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Kenya: Debt Sustainability Analysis

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KENYA

Debt Sustainability Analysis

Prepared by the African Department (in consultation with the Fiscal Affairs, Legal, Finance, Monetary and Financial Systems, Policy Development and Review, and Statistics Departments)

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November 17, 2003

A. Introduction

1. **The authorities' medium-term program aims at restoring debt sustainability while increasing resources for** the realization of their priority medium-term development objective of poverty reduction. The updated debt sustainability analysis (DSA) indicates that the envisaged strategy of a partial substitution of domestic debt by increased inflows of external grants and concessional loans, as well as a rescheduling of external debt by the Paris and London Clubs, would facilitate the achievement of debt sustainability. Moreover, the DSA also confirms that such a debt rescheduling could constitute an appropriate exit strategy for Kenya, as debt-service payments would remain, over the medium term, at levels where they could be financed without unduly compressing essential social and economic outlays. The debt dynamics are, however, sensitive to the macroeconomic environment. Negative shocks to the exchange rate, in particular, or weaker export growth, could lead to significantly higher debt ratios. The DSA also shows that debt sustainability would improve significantly with a concessional rescheduling, particularly under Naples terms (which would also free up sizable resources for spending on priority-poverty reducing programs).

B. Structure of Kenya's External Public Debt

2. **As of end-2002, Kenya's outstanding stock of external debt, including arrears, amounted to US$5.1 billion (49 percent of GDP), of which US$3.9 billion was on concessional terms (Table 1).**[1] Of the total debt, 57.5 percent was owed to official multilateral creditors, while debt to official bilateral and commercial creditors accounted for 32.2 percent and 8.5 percent, respectively. Kenya's debt obligations to the IDA were the largest, accounting for almost 50 percent of the total. Outstanding Fund credit comprised

[1] In NPV terms, total external debt amounted to US$3.6 billion (http://www.imf.org).

only 1.7 percent of total debt. Debt owed to Paris Club creditors amounted to 31 percent of the total, most of which was pre-cutoff-date debt.

C. No-Rescheduling Scenario (Baseline)

3. **Without a debt rescheduling, the net present value (NPV) of debt-to-exports ratio would deteriorate from 109 percent in 2003 to 132 percent in 2012 but improve thereafter (Table 2).** This reflects projected high borrowing on concessional terms in the first five years, as donor budgetary assistance resumes following the approval of a new Fund-supported program.[2] The increased donor resources would be used to finance poverty reduction expenditures. Notwithstanding the assumed significant increase in new government borrowing, the debt-service-to-exports ratio remains relatively moderate, as most of the new borrowing is assumed to be on highly concessional terms.[3] The ratio of debt service to exports would decline steadily from 11.0 percent in 2003 to 7.2 percent in 2008 but then edge upward thereafter to 8.9 percent by 2015.

4. **Most of the external debt indicators relative to GDP and to government revenue deteriorate over the medium to long run,** in particular, the NPV of external debt-to-GDP rise rising from about 26 percent in 2003 to 36 percent in 2012, reflecting the assumed sharp expansion of concessional loans, as well as the contracting of new loans on commercial terms to cover gaps. The ratio of the NPV of external debt to revenue also rises from 134 percent in 2003 to 222 percent in 2015. However, the ratio of external debt service to revenue falls from about 15 percent in 2003 to 9.4 percent in 2008, owing mainly to the favorable borrowing conditions mentioned above (Table 2).

5. **The overall position of Kenya's central government debt[4] (domestic plus external debt) improves over the medium to long run, however,** as high-cost government domestic debt, with short duration, is replaced by highly concessional external borrowing (Figure 1). The ratio of the NPV of total central government debt to GDP declines from 51.4 percent in 2003 to 39.6 percent in 2015 (Table 3).

D. Stress Tests

6. **These exercises gauge the robustness of baseline projections by applying a set of sensitivity tests.** The tests illustrate the sensitivity of key macroeconomic variables (including export growth, the current account balance, GDP growth, and the primary

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[2] It also reflects the effects of the additional loans that would have to be contracted on commercial terms to cover the financing gaps.

[3] An average grant element of 50 percent is assumed.

