. The overall assessment of the Bank's portfolio in the country is satisfactory. Country dialogue is difficult, but progressing slowly in key areas. Governance reforms in Guyana have been particularly difficult. In particular, there has been a setback with recent agreement as to how to proceed on procurement reform. The implementation of sugar and financial sector reforms has proceeded very slowly. Progress is being made in completing most of the completion point triggers. Four triggers are pending implementation: (1) a period of satisfactory performance under the PRGF of at least six months; (2) the submission to parliament of satisfactory procurement legislation; (3) the submission to parliament of satisfactory investment legislation; and (4) downsizing the core civil service. The completion point could be in early 2003.

Creditor Participation: Creditors holding around 91 percent of Guyana's debt have indicated their intention to deliver debt relief. IMF interim relief has not been replenished since end-2001. The IADB has agreed to provide original HIPC assistance. Argentina has begun negotiations with Guyana and Brazil has already delivered HIPC relief. So far, China, India, Kuwait, Libya, North Korea, U.A.E., Venezuela, and Yugoslavia have not agreed to provide HIPC relief.

Honduras: Implementation Status, July 2002

External Debt Indicators After HIPC Debt Relief





External debt indicators have deteriorated because of poor export performance mainly due to adverse international prices. Coffee prices are at very low levels and recovery is not expected soon. In addition, banana production in 2002 has been hit by plagues and workers' strikes, and the maquila sector is growing at a slower pace than expected as a consequence of the slow economy in the United States. Nonetheless, the NPV of debt-to-revenue ratio should fall below the HIPC threshold of 250 percent by the time of the completion point. Debt service is projected to fall below 10 percent of exports after the completion point, but will average around 19 percent of government revenues for the 2002–05 period.

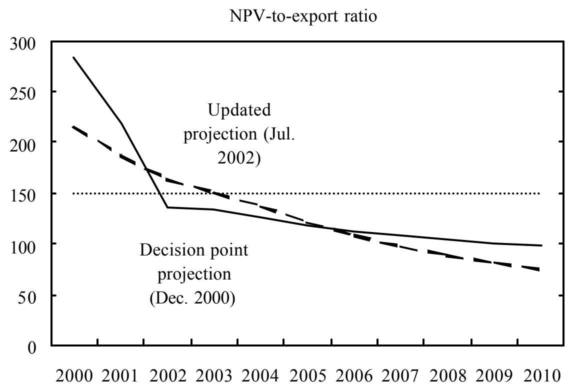
PRSP Status: PRSP was completed in August 2001. The first annual PRSP progress report is expected by the end of 2002. There are early reports that public expenditure in poverty reducing projects has been below the expected levels in 2001.

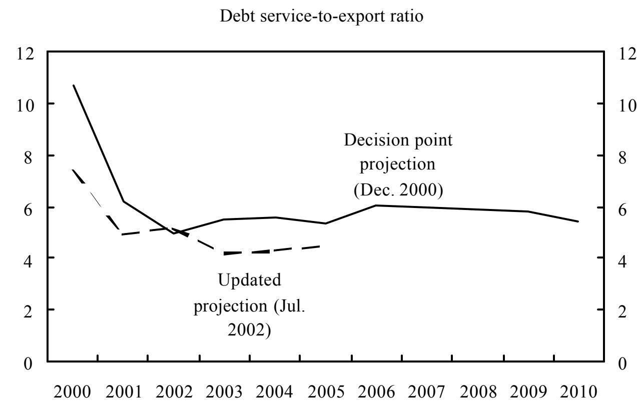
Policy Performance: The third review for the PRGF was completed in October 2001. The program subsequently went off track at end-2001 mainly due to fiscal policy slippages. A review mission in May 2002 projected further fiscal deterioration for 2002–03. Discussions on a new PRGF could start in October 2002, with the adoption of corrective measures. All the World Bank's operations (seven active projects) are currently rated as satisfactory. Work has already started on a new CAS and on a PRSC. The timing of the later, however, will be affected by the negotiations between Honduras and the Fund on the PRGF arrangement. Some progress has been made in social reforms (education, health, pensions, and other safety nets) and financial sector strengthening, but Honduras has still to tighten prudential norms in line with international standards, resolve the situation of two intervened banks, and strengthen the deposit insurance institution.

Creditor Participation: Creditors with 93 percent of debt have indicated their intention to deliver debt relief. The Paris Club and major multilateral creditors are delivering interim relief. However, interim relief from the WB/IDA and IDB (one-third of the total relief) is expected to end in July 2002. Costa Rica, Mexico, and Venezuela have not yet agreed to provide HIPC relief to Honduras.

Madagascar: Implementation Status, July 2002

External Debt Indicators After HIPC Debt Relief





In 2002 the NPV of debt-to-exports ratio will be higher than projected at the decision point, although it could fall below 150 percent as early as 2003 should exports recover rapidly after the resolution of the political crisis. The ratio is projected to decline steadily for the rest of the decade. The debt service-to-exports ratio will remain low throughout the period (5 percent in 2002). Due to higher prices for vanilla and cloves, export data and projections are higher than expected at the decision point.

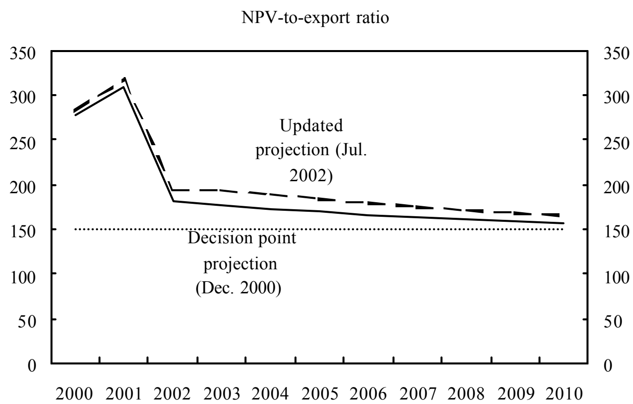
PRSP Status: With the ending of the political crisis, the Government has restarted its work to finalize the PRSP and has established a timetable which currently plans for a final version at the beginning of calendar year 2003. Revisions to the strategy are now necessary given the much changed economic and social conditions in the country. Budgetary allocations to priority social sectors have increased in recent years. Education spending is projected to increase from 3.0 percent of GDP in 1999 to 4.5 percent of GDP in 2003. Health spending is projected to increase from 1.2 percent of GDP in 1999 to 2.5 percent of GDP in 2003.

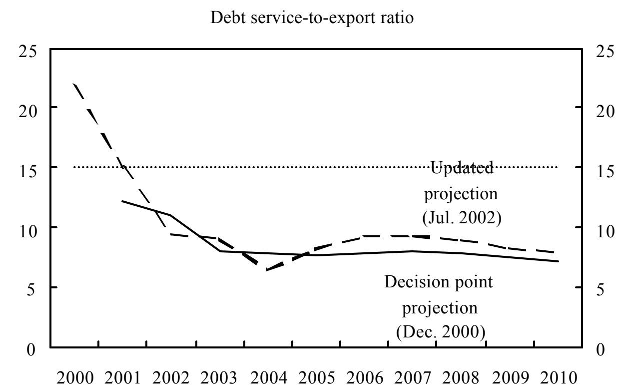
Policy Performance: The PRGF arrangement was approved on March 1, 2001, and the first review was satisfactorily concluded on December 5, 2001. Due to the prolonged political crisis, a mission scheduled for February 2002 to conduct the second review and discuss the program for the year 2002 could not take place**.** With the political crisis now resolved, an IMF team visited Madagascar at the beginning of July 2002 to assess, jointly with the Government and the World Bank, the likely impact of the crisis. The World Bank is in the process of adapting and restructuring its program in the country with three main aims: (i) create/strengthen safety net for most vulnerable; (ii) assist relaunching of private sector; (iii) assure functioning of minimum public services. Discussions have only now started with the new government

Creditor Participation: Satisfactory financing assurances have been received from creditors representing 91 percent of total debt. So far, non-Paris Club creditors have not agreed to provide HIPC relief. Until the political crisis, some progress was being made towards meeting the completion point triggers, in particular in education and public expenditure management.

Malawi: Implementation Status July 2002

External Debt Indicators After HIPC Debt Relief





A slight deterioration in the NPV of debt-to-exports ratio in 2001 occurred due to lower receipts from tobacco exports that were only partially offset by increased exports for other goods (tea, sugar, and coffee). The NPV of debt-to-exports ratio is projected to remain above 150 percent throughout the period.

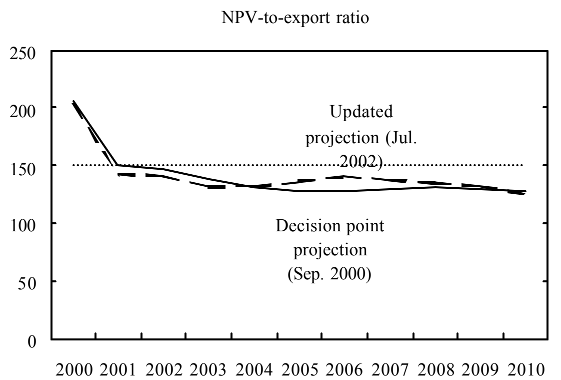
PRSP Status: With some delays, the PRSP was launched in April 2002. The resources being made available from interim debt relief are used to fund an expansion in pro-poor spending programs, including health and education related expenditures that are identified in the PRSP as primarily benefiting the poor. Social expenditure, more broadly defined, for 2002 is estimated at $207 million, or 11 percent of GDP.

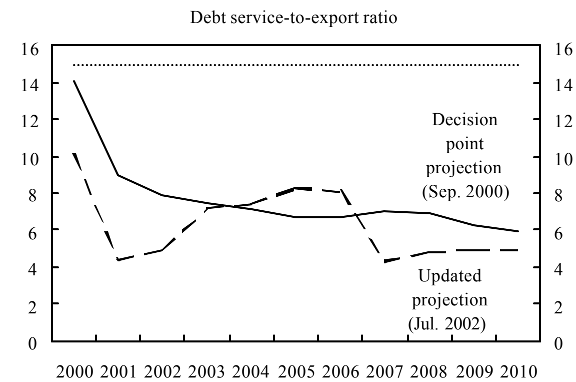
Policy Performance: Malawi's PRGF program went off-track soon after its approval in December 2000, mostly due to large slippages in fiscal policy. Conditional on a satisfactory track record through September 2002, the first review could be completed by year-end. The World Bank has 10 active credits in Malawi, of which three projects (Environment Management, FRDP 3 TA, and Privatization and Utility Reform) have an unsatisfactory rating. The dialogue with country authorities is good, and a new CAS is under preparation. Malawi has made good progress toward the fulfillment of the completion point triggers. However, there is need to make substantial progress on the maintenance of macro stability trigger. The completion point could be reached in mid-2003.

Creditor Participation: Malawi is receiving interim relief under the enhanced HIPC Initiative from multilateral and bilateral creditors; Fund Relief for 2002 is pending the conclusion of the first PRGF review. As regards Japan—largest bilateral creditor—Malawi received 2001 ODA relief in the form of a grant which has been deposited in an account in Japan an can be used for selected imports. Discussions on the 2001 non-ODA relief and the relief for 2002 are ongoing. With respect to non-Paris Club creditors, South Africa has written off its debt; no agreement has yet been reached with Taiwan Province of China.

Mali: Implementation Status, July 2002

External Debt Indicators After HIPC Debt Relief





From 2003, debt sustainability indicators will be higher than projected at the decision point mainly due to lower exports as a result of adverse developments in the international market for cotton. However, the NPV of debt-to-exports ratio is projected to remain below 150 percent and the debt service-to-exports ratio is projected to remain below 10 percent for the rest of the decade.

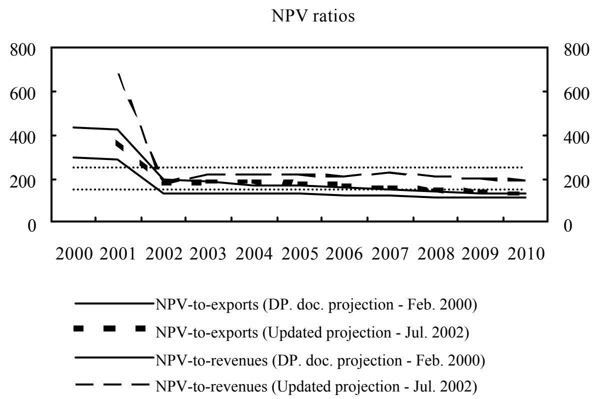
PRSP Status: The full PRSP, originally scheduled for end-June 2001, was adopted by the government at end-May 2002. Delays in the completion of the full PRSP were mainly due to weaknesses in the costing and in the prioritization of the strategy's objectives. Budgetary allocations to priority sector sectors have increased steadily in line with the I-PRSP. Social expenditure increased from 4.4 percent of GDP in 2000 to 4.8 percent of GDP in 2002. It is projected to decline to 4.3 percent of GDP in 2003, due mainly to a decrease in health spending and to reach 4.9 percent of GDP in 2006.

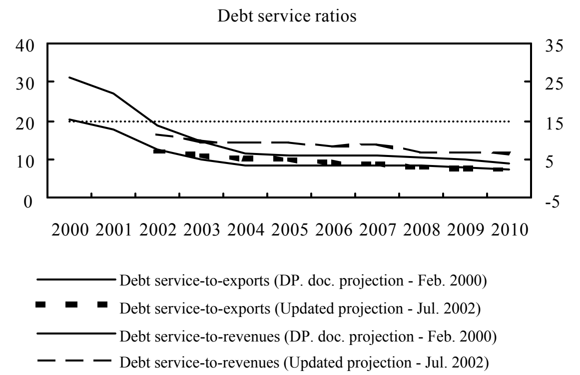
Policy Performance: PRGF-supported program has been on track since the country reached the enhanced HIPC decision point in September 2000, and preliminary information shows a satisfactory implementation of the program up to June 2002. Substantial progress has been achieved, and preliminary indications are that most of the completion point triggers are likely to be met by end-July 2002. The country could reach the enhanced HIPC completion point in the third quarter of 2002.

Creditor Participation: Mali has financing assurances from creditors holding about 88 percent of total debt. Non-Paris Club and commercial creditors, and three multilateral creditors (BCEAO, ECOWAS, FSED) have not yet agreed to provide debt relief to Mali. The AFDB group, EU, the IMF, Paris Club creditors, and the World Bank have provided interim assistance.

Mauritania: Implementation Status, July 2002

External Debt Indicators After HIPC Debt Relief





Debt indicators are slightly worse than projected at decision point due to higher new borrowing and lower exports than previously projected (on account of external shocks to the price and demand for iron ore), and changes in discount and exchange rates. The NPV of debt-to-revenue ratio is now below the HIPC threshold of 250 percent, while debt service is expected to average around 14 percent of government revenue for the remainder of the decade.

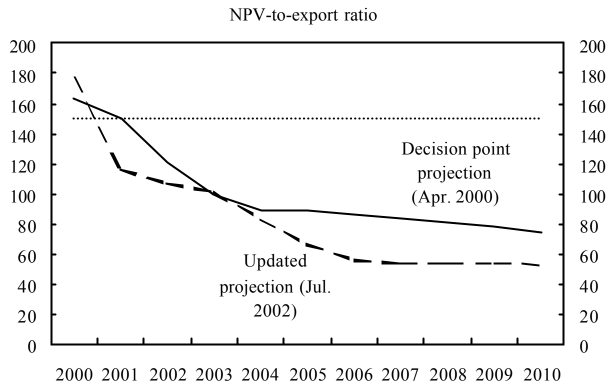
PRSP Status: The full PRSP was finalized in early 2001 and endorsed by the Boards of the World Bank and the Fund; the one-year progress report was endorsed by the two Boards in June 2002, at the time of Mauritania's completion point. Social and poverty reducing spending has been increased with the use of domestic resources and interim assistance. However, more work needs to be done to improve expenditure tracking (with technical assistance from the Fund and the Bank), and implementation capacity needs to be strengthened to allow full use of the resource freed up by HIPC relief.

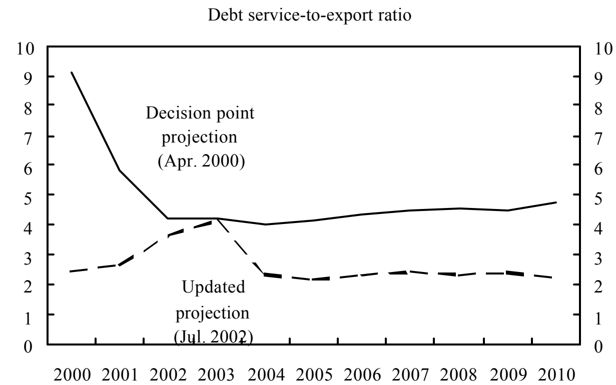
Policy Performance: The PRGF program is on track, based on the fifth review completed on June 7, 2002. Mauritania's economic performance under the PRGF has been strong. Economic growth has been robust, inflation has been under control and the external position has improved. Structural reforms have also intensified creating an environment conducive to foreign and domestic investment. The country remains vulnerable to downside risks that could undermine its external position.

Creditor Participation: The completion point was reached in June 2002. Satisfactory financing assurances were received from creditors holding over 80 percent of Mauritania's debt. So far, non-Paris Club creditors have not agreed to provide HIPC relief.

Mozambique: Country Implementation Status, July 2002

External Debt Indicators After HIPC Debt Relief





The debt and debt-service ratios are both better than projected at the decision point, reflecting in large part a stronger-than-expected export performance. The country has been largely spared from the effects of the global economic slowdown and its export base is expected to benefit from the Mozal aluminum smelter, as well as from its large agricultural potential.

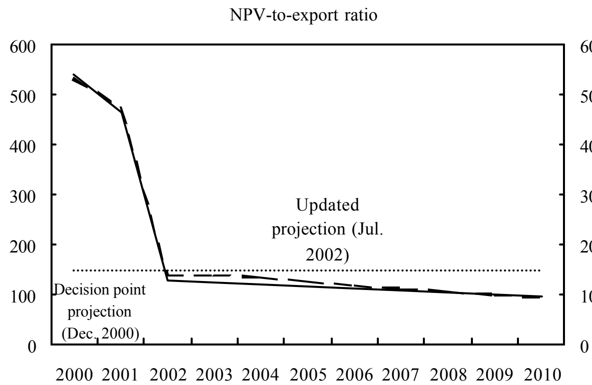
PRSP Status: The PRSP, which was endorsed by the Boards of the Bank and the Fund in September 2001, has been central in guiding the government's efforts to improve social welfare conditions and track poverty-reducing expenditures. HIPC-financed spending is being allocated to priority areas that have been identified in the PRSP (PARPA). The PARPA priority sectors are in education, health, HIV/AIDS, infrastructure, agriculture and governance. Recent developments in social spending continue to be favorable with such expenditure reaching 9 percent of GDP in 2002 and expected to stay at around that level for the 2002–05 period.

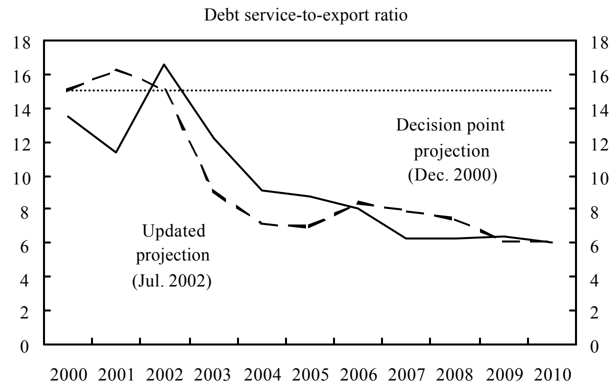
Policy Performance: The fourth review under the PRGF arrangement was satisfactorily completed in June 2002. All quantitative and structural performance criteria and benchmarks were observed, except for a benchmark on reserve money. Macroeconomic developments are favorable, with projections for 2002 indicating growth of around 9 percent, inflation of 8 percent and a narrowing of the current account deficit, after grants and excluding the mega projects.

Creditor Participation: The completion point was reached in September 2001. Creditors holding around 88 percent of Mozambique's debt are providing debt relief. Several non-Paris Club official bilateral creditors have yet to respond to letters sent by the Mozambican authorities in January 2002 requesting to begin negotiations for bilateral agreements on enhanced HIPC terms. Earlier positive responses had been obtained from Algeria, Kuwait, and Poland, but further negotiations are needed to finalize the agreements. The Mozambican authorities have indicated that relief on non-Paris Club official debt has been completed with China, the Slovak Republic, and South Africa.

Nicaragua: Implementation Status, July 2002

External Debt Indicators After HIPC Debt Relief





Debt sustainability indicators have deteriorated slightly compared to the decision point document mainly because updated export projections now reflect the drop in coffee prices. Also, debt service to Central American creditors and new borrowing were overestimated at the time of the decision point, but the debt relief by CABEI was underestimated.

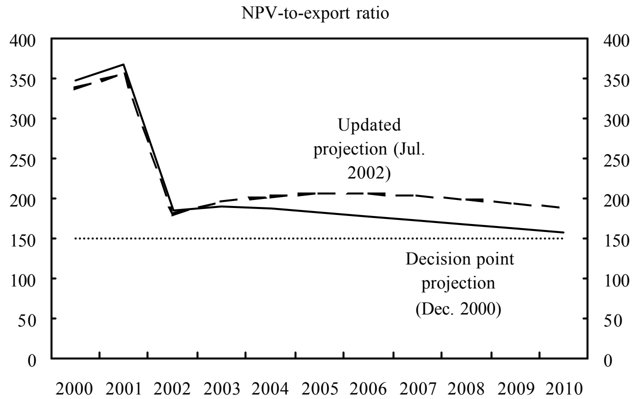
PRSP Status: A full PRSP was presented to the IMF and World Bank Boards in September 2001 and a PRSP progress report is under preparation. Poverty-reducing expenditures are projected to increase by about 4 percent of GDP by 2004–05, compared with pre-hurricane Mitch levels.

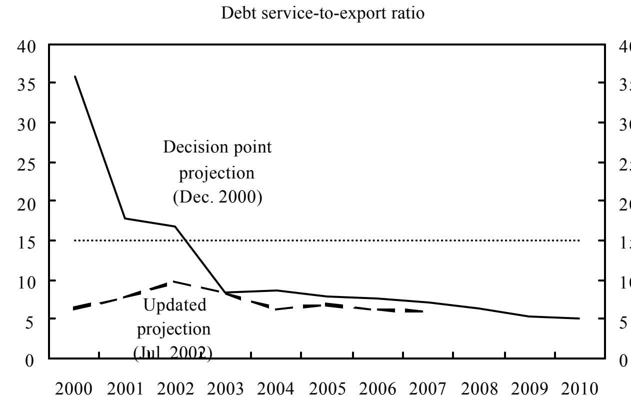
Policy Performance: After policy slippages in early 2001, performance under the SMP for July-December 2001 was not satisfactory, with large fiscal slippages and weak governance. A new three-year PRGF arrangement covering October 2002–September 2003 could be approved by year-end provided key prior actions are met and a satisfactory track record of policy implementation is observed during January–September 2002. As of May 31, 2001, IDA's active portfolio consisted of 14 credits. All active projects are rated satisfactory, with one (Sustainable Forestry) rated highly satisfactory, both in terms of achieving development objectives and implementation progress. Compliance with financial and auditing requirements has been good, and the quality of audit and procurement reports is satisfactory. Some progress toward the HIPC completion point triggers is being made, with most measures being prepared and/or partly implemented. The decision point for Nicaragua was reached in December 2000. The completion point, originally expected by end-2002, is now expected to take place during the second half of 2003.