[4] Besides central government debt, the data include government-guaranteed external debt and the central bank debt to the IMF.

balance) remaining at their historical averages or below them by a factor reflecting their historical volatilities. Other tests illustrate the effects of a one-time depreciation, an increase in debt-creating flows and a commodity price shock. Historical averages are computed for the last five years (1998–2002).[5]

7. **The stress tests on external debt reveal** that Kenya is vulnerable to a number of exogenous shocks, including lower export growth (test 1), smaller official transfers (test 4), a 2004 exogenous shock (test 5), and lower export prices (test 6) (Table 2).[6]

8. **With regard to overall central government debt, the stress tests show** that Kenya is particularly vulnerable to a real devaluation (test B5), a weaker primary balance (test B2), and an increase in debt-creating flows (test B6) (Table 3).[7]

E. Rescheduling Scenarios

9. Table 4 and Figure 2 shows the effect on the main debt indicators of no rescheduling plus three possible rescheduling assumptions:

(i) no rescheduling;

(ii) a three-year flow rescheduling on nonconcessional terms;[8]

(iii) a three-year flow rescheduling under Houston terms;[9] and

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[5] Volatility is measured through standard deviations.

[6] A slight worsening of the current account balance, compared with the historical average (stress tests 2 and 3), results in an improvement in the NPV of external debt-to-exports ratio because the historical average of the current account deficit is lower than the projected current account position.