Creditor Participation: Financing assurances have been received from creditors holding 86 percent of total debt. In principle, all multilateral and Paris Club creditors have agreed to participate, as well as the following non-Paris Club creditors: Bulgaria, Costa Rica, Czech Republic, Guatemala, Honduras, and Slovak republic. So far, Algeria, China, Hungary, India, Iran, Libya, Mexico, North Korea, Peru, Poland, Taiwan Province of China, Venezuela, and Yugoslavia have not agreed to provide HIPC relief. Interim relief is being provided by the World Bank, the IaDB and CABEI.

Niger: Implementation Status, July 2002

External Debt Indicators After HIPC Debt Relief





The NPV of debt-to-exports ratio has slightly deteriorated compared to decision point projections due to somewhat lower exports. However, the debt service-to-exports ratio would be lower than projected at the decision point.

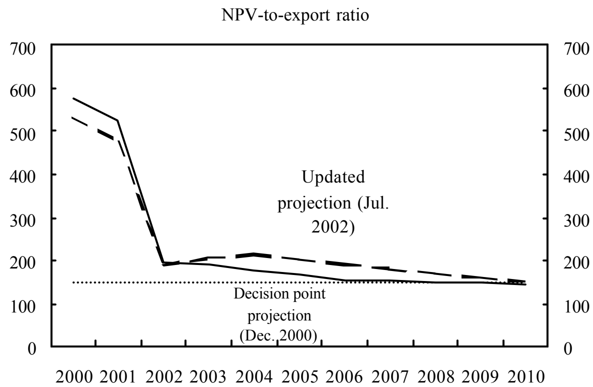
PRSP Status: The full PRSP was submitted to the Executive Boards of the Fund and the Bank in February 2002. The PRSP, prepared through an extensive participatory approach, contains a thorough poverty analysis and a comprehensive strategy to alleviate it. It foresees an increase in social spending from 5 percent of GDP in 2001 to 7 percent of GDP through 2005. A special presidential program, financed by resources freed under the HIPC initiative, has shown impressive results in 2001 in terms of delivering outputs in the areas of education, health and rural water supply. The outreach of this program is planned to be extended in 2002 and will be fully integrated into the Government's poverty reduction strategy.

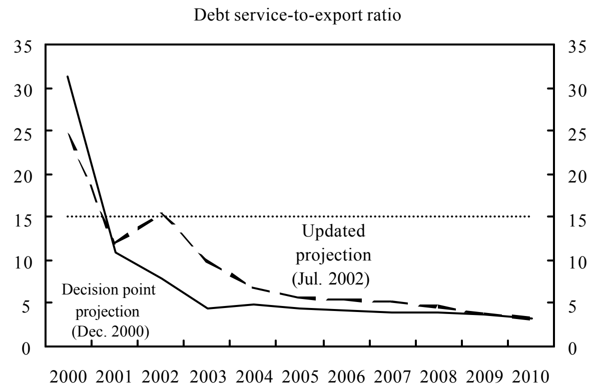
Policy Performance: A PRGF arrangement was approved on December 14, 2000. The third review is currently being finalized and is expected to be endorsed by the IMF Board by around early September. The second review was concluded in February 2002. Substantial progress has been made in meeting the completion point triggers, and preliminary indications are that all the triggers are likely to be met by the second quarter of 2003, except maybe one on the education sector setting a limit for grade 6 repetition rate. Niger could reach the completion point in the third quarter of 2003.

Creditor Participation: Niger has financing assurances for about 76 percent of total debt relief. Non-Paris Club official bilateral (Algeria, China, Iraq, Kuwait, Libya, Saudi Arabia, and U.A.E.) creditors and two multilateral creditors (Conseil de l'entente, ECOWAS) have not yet committed to provide debt relief. China has granted partial debt cancellation. The AfDB, IDA, the IMF, OPEC Fund, and Paris Club creditors have provided interim assistance. IFAD has committed to full debt relief at the completion point.

Rwanda: Implementation Status, July 2002

External Debt Indicators After HIPC Debt Relief





Debt sustainability indicators have deteriorated slightly compared to the decision point document because of lower export projections associated with depressed export prices (coffee, tea, and the mineral coltan). The NPV of debt-to-exports ratio will remain above 150 percent until 2010. However, the debt service-to-export ratio will fall below 10 percent as early as 2003.

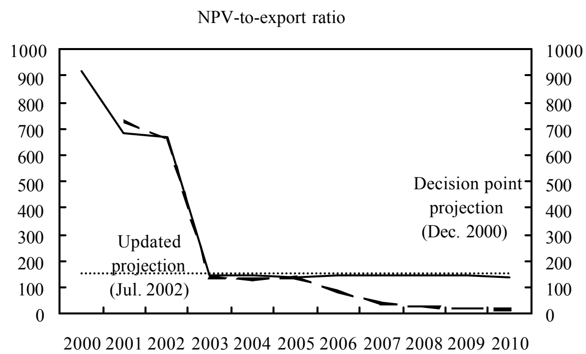
PRSP Status: The PRSP was completed in June 2002 and considered by IMF Board in July together with the request for a new PRGF. Social spending has been steadily increasing and this trend is projected to continue. Social spending stood at 3.9 percent of GDP in 1999 and rose to 5.3 percent by 2001. It is projected to rise to 6.6 percent by 2003 and 7.1 percent by 2005.

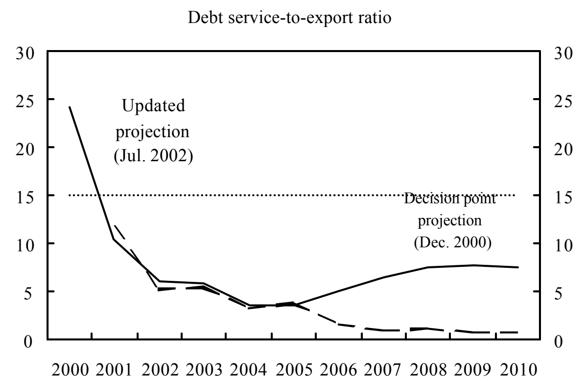
Policy Performance: The 1998–2002 program supported under the PRGF expired in April 2002 without completion of the final review. On July 24, 2002, the Fund Executive Board approved a new three-year PRGF program. Progress is being made in completing most of the completion point triggers, including the privatization of tea factories. The completion point is expected to be reached in the second half of 2003.

Creditor Participation: Financing assurances have been received from creditors providing 95 percent of debt relief. Interim assistance has been provided by AfDB, IDA, the IMF, and the Paris Club. In addition, the EU, IFAD, and the OPEC Fund have agreed to provide HIPC relief. So far, non-Paris Club creditors have not agreed to provide HIPC debt relief.

São Tomé and Príncipe: Implementation Status, July 2002

External Debt Indicators After HIPC Debt Relief





Debt indicators have improved since the decision point as export performance has been better-than-initially-expected, especially in the tourism sector, while there has been a faster exchange rate depreciation. Off-shore oil production is expected to start in 2006, which would lead to a significant increase in the country's exports.

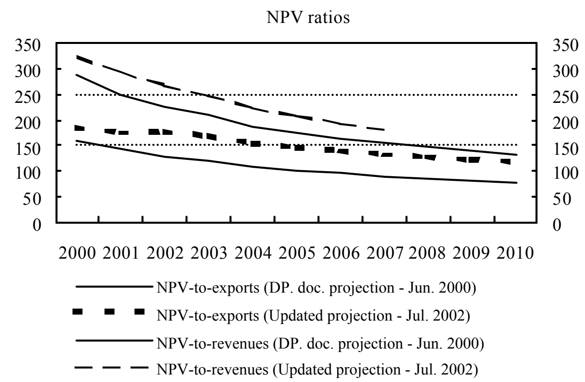
PRSP Status: An interim PRSP was issued in April 2000, and the full PRSP is expected to be completed in the fourth quarter of 2002. Current projections show a steady increase in health and education expenditure.

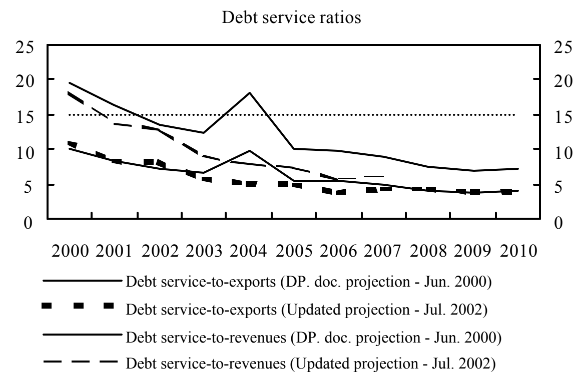
Policy Performance: Currently, São Tomé and Príncipe has a staff-monitored program under which the authorities aim at reestablishing a track record of good policy implementation, which could lead to a program supported by a PRGF arrangement. Negotiations for a PRGF arrangement are expected to start in the fourth quarter of 2002. The World Bank has two active projects in São Tomé and Príncipe (Public Resource Management (PRM) and Technical Assistance for PRM). No recent disbursements have been made on the adjustment operation because the conditions for the release of the second fixed and the floating tranches had not been met. Dialogue with the country has been maintained, but no progress was made due to the on-going political turmoil. Some progress toward the HIPC completion point triggers is being made. The completion point is expected to be reached in late 2003.

Creditor Participation: Financing assurances have been received from creditors providing 85 percent of debt relief. Interim assistance is being provided, mainly by multilaterals and Paris Club. Non-Paris Club bilateral creditors (Algeria, Angola, Cape Verde, and China) have not yet agreed to provide HIPC relief.

Senegal: Implementation Status, July 2002

External Debt Indicators After HIPC Debt Relief





External debt stock indicators have worsened significantly compared to decision point projections as a result of lower export projections than anticipated. However, the debt service-to-export ratio will be lower than anticipated at the decision point, and is now projected to fall below 10 percent of government revenues after 2002.

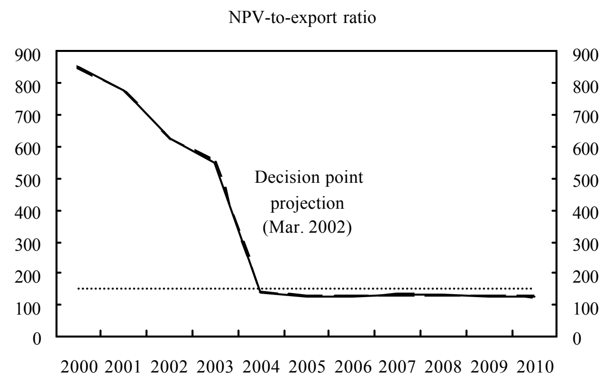
PRSP Status: A first draft of the full PRSP was submitted to Fund and World Bank staffs for comments in mid-December 2001. The final PRSP was submitted to the Fund and the Bank in early May 2002. Expenditure in education declined slightly from 3.5 percent of GDP in 2000 to 3.4 percent of GDP in 2002. Expenditure in the health sector remained at about 1 percent over the period.

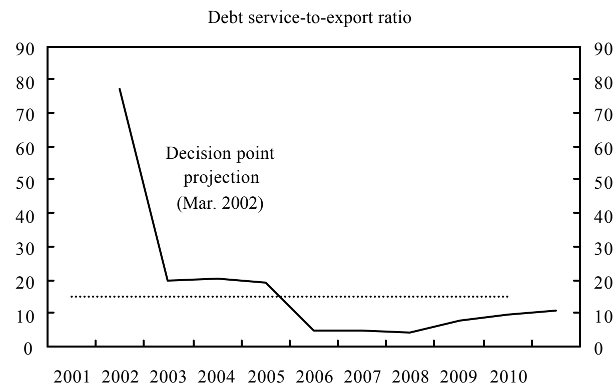
Policy Performance: The second review of the PRGF-supported program was concluded on April 5, 2002. However, the third review of the program was not completed; the PRGF arrangement expired on April 19, 2002. A new arrangement is expected by end-2002. The World Bank has 21 active credits in Senegal. Currently four (Quality Education for All, Urban Mobility, Transport II, and Information Systems Modernization) credits are rated as unsatisfactory. The dialogue with country authorities has been continuing on the basis of their reform strategy outlined in the PRSP. Progress in meeting completion point triggers has been slow. The country could reach the enhanced HIPC completion point in the third quarter of 2003, depending on the negotiations of the new PRGF.

Creditor Participation: Senegal has financing assurances for about 79 percent of total debt relief. Non-Paris bilateral creditors (Algeria, China, Iraq, Kuwait, Oman, Saudi Arabia, and U.A.E), and three multilateral creditors (BCEAO, ECOWAS, IsDB) have not yet agreed to provide debt relief to Senegal. All the remaining creditors have committed to provide debt relief to the country. The AfDB group, EU, the IMF, Paris Club creditors, WADB, and the World Bank have provided interim assistance.

Sierra Leone: Implementation Status, July 2002

External Debt Indicators After HIPC Debt Relief





No updates since February 2002 decision point.

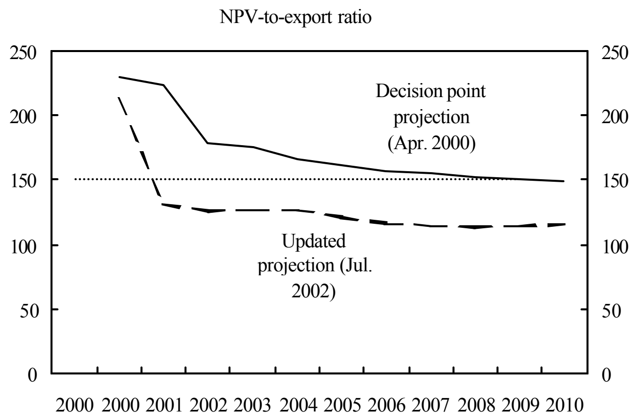
PRSP Status: An Interim-PRSP was completed in September 2001 and the final PRSP is expected by mid-2003. A Poverty Alleviation Strategy Coordinating Office (PASCO) has recently been established and a national coordinator selected. Activities in 2002 include: a planned household expenditure survey; stakeholder consultations (including through five working groups, media discussions, technical workshops and a mini-Consultative Group meeting); and sectoral studies in mining, education, health, and agriculture. As projected at the decision point, poverty-reducing spending is expected to reach US$77 million in 2002, which constitutes 9 percent of GDP and 68 percent of government revenue.

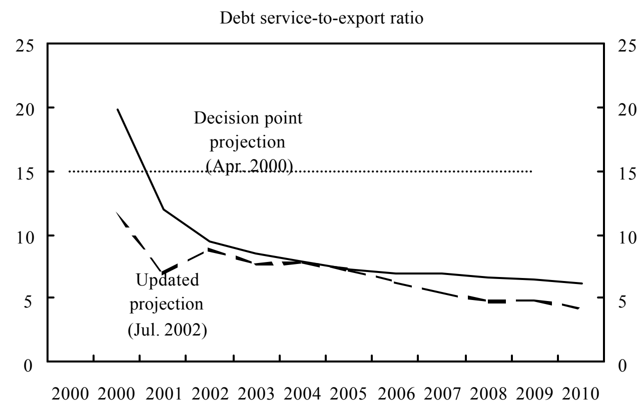
Policy performance: A PRGF arrangement was approved in September 2001, and the first review was successfully completed in March 2002, at the time of the HIPC decision point. The improvement in the political and security situation has strengthened confidence and helped in sustaining the economic recovery in 2001 and the first half of 2002. Structural reforms have been strengthened, and presidential and parliamentary elections were peacefully held on May 14, 2002, marking another important milestone on the road to peace. Given the recent decision point, it is too early to assess progress in meeting completion point triggers. The completion point is expected by end-2004.

Creditor participation: Financing assurances have been secured from creditors holding a total of 84 percent of the Sierra Leone's debt (multilaterals and the Paris Club). Two non-Paris Club official bilateral creditors (China and Kuwait) as well as commercial creditors have not yet indicated their intention to delivery debt relief. Interim assistance is being provided by most multilateral creditors and the Paris Club (a topping-up to Cologne terms was provided by the Paris Club soon after the decision point).

Tanzania: Implementation Status, July 2002

External Debt Indicators After HIPC Debt Relief





Debt indicators improved compared to decision point projections mainly because of an upward revision in exports. Potential risks for the debt outlook are the lack of diversification of the export base and the dependence of the economy on donor support. International prices for traditional exports, especially coffee and cashew nuts, are projected to remain low.

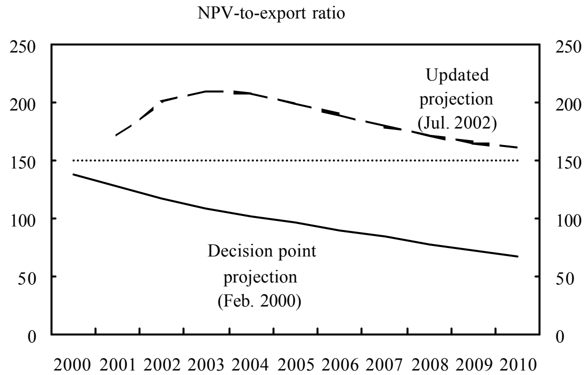
PRSP Status: The poverty reduction strategy enjoys broad support and ownership. By the time the current PRGF expires, Tanzania is expected to have prepared two annual PRSP progress reports (the second report is expected to be completed in September 2002). Expenditure on health and education have been rising since 1999/00. New education, agriculture, and rural development strategies target high-priority areas of the PRSP.

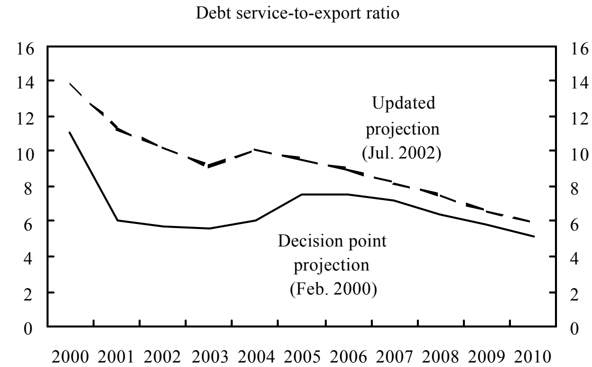
Policy performance: The current PRGF is to expire in early 2003. An exit strategy from Fund support may be constrained by the linkage of donor support to the existence of a Fund program. A PRGF with minimal access may be envisaged. The focus of the current PRGF in 2002 is on revenue mobilization, public financial management and financial intermediation. Progress under the PRGF has been satisfactory, with the exception of structural reforms which had suffered from some delays (e.g., clearance of audited arrears, and use of land as a collateral for bank loans).

Creditor Participation: The completion point was reached in November 2001. HIPC relief amounted to 1.4 percent of GDP in 2001/02 and is expected to account for 1.3 percent of GDP in 2002/03. Tanzania has received financing assurances from creditors holding around 90 percent of total debt, with the exception of non-Paris Club creditors. Specifically, it has received assistance from IDA, the IMF (which together account for more than 40 percent), Paris Club creditors (accounting for another 40 percent), the AfDB (6 percent), and other multilateral creditors (4 percent). There has been limited progress in securing debt relief from non-Paris Club creditors.

Uganda: Implementation Status, July 2002

External Debt Indicators After HIPC Debt Relief





Uganda's external debt sustainability indicators have worsened since the completion point. The main factors underlying the deterioration of the debt sustainability indicators are the unanticipated 66 percent decline in world coffee prices (Uganda's principal export) between 1998/99 and 2001/02, and new borrowing between June 1999 and June 2001 that, though included in the decision point macroeconomic framework, was not included in the NPV of debt projections reported in the decision point document**.**

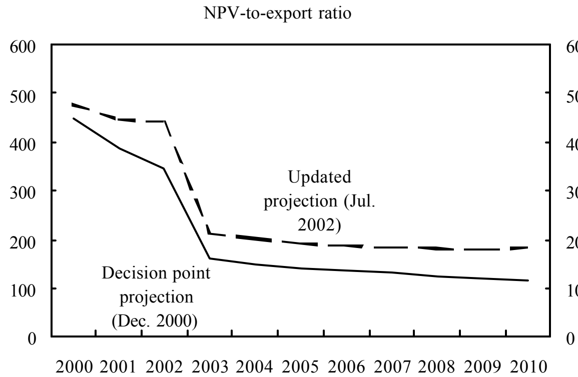
PRSP Status: The full PRSP was presented in March 2000. The first PRSP Progress Report presented to the Boards of the Bank and Fund in the spring 2001 noted that the incidence of poverty fell from 56 percent in 1992 to 35 percent in 2000.The second PRSP Progress Report and Joint Staff Assessment were presented to the Board of the Bank on July 23, 2002, and will be presented to the IMF Board together with the new PRGF on September 16, 2002. The PRSP is scheduled to be revised in 2003. In 2001 social spending relative to GDP was 8 percent compared to debt service paid- to-GDP of 1 percent.

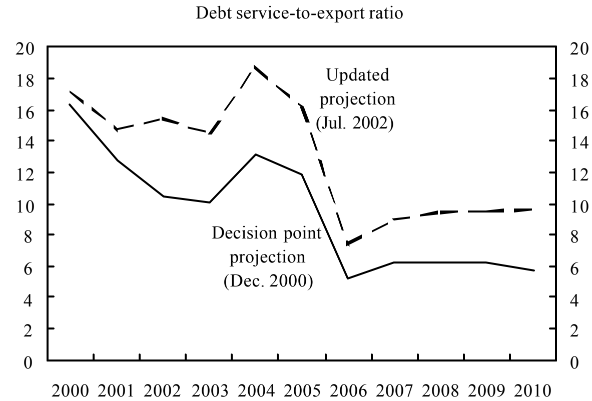
Policy Performance: A new PRGF arrangement for the period 2002/03–2004/05 of SDR 13.5 million (7.5 percent of quota) will be discussed by the Fund's Executive Board in September 2002. Uganda's macroeconomic performance has been broadly satisfactory.

Creditor Participation: The completion point was reached in May 2000. Required HIPC relief is US$630 million. Twenty-six of the 44 creditors have agreed to provide HIPC relief equivalent to 96 percent of the total required. Of the six commercial creditors, only one has agreed to provide relief. The East African Development Bank, OPEC Fund, PTA Bank, Shelter Afrique, Burundi, India, Iraq, Libya, Nigeria, North Korea, Pakistan, South Korea, and United Arab Emirates, have yet to agree to provide relief.

Zambia: Implementation Status, July 2002

External Debt Indicators After HIPC Debt Relief





Debt indicators have deteriorated since decision point as metal exports are projected to be lower than envisaged due to lower world copper prices and the decision of Anglo American to discontinue its mining operations in Zambia. The NPV of debt-to-exports ratio would remain above 150 percent throughout the 2000–10 period.

PRSP Status: The PRSP was completed in April 2002. HIPC-financed spending was lower than programmed due to initial difficulties in establishing an accounting framework and lack of capacity. Priority poverty reducing programs amounted to 1.1 percent of GDP in 2000, 2.1 percent of GDP in 2001, and projected to be 2.2 percent of GDP in 2002.