[7] If real GDP growth and the primary fiscal balance were, over the medium term, at their historical averages, or the primary balance remained unchanged from 2002 (alternative scenarios A1 and A2 in Table 3), the ratio of the NPV of central government debt to GDP would improve because the historical average of the primary deficit is lower than the level for the projection period. Over the medium term, the primary deficit is assumed to widen as government increases spending on priority poverty-reducing programs.

[8] In the context of the Paris Club, nonconcessional rescheduling terms were granted to Kenya on January 19, 1994. Eligible non-official development assistance (ODA) debt contracted before December 31, 1991 (cutoff date) was rescheduled over 7.8 years, with 1.3 years of grace period.

(iv) a three-year flow rescheduling under Naples terms (two-thirds reduction), followed by a Naples stock-of-debt operation.[10]

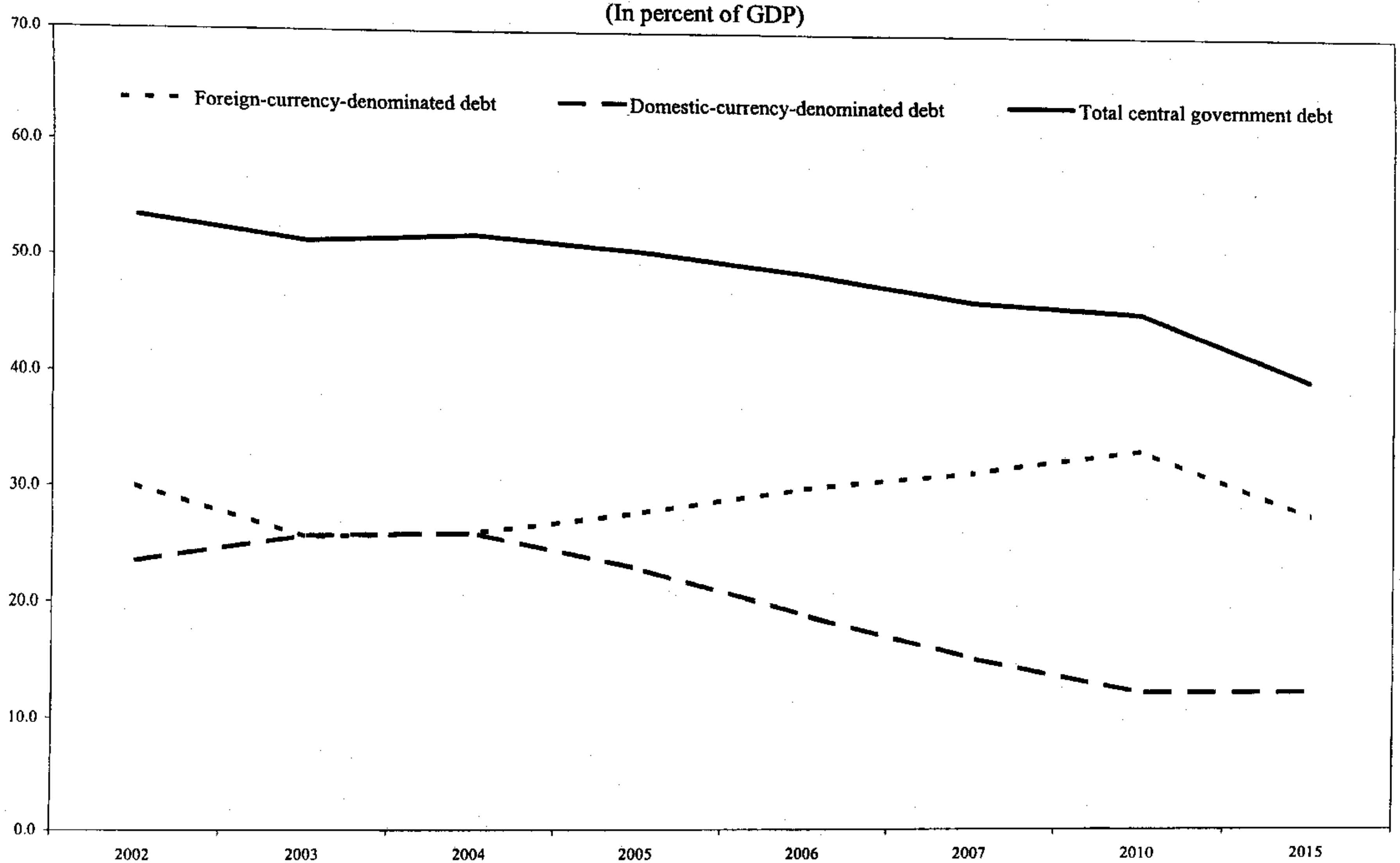
10. The cash-flow impact on the balance of payment of all four options is equalized by assuming that commercial financing[11] will meet the higher debt repayment and interest needs under options (i), (ii), and (iii) above. Table 4 shows the results of these different assumptions. An operation under Naples terms, as expected, produces a lower NPV debt-to-exports ratio (by 15 percentage points) and a lower debt-service-to-exports ratio (by about 2 percentage points) than under a nonconcessional rescheduling, thereby enhancing debt sustainability (and potentially freeing up additional resources for poverty reduction) (Figure 3). The results of the 1994-type rescheduling operation and Houston terms are broadly comparable, though the latter produces slightly lower debt ratios (by about 5 percentage points), reflecting the rescheduling of ODA on the original concessional terms, and debt-service ratios that are lower by up to 1 percentage point.