Policy Performance: The fourth review of PRGF was completed in May 2002. The authorities requested waivers for domestic arrears, (end-September 2001), net bank claims on the government, net domestic assets and gross international reserves (all end-December 2001); and for the continuous performance criterion on non-accumulation of external arrears. All structural performance criteria and benchmarks were met. With regard to the status of floating completion point conditions, the PRGF is on track, the PRSP completed, and progress being made to divest controlling share in ZNCB and ZESCO. The completion point is expected in 2003.

Creditor Participation: Financing assurances have been received from creditors holding around 97 percent of total debt. The AfDB, IDA, IMF, and the Paris Club agreed to provide interim relief. So far, Bulgaria, China, India, Iraq, Romania, and Saudi Arabia have not agreed to provide HIPC relief.

Section II. Countries Expected to Reach Their Decision Points After June 2002

The following notes provide information on the status of seven HIPC-eligible countries that are expected to reach decision points after June 2002 and have not yet presented preliminary documents to the Fund and Bank Boards. This excludes HIPCs whose debt burden is considered sustainable under the Initiative[1] or for which there is inadequate data and/or have protracted arrears to the World Bank and the IMF.[2]

Burundi

After protracted discussions, a peace agreement was signed in August 2000 in Arusha, Tanzania, by 19 political parties in an attempt to bring the civil conflict to an end. Agreement was reached in July 2001 on the installation of transitional institutions for a three-year period to lead to full democratization. Implementation of the transitional arrangements culminated in the installation of an inclusive Transition Government in November 1, 2001, and the installation of the Transition Parliament and Senate in January 2002. Burundi launched its PRSP process in July 2000; the last round of consultations and participatory diagnostic processes which provided the basis for elaborating the I-PRSP was carried out at the sectoral and regional levels in July and August 2001. The draft I-PRSP was discussed by donors within the context of a thematic round table meeting in April 2002. The Burundian authorities are finalizing their draft I-PRSP on the basis of comments provided by the development partners, and the final I-PRSP document is expected in the second quarter of FY 03. The Bank has been providing assistance to the Burundian authorities, including in the area of consultation and participatory diagnostic analysis, and the Burundian authorities recently requested further assistance in this area, within the context of the full PRSP.

IDA is currently supporting Burundi with an Emergency Economic Recovery Credit and a number of other projects planned in the context of the 1999 Interim Strategy. A Transitional Support Strategy that underpins IDA assistance to Burundi during FY 02–03 was approved by the Board on March 7, 2002. This Transitional Strategy envisages exceptional IDA assistance to Burundi in the form of projects and balance of payments support, including through HIV/AIDS project and an Economic Rehabilitation Credit.

In July 2001, a visiting Burundian delegation reached an agreement with Fund staff on a Staff Monitored Program covering the period July 1 through December 31, 2001. Discussions between Burundian authorities and the Fund are ongoing. An IMF mission is planned for the first half of August 2002 to conduct the 2002 Article IV consultation discussions, and negotiate a program that could be supported under the emergency post-conflict assistance facility in 2002. This post-conflict assistance program would be a catalyst

[1] Angola, Kenya, Vietnam, and Yemen.

[2] Liberia, Somalia, and Sudan.

for donor assistance in the context of internationally concerted efforts, including assistance from the HIPC relief.

Preliminary analysis indicates that Burundi has a heavy debt burden. However, it has managed to remain current in its debt service obligations to the Bank and the Fund but is in arrears to the AfDB. As a follow-up to the Paris Conference, there has been a concerted effort within the international community to set up a Multilateral Donor Trust Fund to assist Burundi clear its arrears and pay its debt to its multilateral creditors during the period leading to its access to the enhanced HIPC Initiative. A number of donors have already made their contribution to this Fund which is expected to become operational in the first quarter of FY 03.

Central African Republic

Program implementation in 2001 under the second annual PRGF arrangement was weak. While the government undertook a number of measures aimed at strengthening economic management and governance, slippages were registered in overall program performance. In October 2001, the government requested that the Fund staff assist in monitoring reinforced adjustment efforts within the framework of a six-month staff-monitored program (SMP) for the period October 2001–March 2002. The first quarterly review, which was completed in May 2002, showed that performance was less than satisfactory. However, fiscal and financial performance improved in the second quarter of the SMP, contributing to a catching up on the shortfalls registered during the last quarter of 2001. On the basis of these improvements, staff has reached broad understandings ad referendum on a three-year program that could be supported by an arrangement under the PRGF. Nonetheless, a large financing gap remains for which financing assurances have not yet been received. The earliest possible date for an envisaged HIPC decision point is mid-2003.

Comoros

Following a period of political conflict and the secession of Anjouan, a new constitution was adopted in December 2001 following a national referendum. The name of the country was changed to “Union des Comores.” General and regional elections in the three islands followed in March, April and May 2002. Colonel Azali was elected president of the union. However, a dispute erupted over the sharing of resources while important questions remain on the competencies of the elected institutions. Disagreement over national resources and the fiscal framework caused the disruption of the IMF’s Staff Monitored Program (SMP) in July 2002. This will delay debt relief under the HIPC initiative for 12 months. Should conditions improve, a new SMP could start in January 2003. With a subsequent PRGF as early as mid-2003, Comoros could reach a HIPC decision point by early 2004.

Congo, Republic of

The Republic of Congo received Fund support under the emergency post-conflict assistance policy in November 2000. Implementation of the post-conflict program met with difficulties, including non-oil revenue shortfalls and expenditure overruns. The policy framework and quantitative targets were revised in July 2001 in the context of a Fund staff-monitored program (SMP). Performance during the second half of 2001 remained disappointing preventing initiation of discussions on a more ambitious medium-term program that could be supported by the Fund under the PRGF and open the way to possible debt relief under the HIPC Initiative. In March 2002, Fund staff agreed with the authorities on an extension of the SMP to end-2002 in order to allow them to establish a track record of adequate policy performance.

On July 31, 2001, the IDA's Board approved a post-conflict economic rehabilitation credit and an emergency demobilization, disarmament and reintegration credit. The Congo cleared its arrears to the Bank on August 8, 2001, paving the way for the disbursement of the approved credits and future IDA lending. In addition, a recently approved Governance and Transparency Capacity Building Project will help finance the external financial audit of the national oil company (SNPC) and, at a subsequent stage, the audit of the entire oil sector.

The timing of a possible three-year PRGF arrangement and the HIPC decision point will depend on improved fiscal performance, progress in transparency in the oil sector, and normalization of relations with external creditors.

Lao P.D.R.

In April 2001, the Fund Board approved a new three-year PRGF arrangement with Lao P.D.R., and considered the accompanying I-PRSP and Joint Staff Assessment (JSA). The IDA Board has also endorsed the I-PRSP and JSA, and a Financial Management Adjustment Credit has been approved. On February 25, 2002, the Fund Board completed the first review of the PRGF-supported program. A debt sustainability analysis has been prepared, but the authorities have not yet made a decision on debt relief because agreement on the value and terms of its debts has not been reached with one of its bilateral creditors.

Myanmar

There has been no Fund-supported program since 1981–82. The World Bank has approved no new lending since 1987 and does not have an active program in Myanmar. Poor debt statistics make an assessment of the debt burden difficult. Highly tentative estimates indicate that Myanmar's debt ratios exceed the thresholds under the HIPC Initiative.

Togo

IDA released the last tranche of its last adjustment credit to Togo in May 1998. Accumulation of arrears to IDA led to the suspension of disbursements on IDA investment operations between November 2000 and mid-August 2001. Following a further accumulation of arrears, IDA disbursements to Togo have been suspended since January 1, 2002. There has not been a Fund-supported program since mid-1998. The IMF Executive Board concluded the 2001 Article IV consultation with Togo in April 2001, and a staff-monitored program covering the period April–December 2001 was put in place. Legislative elections, originally scheduled for October 2001, have been postponed to an unspecified date. The holding of free and fair legislative elections continues to be a condition set by Togo's main donors for the resumption of their financial assistance.

Creditor Litigation Against HIPCs

This annex reviews the scope of creditor litigation against HIPCs. Four specific issues are addressed: (i) the economic and legal conditions that encourage creditor litigation against HIPCs and other sovereign debtors more generally; (ii) the actual extent of litigation activity against HIPCs; (iii) the actions being taken to address the issue; and (iv) additional measures that are currently under consideration.

Economic and Legal Factors Encouraging Creditor Litigation

Legal action against HIPCs may be initiated by a creditor who has an original claim against a HIPC or by a third-party creditor that, after buying the claims from an original creditor, subsequently seeks to obtain the full value of the outstanding obligation. While there are few original creditors of HIPCs who initiate legal action themselves, there are several that sell their claims in secondary markets, allowing debt brokers or "vulture funds" to buy these claims and pursue legal action.[3]

The buyers of HIPC debt in secondary markets, including vulture funds, specialize in obtaining debt at a price far below its face value with a view to recovering the original value of the debt through litigation (or in the shadow of litigation). In this connection, the claims of non-Paris Club official bilateral and commercial creditors on HIPCs constitute the potential supply of debt that could be purchased by vulture funds in the secondary market.[4] According to available data for the 26 HIPCs that have reached their decision points, nominal obligations to these two creditor groups amounted in 2000 to US$9.1 billion and US$2.2 billion (or 10.4 percent and 2.5 percent of HIPCs' total external public debt), respectively, a large part of which is believed to be overdue. The expected contribution of non-Paris Club official bilateral and commercial creditors to the total cost of HIPC relief committed to the 26 decision point countries amounts in 2001 NPV terms to US$2.9 billion (11.2 percent of the total) and US$0.6 billion (2.3 percent), respectively.[5] Some fraction of the debt relief expected from the two creditor groups could thus be potentially foregone to the extent that these creditors sell their claims to vulture funds that subsequently pursue litigation.[6]

[3] The term "vulture fund" is typically applied only to small arbitrage-seeking operators that specialize in buying and selling distressed debt. Other litigation-minded commercial creditors of HIPCs may also initiate legal proceedings against HIPCs (e.g., commercial banks or private companies in non-Paris Club countries).

[4] The Fund and Bank staff are not aware of sales to the secondary market by multilaterals or Paris Club creditors.

[5] These creditors would also be expected to provide debt relief under traditional mechanisms (comparable to the Paris Club's Naples terms).

[6] Of the 49 non-Paris Club official bilateral creditors, 24 have not yet indicated their intention to participate in the HIPC Initiative; for the latter group countries, roughly half of the debt—in net present value terms—is owed to Libya and Taiwan Province of China.

The activities of vulture funds are legal and the leverage accorded to vulture funds emanates from the pro-creditor substantive and procedural laws typical in major financial jurisdictions. From an economic perspective, the activities of vulture funds reflect the fact that claims on HIPCs are seen to have different rates of return by an original creditor compared to a vulture fund. This difference is due to the specialization and relative effectiveness of vulture funds in pursuing litigation against sovereign debtors, and the limited attractiveness—in some specific cases—of the prices offered under debt buyback operations financed by the IDA Debt Reduction Facility.[7] The potential returns on litigation by vulture funds increase the higher the international reserves and other external assets of HIPCs that could be potentially attached through court orders. The sale of claims on the HIPCs in the secondary market may result in a creditor receiving 10–15 percent of the face value of the claims. While this may be comparable to the discounts a HIPC should receive from its creditors under the HIPC Initiative, vulture funds pay in cash upfront, which enhances the cash-flow position of creditors compared to the alternative of receiving the same or a lower amount in NPV terms but over a long period of time. Also, debt buyback operations financed under the IDA facility have not retired all commercial debt of the HIPCs (e.g., in Ethiopia, Mozambique and Nicaragua). Cash buyback offers made to commercial creditors were often found not to be high enough to clear all outstanding claims, indicating that some hold-out creditors considered the potential litigation value of their claims (after other creditors had used the IDA facility) higher than the buyback offer.

Extent of Litigation Activity Against HIPCs

The extent of litigation activity against HIPCs is found to be limited in relation to their debt exposure to non-Paris Club official bilateral and commercial creditors.[8] Based on responses from 23 HIPCs, 11 of which confirmed facing debt-related litigation, claims with an original value of about US$350 million are currently subject to litigation by creditors (see Text Table 8). This represents around 16 percent of the US$2.2 billion in nominal obligations owed by HIPCs to commercial creditors. The total of US$350 million is dominated by the large amount of claims subject to litigation in a few HIPCs: Ethiopia (US$132 million), Nicaragua (US$70 million), and Niger (US$65 million). For the remaining seven countries, claims subject to litigation total around US$79 million.

While the face value of the debt involved was about US$350 million, the total value of the judgment sought by creditors can be considerably higher, as it typically includes late interest, penalties, attorney fees, and other charges. For countries where information on judgments is available (roughly half of the reported litigation cases), the amount of the judgment was—on average—two to three times the original value of the claim. However, most of these cases for which information was available involved relatively small claims, so the size of the judgment award in proportion to the original claim may not be very representative.

While litigation proceedings have been initiated largely by commercial creditors, a few non-Paris Club official bilateral creditors have also sought to recover their claims through legal actions.

[7] Under this facility, IDA offers grants to HIPCs to purchase the principal portion of commercial claims against them at a market-related discount, but it does not apply to claims by non-Paris Club or other official creditors.

[8] It is important to note that the actual number of filed cases does not necessarily capture the full extent of vulture fund activities against HIPCs, which may also be conducted in the shadow of litigation.

Available information indicates that both Burundi and Iraq have sued Uganda in local courts, for claims of around US$6.5 million for Iraq and US$1.5 million for Burundi. The Burundi authorities have indicated to the staffs that they will not pursue legal action further.

In some cases, litigation against HIPCs may not yet have taken place but the sale of claims to a third party may result in future litigation. Information available to staff indicates that four official bilateral creditors (Czech Republic, Romania, Slovak Republic) have sold their claims on HIPCs to third parties, thereby adding to the volume of debt that could be the subject of litigation by vulture funds.

Measures Taken to Address Creditor Litigation

While the quantitative significance of the problem may be limited, creditor litigation nevertheless raises some concerns for the HIPCs. First, creditor litigation may divert considerable time from senior government officials from their normal duties. Second, responding to it requires sophisticated legal and financial expertise, and can prove to be very costly in terms of legal representation and costs of adverse judgments, possibly encouraging some HIPCs to agree to settle the claims against them so as to minimize the overall costs and avoid the seizure of their foreign assets. Third, creditor litigation undermines the integrity and the burden-sharing principle underlying the HIPC Initiative and jeopardizes the achievement of debt sustainability for countries that have a relatively high exposure to these creditors. Fourth, and perhaps most important, the limitation on payments to all creditors (including the IFIs) imposed by U.S. courts in one case, if repeated in future cases, could fundamentally interfere with the Fund/Bank's ability to provide financial support (including debt relief) to a member, without a settlement of claims with the vulture fund.[9]

The IMF and World Bank have been aware of these concerns for some time. The current approach in addressing these concerns focuses almost entirely on encouraging creditor participation in the HIPC Initiative and on discouraging secondary market sales of claims to HIPCs. However, both institutions have very limited capacity to forestall the sale of claims on HIPCs by non-Paris Club creditors or to prevent litigation by vulture funds.[10] Given the voluntary nature of debt relief under the HIPC Initiative, moral suasion has been the main approach pursued by the Fund and Bank staff in dealing with this issue.[11] Specifically:

- The Bank and the Fund have given extensive publicity to the problems arising from the sale of HIPC debt in the secondary market and to known litigation cases in the semi-annual HIPC Initiative implementation reports, including—in the current and

[9] The recent case of Red Mountain's claims on DRC, now resolved, could have potentially interfered with the Fund/Bank's ability to provide financial support, including debt relief.

[10] As decisions of the Fund and Bank Boards on the HIPC Initiative are not binding on creditors, staff have taken a cautious approach toward intervening in creditor-debtor disputes, including those related to vulture funds. This caution is also due to the fact that, as a matter of policy, the Fund and Bank do not become involved in disputes on outstanding claims.

[11] These efforts have reported to the IMF and World Bank Boards in the last two HIPC Implementation Reports. Staff have only few direct contacts with commercial creditors.

the last reports—through a listing of the countries that have not yet agreed to deliver debt relief under the Initiative.

- The staff and management contact the authorities of creditor countries and multilateral creditors about their expected participation as HIPCs reach critical points under the Initiative.[12]

- Mission teams to HIPCs also encourage the authorities to take an active and constructive role in seeking debt relief from their non-Paris Club official bilateral and commercial creditors. Missions to countries that are creditors to HIPCs inquire about their willingness to provide debt relief under the terms of the HIPC Initiative.

- Finally, the staff and management have taken a pro-active role in cases where the staff was informed of attempts by creditors to sell their claims to third parties.

Further Actions to Address Creditor Litigation

Additional actions to forestall creditor litigation, particularly by commercial creditors, could include:

- More active use of the IDA Debt Reduction Facility to help retire commercial claims (as discussed in Section IV.E. of the paper);

- Efforts by governments in countries where commercial creditors reside to urge such creditors to make use of the IDA facility;

- Regular and continuous recording of lawsuits brought against HIPCs;

- Provision of technical assistance by bilateral donors—aimed at providing HIPCs with financial and legal advice on debt restructuring—that could prevent or address potential litigation cases.

These additional actions would call on the cooperative efforts of governments in creditor countries, the IMF and the World Bank, and donor providers of technical assistance. However, given that the Fund and the Bank have limited capacity in this area, the assistance of the donor countries will be indispensable in assisting HIPCs to satisfactorily respond to legal actions against them.

[12] Contacts are limited with Iraq, North Korea, and Taiwan Province of China; the latter two are not Fund members.

Export Projections Under the HIPC Initiative

This annex examines projections of export growth rates made under the HIPC Initiative with a view to determining whether concerns about the long-term debt sustainability prospects of HIPCs are in part due to overly optimistic export growth projections. To provide some historical context, projections made in HIPC decision point documents are compared with historical export performance. An analysis is then made of the accuracy of export growth rate projections under both the enhanced and the original HIPC Initiative. The results show that, in many cases, projected export growth rates were found to be higher than actual outcomes.

A. Projections Compared with Historical Performance

For the 26 decision point HIPCs, average export performance from 1970 to 1999 was compared with the export growth projected at decision point for the period 2000–2017 (Table 1). The conclusions do not differ significantly from those in an earlier paper, which showed that projected export growth rates for the then 22 decision point HIPCs were significantly higher than might be expected on the basis of past export performance.[13]

Average annual export growth for the 26 HIPCs was projected in the decision point documents at 7.5 percent for the period 2000–2017 compared with actual growth of only 4.7 percent achieved over the previous 30 years. Export growth rates over the ten year period 1990–99 also averaged 4.7 percent for these same 26 countries, but the deviation about the mean from country to country was much greater. Hence a thirty-year period is preferred for purposes of comparison because it avoids the distorting effect of global business cycles or commodity price fluctuations which affect countries disparately.

It is not unrealistic to anticipate that HIPCs will grow at a faster pace after the decision point, as debt relief presents the opportunity for a complete break with the past and the "debt overhang", which impedes economic growth, is removed. At the decision point, when interim relief is first granted to qualifying HIPCs, projections of future export growth are predicated on the assumption that agreed programs of structural and policy reforms will be implemented diligently and that sound macroeconomic management will be pursued within the context of programs supported by the Fund and IDA. Since the economic projections contained in decision point documents are policy-based, they will typically show a marked improvement for countries where past performance has been lagging. To assume otherwise at the decision point would be equivalent to anticipating that the authorities will fail to achieve their objectives of increased growth, poverty reduction, and debt sustainability.

The contrast between past performance and projected future growth is particularly striking in the case of countries where the past trend of exports has been flat or even declining as a result of civil conflict or serious structural deficiencies. Sierra Leone and Mozambique are cases where projected

[13] "The Challenge of Maintaining Long-Term Debt Sustainability," April 2001, http://www.imf.org/external/np/hipc/2001/lt/042001.htm; and http//wbln0018.worldbank/dcs/devcom.nsf/ (documents attachments web)/ April 2001, English DC2001-003,-Sustainability.pdf.

future export growth is predicated on the assumption that past civil conflicts have now been resolved. Similarly, in the case of Zambia, future export growth is based on the assumption that copper mining will be resuscitated with direct foreign investment. If any of these strategic assumptions were to fail to materialize, projected future growth would be imperiled.

The expectation that future exports are generally projected to grow at rates that are significantly higher than in the past is not the case for all HIPCs. It is noteworthy that, for 6 of the 26 HIPCs that have reached their decision points, the export growth projections presented in the decision point documents are actually lower than would result from a simple extrapolation of past trends. In one case, export projections follow a path that is very close to past trends.

Annex IV: Table 1. Actual and Projected Export Growth Rates

	Average growth 1970-99	Average growth 1990-99	Average projected growth 2000-17	Projected growth less past growth
	(1)	(2)	(3)	(4) = (3) - (1)
Sierra Leone	-0.8	-10.1	8.5	9.3
Zambia	0.0	-4.2	7.1	7.1
Rwanda	3.7	-2.0	10.6	7.0
Nicaragua	1.5	13.4	8.3	6.8
Tanzania	2.8	10.9	9.0	6.2
Guinea	1.3	0.4	7.0	5.7
Mozambique	3.2	7.8	8.8	5.6
Uganda	3.9	15.1	9.1	5.1
Ethiopia	3.8	13.4	8.4	4.6
Chad	4.0	3.6	8.0	3.9
Niger	3.3	-0.4	7.0	3.7
Sao Tome and Principe	3.7	4.7	7.3	3.6
Madagascar	4.2	7.6	7.8	3.6
Honduras	7.3	11.3	9.5	2.2
Bolivia	5.4	5.1	7.3	1.9
Benin	6.4	5.0	7.8	1.4
Guinea-Bissau	8.2	10.5	9.3	1.2
Senegal	5.6	1.3	6.4	0.8
Burkina Faso	7.9	0.4	8.7	0.8
Mauritania	5.2	-1.8	5.4	0.1
Guyana	4.2	9.8	4.0	(0.2)
Cameroon	6.8	-0.3	6.5	(0.2)
Ghana	6.8	11.8	6.5	(0.3)
Malawi	5.7	2.9	4.7	(1.0)
Mali	9.1	5.6	5.8	(3.2)
Gambia, The	8.2	-0.2	6.0	(2.3)
Simple average	4.7	4.7	7.5	2.8

Source: Export data are from World Bank SIMA database
series NE.EXP.GNFS.CD Exports of goods and services (current US$) was used throughout,
except when there is no data then the following series is used:
series BX.GSR.GNFS.CD Exports of goods and services (BoP, current US$).

B. Accuracy of Projections Under the Enhanced HIPC Initiative

Of the 26 HIPCs that have reached their decision points under the enhanced HIPC Initiative, most of them did so in 2000. In an earlier paper,[14] export projections contained in the decision point documents were compared with actual outcomes for 2000 and 2001. The paper concluded that the 5.1 percent average actual export growth rate for 24 HIPCs in 2000–01 was significantly less than the 9.4 percent projected in the decision point documents. The average outcome conceals significant differences between countries, some of which had a better-than-projected export performance in those two years. Nevertheless, most of the 24 HIPCs experienced lower-than-projected export growth, thereby reducing the base for export projections beyond 2001 and weakening the medium-term outlook for debt sustainability.

The period 2000–01 coincided with a global economic downturn and significant declines in key commodity prices which were not anticipated in the decision point documents. In addition, several countries encountered difficulties in implementing their policy reform programs. A comparison of projections and outcomes for those two years alone, therefore, may not be a sufficient basis for assessing the longer-term robustness of export projections.

C. Accuracy of Projections Under the Original HIPC Initiative

In light of the limited scope for comparing actual outcomes with projected outcomes under the enhanced HIPC Initiative, the staffs reviewed the experience of the few countries that reached their decision points much earlier in the context of the original HIPC Initiative. These countries now have a four-year period over which actual export performance can be compared with the projections made by Bank and Fund staff at their decision points. Table 2 below summarizes the data for seven HIPCs that reached their decision points in 1997.

In all seven countries, strong export growth was projected after the decision point, but actual outcomes fell far short of projections in all but one case. In four of the seven countries there was an actual decline in the level of exports after the decision point. All but one (Côte d'Ivoire) of the countries were in broad compliance with policy reform targets supported by the IMF under the PRGF. On that basis, four of them have already reached their completion points under the enhanced framework. A fall of export commodity prices seems to be an important contributing factor to the differences between projected and actual outcomes.[15]

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[14] "The Enhanced HIPC Initiative and the Achievement of Long-Term Debt Sustainability," April 2002, http://www.imf.org/external/np/hipc/2002/lteds/041502.htm and http//worldbank.org/hipc/Long-Term.pdf.

[15] Mozambique's export performance has been broadly in line with projections made at the decision point, where a major contributing factor to export growth has been the development of an enclave-like metallurgical industry. Côte d'Ivoire fell into civil unrest which disrupted production and exports.

Annex IV Table 2. Exports of Goods and Non-Factor Services, 1997–2001
(Average annual percentage changes)

	Projected at the Original HIPC Decision Point	Actual Outcome	Difference
Bolivia	7.4	1.0	-6.4
Burkina Faso	7.8	-0.2	-8.0
Côte d'Ivoire	7.3	-4.2	-11.5
Guyana	6.8	-1.8	-8.6
Mali	8.2	2.6	-5.6
Mozambique	15.8	18.9	4.2
Uganda	8.0	-7.8	-15.8

Source: World Bank SIMA database.

D. Volatility and Long-term Debt Sustainability

The differences between projected export growth rates and actual outcomes also reflect inherently high export volatility in HIPCs. These countries typically have a very narrow resource base which makes them vulnerable to volatility in international commodity prices. The resulting fluctuations in fiscal revenues and export receipts are important for two reasons. First, such fluctuations make it more difficult to project the likely path of key economic variables and, hence, to assess the prospects for long-term debt sustainability. Second, since debt relief is calculated on the basis of sustainability ratios at a single point in time, volatility could mean that the level of fiscal revenues or exports at the reference point may be atypical and, hence, in cases where the level is atypically high, the amount of debt relief may be insufficient to satisfy the objectives of the HIPC Initiative. To reduce the problem of "spikes" in the trend of exports, export values are averaged over a three-year period for the purpose of determining HIPC relief, but this does not completely dispel the problem.

In Table 3, the 26 HIPCs are grouped according to the volatility of their exports as measured by the standard deviation from the trend over the period 1990–99. Export volatility varies on a country-by-country basis ranging from 7 percent to 36 percent and averaging 15 percent. If volatility over the last 10 years is taken as an indicator of future volatility, higher volatility would suggest higher projection risk.

Annex IV Table 3. Volatility of Exports in 26 HIPCs
(Standard deviation – 1990–99) 1/

Countries with **high export volatility** (>20%)	Rwanda (36%) Guinea-Bissau (35%) Ethiopía (28%) Uganda (27%)
Countries with **average export volatility** (15%-20%)	Burkina Faso (19%) Malawi (17%) Guyana (17%) Chad (16%)
Countries with **low export volatility** (<15%)	Niger (15%) Tanzania (13%) Zambia (13%) Honduras (12%) São Tomé and Príncipe (12%) Sierra Leone (11%) Cameroon (10%) Bolivia (10%) Mauritania (10%) Benin (10%) The Gambia (9%) Guinea (9%) Nicaragua (9%) Ghana (9%) Mali (9%) Madagascar (8%) Senegal (8%) Mozambique (7%)
	Unweighted average of 26 HIPCs (15%)

Source: World Bank SIMA Database

1/ Measured by the standard deviation from the trend over the period 1990–99.

To reduce such volatility HIPCs need to diversify their exports so that they are no longer dependent on one or two commodities. Export diversification is, however, a long-term endeavor. In principle, commodity derivatives could help HIPCs to manage risks associated with their foreign exchange earnings. In practice, however, managing a portfolio of derivatives requires both technical skills and financial resources that are beyond the reach of most HIPCs. Their efforts to cope with volatility have often focused on putting in place other mechanisms and procedures to deal with unexpected shortfalls in fiscal revenues or foreign exchange receipts.

Some countries have set up stabilization funds to carry over surplus revenues from years of high prices to supplement the budget in years of shortfall. In practice, however, it is difficult to manage such stabilization funds. Part of the problem has been that, as long as there are urgent needs that remain unsatisfied, credit balances in the stabilization fund are likely to succumb to political and social pressures without waiting for lean years. In addition, and more fundamentally, it has often been difficult to distinguish between cyclical and structural shifts—between a temporary shortfall (or a temporary windfall) and a more permanent shift in the underlying trend. That distinction can only be clearly discerned in retrospect and, even then, may be difficult to judge.

An important protection against volatility is for governments to articulate their program priorities clearly and to devise contingency plans that identify programs which, in the event of an unexpected financing shortfall, may be cut back or stretched out with minimal damage to the longer-term goals of growth and poverty reduction.

The inherent volatility in export growth rates, as well as the limitations arising from export concentration, provides challenges to HIPC authorities as well as to Bank and Fund staffs when making projections of economic and export growth. Notwithstanding these challenges, the staffs and HIPC authorities must work together to ensure that forecasts are based on thorough analyses of the likely sources of growth, including the effects that policies would have on growth. More vigorous stress testing and the use of alternative macroeconomic scenarios will provide a more complete picture of the effects of the economic uncertainties faced by HIPCs.

The Impact of the Size and Terms of New External Financing on Long- Term Debt Sustainability

A. Introduction

The size and terms (i.e., concessionality) of new borrowing play key roles in the achievement long-term debt sustainability in HIPCs. This annex evaluates various scenarios for increasing the concessionality of new borrowing. In particular, the staffs examine increases or decreases in HIPCs' debt stocks to levels unanticipated at their decision points, the effects of the concessionality of new financing and, specifically, the impact that an increase in the proportion of grants to loans would have on HIPCs' debt-to-exports ratios over time, and the combined impact of partial grant financing and additional debt relief through topping up on HIPCs' debt-to-export ratios. The 10 countries identified in the Spring progress report with projected NPV of debt-to-exports ratios higher than the HIPC Initiative threshold at the assumed completion point were chosen as the countries for evaluation.[16]

B. Methodology and Assumptions

The following five scenarios were evaluated for the 10 HIPCs (Table 1):

1) **The base case scenario** using NPVs of debt projected at the decision points. In this and all other scenarios, updated export data and projections were uniformly used. The debt-to-exports ratios were calculated using estimates of the NPVs of debt after additional bilateral additional relief (from the decision point documents) and the latest export projections.

2) The impact of **additional IDA disbursements** not projected in the decision point documents. Where projections in the decision point documents did not differentiate between IDA and other creditor disbursements, the proportion of new borrowing from IDA was estimated based on recent historical data. The same is true for the IDA grants scenario below. The debt-to-exports ratios were calculated using estimates of the NPVs to account for higher projected IDA disbursements and the latest export projections.

3) The impact of the **provision of 40 percent of IDA resources as grants**, assumed to begin in mid-2002. The assumption of the provision of 40 percent of IDA flows as grants is based on the recent statement from the IDA13 replenishment negotiations in which it was indicated that countries which had per capita incomes below $360 per year and were considered vulnerable to longer-term debt sustainability problems would be entitled to receive up to 40 percent of their IDA allocations as grants. In practice, the actual amount is likely to be less than 40 percent, the timing may be different than assumed, and, depending upon the precise guidelines, the applicable percentages may substantially vary between the countries

[16] In April 2002, Burkina Faso received additional relief of US$129 million in NPV terms at its completion point.

analyzed.[17] The debt-to-exports ratios were calculated using estimates of NPVs which account for the provision of 40 percent of higher projected IDA flows as grants and the latest export projections.

4) The impact of **extending the concessionality of projected IDA flows**, after assuming the provision of 40 percent grants, to other multilateral and bilateral creditors. The debt-to-exports ratios were calculated using estimates of NPVs which account for the increased level of concessionality and the latest export projections.

5) The **joint impact of the provision of 40 percent of IDA resources as grants and the topping up**. The debt-to-exports ratios were calculated using estimates of NPVs which account for both the effect of the provision of IDA grants as well as topping up, and the latest export projections.

C. Results

The Base Case. As anticipated in the decision point documents of many HIPCs, the ratio of the NPV of debt to exports increases after the decision and completion points as new loans contracted prior to the decision points are disbursed and as the financing for new policy and structural reforms is absorbed. Under the base case, the (weighted)[18] average debt-to-exports ratio for the 10 countries analyzed is estimated to be 137 percent in 2010 and 114 percent in 2018. All countries except three would achieve debt-to-exports ratios under 150 percent by 2018. On the other hand, by 2010, only four of ten countries are projected to have debt-to-exports ratios under the 150 percent threshold.

Impact of Unanticipated New IDA Borrowing. Updated IDA disbursement projections for 2002–18 were found to be substantially higher than those anticipated in decision point documents. On average, projected annual disbursements are approximately 60 percent higher than those anticipated at the decision points for the period from 2003–2018. Such revisions to disbursement estimates, assuming no impact on exports, would raise the average debt-to-exports ratio from 137 percent to 157 percent in 2010, and from 114 percent to 136 percent in 2018. The impact varies greatly from country to country, with four countries showing large increases, while the debt-to-exports ratios of three others would be either lower or unchanged. The implication of this analysis is that projected debt levels in some of these countries have substantially increased, thereby making the achievement of the target debt ratios in the timeframe anticipated at decision point less likely.

The Impact of IDA Grants. Providing 40 percent of IDA flows as grants was found to have a gradual, albeit substantial, impact on the debt-to-exports ratios for the 10 HIPCs reviewed. The average debt-to-exports ratio at end-2010 is projected to be 140 percent (using the revised IDA disbursement assumptions) as compared to 157 percent under the previous scenario, a reduction

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[17] This assumption of 40 percent is intended as a basis for judging the maximum relative impact on long-term debt sustainability of the provision of some IDA resources in grant form. It does not prejudge the actual level of grants which will be applied once the guidelines are finalized. As such, it should be seen for indicative purposes only.

[18] The weights being the share of the country's exports in the aggregated exports of the group. Throughout this annex, all averages refer to weighted averages.

of 17 percentage points. In 2018, the projected debt-to-exports ratio would be 115 percent as compared with 136 percent under the previous scenario, a reduction of 21 percentage points. Under this scenario, six of the 10 countries analyzed would have debt-to-exports ratios lower than 150 percent by 2018. As of 2010, four countries would have debt-to-exports ratios under the 150 percent threshold. The average annual debt-to-exports ratio for these 10 countries over the period 2003-18 would fall from 155 percent to 139 percent. Thus, the provision of partial grants by IDA roughly reduces the average annual debt-to-exports ratio by the same order of magnitude which unanticipated IDA lending increased the same ratios.

The impact of extending the concessionality of projected IDA flows, after assuming the provision of 40 percent grants, to all creditors.[19] [20] Within the HIPC framework, countries are strongly encouraged to maintain a minimum level of concessionality of new external borrowing, and this scenario attempts to gauge the effect of an increase in average concessionality. The results of this analysis suggest that, by 2018, higher concessionality would result in a reduction of the average debt-to-exports ratio from 115 percent (after accounting for the provision of IDA grants, as noted in the above scenario) to 107 percent. In 2010 the debt-to-exports ratio would be reduced by 8 percentage points. In 2018, the debt-to-exports ratio for nine countries would be below 150 percent under this scenario.

The impact of the combination of IDA grants and topping up. This scenario evaluates the impact of both additional debt relief and IDA grants. Under this scenario, the average debt-to-exports ratio would be reduced from 157 percent (under the revised IDA lending program scenario) to 130 percent by 2010, a reduction of 27 percentage points. By 2018, the average debt-to-exports ratio would be reduced by 24 percentage points and only three countries would have ratios higher than 150 percent.

D. Conclusions

The following conclusions arise from this analysis:

(i) There has been a substantial increase in projected IDA disbursements since the decision point for most of the 10 countries analyzed. Such an increase in projected disbursements, without a commensurate increase in exports, will negatively affect the debt-to-exports ratios. Only once DSAs are undertaken at completion point will one be better able to assess the precise impact;

(ii) The provision of IDA grants has an increasing impact over time, and could reduce the weighted average debt-to-exports ratio by approximately 20 percent by 2018;

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[19] On a prospective basis beginning in 2002.

[20] Using the end-2001 SDR discount rate, IDA loans generally are estimated to have repayment terms which represent a concessional element of 63 percent. Under the assumption that 40 percent of IDA disbursements are in grant form, this would increase the IDA concessionality to 78 percent. In this exercise, staffs used rough estimates of the division between IDA and non-IDA credit for each country as well as estimates on the current terms of non-IDA lending to each country.

(iii) Extending the assumption regarding the level of concessionality provided by IDA (after assuming the provision of 40 percent grants) to other creditors would, increase the impact on the average debt-to-exports ratio. As such, and to the degree feasible, other multilateral and bilateral creditors could increase the scope for HIPCs to improve their debt-to-exports ratios by providing financing on terms at least as concessional as that under a scenario of combined IDA loans and grants;

(iv) As expected, the combination of the provision of grants by IDA and topping up has the most significant impact on HIPCs' debt ratios, reducing the average NPV of debt-to-exports ratio to 112 percent in 2018.

Table 1: The Impact of the IDA Lending Program on Debt Sustainability

		Debt-to-exports ratio							Average		
		2003	**2004**	**2005**	**2008**	**2010**	**2015**	**2018**	**2003-09**	**2010-18**	**2003-18**
Scenario 1	Base Case 1/	172	159	152	141	137	124	114	150	126	137
Scenario 2	Revised IDA Disbursement 2/	178	168	163	158	157	147	136	163	148	155
	Difference from Scenario 1	5	8	11	18	20	23	22	13	22	18
	Percent Increase/Decrease in Projected Annual IDA Disb.	69%	53%	73%	59%	52%	48%	46%	68%	54%	60%
Scenario 3	IDA Grants 3/	172	160	153	144	140	127	115	152	129	139
	Difference from Scenario 2	-5	-7	-9	-14	-17	-21	-21	-11	-20	-16
Scenario 4	IDA Concessionality/Grants by all Creditors 4/	168	155	147	136	132	118	107	146	120	132
	Difference from Scenario 2	-9	-12	-15	-22	-25	-29	-29	-17	-28	-23
Scenario 5	IDA Concessionality/Grants and Topping Up 5/	149	141	136	132	130	121	112	136	123	129
	Difference from Scenario 2	-29	-27	-26	-26	-27	-26	-24	-27	-26	-26

Source: Staff estimates

1/ Based on the NPV of debt projected at the decision point and updated export figures.

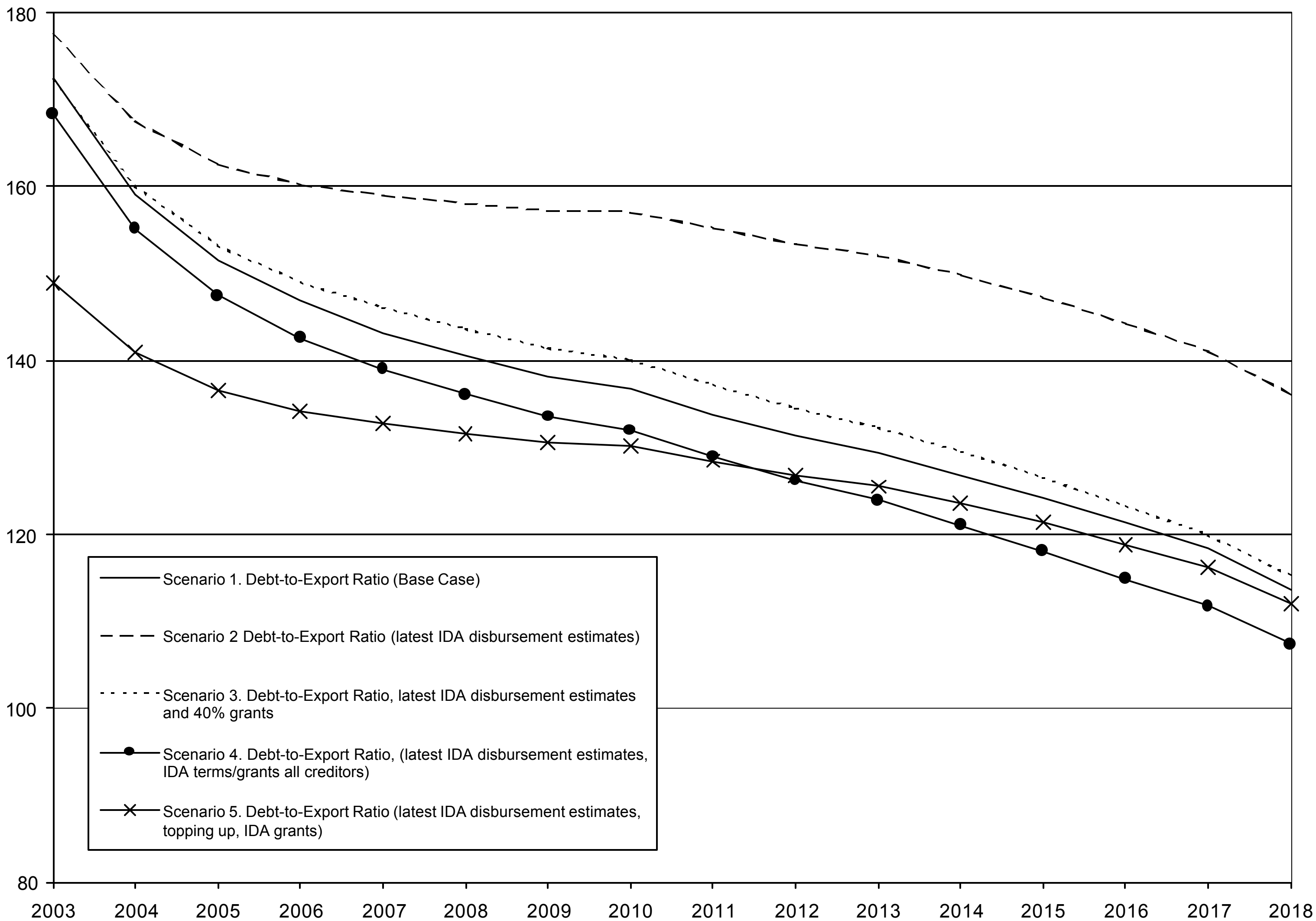
2/ Based on revised IDA disbursements for 2000-01, and revised projections of the IDA lending program for 2002-18.

3/ Scenario for illustrative purposes showing potential impact of a switch to 40% grants from mid-2002 onwards.

4/ Scenario for illustrative purposes showing potential impact of a change of the terms of the new borrowing from all the creditors to IDA terms and a switch to 40% grants from mid-2002 onwards.

5/ Scenario for illustrative purposes showing potential impact of the topping up and a switch to 40% grants from mid-2002 onwards.

Figure 1: Summary of IDA lending Scenarios



Recent Proposals to Modify Debt Relief

This annex briefly presents the proposals to modify debt relief discussed in section VII.B above.

Linking Debt Relief Explicitly to the Millennium Development Goals (MDGs)

Several recent proposals suggest that debt relief should be scaled up in order to allow HIPCs to meet the MDGs. Several proposals for institutional changes to the HIPC Initiative have been made in order to solidify the linkage between debt relief and the MDGs. These proposals include requiring HIPCs to prepare a medium–term plan for scaling up health, education, and infrastructure investments to be supported by key agencies (UN, Fund, Bank, etc.). These agencies would provide published yearly updates on the progress of each country toward the MDGs.

Under the HIPC Initiative, pursuing a sound macroeconomic framework in which countries can achieve the MDGs is a prerequisite for debt relief and is encompassed in the PRSP. In addition, the condition that HIPCs prepare and implement a PRSP for one year seeks to ensure that the resources freed by debt relief are used for poverty-reducing expenditure. Similarly, the medium term plan for scaling up health, education, and infrastructure investments appears to be no different than the plan developed as part of the PRSP. Key agencies (including the IMF and the World Bank) are already supporting the costing of the above plans and incorporating the financing needs into their own country documents. Finally, the progress reports of the PRSP prepared by the HIPCs themselves are the current vehicle for updating the international community and civil society on progress made toward reaching the MDGs. The Fund and the Bank prepare a Joint Staff Assessment (JSA) of such progress reports. Both the progress reports and the JSAs are published on the Bank's and Fund's websites.

Another proposal[21] was made as part of broader strategy for achieving the MDGs, and seeks to cancel fully all public debt outstanding in 2001 for a group of 49 low-income countries, including the 41 HIPCs.[22] Under this proposal, a trust fund would be set up with contributions from 23 rich countries to buy the public debt of the eligible countries. The portion of each country's debt deemed unsustainable under a particular definition of sustainability[23] would be immediately cancelled; the remainder would continue to be serviced until 2015 (when will be extinguished), with the proceeds going to the trust fund to support achievement of the MDGs. Under this scheme, countries would contract new borrowing only if repayment on the new loans would begin after 2015.

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[21] See "Prospective Aid and Indebtedness Relief: A Proposal", May 2000, by Lode Berlage, Danny Cassimon, Jacques Drèze, and Paul Reding.

[22] The non-HIPC low-income countries included are Bangladesh, Bhutan, Djibouti, Equatorial Guinea, Eritrea, Haiti, Nepal, and Nigeria.

[23] Sustainable debt is defined, roughly, as the debt that a country can pay given its government revenue-generating capacity and after public spending on "basic needs."

The overall NPV of debt for the 49 countries under consideration in this proposal was estimated at US$183 billion in 2000—presumably excluding any debt relief—with about US$38 billion accounted for by the non-HIPCs.[24] With a higher number of eligible countries and debts being fully cancelled, the costs of such an initiative would be clearly and significantly higher compared to those under the HIPC Initiative.

If successful, and provided that the debt relief is additional to existing aid flows, the proposal has the potential to significantly increase resource flows to the eligible countries. However, given the sustainability criteria of meeting "basic needs", implementing the proposal would be highly complicated.

Linking Debt Relief to Particular Levels of Debt Service

Two bills (HR4524 and S.2210) aiming to modify the way in which HIPC relief is calculated were introduced in the United States House of Representative and Senate, respectively, on April 18, 2002. The bills aim, among other things,[25] to modify the enhanced HIPC framework by reducing debt service to no more than 10 percent of annual current revenues (excluding grants) or, for countries suffering health crises, to no more than 5 percent of annual current revenues (excluding grants). The bills also call for limiting the ratio of the NPV of debt to exports to 150 percent in the year preceding the decision point and possibly for either three years after the decision point or until 2005.[26]

The New Partnership for African Development (NEPAD) also appears to include a proposal that the calculation of the amount of debt relief under the HIPC Initiative be modified so that debt-service payments do not exceed 5 percent of exports earnings for each country. It is unclear whether additional debt reduction is sought or a mere restructuring of debt service/cash-flow relief so as to keep debt-service payments low.