[9] Kenya received a Houston terms rescheduling on November 15, 2000. The consolidation period covered July 1, 2000 to June 1, 2001. Pre-cutoff-non-ODA debt was rescheduled over 18 years, with 3 years of grace. Pre-cutoff-date ODA debt was rescheduled over 20 years.

[10] Kenya, as an IDA-only country, is potentially eligible for Naples terms, but its debt is below the threshold under the enhanced HIPC Initiative.

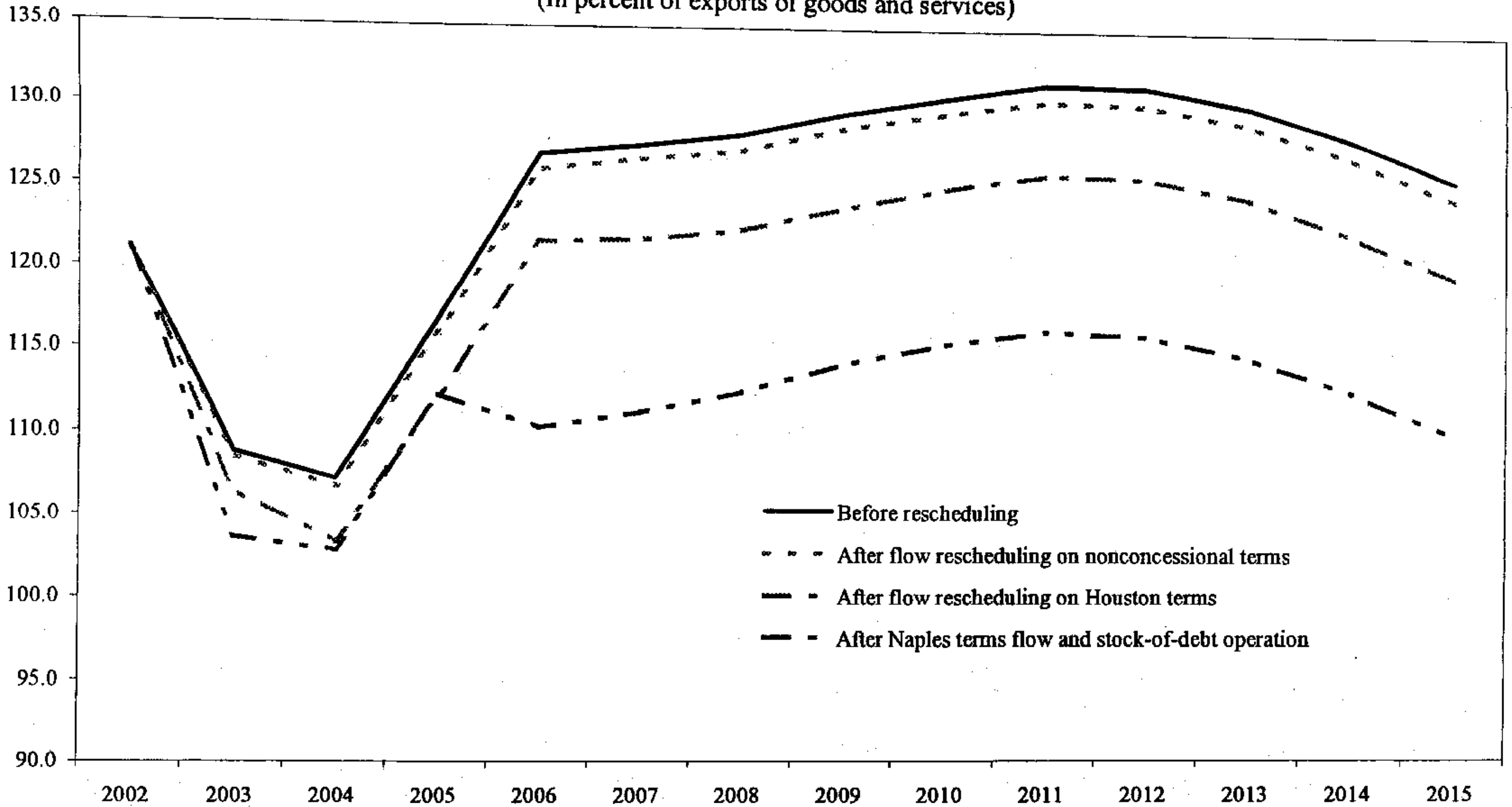
[11] With an interest rate of 6.0 percent, a 5-year grace period, and a 20-year maturity.