These proposals would result in higher overall debt relief to HIPCs, and would clearly lead to higher costs for creditors. Such proposals would require a change in the methodology for the enhanced HIPC framework, whereby the amount of debt relief would be calculated based on debt service criteria as well as NPV of debt criteria. Additional debt reduction to further limit debt-service payments raises the issue of moral hazard and could provide the wrong incentives to HIPCs: to the extent that losses in export earnings or reductions in revenue would be compensated by increased debt relief, countries will have little or no incentive to increase and/or diversify their exports, improve revenue collection, and to pursue economic policies consistent with these goals.

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[24] The paper estimates that of the US$183 billion, US$88 million would be actually collectable and the real cost to creditors.

[25] Other items in the bills include the call for a report on additional debt relief to non-HIPCs and consideration for providing relief to these countries, the provision of authority to the President of the United States to provide debt relief within limitations, and the modification of language associated with the cooperation of countries in efforts to combat terrorism. The bills also place great emphasis on the HIV/AIDS epidemic.

[26] The bills were not very clear with regard to its target level of the ratio of the NPV of debt to exports after the decision point.

Deepening and Broadening Debt Relief

A recent monograph[27] makes several proposals for modifying the way in which the international community, and the Fund and the Bank, approach debt relief. It argues that while the HIPC Initiative is a good first step toward removing the debt burden of developing countries, it is not sufficient to help ensure that HIPCs achieve sustainable economic growth and poverty reduction. To address this concern, the paper proposes the creation of a contingency facility to insure HIPCs against exogenous shocks for 10 years, the provision of debt relief based on the criterion of debt service to GDP ratio of 2 percent, and the inclusion of a broader range of low-income countries, including Indonesia, in the list of countries eligible for HIPC relief. It suggests the sale of IMF gold reserves as a means of financing part of the increased costs that would result from their proposals.[28] Finally, it advocates transferring the PRGF facility to the World Bank.

Many of the issues raised above—those of increased cost, moral hazard, and incentive effects—would also arise under this set of proposals. Similarly, HIPCs would clearly benefit from higher levels of debt relief.

[27] N. Birdsall and J. Williamson, "Delivering on Debt Relief: From IMF Gold to a New Development Architecture," Institute of International Economics, April 2002.

[28] A similar proposal for using IMF gold to finance debt relief operations was recently made by Eurodad. See "Going the Extra Mile," February 2002, http://www.eurodad.org/.

Table 1. Floating Completion Points Under the Enhanced HIPC Initiative, Status as of July 2002

Country	DP Date	Assumed CP Date 1/	Actual/ Possible CP Date	Progress Towards the Floating Completion Point 2/
Uganda	Feb-00	Apr-00	May-00	
Bolivia	Feb-00	Mar-01	Jun-01	
Burkina Faso	Jul-00	spring 2001	Apr-02	
Mauritania	Feb-00	mid-2002	Jun-02	
Mozambique	Apr-00	Apr-01	Sep-01	
Tanzania	Apr-00	mid-2001	Nov-01	
Enhanced Decision Point Countries				
Benin	Jul-00	mid-2001	Q4 2002 or Q1 2003	PRGF on track. Delays in preparing full PRSP. Enhanced completion point expected in late 2002 or early 2003.
Mali	Sep-00	mid-2001	Q3 2002	PRGF on track. Delays in preparing full PRSP. Enhanced completion point expected by fall 2002.
Guyana	Nov-00	late 2001	Q1 2003	Delays in completing PRGF reviews in 2001. Successor PRGF to be agreed. PRSP was finalized in early 2002.
Senegal	Jun-00	end-2001	Q3 2003	Delays in completing PRGF reviews in 2001. Successor PRGF to be agreed. Full PRSP expected by fall 2002.
Honduras	Jul-00	mid-2002	Q3 2003	Delays in completing PRGF review in 2001. Successor PRGF to be agreed. PRSP completed in Aug. 2001.
Chad	May-01	Dec-02	Q4 2003	PRGF on track. PRSP expected in fall 2002.
The Gambia	Dec-00	Dec-02	Q2 2003	New PRGF approved in July 2002. PRSP finalized in May 2002.
Guinea	Dec-00	Dec-02	Q2 2003	Delay in completing PRGF reviews in 2001 but brought back on track by mid-2002. PRSP completed at end-2001.
Madagascar	Dec-00	Dec-02	Q3 2003	PRGF on track in 2001. Political/economic turmoil in the 1st half of 2002. PRSP to be finalized by the new government.
Malawi	Dec-00	Dec-02	Q2 2003	Delays in completing PRGF reviews in 2001 and 2002. PRSP finalized in June 2002.
Nicaragua	Dec-00	Dec-02	S2 2003	Staff-monitored program off track in 2001. Negotiations on a new three-year PRGF ongoing.
Niger	Dec-00	Dec-02	Q3 2003	PRGF on track. PRSP presented to Boards in February 2002.
Rwanda	Dec-00	Dec-02	S2 2003	Delays in completing review of PRGF in 2001. New PRSP presented to Boards in July 2002.
Cameroon	Oct-00	Q1 2003	Q4 2003	PRGF on track in 2001-02. PRSP has been delayed, but is expected to be completed in fall 2002.
Guinea-Bissau	Dec-00	Oct-03	Q4 2003	PRGF off track in 2001-02. PRSP expected by late 2002.
São Tomé and Príncipe	Dec-00	Dec-03	Q4 2003	Delays in completing review of PRGF in 2001. Staff Monitored Program in 2002. PRSP expected by late 2002.
Zambia	Dec-00	Dec-03	Q4 2003	PRGF on track in 2001. PRSP finalized in May 2002.
Ethiopia	Nov-01	Jul-03	Q3 2003	PRGF on track in 2001. PRSP finalized in June 2002.
Ghana	Feb-02	Q1 2004	2004	PRGF on track. PRSP expected end-2002.
Sierra Leone	Mar-02	end-2004	Q4 2004	PRGF on track. PRSP expected mid-2003.

Sources: IMF and World Bank staff estimates.

1/ Based on information from HIPC decision point documents.
2/ This is based on Bank and Fund staffs' judgment of progress towards the completion point.

Table 2. Summary Debt Service for 26 HIPCs that Reached Decision Points

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

	1998	1999	2000	2001	2002	2003	2004	2005
African Countries								
Debt service paid	2,658	2,418	2,165	1,546				
Total debt service due after enhanced HIPC Initiative relief 1/					1,365	1,250	1,383	1,447
Ratio of debt service to exports (in percent) 2/	17	15	14	9	8	7	6	6
Ratio of debt service to government revenue (in percent) 2/	27	23	21	14	11	9	9	9
Ratio of debt service to GDP (in percent) 2/	4	3	3	2	2	2	2	2
Latin American Countries								
Debt service paid	1,030	668	704	646				
Total debt service due after enhanced HIPC Initiative relief 1/					696	719	682	694
Ratio of debt service to exports (in percent) 2/	19	13	13	12	12	12	10	9
Ratio of debt service to government revenue (in percent) 2/	28	18	18	17	18	17	15	14
Ratio of debt service to GDP (in percent) 2/	6	4	4	4	4	4	3	3
Total (26 countries)								
Debt service paid	3,687	3,086	2,869	2,192				
Debt service due after enhanced HIPC Initiative relief 1/					2,061	1,969	2,065	2,141
Weighted average (26 countries)								
Debt service/exports (in percent)	18	15	13	10	9	8	7	7
Debt service/government revenue (in percent)	27	21	20	15	13	11	11	10
Debt service/GDP (in percent)	4	3	3	2	2	2	2	2

Sources: HIPC country documents; and World Bank and IMF staff estimates.

1/ The debt service figures for 2000 largely reflect pre-HIPC relief debt service because many countries did not reach their decision point until late in 2000 or later. Thus, the full impact of relief for them will not be felt until 2001 and thereafter. See Table 5 for a detailed breakdown.
2/ Weighted averages.
Note: Debt service figures for 1998 and 1999 reflect debt relief already provided to Bolivia, Guyana, Mozambique and Uganda under the original framework.

Table 3. Debt Service for Individual HIPCs that Reached Decision Points, by Country, 1998-2005

(In millions of US dollars, unless otherwise indicated)

	1998	1999	2000	2001	2002	2003	2004	2005
Benin								
Debt service paid	64	66	55	36				
Debt service due after enhanced HIPC Initiative relief 1/					32	30	30	34
Debt service/exports (in percent)	16	17	16	10	9	7	7	7
Debt service/government revenue (in percent)	17	17	15	9	7	6	6	6
Debt service/GDP (in percent)	3	3	2	2	1	1	1	1
Bolivia								
Debt service paid	390	249	270	244				
Debt service due after enhanced HIPC Initiative relief 1/ 2/					232	287	282	276
Debt service/exports (in percent)	29	19	18	16	15	17	15	13
Debt service/government revenue (in percent)	19	13	14	13	13	14	13	12
Debt service/GDP (in percent)	5	3	3	3	3	4	3	3
Burkina Faso								
Debt service paid	60	53	47	29				
Debt service due after enhanced HIPC Initiative relief 1/					21	16	17	18
Debt service/exports (in percent)	16	20	19	11	7	4	4	4
Debt service/government revenue (in percent)	18	15	15	9	5	4	3	3
Debt service/GDP (in percent)	2	2	2	1	1	1	1	1
Cameroon 3/ 4/								
Debt service paid	401	401	437	271				
Debt service due after enhanced HIPC Initiative relief 1/ 5/					267	261	284	313
Debt service/exports (in percent)	18	15	16	10	11	10	11	12
Debt service/government revenue (in percent)	28	24	26	15	16	16	16	16
Debt service/GDP (in percent)	4	4	5	3	3	3	3	3
Chad 4/								
Debt service paid	38	30	32	17				
Debt service due after enhanced HIPC Initiative relief 1/					28	21	23	23
Debt service/exports (in percent)	12	12	14	7	12	8	1	1
Debt service/government revenue (in percent)	29	23	29	14	18	12	7	6
Debt service/GDP (in percent)	2	2	2	1	1	1	1	1
Ethiopia 3/ 4/								
Debt service paid	101	127	112	197				
Debt service due after enhanced HIPC Initiative relief 1/					118	51	78	100
Debt service/exports (in percent)	10	14	11	21	12	5	9	10
Debt service/government revenue (in percent)	9	11	10	16	9	4	5	6
Debt service/GDP (in percent)	2	2	2	3	2	1	1	1
Gambia, The 2/ 4/								
Debt service paid	26	20	13	16				
Debt service due after enhanced HIPC Initiative relief 1/					16	9	10	11
Debt service/exports (in percent)	12	15	11	14	10	5	6	6
Debt service/government revenue (in percent)	12	25	16	26	23	12	12	13
Debt service/GDP (in percent)	6	5	3	4	4	2	2	2
Ghana 4/								
Debt service paid	560	521	560	215				
Debt service due after enhanced HIPC Initiative relief 1/					129	115	104	112
Debt service/exports (in percent)	22	21	23	9	5	4	3	3
Debt service/government revenue (in percent)	41	53	57	19	13	10	7	7
Debt service/GDP (in percent)	7	7	11	4	2	2	1	1
Guinea 4/								
Debt service paid	128	132	172	100				
Debt service due after enhanced HIPC Initiative relief 1/					80	73	60	50
Debt service/exports (in percent)	15	18	23	12	9	8	6	4
Debt service/government revenue (in percent)	34	35	51	29	20	17	12	9
Debt service/GDP (in percent)	4	4	6	3	3	2	2	1
Guinea-Bissau 4/								
Debt service paid	7	6	13	0				
Debt service due after enhanced HIPC Initiative relief 1/					6	8	5	4
Debt service/exports (in percent)	23	11	19	1	9	11	6	4
Debt service/government revenue (in percent)	63	15	31	1	15	17	9	7
Debt service/GDP (in percent)	3	3	6	0	2	3	2	1

Table 3 (continued). Debt Service for Individual HIPCs that Reached Decision Points, by Country, 1998-2005

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

	1998	1999	2000	2001	2002	2003	2004	2005
Guyana 4/ 6/								
Debt service paid	131	70	78	53				
Debt service due after enhanced HIPC Initiative relief 1/					59	38	38	37
Debt service/exports (in percent)	19	10	11	8	9	6	5	5
Debt service/government revenue (in percent)	65	35	34	24	26	16	15	14
Debt service/GDP (in percent)	18	10	11	8	8	5	5	5
Honduras 7/								
Debt service paid	311	240	212	196				
Debt service due after enhanced HIPC Initiative relief 1/					256	293	274	284
Debt service/exports (in percent)	13	11	8	8	10	12	11	10
Debt service/government revenue (in percent)	32	23	20	17	20	22	19	18
Debt service/GDP (in percent)	6	4	4	3	4	4	4	4
Madagascar 4/ 8/								
Debt service paid	166	106	87	63				
Debt service due after enhanced HIPC Initiative relief 1/					68	62	70	79
Debt service/exports (in percent)	21	12	7	5	5	4	4	5
Debt service/government revenue (in percent)	42	25	19	12	11	9	9	9
Debt service/GDP (in percent)	4	3	2	1	1	1	1	1
Malawi 4/								
Debt service paid	90	65	98	69				
Debt service due after enhanced HIPC Initiative relief 1/					44	46	35	46
Debt service/exports (in percent)	16	13	22	15	9	9	7	8
Debt service/government revenue (in percent)	22	21	33	22	14	13	9	11
Debt service/GDP (in percent)	5	4	6	4	2	2	2	2
Mali								
Debt service paid	74	84	65	37				
Debt service due after enhanced HIPC Initiative relief 1/					45	69	73	81
Debt service/exports (in percent)	11	12	10	4	5	7	7	8
Debt service/government revenue (in percent)	17	20	17	8	8	12	11	12
Debt service/GDP (in percent)	3	3	3	1	2	2	2	2
Mauritania 9/								
Debt service paid	88	81	95	84				
Debt service due after enhanced HIPC Initiative relief 1/					39	35	35	37
Debt service/exports (in percent)	22	22	25	22	11	9	8	8
Debt service/government revenue (in percent)	35	30	39	40	17	15	14	14
Debt service/GDP (in percent)	10	8	10	8	4	3	3	3
Mozambique								
Debt service paid	104	60	18	27				
Debt service due after enhanced HIPC Initiative relief 1/					38	46	47	53
Debt service/exports (in percent)	41	9	2	3	4	4	2	2
Debt service/government revenue (in percent)	23	12	4	6	8	8	7	7
Debt service/GDP (in percent)	3	1	0	1	1	1	1	1
Nicaragua 4/ 10/								
Debt service paid	198	108	144	153				
Debt service due after enhanced HIPC Initiative relief 1/					149	101	88	96
Debt service/exports (in percent)	7	13	15	16	15	9	7	7
Debt service/government revenue (in percent)	37	19	24	27	24	15	12	12
Debt service/GDP (in percent)	9	5	6	6	6	4	3	3
Niger 4/								
Debt service paid	17	19	18	21				
Debt service due after enhanced HIPC Initiative relief 1/					28	23	19	22
Debt service/exports (in percent)	5	6	6	8	10	8	6	7
Debt service/government revenue (in percent)	9	11	12	12	13	10	7	8
Debt service/GDP (in percent)	1	1	1	1	1	1	1	1
Rwanda 4/ 5/								
Debt service paid	14	47	37	19				
Debt service due after enhanced HIPC Initiative relief 1/					22	16	12	11
Debt service/exports (in percent)	13	40	25	12	15	10	7	6
Debt service/government revenue (in percent)	7	25	21	10	10	7	5	4
Debt service/GDP (in percent)	1	2	2	1	1	1	1	0

Table 3 (concluded). Debt Service for Individual HIPCs that Reached Decision Points, by Country, 1998-2005
(In millions of U.S. dollars, unless otherwise indicated)

	1998	1999	2000	2001	2002	2003	2004	2005
São Tomé and Príncipe 4/								
Debt service paid	7	2	5	2				
Debt service due after enhanced HIPC Initiative relief 1/					1	1	1	1
Debt service/exports (in percent)	55	12	33	12	5	5	3	4
Debt service/government revenue (in percent)	84	21	53	19	11	10	6	6
Debt service/GDP (in percent)	16	4	12	4	2	2	1	1
Senegal								
Debt service paid	222	146	143	113				
Debt service due after enhanced HIPC Initiative relief 1/					116	88	82	84
Debt service/exports (in percent)	14	10	11	8	8	6	5	5
Debt service/government revenue (in percent)	27	18	18	14	13	9	8	7
Debt service/GDP (in percent)	5	3	3	2	2	2	1	1
Sierra Leone								
Debt service paid	9	37	32	90				
Debt service due after enhanced HIPC Initiative relief 1/					21	26	41	11
Debt service/exports (in percent)	9	40	29	74	17	19	22	5
Debt service/government revenue (in percent)	18	77	44	89	18	20	28	7
Debt service/GDP (in percent)	1	5	5	12	3	3	4	1
Tanzania 3/ 11/								
Debt service paid	224	193	154	103				
Debt service due after enhanced HIPC Initiative relief 1/					131	125	142	146
Debt service/exports (in percent)	21	16	13	8	9	8	9	8
Debt service/government revenue (in percent)	29	20	15	10	12	9	10	10
Debt service/GDP (in percent)	3	2	2	1	1	1	1	1
Uganda 3/								
Debt service paid	110	98	90	71				
Debt service due after enhanced HIPC Initiative relief 1/					66	68	83	89
Debt service/exports (in percent)	15	12	14	11	10	9	10	10
Debt service/government revenue (in percent)	16	13	13	12	9	9	10	9
Debt service/GDP (in percent)	2	2	2	1	1	1	1	1
Zambia 4/								
Debt service paid	147	126	148	149				
Debt service due after enhanced HIPC Initiative relief 1/					158	161	221	202
Debt service/exports (in percent)	16	15	17	15	15	14	19	16
Debt service/government revenue (in percent)	24	23	24	21	23	21	27	23
Debt service/GDP (in percent)	5	4	5	4	4	4	5	4
Total debt service paid 4/	3,687	3,086	2,869	2,192				
Total debt service due 1/					2,061	1,969	2,065	2,141
Ratio of debt service to exports (in percent)								
Simple average	18	16	16	13	10	9	8	7
Weighted average	18	15	13	10	9	8	7	7
Ratio of debt service to government revenue (in percent)								
Simple average	29	24	25	19	14	12	11	10
Weighted average	27	21	20	15	13	11	11	10
Ratio of debt service to GDP (in percent)								
Simple average	5	4	4	3	3	2	2	2
Weighted average	4	3	3	2	2	2	2	2

Sources: HIPC country documents; and World Bank and IMF staff estimates.

1/ Debt service due after the full use of traditional debt relief mechanism and assistance under the enhanced HIPC initiative. For Bolivia and Mozambique, these figures are also after additional bilateral assistance beyond HIPC.
2/ Debt service is higher than anticipated at the decision point due to higher new borrowing than previously projected.
3/ On fiscal year basis, i.e. 2000 column shows FY 1999/2000.
4/ The debt service figures for 2000 largely reflect pre-HIPC relief debt service because these countries did not reach their decision point until late in 2000 or later. Thus, the full impact of relief for did not take effect until 2001 and thereafter.
5/ Debt service is lower than anticipated at the decision point due to lower financing needs than previously projected.
6/ Debt service in 2002 is higher than anticipated at the decision point because the completion point has been delayed.
7/ Honduras received less interim relief in 2001 than anticipated at the decision point.
8/ The relief for Madagascar is indicative and subject to change. The Madagasy authorities and Paris Club creditors would need to revisit the outstanding bilateral debt numbers. Also, minor adjustments need to be incorporated in the case of three multilateral creditors. Consequently, the IMF Board approved US$790 million in HIPC relief with the the understanding that Madagascar's exact level of HIPC assistance will be determined once such revisions are made.
9/ Debt service figures differ from those in the decision point document due to exchange rate changes.
10/ Debt service due in 2002/03 reflects a hypothetical assumption that arrears to non-Paris Club creditors (about US$2 billion) would be regularized and serviced. It also reflects the resumption of payments to the Paris Club creditors that had provided a total deferral of debt service in the wake of Hurricane Mitch in 1998, and upfront payments associated with debt rescheduling agreements.
11/ Debt service reflects some payments to commercial creditors and payments on moratorium interest not reflected in the completion point document.

Note: Debt service figures for 1998 and 1999 reflect debt relief already provided to Bolivia, Guyana, Mozambique, and Uganda under the original framework.

Table 4. Social Expenditure for the 26 HIPCs that Reached Decision Points 1/

	1999	2000	2001	2002	2003	2004	2005
				(In millions of U.S. dollars)			
Social expenditure							
African Countries	3,530	3,853	4,653	5,825	6,519	8,195	8,560
Latin American Countries	1,800	1,847	2,054	2,173	2,477	1,542	1,694
Total	5,330	5,700	6,707	7,998	8,996	9,737	10,254
				(In percent)			
Ratio of social expenditure to government revenue 2/							
African Countries	33	37	42	48	49	48	47
Latin American Countries	48	48	54	55	58	57	56
Total	37	40	45	49	51	50	49
Ratio of social expenditure to GDP 2/							
African Countries	5	6	7	8	8	8	8
Latin American Countries	11	11	12	12	13	13	13
Total	6	7	8	9	9	9	9
Ratio of social expenditure to external debt service 2/							
All 26 countries	1.4	1.8	2.3	3.6	4.4	4.9	5.0

Sources: HIPC country documents; and World Bank and IMF staff estimates.

1/ Data is not available for all countries, particularly in 2003-05. To aggregate, the last available data were used for future years, thus understating the likely level of social spending.
2/ Weighted averages.