Figure 1. Kenya: Net Present Value of Total Government Debt, 2002-15
(In percent of GDP)



Sources: Kenyan authorities; and staff calculations.

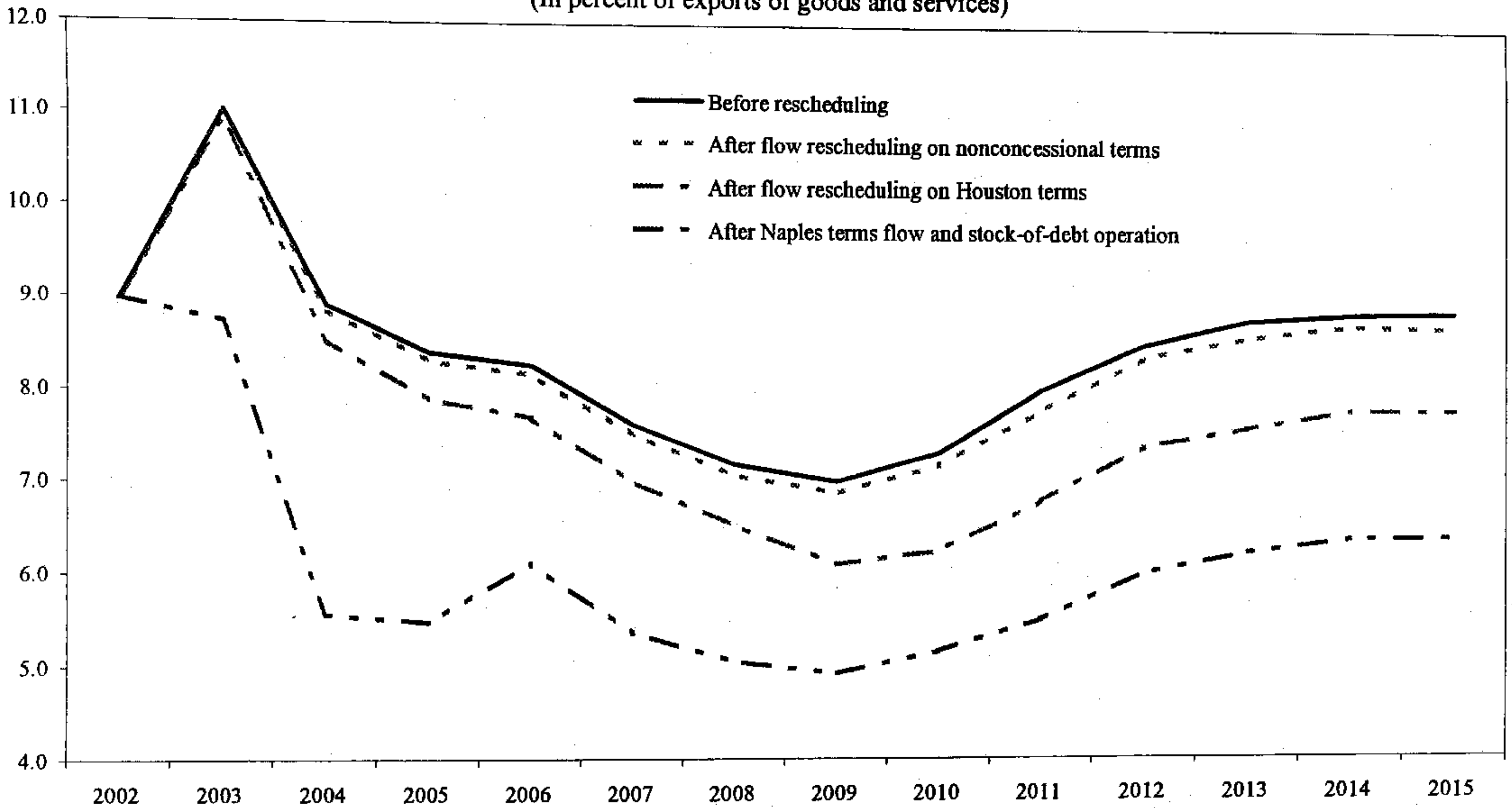
Figure 2. Kenya: Net Present Value of Government External Debt Under Alternative Rescheduling Scenarios 2002-15 1/
(In percent of exports of goods and services)



Sources: Kenyan authorities; and staff calculations.

1/ The debt service does not include arrears clearance.

Figure 3. Kenya: Government External Debt Service Under Alternative Rescheduling Scenarios 2002-15 1/
(In percent of exports of goods and services)



Sources: Kenyan authorities; and staff calculations.

1/ The debt service does not include arrears clearance.

Table 1. Kenya: Structure of Central Government, Government Guaranteed, and Central Bank External Debt, Including Arrears, End-2002

	In Millions of U.S. Dollars	As a Percentage of Total
Central government	4,772	92.0
Multilateral	2,970	57.3
Bilateral	1,361	26.2
Paris Club	1,295	25.0
Pre-cutoff date	1,062	20.5
Official development assistance (ODA)	879	16.9
Non-ODA	184	3.5
Post-cutoff date	233	4.5
Non-Paris Club	66	1.3
Pre-cutoff date	14	0.3
ODA	10	0.2
Non-ODA	3	0.1
Post-cutoff date	52	1.0
Commercial	441	8.5
Government guaranteed	328	6.3
Multilateral	13	0.2
Bilateral	315	6.1
Of which: Paris Club, non-ODA	315	6.1
Central Bank (to the IMF)	88	1.7
Total	5,187	100.0
Memorandum items:		
Central government and government guaranteed		
Multilateral	2,982	57.5
Bilateral	1,676	32.3
Pre-cutoff date	1,076	20.7
ODA	889	17.1
Paris Club	1,610	31.0

Source: Kenyan authorities.

Table 2. Kenya: Key External Debt Indicators Before Rescheduling 2002-15 1/
(In percent, unless otherwise indicated)

	2002	2003	2004	2005	2006	2007	2008	2010	2012	2015
	Actual					Projections				
NPV of debt-to-exports ratio 2/										
Baseline	121.0	108.8	107.2	117.0	127.0	127.7	128.5	130.9	131.7	126.1
Stress tests 3/										
1. Export growth at historical average minus two standard deviations in 2004-05	121.0	108.8	110.0	126.1	144.0	148.4	149.3	152.1	153.1	146.5
2. Noninterest current account (NICA) at historical average minus two standard deviations in 2004-045	121.0	108.8	98.5	90.1	101.0	102.9	105.2	110.4	115.4	115.0
3. Export growth and NICA at historical averages minus 1 standard deviation in 2004-05	121.0	108.8	97.7	89.8	105.4	109.9	112.8	119.2	125.8	126.5
4. Net official transfers at historical average minus two standard deviations in 2004-05	121.0	108.8	110.0	121.8	131.8	132.2	132.7	134.5	134.6	128.0
5. 10 percent of GDP increase in other debt-creating flows in 2004	121.0	108.8	133.9	142.6	151.9	151.4	150.7	149.4	146.3	135.8
6. Price of main export commodity at historical average minus 2 standard deviations in 2004-05	121.0	108.8	108.3	120.6	133.6	135.7	136.5	139.0	139.9	133.9
Ratio of debt service to exports 4/										
Baseline	9.0	11.0	8.9	8.4	8.3	7.6	7.2	7.3	8.5	8.9
Stress tests 3/										
1. Export growth at historical average minus two standard deviations in 2004-05	9.0	11.0	9.6	9.8	9.6	8.9	8.4	8.5	9.9	10.3
2. NICA at historical average minus two standard deviations in 2004-045	9.0	11.0	8.9	8.3	7.9	7.3	6.9	6.6	6.8	7.5
3. Export growth and NICA at historical averages minus 1 standard deviation in 2004-05	9.0	11.0	9.4	9.3	8.8	8.2	7.7	7.2	7.5	8.3
4. Net official transfers at historical average minus two standard deviations in 2004-05	9.0	11.0	8.9	8.4	8.3	7.7	7.3	7.5	8.8	9.1
5. 10 percent of GDP increase in other debt-creating flows in 2004	9.0	11.0	8.9	8.8	8.6	7.9	7.5	9.1	10.1	10.2
6. Price of main export commodity at historical average minus 2 standard deviations in 2004-05	9.0	11.0	9.2	8.9	8.8	8.1	7.6	7.8	9.1	9.5
Other external debt indicators (baseline)										
Net present value of debt-to-GDP ratio	29.4	25.7	26.1	28.7	31.1	31.6	33.3	35.5	35.7	34.1
Net present value of public debt-to-revenue ratio 5/	149.1	133.6	132.7	144.9	159.0	164.7	170.4	194.6	209.8	222.1
Public debt service-to-revenue ratio 5/	12.1	14.8	11.2	10.2	10.2	9.8	9.4	9.7	11.8	13.2
Averages and standard deviations			Historical average 3/		Historical st. dev. 3/		Average 2003-08		Average 2009-15	
Noninterest current account balance			2.1		0.5		8.0		11.4	
Export growth (U.S. dollar terms, in percent)			1.5		1.8		7.9		6.8	
Official grants-to-GDP ratio (in percent)			5.7		1.6		3.4		2.3	
Price of main export commodity (U.S. dollar)			1.9		0.2		1.8		1.9	