Table 5. Social Expenditure for Individual HIPCs that Reached Decision Points, by Country

(In millions of U.S. dollars)

	1999	2000	2001	2002	2003	2004	2005
Benin							
Social Expenditure	115	110	161	160	…	…	…
Social Expenditure/Government Revenue (in percent)	30	29	42	38	…	…	…
Social Expenditure/GDP (in percent)	5	5	7	6	…	…	…
Bolivia							
Social Expenditure 1/	882	921	918	956	1,086	…	…
Social Expenditure/Government Revenue (in percent)	45	47	50	52	54	…	…
Social Expenditure/GDP (in percent)	11	11	12	12	14	…	…
Burkina Faso							
Social Expenditure	141	121	117	120	…	…	…
Social Expenditure/Government Revenue (in percent)	36	43	38	31	…	…	…
Social Expenditure/GDP (in percent)	5	6	5	5	…	…	…
Cameroon 2/							
Social Expenditure	264	287	336	307	328	361	389
Social Expenditure/Government Revenue (in percent)	16	17	19	18	20	20	20
Social Expenditure/GDP (in percent)	3	3	4	3	3	4	4
Chad 2/							
Social Expenditure	190	186	231	298	309	420	396
Social Expenditure/Government Revenue (in percent)	150	165	185	199	180	122	95
Social Expenditure/GDP (in percent)	12	13	14	16	14	11	10
Ethiopia 2/							
Social Expenditure	268	534	692	1,000	1,209	1,307	1,370
Social Expenditure/Government Revenue (in percent)	23	44	57	77	85	83	79
Social Expenditure/GDP (in percent)	4	8	11	17	18	18	18
The Gambia 2/							
Social Expenditure	24	22	22	23	28	32	34
Social Expenditure/Government Revenue (in percent)	30	27	37	34	38	40	41
Social Expenditure/GDP (in percent)	5	5	6	6	7	7	8
Ghana 2/							
Social Expenditure 3/	345	246	286	368	…	…	…
Social Expenditure/Government Revenue (in percent)	35	52	25	26	…	…	…
Social Expenditure/GDP (in percent)	4	7	5	6	…	…	…
Guinea 2/							
Social Expenditure	85	73	83	158	167	178	192
Social Expenditure/Government Revenue (in percent)	23	22	24	40	38	37	35
Social Expenditure/GDP (in percent)	2	2	3	5	5	5	5
Guinea-Bissau 2/							
Social Expenditure	70	89	82	92	100	107	114
Social Expenditure/Government Revenue (in percent)	182	215	207	221	216	210	205
Social Expenditure/GDP (in percent)	32	40	41	34	34	34	34
Guyana 2/							
Social Expenditure	87	105	118	117	124	128	137
Social Expenditure/Government Revenue (in percent)	44	52	54	52	52	50	51
Social Expenditure/GDP (in percent)	13	15	17	16	17	17	17
Honduras							
Social Expenditure	488	476	638	694	829	929	993
Social Expenditure/Government Revenue (in percent)	47	56	55	54	61	63	63
Social Expenditure/GDP (in percent)	9	10	10	10	12	13	13
Madagascar 2/							
Social Expenditure	156	188	230	298	376	416	456
Social Expenditure/Government Revenue (in percent)	37	41	42	46	52	53	52
Social Expenditure/GDP (in percent)	4	5	5	6	7	7	7
Malawi 2/							
Social Expenditure	208	160	170	207	224	250	277
Social Expenditure/Government Revenue (in percent)	66	54	55	64	65	67	68
Social Expenditure/GDP (in percent)	12	9	10	11	11	12	12
Mali							
Social Expenditure	103	105	123	136	122	128	134
Social Expenditure/Government Revenue (in percent)	24	28	28	26	21	20	19
Social Expenditure/GDP (in percent)	4	4	5	5	4	4	4

Table 5 (concluded). Social Expenditure for Individual HIPCs by Country 1/

(In millions of U.S .dollars)

	1999	2000	2001	2002	2003	2004	2005
Mauritania							
Social Expenditure	85	95	84	117	118	127	141
Social Expenditure/Government Revenue (in percent)	35	38	40	30	37	38	41
Social Expenditure/GDP (in percent)	9	10	9	11	11	11	11
Mozambique							
Social Expenditure	259	331	342	342	357	405	451
Social Expenditure/Government Revenue (in percent)	53	70	74	68	65	60	59
Social Expenditure/GDP (in percent)	6	9	9	9	9	9	9
Nicaragua 2/							
Social Expenditure	343	344	379	405	438	484	564
Social Expenditure/Government Revenue (in percent)	60	58	67	66	66	67	72
Social Expenditure/GDP (in percent)	15	14	15	16	16	17	18
Niger 2/							
Social Expenditure	104	95	122	150	159	164	170
Social Expenditure/Government Revenue (in percent)	58	61	68	70	69	65	61
Social Expenditure/GDP (in percent)	5	5	6	7	7	7	7
Rwanda 2/							
Social Expenditure	75	73	91	112	126	140	157
Social Expenditure/Government Revenue (in percent)	40	41	47	52	52	53	56
Social Expenditure/GDP (in percent)	4	4	5	6	7	7	7
São Tomé and Príncipe 2/							
Social Expenditure	8	8	9	10	11	13	12
Social Expenditure/Government Revenue (in percent)	88	79	83	82	83	89	73
Social Expenditure/GDP (in percent)	17	17	18	18	19	20	16
Senegal							
Social Expenditure	254	213	206	220	266	281	293
Social Expenditure/Government Revenue (in percent)	31	27	25	24	27	27	26
Social Expenditure/GDP (in percent)	5	5	4	5	5	5	5
Sierre Leone 2/							
Social Expenditure	15	15	25	46	…	…	…
Social Expenditure/Government Revenue (in percent)	32	21	25	40	…	…	…
Social Expenditure/GDP (in percent)	2	2	4	7	…	…	…
Tanzania							
Social Expenditure 4/	289	352	622	837	1,025	1,090	…
Social Expenditure/Government Revenue (in percent)	30	34	58	75	88	88	…
Social Expenditure/GDP (in percent)	3	4	7	9	11	11	…
Uganda							
Social Expenditure	306	401	438	559	614	682	756
Social Expenditure/Government Revenue (in percent)	40	60	71	78	79	80	81
Social Expenditure/GDP (in percent)	5	7	8	9	10	10	11
Zambia 2/							
Social Expenditure	166	149	181	264	285	314	347
Social Expenditure/Government Revenue (in percent)	30	24	26	38	38	39	40
Social Expenditure/GDP (in percent)	5	5	5	7	7	7	7
Total social expenditure 5/	5,330	5,700	6,707	7,998	8,996	9,737	10,254
Ratio of social expenditure to government revenue							
Simple average	49	54	58	62	61	58	56
Weighted average	37	40	45	49	51	50	49
Ratio of social expenditure to GDP							
Simple average	8	9	9	10	10	10	10
Weighted average	6	7	8	9	9	9	9

Sources: HIPC country documents; and staff estimates.

1/ Data refer to pro-poor expenditure comprising health, non-university education, basic sanitation, and certain rural development and urban development programs.

2/ The figures for 2000 largely reflect social expenditure before HIPC relief because these countries reached their decision points in late 2000 or in 2001. Thus, the full impact of HIPC relief for them will not be felt until 2001 and thereafter.

3/ Data reported for Ghana do not cover all the expenditure by the health and education ministries. as it is missing donor flows and expenditure financed by internally generated funds. For 2002, data are not based on outturn or finalized budget data and are not directly comparable with the 1998-2001 data.

4/ Data for 2003 and 2004 are contingent on adequate external financing.

5/ For countries without projections, the last available data are used in the aggregate total for future years, thus understating the likely level of social spending.

Table 6. Estimated HIPC Relief Costs for 26 Individual HIPCs by Creditor Group 1/
(In millions of U.S. dollars, in end-2001 NPV terms)

	Grand Total (26 countries)	(In percent of total)	Benin	Bolivia	Burkina Faso	Cameroon	Chad	Ethiopia	The Gambia	Ghana	Guinea	Guinea-Bissau	Guyana	Honduras
Total	26,045	100	270	1,438	571	1,336	170	1,275	71	2,063	578	441	636	589
Bilateral	12,246	47	80	472	90	992	36	512	18	1,023	230	225	239	228
Of which :														
Paris Club	8,737	34	66	444	24	913	15	402	5	781	162	159	192	179
Non-Paris Club	2,901	11	14	21	67	14	20	80	13	32	66	65	27	47
Commercial	610	2	-	7	-	66	1	30	-	211	3	1	21	3
Multilateral	13,800	53	190	968	480	343	134	763	52	1,040	348	216	397	361
Of which :														
World Bank	6,556	25	87	213	238	190	68	463	24	737	161	99	74	104
IMF	2,123	8	25	93	62	39	18	34	2	106	33	13	81	32
AfDB/AfDF	1,821	7	39	-	85	83	37	216	17	124	80	64	-	-
IaDB	1,194	5	-	516	-	-	-	-	-	-	-	-	126	142
Others	2,107	8	39	146	95	31	11	49	9	73	74	41	117	83

	Madagascar	Malawi	Mali	Mauritania	Mozambique	Nicaragua	Niger	Rwanda	Sao Tome and Principe	Senegal	Sierra Leone	Tanzania	Uganda	Zambia
Total	863	681	562	659	2,253	3,463	552	480	103	518	566	2,149	1,108	2,649
Bilateral	485	172	177	277	1,415	2,273	224	59	31	225	253	1,067	204	1,238
Of which :														
Paris Club	406	137	120	145	1,104	923	111	37	21	134	177	799	127	1,154
Non-Paris Club	75	15	54	131	256	1,307	110	22	10	91	38	202	64	59
Commercial	4	20	3	-	55	44	2	0	-	1	38	67	13	24
Multilateral	378	509	386	382	839	1,190	328	420	72	293	313	1,082	905	1,411
Of which :														
World Bank	267	351	193	106	461	201	180	241	25	131	115	736	569	523
IMF	23	32	61	50	149	86	29	46	-	48	116	127	178	638
AfDB/AfDF	63	75	73	77	157	-	39	79	36	60	40	132	89	155
IaDB	-	-	-	-	-	410	-	-	-	-	-	-	-	-
Others	25	51	59	150	72	493	79	53	10	54	42	86	69	95

Sources: HIPC documents; IMF and World Bank staff estimates.

1/ Data are expressed in 2001 NPV terms in contrast to decision point figures used in Table 1. For example, for Bolivia, HIPC relief under the original framework is US$448 million in 1998 NPV terms, or US$534 million in 2001 NPV terms, while enhanced HIPC relief is US$854 million assessed at the decision point (2000 NPV terms) and US$905 million in 2001 NPV terms. This lead to a total at the decision point of $1,302 million in Table 1 and a total in 2001 NPV terms of US$1,438 million in this table.

Table 7. Estimated Delivery of World Bank Assistance under the HIPC Initiative, 2000-09

(In millions of U.S. dollars)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Debt service before HIPC relief										
Benin	11	12	14	15	16	17	17	18	18	19
Bolivia	18	21	24	25	27	28	31	32	36	38
Burkina Faso	13	15	19	20	20	22	23	23	24	25
Cameroon	80	72	60	54	55	41	34	29	30	30
Chad	-	10	10	10	11	12	13	14	15	18
Ethiopia	35	37	42	48	50	54	57	59	63	65
Gambia	4	4	4	4	5	5	5	6	6	6
Ghana	-	55	62	67	72	79	85	89	95	101
Guinea	20	22	22	24	25	26	29	30	33	35
Guinea-Bissau	4	5	5	6	6	7	7	7	7	8
Guyana	2	3	4	4	4	5	5	5	5	5
Honduras	49	36	33	29	22	21	20	17	16	7
Madagascar	28	30	31	33	35	37	40	44	47	48
Malawi	-	30	34	38	41	42	47	49	50	53
Mali	20	23	24	26	28	30	32	33	34	36
Mauritania	7	9	9	10	10	11	12	13	14	15
Mozambique	19	19	22	24	27	30	31	33	36	38
Nicaragua	12	11	9	9	11	13	14	14	15	17
Niger	13	14	15	16	17	17	20	22	24	24
Rwanda	12	14	16	17	18	19	21	21	22	23
Sao Tome & Principe	-	1	2	1	1	2	2	2	2	2
Senegal	30	30	30	32	33	36	38	41	44	45
Sierra Leone	-	5	6	8	10	10	11	11	11	11
Tanzania	45	54	60	63	70	70	71	75	78	80
Uganda	33	39	45	53	62	72	73	74	92	93
Zambia	17	22	26	31	34	40	45	48	47	49
TOTAL	**471**	**594**	**625**	**665**	**710**	**746**	**780**	**807**	**865**	**891**
Debt service after HIPC relief										
Benin	8	6	7	7	8	8	8	9	9	10
Bolivia										
after: original HIPC relief	0	1	17	25	27	28	31	32	36	38
enhanced HIPC relief	0	0	9	12	13	14	15	16	18	19
Burkina Faso										
after: original HIPC relief	10	9	13	14	15	16	17	18	18	18
enhanced HIPC relief	7	2	6	7	7	8	9	9	9	9
topping up			6	6	6	7	7	7	7	7
Cameroon	58	46	30	7	9	11	12	12	15	27
Chad	-	7	5	5	6	6	6	7	8	9
Ethiopia	35	24	15	17	18	19	20	21	23	23
Gambia	4	2	2	2	2	3	3	3	3	3
Ghana	-	55	29	22	24	26	28	29	31	33
Guinea	20	11	11	12	12	13	14	15	17	18
Guinea-Bissau	4	-	-	0	1	1	1	1	1	1
Guyana										
after: original HIPC relief	7	7	6	7	6	5	5	5	5	5
enhanced HIPC relief	7	5	4	4	4	2	2	2	2	2
Honduras	39	18	9	3	1	1	1	1	1	1
Madagascar	28	15	16	16	17	18	20	22	23	24
Malawi	-	14	15	17	18	19	21	22	22	24
Mali										
after: original HIPC relief	18	19	21	22	24	27	29	30	31	32
enhanced HIPC relief	16	9	10	11	12	13	14	14	15	16
Mauritania	3	3	3	3	4	4	4	4	5	5
Mozambique										
after: original HIPC relief	8	9	9	10	11	11	12	13	14	15
enhanced HIPC relief	1	2	4	4	4	4	4	5	5	13
Nicaragua	12	6	1	1	1	1	1	1	2	2
Niger	13	5	5	5	6	6	7	7	8	8
Rwanda	12	2	2	2	2	2	2	2	3	3
Sao Tome & Principe	-	-	-	-	0	0	0	0	0	0
Senegal	25	16	15	16	17	18	19	20	22	31
Sierra Leone	-	5	2	1	1	1	1	1	1	1

Table 7 (concluded). Estimated Delivery of World Bank Assistance under the HIPC Initiative, 2000-09

(In millions of U.S. dollars)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Debt service after HIPC relief										
Tanzania	35	17	18	20	22	22	22	23	24	25
Uganda 1/										
after: original HIPC relief	16	19	25	33	54	64	65	66	83	83
enhanced HIPC relief	12	9	13	19	29	35	36	36	51	51
Zambia	17	4	4	5	5	6	7	7	7	8
TOTAL	**355**	**281**	**235**	**217**	**241**	**259**	**276**	**289**	**323**	**361**
World Bank debt relief										
Benin	3	6	7	8	8	9	9	9	9	10
Bolivia	18	21	15	13	13	14	15	16	18	19
of which: original HIPC	*18*	*21*	*6*	-	-	-	-	-	-	-
enhanced HIPC	-	*0*	*9*	*13*	*13*	*14*	*15*	*16*	*18*	*19*
Burkina Faso	6	13	13	14	15	16	16	16	17	18
of which: original HIPC	*3*	*6*	*6*	*6*	*6*	*6*	*6*	*6*	*6*	*7*
enhanced HIPC	*3*	*7*	*7*	*7*	*8*	*9*	*9*	*9*	*9*	*9*
topping up				*1*	*1*	*1*	*2*	*2*	*2*	*2*
Cameroon	14	27	30	47	45	31	22	17	15	3
Chad	-	3	5	5	6	6	7	7	8	9
Ethiopia	-	13	27	31	32	35	36	38	41	42
Gambia	-	2	2	2	2	2	3	3	3	3
Ghana	-	-	33	45	49	53	57	60	64	68
Guinea	-	11	11	12	12	13	14	15	16	18
Guinea-Bissau	1	5	5	5	5	6	6	6	7	7
Guyana	1	4	4	4	4	5	5	5	5	5
of which: original HIPC	*1*	*2*	*2*	*2*	*2*	*2*	*2*	*2*	*2*	*2*
enhanced HIPC	*0*	*2*	*2*	*2*	*3*	*3*	*3*	*3*	*3*	*3*
Honduras	10	18	24	26	21	20	19	16	15	6
Madagascar	-	15	16	16	17	18	20	22	23	24
Malawi	-	17	19	21	23	23	26	27	28	30
Mali	4	14	14	15	16	17	18	19	19	20
of which: original HIPC	*2*	*4*	*4*	*4*	*4*	*4*	*4*	*4*	*4*	*4*
enhanced HIPC	*2*	*10*	*11*	*11*	*13*	*14*	*15*	*15*	*16*	*17*
Mauritania	5	6	6	6	7	7	8	8	9	9
Mozambique	18	17	18	21	23	26	27	28	31	25
of which: original HIPC	*11*	*11*	*13*	*14*	*16*	*19*	*19*	*20*	*22*	*23*
enhanced HIPC	*7*	*6*	*5*	*6*	*7*	*8*	*8*	*8*	*9*	*3*
Nicaragua	-	6	8	8	10	11	13	13	13	15
Niger	-	9	10	10	11	12	14	15	16	16
Rwanda	-	12	14	15	16	17	18	19	19	20
Sao Tome & Principe	-	1	2	1	1	1	1	2	2	2
Senegal	5	14	15	16	17	18	19	20	22	14
Sierra Leone	-	-	4	7	8	9	10	10	10	10
Tanzania	10	38	41	44	48	49	49	52	54	55
Uganda	21	29	32	34	33	37	37	37	41	42
of which: original HIPC	*17*	*20*	*20*	*20*	*8*	*8*	*8*	*8*	*9*	*9*
enhanced HIPC	*4*	*10*	*12*	*14*	*25*	*29*	*29*	*29*	*32*	*33*
Zambia	0	19	22	26	29	34	38	40	40	41
TOTAL	**115**	**318**	**395**	**453**	**473**	**490**	**506**	**519**	**544**	**530**
Memorandum item										
Reduction 2/	***24%***	***54%***	***63%***	***68%***	***67%***	***66%***	***65%***	***64%***	***63%***	***59%***

Sources: HIPC country documents; and World Bank staff estimates.

1/ These numbers differ from those in the 2nd completion point document, as the document did not reflect new borrowing that took place between the original decision point and the enhanced decision point

2/ Weighted average.

Table 8. Enhanced HIPC Framework: Status of Bilateral Donor Pledges to the HIPC Trust Fund 1/

(As of July 11, 2002, in millions of nominal U.S. dollars)

Donor	Contributions & Pledges at end-Aug-99 (1)	Contributions Pledged After August 1999: EU/EC Attribution 2/ (2)	Contributions Pledged After August 1999: Bilateral (3)	Total Bilateral Outstanding Contributions/ Pledges (Cols.1,3) 3/4/ (4)	Total Bilateral Paid-in Contributions (5)	Outstanding Bilateral Contr/ Pledges (Col.4-5) (6)	**Memo**:Total Contributions/ Pledges Including EC Attribution to Bilaterals (Cols. 4,2)
Australia 5/	7		7	14	14		*14*
Austria 5/		*17*	26	26	26		*44*
Belgium	13	*25*	7	20	20		*45*
Canada	27		86	114	114		*114*
Denmark	26	*15*	19	45	42	3 8/	*60*
Finland 10/	15	*10*	13	28	25	3	*38*
France	21	*160*		21		21	*181*
Germany	24	*154*	48	72	56	16 8/	*226*
Greece	1	*8*	2	3	3		*11*
Iceland 5/			2	2	2		*2*
Ireland	15	*4*	5	20	15	5	*24*
Italy 5/		*83*	70	70	36	34 8/	*153*
Japan	10		190	200	115	85	*200*
Korea 7/							
Luxembourg	1	*2*		1	1		*2*
Netherlands 9/	61	*34*	77	138	138		*172*
New Zealand 5/			2	2	2		*2*
Norway	42		37	80	80		*80*
Portugal	15	*6*		15	15		*21*
Spain	15	*39*	70	85	65	20 8/	*124*
Sweden	28	*18*	30	58	58		*76*
Switzerland	30		30	60	60		*60*
United Kingdom 6/	171	*85*	50	221	123	98	*306*
United States			600	600	239	361	*600*
Total EU/EC Contributions		*661*		*661*	*500*	*161* 8/	
Total	**522**	**661**	**1,371**	**2,554**	**1,746**	**807**	**2,554**
Memo: Total contributions less contributions earmarked for IDA	**515**	**661**	**1,318**	**2,493**	**1,711**	**783**	**2,493**

Source: IDA.

1/ Figures are approximate. Some pledges are in the donor's national currency and a number of the contributions are in the form of promissory notes.

2/ The total EC contribution was EUR734 million. Of this amount, EUR554 million (eq. to $500 million) has been received. For illustration, the balance of EUR180 million is valued using an exchange rate of EUR0.90 - $1. The attribution to member states is based on their respective contributions to EDF8.

3/ Includes allocations from the Interest Subsidy Fund (ISF) to the HIPC Trust Fund.

4/ Many donors have also provided debt relief through other initiatives and mechanisms including: the Debt Reduction Facility for IDA-only Countries (providing financing for commercial debt reduction efforts), and specific country-held multilateral debt relief facilities. Most notably, additional debt service relief has also been provided to several Central American countries in the aftermath of Hurricane Mitch through the Central American Emergency Trust Fund. Bilateral donor funding to that trust fund to provide debt service relief to Honduras and Nicaragua includes (in $ million): Spain - $30; Norway - $15.3; Netherlands - $12.8; Switzerland - $18.3; Italy - $12; United Kingdom - $16.3; Austria - $2.7; Canada - $5.4; Germany - $13.2; Sweden - $23.4; United States - $25; and Denmark - $10.9 (through a bilateral trust fund administered by IDB). These resources are not included herewith as the debt relief under HIPC is additional to these efforts.

5/ The contributions provided by Australia, Iceland, and New Zealand are allocated for debt relief provided by IDA/IBRD. Of Italy's contribution, $25 million is available for debt relief to be provided by IDA. Of Austria's contribution, $18 million is available for IDA.

6/ In addition, the United Kingdom contributed SDR31.5 million to the HIPC Trust Fund for the IMF for debt relief to Uganda.

7/ Korea has confirmed that it will contribute to the HIPC Trust Fund but has not indicated the exact amount.

8/ For these donors, contribution agreements have been signed covering part or all of its outstanding balance.

9/ In addition, the Netherlands provided US$20 million for debt relief provided by the IMF to Zambia over and above the debt relief called for under the HIPC Debt Initiative. This amount is not included in the contribution amount presented above.

10/ Contribution agreement signed and payment transaction underway.

Table 9. Status of Commitments of HIPC Assistance by the IMF as of July 5, 2002

(In millions of SDRs)

Member	Decision Point	Completion Point	Amount Committed	Amount Disbursed
Benin	Jul. 2000	Floating	18.4	7.4
Bolivia	Sep. 1997 1/	Sep. 1998	21.2	21.2
Bolivia 3/	Feb. 2000	Jun. 2001	44.2	44.2
Burkina Faso	Sep. 1997 1/	Jul. 2000	16.3	16.3
Burkina Faso 3/	Jul. 2000	May. 2002	29.0	18.1
Cameroon	Oct. 2000	Floating	28.5	2.5
Chad	May 2001	Floating	14.3	4.3
Côte D'Ivoire	Mar. 1998 2/	--	16.7 4/	--
Ethiopia	Nov. 2001	Floating	26.9	4.0
Gambia, The	Dec. 2000	Floating	1.8	0.1
Ghana	Feb. 2002	Floating	90.1	9.9
Guinea	Dec. 2000	Floating	24.2	2.4
Guinea Bissau	Dec. 2000	Floating	9.2	0.5
Guyana	Dec. 1997 1/	May 1999	25.6	25.6
Guyana	Nov. 2000	Floating	30.7	6.1
Honduras	Jun. 2000	Floating	22.7	4.5
Madagascar	Dec. 2000	Floating	16.6	2.1
Malawi	Dec. 2000	Floating	23.1	2.3
Mali	Sep. 1998 1/	Sep. 2000	10.8	10.8
Mali	Sep. 2000	Floating	33.6	6.4
Mauritania	Feb. 2000	Jun. 2002	34.8	34.8
Mozambique	Apr. 1998 1/	Jun. 1999	93.2	93.2
Mozambique 3/	Apr. 2000	Sep. 2001	14.8	14.8
Nicaragua	Dec. 2000	Floating	63.0	--
Niger	Dec. 2000	Floating	21.6	1.5
Rwanda	Dec. 2000	Floating	33.8	9.1
São Tomé & Príncipe	Dec. 2000	Floating	--	--
Senegal	Jun. 2000	Floating	33.8	8.2
Sierra Leone	Mar. 2002	Floating	98.5	23.6
Tanzania 3/	Mar. 2000	Nov. 2001	96.4	96.4
Uganda	Apr. 1997 1/	Apr. 1998	51.5	51.5
Uganda 3/	Feb. 2000	May 2000	70.2	70.2
Zambia	Dec. 2000	Floating	468.8	234.4
27 members, of which 26 members received commitments of enhanced HIPC assistance			1,584.2	826.7

Source: www.imf.org/external/fin.htm.

1/ Original HIPC decision point.

2/ Decision point under the original framework. The Fund's HIPC assistance will be committed at the completion point, subject to satisfactory assurances regarding exceptional assistance to be provided by other creditors under the HIPC Initiative.

3/ Includes interest on amounts committed but not disbursed during the interim period.

4/ Equivalent to the committed amount of US$22.5 million at decision point exchange rates (3/17/98).

Table 10. Delivery of IMF Assistance Under the Enhanced HIPC Initiative (as of early July 2002)

(In millions of U.S. dollars)

	Actual				Projections								
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
IMF debt service before HIPC relief 1/													
Benin	…	…	14	16	16	16	12	9	6	4	2	2	1
Bolivia	42	34	31	32	29	29	36	32	25	18	11	2	-
Burkina Faso	…	…	11	15	15	18	19	16	12	10	6	3	1
Cameroon	…	…	21	5	2	6	20	33	40	40	36	22	9
Chad	…	…	…	4	8	10	12	14	13	8	6	4	2
Ethiopia 2/	…	…	…	…	11	15	12	10	8	10	9	7	-
Gambia, The	…	…	2	1	0	0	1	2	3	3	3	2	1
Ghana	…	…	…	…	13	22	40	48	38	47	42	23	15
Guinea	…	…	9	13	13	16	21	20	15	14	8	3	1
Guinea Bissau	…	…	1	1	1	3	3	3	3	2	1	1	1
Guyana	…	22	26	17	17	17	18	16	14	9	6	2	0
Honduras	…	…	10	14	45	42	15	26	22	22	21	13	0
Madagascar	…	…	6	3	5	9	9	12	20	16	13	13	11
Malawi	…	…	10	8	8	10	13	14	11	8	6	3	1
Mali	…	…	19	24	29	29	30	25	18	12	8	4	1
Mauritania	…	…	12	15	18	19	16	13	9	6	2	2	0
Mozambique	…	32	31	29	24	20	21	23	21	16	11	4	-
Nicaragua	…	…	3	7	7	9	17	26	26	26	24	13	1
Niger	…	…	3	2	5	10	13	13	12	9	4	1	1
Rwanda	…	…	13	12	8	3	6	10	12	12	10	7	3
Sao Tomé & Príncipe	…	…	0	0	0	0	0	0	0	0	0	0	0
Senegal	…	…	25	31	31	40	48	42	32	22	13	9	3
Sierra Leone	…	…	…	…	32	32	21	8	5	13	12	12	12
Tanzania 2/	…	…	32	27	26	26	31	48	59	64	48	38	-
Uganda 2/	…	60	53	50	43	44	51	46	36	25	13	2	2
Zambia	…	…	9	222	219	219	219	220	5	4	3	1	0
TOTAL	**42**	**149**	**340**	**546**	**626**	**665**	**704**	**727**	**464**	**422**	**319**	**195**	**66**
IMF debt service after Enhanced HIPC Initiative relief 1/													
Benin	…	…	11	11	10	10	8	7	5	2	2	2	1
Bolivia	36	23	21	23	18	18	18	18	18	17	11	2	-
Burkina Faso	…	…	8	8	8	8	9	8	8	8	6	3	1
Cameroon	…	…	21	2	2	4	14	24	32	32	30	17	7
Chad	…	…	…	2	5	5	8	11	11	7	6	4	2
Ethiopia 2/	…	…	…	…	7	9	7	4	4	4	3	3	-
Gambia, The	…	…	2	1	0	0	1	2	2	2	2	2	1
Ghana	…	…	…	…	4	5	14	21	22	28	26	19	15
Guinea	…	…	9	10	11	11	11	10	11	11	8	3	1
Guinea Bissau	…	…	1	0	0	0	1	0	0	0	0	0	1
Guyana	…	15	17	4	6	6	6	6	6	6	6	2	0
Honduras	…	…	8	9	38	35	10	22	18	20	21	13	0
Madagascar	…	…	6	2	3	3	4	6	15	14	13	13	11
Malawi	…	…	10	5	4	5	5	7	5	5	5	3	1
Mali	…	…	18	16	18	18	18	15	10	7	5	4	1
Mauritania	…	…	7	6	8	8	7	6	4	4	2	2	0
Mozambique	…	18	0	2	4	6	7	7	5	5	5	3	-
Nicaragua	…	…	3	7	4	5	6	2	6	7	6	5	1
Niger	…	…	3	2	3	5	5	5	5	5	4	1	1
Rwanda	…	…	13	4	2	1	2	1	4	4	4	4	3
Sao Tomé & Príncipe	…	…	0	0	0	0	0	0	0	0	0	0	0
Senegal	…	…	24	25	25	31	35	30	26	22	13	9	3
Sierra Leone	…	…	…	…	2	2	2	1	1	1	1	1	1
Tanzania 2/	…	…	25	7	2	5	15	36	48	53	38	28	-
Uganda 2/	…	45	31	21	17	20	25	24	24	17	10	2	2
Zambia	…	…	9	71	63	63	113	109	5	4	3	1	0
TOTAL	**36**	**102**	**248**	**238**	**265**	**284**	**350**	**383**	**296**	**288**	**232**	**147**	**53**

Table 10 (concluded). Possible Delivery of IMF Assistance under the Enhanced HIPC Initiative (as of early July 2002)

(In millions of U.S. dollars)

	Actual				Projections								
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
IMF Original and Enhanced HIPC Initiative assistance 3/													
Benin	…	…	2	5	6	6	4	2	1	1	-	-	-
Bolivia	6	11	10	9	11	11	18	14	7	1	-	-	-
Burkina Faso	…	…	3	6	8	15	17	14	5	2	-	-	-
Cameroon	…	…	-	3	0	2	6	9	8	8	6	5	1
Chad	…	…	-	2	3	5	5	3	2	1	0	0	-
Ethiopia 2/	…	…	…	…	4	6	6	5	4	7	6	4	-
Gambia, The	…	…	-	0	0	0	0	0	1	1	1	0	-
Ghana	…	…	…	…	9	17	26	27	16	19	16	4	-
Guinea	…	…	-	3	2	5	10	10	5	3	0	0	-
Guinea Bissau	…	…	-	1	1	2	2	2	3	2	1	0	0
Guyana	…	8	9	13	12	11	12	10	8	3	0	-	-
Honduras	…	…	2	5	7	7	5	4	4	1	-	-	-
Madagascar	…	…	-	1	3	5	4	6	5	2	0	0	-
Malawi	…	…	-	3	4	5	8	7	6	3	1	0	-
Mali	…	…	1	8	11	11	12	10	8	6	3	-	-
Mauritania	…	…	5	8	10	11	8	7	5	2	-	-	-
Mozambique	…	14	31	27	20	14	14	16	16	11	6	1	-
Nicaragua	…	…	-	-	3	4	11	24	20	19	17	8	-
Niger	…	…	-	1	1	5	8	8	7	4	0	0	-
Rwanda	…	…	-	9	6	2	3	8	8	8	6	3	-
Sao Tomé & Príncipe	…	…	-	-	-	-	-	-	-	-	-	-	-
Senegal	…	…	2	6	6	10	13	12	5	-	-	-	-
Sierra Leone	…	…	…	…	30	30	19	6	4	12	12	11	11
Tanzania 2/	…	…	7	19	25	21	16	12	12	11	11	10	-
Uganda 2/	…	15	21	29	26	24	26	22	12	8	2	0	-
Zambia	…	…	-	151	156	156	107	111	0	0	0	0	-
TOTAL	**6**	**47**	**92**	**308**	**362**	**387**	**361**	**350**	**170**	**134**	**87**	**48**	**13**
Memorandum item													
Average Annual Debt Service Reduction 4/	**13%**	**32%**	**27%**	**56%**	**58%**	**57%**	**50%**	**47%**	**36%**	**32%**	**27%**	**25%**	**20%**

Sources: HIPC country documents; and World Bank and IMF staff estimates.

1/ Obligations to the Fund as presented in the members' respective decision point documents under the Enhanced HIPC Initiative, with revisions where necessary.
2/ Fiscal year data.
3/ Using SDR/U.S. dollar exchange rate at the completion point (for original HIPC assistance) or at the decision point (for enhanced HIPC assistance). Includes projected investment income.
4/ Weighted average.

Table 11. HIPC Initiative: Estimates of Costs for Other Multilateral Creditors

(In millions of U.S. dollars, in 2001 NPV terms)

	Total Costs (34 countries) 1/	Decision Point Cases (26 countries) 2/
Total other multilateral	**2,566**	**2,087**
EU/EIB	612	409
CABEI	539	539
IFAD	274	238
BADEA	218	162
OPEC Fund	176	152
IsDB	137	129
EIB	91	73
CAF	102	102
AsDB	70	0
AFESD	68	68
BOAD	66	45
CMCF	63	63
BCEAO	35	6
FONPLATA	27	27
NDF	24	24
CDB	19	19
ECOWAS (CEDEAO)	15	15
AMF	13	13
BDEAC	4	1
PTA Bank	8	8
NIB	4	4
EADB	4	4
FEGECE	4	3
EU	7	2
FOCEM	2	2
FSID	1	1
BDEGL	4	0
Memorandum items:		
European MDBs 3/	738	511
Latin American MDBs 4/	750	750
Arab MDBs 5/	436	372
African MDBs 6/	136	81
Other MDBs 7/	507	373

Sources: Creditor statements; and IMF and World Bank staff estimates.

1/ Excluding Angola, Kenya, Lao P.D.R., Liberia, Somalia, Sudan, Vietnam, and Yemen. Costs for the World Bank, IMF, AfDB, and IaDB are presented in Appendix Table 8.
2/ The 26 decision point cases include Benin, Bolivia, Burkina Faso, Cameroon, Chad, Ethiopia, The Gambia, Ghana, Guinea, Guinea-Bissau, Guyana, Honduras, Madagascar, Malawi, Mali, Mauritania, Mozambique, Nicaragua, Niger, Rwanda, Sao Tome and Principe, Senegal,Sierra Leone, Tanzania, Uganda and Zambia.
3/ Includes the EU/EIB, NDF, and NIB.
4/ Includes CABEI, CAF, CMCF, FONTPLATA, and CDB.
5/ Includes BADEA, IsDB, AFESD, and AMF.
6/ Includes BOAD, BCEAO, BDEAC, ECOWAS, PTA, EADB, and FEGECE.
7/ Includes OPEC, IFAD, AsDB, and FOCEM.

Table 12. Estimated Paris Club Costs of HIPC Relief, by Creditor Country 1/

(In millions of U.S. dollars, in 2001 NPV terms)

	Total (26 countries)	Benin	Bolivia	Burkina Faso	Cameroon	Chad	Ethiopia	The Gambia	Ghana	Guinea	Guinea-Bissau	Guyana	Honduras
Total	**8,737**	**66**	**444**	**24**	**913**	**15**	**402**	**5**	**781**	**162**	**159**	**192**	**179**
Australia	3	-	-	-	-	-	3	-	-	-	-	-	-
Austria	186	-	11	1	76	0	2	2	13	2	-	-	-
Belgium	145	1	25	-	35	-	1	-	1	1	4	-	-
Brazil	204	-	-	-	-	-	-	-	-	1	7	-	-
Canada	103	0	1	-	36	-	0	-	10	-	-	1	2
Denmark	23	-	0	-	17	-	-	-	-	-	-	1	1
Finland	12	-	-	-	0	-	1	-	4	-	-	-	-
France	1,444	27	21	11	441	11	2	2	48	85	5	1	5
Germany	976	1	107	-	153	0	22	-	60	1	2	7	8
Israel	6	-	-	-	-	-	-	-	-	-	-	-	-
Italy	716	10	22	3	37	1	49	-	16	8	85	-	16
Japan	2,253	9	162	-	10	-	7	-	466	20	-	1	99
Netherlands	157	4	9	3	8	0	0	0	41	-	-	5	2
Norway	27	10	-	-	-	-	-	1	-	2	-	-	0
Portugal	226	-	-	-	-	-	-	-	-	-	44	-	-
Russia	910	2	-	1	-	0	273	-	-	19	8	1	-
South Africa	1	-	-	-	-	-	-	-	-	-	-	-	-
Spain	405	-	49	4	26	2	6	-	23	2	6	-	32
Sweden	44	-	1	-	14	-	8	-	14	-	-	-	-
Switzerland	20	-	-	-	9	-	-	-	-	-	-	-	1
Trinidad and Tobago	115	-	-	-	-	-	-	-	-	-	-	115	-
United Kingdom	435	2	11	1	38	-	4	-	68	1	-	49	-
United States	327	0	25	-	14	-	26	-	18	20	-	12	13

Table 12 (concluded). Estimated Paris Club Costs of HIPC Relief, by Creditor Country 1/

(In millions of U.S. dollars, in 2001 NPV terms)

	Madagascar	Malawi	Mali	Mauritania	Mozambique	Nicaragua	Niger	Rwanda	Sao Tome and Principe	Senegal	Sierra Leone	Tanzania	Uganda	Zambia
Total	**406**	**137**	**120**	**145**	**1,104**	**923**	**111**	**37**	**21**	**134**	**177**	**799**	**128**	**1,154**
Australia	- -	-	-	-	-	1	-	-	-	-	-	-	-	-
Austria	8	7	-	22	7	1	-	2	-	-	0	16	12	3
Belgium	8 -	-	-	-	-	-	-	-	1	2	8	60	-	-
Brazil	- -	-	-	8	89	32	-	-	-	-	-	42	-	26
Canada	6 -	-	-	-	-	-	-	2	-	0	-	18	-	26
Denmark	- -	-	-	-	-	-	-	-	-	4	-	-	-	-
Finland	- -	-	-	-	-	6	-	-	-	-	-	-	2	-
France	97	5	68	55	213	37	80	22	3	53	12	53	13	74
Germany	18	0	-	2	86	240	-	-	4	16	7	35	1	209
Israel	0 -	-	-	-	-	1	-	-	-	-	-	-	5	-
Italy	32 -	-	0	0	194	46	-	-	5	16	31	71	37	37
Japan	144	121	27	31	66	108	15	10	-	21	51	330	28	528
Netherlands	- -	-	1	11	-	19	-	-	-	2	15	37	-	0
Norway	- -	-	-	-	-	-	-	-	-	5	5	3	0	-
Portugal	- -	-	-	-	177	-	-	-	5	-	-	-	-	-
Russia	50 -	-	20	-	172	264	-	-	1	-	-	52	-	48
South Africa	-	1	-	-	-	-	-	-	-	-	-	-	-	-
Spain	27	3	-	13	25	139	6	-	2	10	-	9	22	-
Sweden	3 -	-	-	-	3	-	-	-	-	0	-	-	-	-
Switzerland	1 -	-	-	-	-	1	-	-	-	-	8	-	-	-
Trinidad and Tobago	- -	-	-	-	-	-	-	-	-	-	-	-	-	-
United Kingdom	6	0	3	3	54	1	7	-	-	0	2	66	8	112
United States	6 -	-	0	1	19	28	4	0	-	5	38	7	0	90

Sources: HIPC documents; and IMF and World Bank staff estimates.

1/ See footnote 1 in Table 7.

Table 13. Paris Club Debt Relief Under the Enhanced HIPC Initiative as of July 2002

Country	Date of Enhanced Decision Point	Interim Relief Provided?	Topping up or New Rescheduling	Date of Paris Club Rescheduling	Comments
1. Enhanced completion point reached					
Bolivia	Feb-00	yes	new rescheduling	Jul-01	Enhanced completion point June 2001. Paris Club stock operation on Cologne terms July 10, 2001. No interim relief beyond original HIPC relief from the Paris Club.
Burkina Faso	Jul-00	yes	new rescheduling	Jun-02	As the decision point under the enhanced HIPC Initiative and the completion point under the original framework were reached on the same day, creditors decided not to grant a stock operation but a flow rescheduling on Lyon terms to Burkina Faso. Enhanced completion point April 2002. On June 19, 2002 creditors agreed to a stock treatment on Cologne terms, and, in principle, to provide topping-up relief. The method of providing topping-up relief is under discussion.
Mauritania	Feb-00	yes	new rescheduling	Jul-02	Enhanced completion point June 2002; Paris Club stock operation on Cologne terms July 8, 2002
Mozambique	Apr-00	yes	new rescheduling	Nov-01	Enhanced completion point September 2001. Paris Club stock operation on Cologne terms.
Tanzania	Apr-00	yes	new rescheduling	Jan-02	Enhanced completion point November 2001. Paris Club stock operation on Cologne terms on January 14, 2002. Arrears outstanding at end-March 2000 and maturities on pre-cutoff date debt falling due during April 2000–March 2003 were rescheduled on Cologne terms. Exempt were arrears accrued since the end of the consolidation period (end-November 1999) of the 1997 rescheduling, which were paid by end-November 2000. In a side letter Japan agreed to a deferral over 3 years of maturities due under the 1997 rescheduling in light of the continuing delays in signing the bilateral agreement.
Uganda	Feb-00	yes	new rescheduling	Sep-00	Enhanced completion point May 2000; Paris Club stock operation on Cologne terms September 11, 2000; no interim relief from the Paris Club beyond original HIPC relief because of the short time period between decision and completion points.
2. Other retroactive cases					
2a. No assistance under original framework					
Benin	Jul-00	yes	topping up	Oct-00	85 percent of payments on non-ODA debt falling due between July 18, 2000 and end-June 2002 on the 1993 flow rescheduling (London terms) and 70 percent of payments on non-ODA debt on the 1996 Naples stock operation were canceled or rescheduled. In the case of creditors that rescheduled, moratorium interest on the rescheduling was capitalized; at the completion point, the rescheduled amounts and capitalized moratorium interest will be treated so as to secure comparable treatment with the creditors that cancelled debt.
Senegal	Jun-00	yes	topping up	Oct-00	70 percent of payments falling on non-ODA due between July 12, 2000 and April 19, 2002 on the 1995 Naples flow rescheduling and the 1998 Naples stock operation were canceled or rescheduled. In the case of creditors that rescheduled, moratorium interest on the rescheduling was capitalized; at the completion point, the rescheduled amounts and capitalized moratorium interest will be treated so as to secure comparable treatment with the creditors that cancelled debt.

Table 13 (concluded). Paris Club Debt Relief Under the Enhanced HIPC Initiative as of July 2002

Country	Date of Enhanced Decision Point	Interim Relief Provided?	Topping up or New Rescheduling	Date of Paris Club Rescheduling	Comments
2b. After completion point under original framework					
Guyana	Nov-00	yes	n.a.	n.a.	On June 25, 1999, Guyana was granted a stock-of-debt reduction on Lyon terms reaching the completion point under the original framework. Of the stock of pre-cutoff date medium- and long-term public debt, 65 percent was topped up from a 67 percent to an 80 percent NPV reduction. No additional interim relief.
Mali	Sep-00	yes	topping up	Oct-00	As the decision point under the enhanced HIPC Initiative and the completion point under the original framework were reached on the same day, creditors decided not to grant a Lyon stock-of-debt reduction to Mali. Instead, they provided a flow rescheduling on Cologne terms: 70 percent of payments on non-ODA debt falling due between September 8, 2000 and end-June 2002 on the 1996 Naples stock operation was canceled or rescheduled. In the case of creditors that rescheduled, moratorium interest on the rescheduling was capitalized; at the completion point, the rescheduled amounts and capitalized moratorium interest will be treated so as to secure a comparable treatment with the creditors that cancelled debt.
3. New decision point cases					
Cameroon	Oct-00	yes	new rescheduling	Jan-01	Arrears on pre-cutoff date debt accumulated during October–December 2000 and all maturities on pre-cutoff date debt falling due during January 2001–December 2003 were rescheduled on Cologne terms (90 percent debt reduction). Arrears outstanding at end-September were rescheduled on Naples terms (67 percent debt reduction).
Chad	May-01	yes	new rescheduling	Jun-01	Arrears on pre-cutoff date debt at April 30, 2001 were rescheduled on Naples terms. Maturities on all pre-cutoff date debt falling due during May 2001-March 2003 were rescheduled on Cologne terms.
Ethiopia	Nov-01	yes	topping up	Apr-02	Paris Club agreed to provide a topping up to Cologne terms from existing Naples.
Gambia, The	Dec-00	to be	n.a.	n.a.	Paris Club agreed in principle to provide a Cologne flow rescheduling.
Ghana	Feb-02	yes	new rescheduling	May-02	Creditors established a new cut-off date, thus increasing the amounts treated concessionally, and agreed to a flow rescheduling of arrears and maturities on pre-cutoff date debt, under Cologne terms through the end of PRGF in Nov. 2002. The agreement might be extended in tandem with a new PRGF that is expected in early 2003.
Guinea	Dec-00	yes	new rescheduling	May-01	Maturities on pre-cutoff, non-ODA debt falling due during December 2000–March 2004 were rescheduled on Cologne terms (90 percent debt reduction). Arrears on pre-cutoff date debt outstanding at end-November 2000 were rescheduled on Naples terms (67 percent of debt reduction).
Guinea-Bissau	Dec-00	yes	new rescheduling	Jan-01	Maturities on pre-cutoff date debt falling due during December 2000–December 2003 were rescheduled on Cologne terms (except the payments on a deferral in the context of the 1995 agreement, which were deferred again on nonconcessional terms). Arrears on pre-cutoff dat debt were rescheduled on Naples terms (67 percent debt reduction). Arrears on post-cutoff date debt received varying levels of debt reduction.
Honduras	Jul-00	yes	n.a. - see comments	Apr-99	Given the fact that Honduras had been granted a total payment deferral during November 1998–March 2002 following Hurricane Mitch, creditors considered that interim relief had already been provided to Honduras. Creditors agreed to consider Honduras for a Cologne flow rescheduling in the context of a PRGF arrangement.
Madagascar	Dec-00	yes	new rescheduling	Mar-01	Maturities on all pre-cutoff date debt falling due during December 2000–February 2004 were rescheduled on Cologne terms.
Malawi	Dec-00	yes	new rescheduling	Jan-01	Maturities on all pre-cutoff date debt falling due during December 2000–December 2003 were rescheduled on Cologne terms. Also, creditors moved the cutoff date from January 1, 1982 to January 1, 1997, which made all of Malawi's debt pre-cutoff date debt.
Nicaragua	Dec-00	to be provided	new rescheduling	n.a.	Nicaragua was granted a total payment deferral during December 1998–February 2001 following Hurricane Mitch. Creditors have agreed to see Nicaragua for a flow rescheduling on Cologne terms once a new three-year PRGF arrangement has been approved by the Board.
Niger	Dec-00	yes	new rescheduling	Jan-01	Maturities on all pre-cutoff date debt falling due during December 2000–December 2003 were rescheduled on Cologne terms. Arrears on pre-cutoff date debt were rescheduled on Naples terms (67 percent reduction). Arrears on post-cutoff date debt received varying levels of debt reduction.
Rwanda	Dec-00	yes	topping up	TOR	The April 2000 Paris Club rescheduling agreement on Naples terms was topped up to Cologne terms (by mail) for the period December 2000–April 2002.
Sao Tome and Principe	Dec-00	to be provided	topping up	TOR	The May 2000 Paris Club rescheduling agreement on Naples terms will be topped up to Cologne terms (by mail) as soon as the review for the second year under the PRGF has been completed.
Sierra Leone	Mar-02	yes	topping up	Jul-02	The October 2001 Paris Club rescheduling on Naples terms was topped up to Cologne terms after Sierra Leone reached the Decision Point (covering maturities falling due on pre-cutoff date debt during March 2002- Sep. 2004).
Zambia	Dec-00	yes	topping up	TOR	The April 1999 Paris Club rescheduling agreement on Naples terms will be topped up to Cologne terms (by mail), covering maturities on pre-cutoff date debt falling due during Dec 2000- March 2003.