Sources: Kenyan authorities; and staff estimates, projections; and simulations.

1/ Central government debt, government-guaranteed debt, and central bank debt to the IMF only.
2/ Based on three-year backward-looking average of exports of goods and nonfactor services.
3/ Historical averages and standard deviatios are for the period 1997-2002.
4/ Based on current-year exports of goods and services.
5/ Central government revenue, excluding grants.

Table 3. Kenya: Central Government Debt Sustainability Framework, Before Rescheduling, 2001-2015 1/

(In percent of GDP, unless otherwise indicated)

	Actual		Projections						
	2001	2002	2003	2004	2005	2006	2007	2010	2015
			I. Baseline Projections 1/						
Net present value of central government debt	51.3	53.5	51.4	52.0	50.7	48.8	46.4	45.4	39.6
of which: foreign currency denominated 2/	30.5	30.0	25.6	26.0	27.8	29.9	31.4	33.4	27.5
Change in NPV	-6.3	2.2	-2.2	0.6	-1.3	-1.9	-2.4	-0.9	-1.2
Identified debt-creating flows	-0.9	0.1	-2.0	1.8	-1.2	-1.5	-0.8	0.2	0.8
Primary deficit	-0.4	0.0	0.0	0.8	1.1	1.0	1.0	1.0	1.0
Revenue and grants	24.0	22.2	23.1	24.9	25.4	26.0	26.4	26.8	26.8
of which : grants	2.0	1.2	1.8	2.3	2.3	2.7	3.0	3.0	3.0
Primary (noninterest) expenditure	23.5	22.2	23.1	25.7	26.5	27.0	27.4	27.8	27.8
Grant element of new concessional loans	0.0	0.0	-2.0	-2.4	-3.5	-3.4	-2.5	-2.4	-1.7
Automatic debt dynamics	-0.4	0.1	0.0	3.5	1.2	0.9	0.7	1.6	1.5
Contribution from real discount rate on foreign currency debt	2.7	2.6	2.5	2.2	2.1	2.1	2.2	2.6	2.2
Contribution from real interest rate on domestic debt	0.3	0.9	1.1	1.9	1.3	1.1	0.9	0.8	0.9
Contribution from real GDP growth	-0.6	-0.5	-0.7	-1.3	-1.8	-2.1	-2.2	-1.4	-1.2
Contribution from real exchange rate depreciation	-2.8	-2.9	-2.9	0.6	-0.3	-0.2	-0.2	-0.5	-0.4
Other identified debt-creating flows	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Privatization receipts (negative)	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Recognition of implicit or contingent liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Debt relief (HIPC and other)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other (e.g. bank recapitalization)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Residual, including asset changes	-5.4	2.1	-0.1	-1.2	-0.2	-0.4	-1.6	-1.1	-2.0
Other sustainability indicators									
Nominal value of central government debt	65.2	67.8	63.7	63.8	62.7	60.8	58.1	55.1	43.8
NPV of contingent liabilities (not yet officially recognized in central government debt)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Gross financing need 3/	10.1	11.2	8.2	8.6	8.6	7.5	6.2	5.0	4.5
Central government debt-to-revenue-and-grants ratio (in percent)	272	306	275	256	247	234	220	206	164
Debt service-to-revenue-and-grants ratio (in percent) 4/	56.9	65.2	49.9	44.0	41.0	35.7	29.1	23.2	21.2
Primary deficit that stabilizes the NPV of debt-to-GDP ratio	5.9	-2.2	2.1	0.2	2.5	2.9	3.4	1.9	2.2
Key macroeconomic and fiscal assumptions									
Real GDP growth (in percent)	1.1	1.0	1.3	2.6	3.5	4.3	4.7	3.0	3.0
Average nominal interest rate on foreing exchange debt (in percent)	2.1	1.8	1.6	2.0	2.2	2.3	2.3	2.2	2.7
Average real interest rate on domestic debt (in percent)	1.4	4.3	4.8	7.7	5.1	5.1	5.0	7.2	8.0
Real exchange rate depreciation (percentage change, +=depreciation)	-7.0	-8.8	-9.1	2.4	-1.2	-0.8	-0.7	-1.4	-1.4
Inflation rate (GDP deflator, in percent)	9.6	8.7	7.2	2.0	3.7	3.6	3.6	3.5	3.5
Growth of real primary spending (deflated by GDP deflator, in percent)	7.2	-4.6	5.3	14.1	6.8	6.3	6.0	3.0	3.0
Major commodity price (tea)	1.6	1.6	1.7	1.8	1.8	1.9	1.9	1.9	1.9
			II. Stress Tests for NPV						
Alternative scenarios									
A1. Real GDP growth and primary balance are at historical averages 5/			48.3	46.2	42.6	39.1	35.5	29.6	15.2
A2. Primary balance is unchanged from 2002			50.3	49.2	46.1	42.7	39.3	35.6	27.1
Bounds test									
B1. Real GDP growth is at baseline minus two standard deviations in 2003-04			51.7	52.1	50.3	48.6	47.0	52.9	55.7
B2. Primary balance is at baseline minus two standard deviations in 2003-04			54.1	56.4	53.6	51.3	49.5	54.8	55.5
B3. Combination of B1-B2 using one-standard-deviation shocks			52.8	53.9	51.5	49.3	47.4	52.4	53.0
B4. Long-run real GDP growth is at baseline minus two standard deviations			51.0	50.6	48.7	47.0	45.4	51.5	55.4
B5. Onetime 30 percent real depreciation in 2003			66.5	67.7	66.1	65.2	65.6	78.6	78.1
B6. 10 percent of GDP increase in other debt-creating flows in 2003			57.9	56.3	53.8	51.7	50.0	55.2	55.7
B7. A permanent, two-standard-deviation negative shock to the major commodity price in 2003			50.9	50.3	48.3	46.4	44.6	49.6	50.8

Sources: Kenyan authorities; and Fund staff estimates and projections.

1/ The baseline scenario differs from the staff report scenario in Table 6 in that, in the baseline scenario, the financing gap is closed by additional external borrowing.

2/ Foreign-currency-denominated debt is equal to the total external debt in Table 2 of this Annex. Besides central government debt, government-guaranteed debt and the central bank debt to the IMF are included.

3/ Gross financing need is defined as the primary deficit plus debt service.

4/ Debt service is defined as the sum of interest, amortization of medium-and long-term debt, and the stock of short-term debt at the end of the previous period.

5/ Historical averages are calculated based on numbers for 1998-2002 because data for some of the key variables were not available prior to that period. The historical average for the real GDP growth is 1.0 percent (compared with 3.1 percent in the baseline scenario), and the historical average for the primary balance is 3.0 percent (compared with -3.9 percent in the baseline scenario).

Table 4. Kenya: External Debt Indicators Under Alternative Rescheduling Scenarios 1/