Source: Paris Club Secretariat.

Table 14: Paris Club Creditors' Delivery of Debt Relief Under Bilateral Initiatives Beyond the HIPC Initiative

	Countries covered	ODA (in percent)		Non-ODA (in percent)		Provision of relief	
		Pre-COD	Post-COD	Pre-COD	Post-COD	Decision point (In percent)	Completion point
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Australia	HIPCs	100	100	100	100 1/	1/	1/
Austria	HIPCs (case-by-case)	Case-by-case (100)	Case-by-case (100)	Case-by-case (100)	-	Case-by-case	Case-by-case
Belgium	HIPCs	100	100	Case-by-case (100)	-	flow	Stock
Canada	HIPCs 2/	- 3/	- 3/	100	100	100 flow	Stock
Denmark	HIPCs	100	Case-by-case (up to 100)	-	-	-	Stock
France	HIPCs	100	100	100	-	100 flow 4/	Stock
Finland	HIPCs	95	98	-	-	-	-
Germany	HIPCs	100	100	100	-	100 flow	Stock
Ireland	-	-	-	-	-	-	-
Italy	HIPCs	100	100 5/	100	100 5/	100 flow	Stock
Japan	HIPCs	100	100	100	-	-	Stock
Netherlands	HIPCs	100	100	100	-	90-100 flow 6/	Stock 6/
Norway	HIPCs	- 3/	- 3/	100	100 7/	100 flow	Stock
Russia	Case-by-case	-	-	-	-	-	Stock
Spain	HIPCs	100	Case-by-case	Case-by-case	Case-by-case	-	Stock
Sweden	Case-by-case	- 3/	- 3/	Case-by-case (100)	-	-	Stock
Switzerland	HIPCs	- 3/	- 3/	Case-by-case	Case-by-case	Case-by-case, flow	Stock
United Kingdom	HIPCs	100	100	100	100 8/	100 flow 8/	Stock
United States	HIPCs	100	100	100	100 9/	100 flow	Stock

Source: Paris Club Secretariat

Note: Columns (1) to (7) describe the additional debt relief provided following a specific methodology under bilateral initiatives and need to be read as a whole for each creditor. In column (1), "HIPCs" stands for eligible countries effectively qualifying for the HIPC process. A "100 percent" mention in the table means that the debt relief provided under the enhanced HIPC Initiative framework will be topped up to 100 percent through a bilateral initiative.

1/ Australia: post-cutoff date non-ODA relief to apply to debts incurred before a date to be finalized; timing details for both flow and stock relief are to be finalized.
2/ Canada: including Bangladesh. Canada has granted a moratorium of debt service as of January 2001 on all debt disbursed before end-March 1999 for 11 out of 17 HIPCs with debt service due to Canada. The debt will be written off at the completion point. The countries to be covered are: Benin, Bolivia, Cameroon, Ethiopia, Guyana, Honduras, Madagascar, Mali, Senegal, Tanzania, and Zambia.
3/ 100 percent of ODA claims have already been cancelled on HIPCs, with the exception of Myanmar's debt to Canada.
4/ France: cancellation of 100 percent of debt service on pre-cutoff date commercial claims as they fall due starting at the decision point. Once countries have reached their completion debt relief on ODA claims will go to a special account and will be used for specific development projects.
5/ Italy: cancellation of 100 percent of all debts (pre- and post-COD, ODA and non-ODA) incurred before June 20, 1999 (the Cologne Summit). At decision point cancellation of the related amounts falling due in the interim period. At completion point cancellation of the stock of remaining debt.
6/ The Netherlands: ODA: 100 percent ODA: pre- and post-cutoff date debt will be cancelled at decision point; for non-ODA: in some particular cases (Bolivia, Burkina Faso, Mali, Ethiopia, Nicaragua, and Tanzania), the Netherlands will write off 100 percent of the consolidated amounts on the flow at decision point; all other HIPCs will receive interim relief up to 90 percent reduction of the consolidated amounts. At completion point, all HIPC countries will receive 100 percent cancellation of the remaining stock of the pre-cutoff date debt.
7/ On debt assumed before December 31, 1997.
8/ United Kingdom: "beyond 100 percent" full write-off of all debts of HIPCs as of their decision points, and reimbursement at the decision point of any debt service paid before the decision point.
9/ United States: 100 percent post-cutoff date non-ODA treated on debt assumed prior to 06/20/99 (the Cologne Summmit).

Table 15. Estimates of Bilateral Pledges for Debt Relief Beyond the HIPC Initiative 1/

(In millions of U.S. dollars and in percent)

Countries	Possible Decrease in Debt (NPV terms, US$ millions) 2/	NPV-of-Debt-to Exports Ratio (In percent)		
		After HIPC relief 3/	After possible additional bilateral relief	Percent reduction
Benin	75	150	120.2	8
Bolivia	163	150	138	9
Burkina Faso	19	150	144	4
Cameroon	762	150	117	29
Chad	18	150	143	5
Ethiopia	256	150	131	14
Gambia	2	150	148	1
Ghana, The	536	69	47	46
Guinea	162	150	129	16
Guinea-Bissau	9	150	131	15
Guyana	90	70	57	23
Honduras	626	104	78	33
Madagascar	386	150	103	45
Malawi	133	150	126	19
Mali	17	150	139	8
Mauritania	156	137	103	33
Mozambique	265	150	98	54
Nicaragua	286	150	116	29
Niger	38	150	137	9
Rwanda	14	150	139	8
Sao Tome and Principe	2	150	134	12
Senegal	239	131	115	13
Sierra Leone	36	150	117	28
Tanzania	240	150	129	16
Uganda	23	150	147	2
Zambia	614	150	88	70
Total/average	**5,167**	**141**	**118**	**21**

Sources: HIPC decision point documents and staff estimates.

1/ Calculated for illustrative purposes at each country's respective decision point based on creditor indications so far.
2/ In NPV terms in the year of the decision point.
3/ Assuming unconditional delivery of assistance.

Table 16. Estimated Non-Paris Club Official Bilaterals' Costs of HIPC Relief, by Creditor Country 1/

(26 Countries)

(In millions of U.S. dollars, in 2001 NPV terms)

	Total: (26 countries)	Benin	Bolivia	Burkina Faso	Cameroon	Chad	Ethiopia	The Gambia	Ghana	Guinea	Guinea-Bissau	Guyana	Honduras
Non-Paris Club official bilateral	**2,901**	**14**	**21**	**67**	**14**	**20**	**80**	**13**	**32**	**66**	**65**	**27**	**47**
Algeria	195	-	-	1	-	-	3	-	-	-	4	-	-
Angola	26	-	-	-	-	-	-	-	-	-	6	-	-
Argentina	*4*	*2*	-	-	-	-	-	-	-	-	-	*1*	-
Brazil	*7*	-	*5*	-	-	-	-	-	-	-	-	*2*	-
Bulgaria	90	-	-	-	-	-	8	-	-	1	-	-	-
Burundi 2/	0	-	-	-	-	-	-	-	-	-	-	-	-
Cameroon 2/	0	-	-	-	-	0	-	-	-	-	-	-	-
Cape Verde 2/	0	-	-	-	-	-	-	-	-	-	-	-	-
China	245	**4**	10	2	**5**	4	8	2	9	**9**	**1**	**4**	-
Colombia	4	-	-	-	-	-	-	-	-	-	-	-	4
Costa Rica	396	-	-	-	-	-	-	-	-	-	-	-	5
Côte d'Ivoire	8	-	-	8	-	0	-	-	-	-	-	-	-
Cuba	2	-	-	-	-	-	-	-	-	-	0	-	-
Czech Republic	7	2	-	-	-	-	-	-	-	-	-	-	-
Congo, Dem. Rep. of 2/	0	0	-	-	-	-	-	-	-	-	-	-	-
Egypt	3	-	-	-	-	-	-	-	-	3	-	-	-
Former Yugoslavia	56	-	-	-	-	-	19	-	-	2	-	0	-
Guatemala 3/	377	-	-	-	-	-	-	-	-	-	-	-	5
Honduras	***102***	-	-	-	-	-	-	-	-	-	-	-	-
Hungary	14	-	-	-	-	-	**2**	-	-	-	-	-	-
India	32	-	-	-	-	-	-	-	1	-	-	1	-
Iran	54	-	-	-	-	-	-	-	-	-	-	-	-
Iraq	85	-	-	-	-	-	-	-	-	1	-	-	-
Israel 2/	0	-	-	-	-	0	-	-	-	-	-	-	-
Kuwait	253	5	-	15	6	5	4	1	11	17	13	7	7

Table 16 (continued). Estimated Non-Paris Club Official Bilaterals' Costs of HIPC Relief, by Creditor Country 1/
(26 Countries)

(In millions of U.S. dollars, in 2001 NPV terms)

	Total: (26 countries)	Benin	Bolivia	Burkina Faso	Cameroon	Chad	Ethiopia	The Gambia	Ghana	Guinea	Guinea-Bissau	Guyana	Honduras
Libya	214	0	-	4	-	-	21	1	-	4	1	6	-
Mexico	53	-	-	-	-	-	-	-	-	-	-	-	10
Morocco	***5***	-	-	-	-	-	-	-	-	***3***	-	-	-
Niger 2/	0	0	-	-	-	-	-	-	-	-	-	-	-
Nigeria	2	-	-	-	-	-	-	-	-	-	-	-	-
Oman	1	-	-	-	-	-	-	-	-	-	-	-	-
Pakistan	2	-	-	-	-	-	-	-	-	-	**2**	-	-
People's Democratic Republic of Korea	19	0	-	-	-	-	11	-	-	0	-	0	-
Peru	8	-	-	-	-	-	-	-	-	-	-	-	-
Poland	16	-	-	-	-	-	4	-	-	-	-	-	-
Republic of Korea	6	-	-	-	-	-	-	-	4	-	-	-	-
Romania	37	-	-	-	-	-	-	-	-	5	-	-	-
Rwanda	1	-	-	-	-	-	-	-	-	-	-	-	-
Saudi Arabia	166	-	-	7	3	3	-	1	7	21	9	-	-
Senegal 2/	0	-	-	-	-	0	-	-	-	-	-	-	-
Slovak Republic	29	-	-	-	-	-	-	-	-	-	-	-	-
South Africa	***4***	-	-	-	-	-	-	-	-	-	-	-	-
Taiwan Province of China	285	-	6	28	-	8	-	8	-	-	28	-	11
Tanzania	***4***	-	-	-	-	-	-	-	-	-	-	-	-
Thailand 2/	0	-	-	-	-	-	-	-	-	0	-	-	-
Togo 2/	0	-	-	-	-	0	-	-	-	-	-	-	-
United Arab Emirates 4/	26	-	-	-	-	-	-	-	-	-	0	1	1
Venezuela	59	-	0	-	-	-	-	-	-	-	-	5	**5**
Zambia 2/	0	-	-	-	-	-	-	-	-	-	-	-	-
Zimbabwe 2/	0	-	-	-	-	-	-	-	-	-	-	-	-

Table 16 (continued). Estimated Non-Paris Club Official Bilaterals' Costs of HIPC Relief, by Creditor Country 1/
(26 Countries)

(In millions of U.S. dollars, in 2001 NPV terms)

	Madagascar	Malawi	Mali	Mauritania	Mozambique	Nicaragua	Niger	Rwanda	Sao Tome and Princ	Senegal	Sierra Leone	Tanzania	Uganda	Zambia
Non-Paris Club official bilateral	**75**	**15**	**54**	**131**	**256**	**1,307**	**110**	**22**	**10**	**91**	**38**	**202**	**62**	**59**
Algeria	13	-	4	20	103	19	8	-	0	2	-	19	-	-
Angola	1	-	-	-	12	-	-	-	6	-	-	1	-	-
Argentina	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Brazil	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Bulgaria	-	-	-	-	7	63	-	-	-	-	-	10	-	1
Burundi 2/	-	-	-	-	-	-	-	-	-	-	-	-	0	-
Cameroon	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Cape Verde 2/	-	-	-	-	-	-	-	-	0	-	-	-	-	-
China	7	-	16	**18**	**6**	3	4	**4**	2	15	28	**40**	**11**	**34**
Colombia	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Costa Rica	-	-	-	-	-	**391**	-	-	-	-	-	-	-	-
Côte d'Ivoire	-	-	***1***	-	-	-	-	-	-	-	-	-	-	-
Cuba	-	-	-	-	2	-	-	-	-	-	-	-	-	-
Czech Republic	-	-	-	-	-	***5***	-	-	-	-	-	1	-	0
Congo, Dem. Rep. of 2/	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Egypt	-	-	-	-	-	-	-	-	-	-	-	0	-	-
Former Yugoslavia	-	-	-	-	1	4	-	-	1	-	-	19	-	10
Guatemala 3/	-	-	-	-	-	***372***	-	-	-	-	-	-	-	-
Honduras	-	-	-	-	-	***102***	-	-	-	-	-	-	-	-
Hungary	-	-	-	-	4	5	-	-	-	-	-	3	-	-
India	-	-	-	-	2	1	-	-	-	-	-	9	8	10
Iran	-	-	-	-	-	27	-	-	-	-	-	27	-	-
Iraq	25	-	3	19	20	-	0	-	-	0	-	17	0	0
Israel	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Kuwait	4	1	7	***28***	20	-	19	8 -	-	34	7	**22**	***11***	-

Table 16 (concluded). Estimated Non-Paris Club Official Bilaterals' Costs of HIPC Relief, by Creditor Country 1/
(26 Countries)

(In millions of U.S. dollars, in 2001 NPV terms)

	Madagascar	Malawi	Mali	Mauritania	Mozambique	Nicaragua	Niger	Rwanda		Sao Tome and Princ	Senegal	Sierra Leone	Tanzania	Uganda	Zambia
Libya	23	-	1	11	34	60	11	0	-	-	-	-	21	16	-
Mexico	-	-	-	-	-	43	-	-	-	-	-	-	-	-	-
Morocco	-	-	-	-	-	-	-	-	-	-	-	2	-	-	-
Niger 2/	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Nigeria	-	-	-	-	-	-	-	-	-	-	-	-	-	2	-
Oman	-	-	-	-	-	-	-	-	-	-	1	-	-	-	-
Pakistan	-	-	-	-	-	-	-	-	-	-	-	-	-	0	-
People's Democratic Republic of Korea	-	-	-	-	0	2	-	-	-	-	-	-	0	5	-
Peru	-	-	-	-	-	8	-	-	-	-	-	-	-	-	-
Poland	-	-	-	-	**4**	**6**	-	-	-	-	-	-	**2**	-	-
Republic of Korea	-	-	-	-	-	-	-	-	-	-	-	-	-	2	-
Romania	-	-	-	-	28	-	-	-	-	-	-	-	0	-	4
Rwanda	-	-	-	-	-	-	-	-	-	-	-	-	-	1	-
Saudi Arabia	2	-	17	32	-	-	22	9	-	-	23	1	7	2	0
Senegal	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Slovak Republic	-	-	-	-	8	$\boxed{20}$	-	-	-	-	-	-	-	-	-
South Africa	-	-	-	-	$\boxed{4}$	-	-	-	-	-	-	-	-	-	-
Taiwan Province of China	-	14	-	-	-	125	44	-	-	-	12	-	-	-	-
Tanzania	-	-	-	-	-	-	-	-	-	-	-	-	-	$\boxed{4}$	-
Thailand 2/	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Togo	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
United Arab Emirates 4/	1	-	5	4	-	-	2	1	-	-	4	-	6	0	-
Venezuela	-	-	-	-	-	49	-	-	-	-	-	-	-	-	-
Zambia 2/	-	-	-	-	-	-	-	-	-	-	-	-	0	-	-
Zimbabwe 2/	-	-	-	-	-	-	-	-	-	-	-	-	0	-	-

Sources: HIPC country documents; and IMF and World Bank staff estimates.

Countries whose names appear in bold italics have delivered or agreed to deliver relief on all claims on the 26 HIPCs. Figures surrounded by a box represent relief already delivered.
1/ See footnote 1 in Table A7.
2/ Total claims are less than $0.5 million.
3/ Guatemala's claims on Nicaragua were taken over by Spain in a debt swap. Spain has agreed to provide HIPC relief to Nicaragua on those claims.
4/ Includes Abu Dhabi.

Table 17. Remaining Relief to be Provided by Non-Paris Club Official Bilateral Creditors to the Completion Point HIPCs

(In millions of U.S. dollars)

	Claims at the Decision Point (in NPV terms) 1/							Remaining HIPC Relief (in 2001 NPV terms)						
	Total	Bolivia	Burkina Faso	Mauritania	Mozambique	Tanzania	Uganda	Total	Bolivia	Burkina Faso	Mauritania	Mozambique	Tanzania	Uganda
Creditor	**1,085**	**29**	**87**	**248**	**298**	**353**	**70**	**707**	**15**	**56**	**131**	**244**	**201**	**59**
Algeria	**198**	-	1	37	127	33	-	**143**	-	1	20	$\boxed{\textit{103}}$	19	-
Angola	**17**	-	-	-	15	2	-	**13**	-	-	-	12	1	-
Bulgaria	**25**	-	-	-	9	17	-	**17**	-	-	-	7	10	-
Burundi	**1**	-	-	-	-	-	1	**0**	-	-	-	-	-	0
China 2/	**138**	17	4	33	7	69	7	**85**	***9***	2	18	***6***	***40***	***11***
Cuba	**2**	-	-	-	2	-	-	**2**	-	-	-	2	-	-
Former Yugoslavia	**34**	-	-	-	1	33	-	**20**	-	-	-	1	19	-
Hungary 2/	**10**	-	-	-	5	5	-	**7**	-	-	-	***4***	***3***	-
India 2/	**28**	-	-	-	3	15	10	**19**	-	-	-	2	9	8
Iran	**48**	-	-	-	-	48	-	**27**	-	-	-	-	27	-
Iraq	**90**	-	-	36	25	29	0	**56**	-	-	19	20	17	0
Kuwait 2/	**156**	-	23	52	25	39	18	**96**	-	15	28	20	***22***	$\boxed{\textit{11}}$
Libya	**126**	-	6	21	40	37	22	**86**	-	4	11	34	21	16
Nigeria	**2**	-	-	-	-	-	2	**2**	-	-	-	-	-	2
Pakistan 2/	**1**	-	-	-	-	-	1	**0**	-	-	-	-	-	0
People's Democratic Republic of Korea	**1**	-	-	-	0	0	1	**6**	-	-	-	0	0	5
Poland	**8**	-	-	-	5	3	-	**6**	-	-	-	4	2	-
Republic of Korea 2/	**2**	-	-	-	-	-	2	**2**	-	-	-	-	-	***2***
Romania	**34**	-	-	-	34	0	-	**28**	-	-	-	28	0	-
Rwanda	**2**	-	-	-	-	-	2	**1**	-	-	-	-	-	1
Saudi Arabia 2/	**89**	-	12	61	-	13	4	**49**	-	7	$\boxed{32}$	-	7	***2***
Taiwan Province of China	**55**	12	43	-	-	-	-	**34**	6	28	-	-	-	-
United Arab Emirates	**19**	-	-	8	-	11	1	**10**	-	-	4	-	6	0
Zambia	**0**	-	-	-	-	0	-	**0**	-	-	-	-	0	-
Zimbabwe	**0**	-	-	-	-	0	-	**0**	-	-	-	-	0	-

Sources: HIPC documents; and Bank and Fund staff estimates.
Boxes around figures indicate that relief has already been provided by the creditor. Italics represent relief promised.

1/ After assuming the full delivery of traditional relief.
2/ These creditors have been in touch with the staffs regarding their participation in the Initiative.

Table 18. HIPCs: Principal Economic Indicators

	Deviation of NPV of Debt-to-Export from Decision Point Projection	GDP Growth 2001	Export Growth 2001	Export Price Change 2001	Terms of Trade Change 2001	Commodity Export Dependence (In percent) 1/	Fiscal Deficit (In percent of GDP) 2/ 2001	New Borrowing (In percent of GDP) 2001
Benin	81.6	5.0	4.8	18.6	15.4	75.6	-0.6	4.4
Bolivia	-36.0	1.2	3.4	-2.8	0.1	33.0	-6.6	2.3
Burkina Faso	45.8	5.7	16.3	4.0	3.6	54.7	-5.7	4.9
Cameroon	-1.1	5.3	-0.5	-2.6	3.4	46.9	2.4	1.9
Chad	4.0	8.9	-2.1	7.8	11.3	94.0	-5.4	4.9
Ethiopia	0.0	7.9	-2.7	-7.8	-9.1	70.0	-5.6	4.7
Gambia, The	21.4	6.0	4.3	2.3	1.8	13.0	-7.2	7.5
Ghana	. . .	4.0	-2.2	-3.6	-0.1	. . .	-6.8	7.1
Guinea	24.6	2.9	13.2	1.7	2.4	58.2	-2.8	4.5
Guinea-Bissau	99.0	4.0	-15.9	0.0	-28.9	78.7	-8.7	5.1
Guyana	54.6	1.4	-3.3	2.6	7.8	48.9	-8.8	9.9
Honduras	12.3	2.5	-1.0	-11.1	-9.3	46.3	6.0	4.4
Madagascar	-30.6	6.7	7.8	4.3	8.0	25.8	-3.7	5.4
Malawi	8.7	2.8	1.0	-2.8	0.7	75.0	-1.3	8.1
Mali	-7.8	0.1	30.4	12.0	7.6	75.1	-7.6	6.2
Mauritania	74.5	5.2	1.8	-7.0	3.6	93.9	-4.0	7.3
Mozambique	-33.9	15.0	39.5	0.8	12.3	23.8	-4.8	4.7
Nicaragua	11.1	3.0	-8.1	-14.4	-11.2	27.1	-14.3	9.6
Niger	-10.7	5.1	-3.2	3.7	-4.2	69.3	-3.4	4.1
Rwanda	-48.6	6.7	4.0	-23.9	-20.7	71.9	-1.3	4.8
Sao Tome and Principe	45.1	4.0	10.0	4.9	10.8	79.0	-15.1	16.4
Senegal	32.9	5.7	3.6	-1.0	0.8	51.0	-3.9	3.0
Sierra Leone	. . .	5.4	2.6	-3.5	1.5	90.0	-9.4	16.0
Tanzania	-93.0	5.1	11.8	-8.2	-2.7	39.8	-1.6	1.5
Uganda	43.5	5.6	-3.2	-11.2	-13.0	62.6	-0.9	4.4
Zambia	57.9	5.0	17.8	-7.1	-3.8	67.4	-8.0	8.0

Sources: Decision Point documents; IMF World Economic Outlook, 2001; and World Bank and Fund staff estimates.

1/ Defined as the ratio of three main commodities in total exports, based on 2001 data.
2/ Central government, including grants.