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
NPV of total debt in US$ billions														
Before rescheduling 2/	3.63	3.60	3.87	4.53	5.26	5.76	6.40	7.11	7.76	8.35	8.87	9.36	9.82	10.26
After flow rescheduling on non-concessional terms 3/	3.63	3.59	3.85	4.50	5.22	5.72	6.35	7.06	7.70	8.28	8.80	9.28	9.73	10.17
After flow rescheduling on Houston terms 4/	3.63	3.52	3.73	4.35	5.04	5.50	6.11	6.79	7.42	7.99	8.49	8.95	9.37	9.77
After Naples terms flow and stock operation 5/	3.63	3.43	3.71	4.35	4.57	5.02	5.61	6.26	6.85	7.37	7.83	8.24	8.62	8.97
Debt service on total debt in US$ billions 6/														
Before rescheduling 2/		0.40	0.34	0.34	0.37	0.38	0.40	0.42	0.46	0.54	0.61	0.67	0.72	0.77
After flow rescheduling on non-concessional terms 3/		0.40	0.34	0.34	0.36	0.37	0.39	0.41	0.45	0.53	0.60	0.65	0.71	0.76
After flow rescheduling on Houston terms 4/		0.40	0.33	0.32	0.34	0.35	0.36	0.36	0.40	0.45	0.53	0.58	0.63	0.67
After Naples terms flow and stock operation 5/		0.32	0.21	0.22	0.27	0.27	0.28	0.29	0.33	0.37	0.43	0.47	0.52	0.55
Ratio of NPV of total debt to exports in percent														
Before rescheduling 2/	121.1	108.8	107.2	117.0	127.1	127.7	128.4	129.8	130.9	131.8	131.7	130.6	128.6	126.1
After flow rescheduling on non-concessional terms 3/	121.1	108.5	106.8	116.1	126.1	126.9	127.4	128.9	129.9	130.7	130.6	129.4	127.4	124.9
After flow rescheduling on Houston terms 4/	121.1	106.4	103.4	112.2	121.8	122.0	122.6	124.0	125.2	126.2	126.0	124.8	122.6	120.0
After Naples terms flow and stock operation 5/	121.1	103.7	102.9	112.3	110.4	111.4	112.6	114.4	115.6	116.4	116.2	114.9	112.8	110.2
Ratio of debt service to exports in percent 6/														
Before rescheduling 2/	9.0	11.0	8.9	8.4	8.3	7.6	7.2	7.0	7.3	8.0	8.5	8.8	8.9	8.9
After flow rescheduling on non-concessional terms 3/	9.0	11.0	8.8	8.3	8.2	7.5	7.1	6.9	7.2	7.8	8.4	8.6	8.7	8.7
After flow rescheduling on Houston terms 4/	9.0	10.9	8.5	7.9	7.7	7.0	6.5	6.1	6.2	6.8	7.4	7.6	7.8	7.8
After Naples terms flow and stock operation 5/	9.0	8.7	5.6	5.5	6.1	5.4	5.1	4.9	5.2	5.5	6.0	6.2	6.4	6.4
Memorandum items:														
Exports of goods and services, US$ billions (current year)	3.3	3.7	3.9	4.1	4.5	5.0	5.5	5.9	6.3	6.7	7.2	7.6	8.1	8.7
3-year average of exports of goods and services, US$ billic	3.0	3.3	3.6	3.9	4.1	4.5	5.0	5.5	5.9	6.3	6.7	7.2	7.6	8.1

Source: Kenyan authorities and staff estimates, projections and simulations.

1/ Central government debt, Government guaranteed debt, and CBK debt to the IMF only.
2/ This scenario assumes that borrowing to fill the financing gap that would otherwise be filled through a Naples terms debt rescheduling is contracted at a market interest rate of 6.0% with a 5 year grace period and a 20 year maturity. Debt service ratio does not include arrears clearance.
3/ Under this rescheduling scenario, arrears at end-2003 plus flows from 1/2004 through 6/2006 are rescheduled with a 5 year grace period and a 20 year maturity, at an interest rate of 5.12%. The financing gap that occurs under this scenario relative to the Naples terms scenario is assumed to be filled through borrowing contracted at 5.12%, with a 5 year grace period and 20 year maturity. Debt service ratios do not include arrears clearance.
4/ Arrears at end-2003 plus flows from 1/2004 through 6/2006 are rescheduled at the usual Houston terms, i.e., for. ODA, 10 year grace, 20 year maturity, and interest rates of 2.5% for Paris Club and 0.5% for non-Paris Club obligations. For non-ODA obligations, a 3 year grace period with 18 year maturity at an interest rate of 5.12% is assumed. The financing gap that occurs under this scenario relative to the Naples terms scenario is assumed to be filled through borrowing contracted at 5.12%, with a 5 year grace period and 20 year maturity. Debt service ratios do not include arrears clearance.
5/ Arrears at end-2003 plus flows from 1/2004 through 6/2006 are rescheduled at the usual Naples terms, i.e., for ODA, 16 year grace and 40 year maturity, and interest rates of 2.5% for Paris Club and 0.5% for non-Paris Club obligations. The stock of debt operation is assumed to take place in 2006. For non-ODA, 2/3 cancellation and 1/3 rescheduling, with a 6 year grace period and 23 year maturity at at interest rate of 5.12%.
6/ The debt service does not include arrears clearance.