

INTERNATIONAL DEVELOPMENT ASSOCIATION
AND INTERNATIONAL MONETARY FUND

Heavily Indebted Poor Countries (HIPC) Initiative and
Multilateral Debt Relief Initiative (MDRI)—Status of Implementation

Prepared by the Staffs of IDA and IMF

Approved by Danny Leipziger and Mark Allen

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ABBREVIATIONS AND ACRONYMS

AfDB	African Development Bank
AfDF	African Development Fund
AFESD	Arab Fund for Social and Economic Development
AMF	Arab Monetary Fund
AsDB	Asian Development Bank
BADEA	Arab Bank for Economic Development in Africa
BCEAO	Central Bank of West African States
BDEAC	Banque de Développement des États de l’Afrique Centrale (Central African States Development Bank)
BDEGL	Banque de Développement des Etats des Grand Lacs (Development Bank of Great Lake States)
BEAC	Banque des Etats de l’Afrique Centrale (Bank of Central African States)
BOAD	West African Development Bank
CABEI	Central American Bank for Economic Integration
CAF	Corporación Andina de Fomento
CAS	County Assistance Strategy
CDB	Caribbean Development Bank
CIRR	Commercial Interest Reference Rate
CMCF	Caricom Multilateral Clearing Facility
DRC	Democratic Republic of the Congo
DSA	Debt Sustainability Analysis
EADB	East African Development Bank
ECOWAS	Economic Community of West African States
EIB	European Investment Bank
EU	European Union
EUR	Euro
FEGECE	Fonds d’entraide et de garantie des emprunts du Conseil de l’Entente
FOCEM	Fondo Centroamericano de Estabilización Monetaria
FONPLATA	Fund for the Financial Development of the River Plate Basin
FSID	Fund for Solidarity and Economic Development
GDF	Global Development Finance
GDP	Gross Domestic Product
HIPC	Heavily Indebted Poor Country
IDB	Inter-American Development Bank
IBRD	International Bank for Reconstruction and Development
IDA	International Development Association
IDB	Interamerican Development Bank
IFAD	International Fund for Agricultural Development
IMF	International Monetary Fund
I-PRSP	Interim Poverty Reduction Strategy Paper
IsDB	Islamic Development Bank
MDB	Multilateral Development Bank
MDRI	Multilateral Debt Relief Initiative
NPV	Net Present Value
OPEC	OPEC Fund for International Development
PTA	Eastern and Southern African Trade and Development Bank
PFM	Public Financial Management
PER	Public Expenditure Review
PRGF	Poverty Reduction and Growth Facility
PRSP	Poverty Reduction Strategy Paper
SDR	Special Drawing Rights
SMP	Staff Monitored Program
U.A.E.	United Arab Emirates

EXECUTIVE SUMMARY

Overview. This report reviews progress and issues in implementing the enhanced Heavily Indebted Poor Countries (HIPC) Initiative and reports on the implementation of the Multilateral Debt Relief Initiative (MDRI) by IDA, the IMF, and AfDF. It concludes that the volume of debt relief has increased significantly since the inception of the HIPC Initiative in 1996, thereby reducing HIPCs' debt service burdens and allowing them to finance increased poverty reduction efforts. It also provides updated information on the costs of debt relief under the HIPC Initiative and the MDRI. Finally, it reviews the status of creditor participation and delivery of debt relief under the two initiatives, highlighting the challenges to increase the participation by non-Paris Club official bilateral and commercial creditors in the HIPC Initiative.

Progress in the implementation of the HIPC Initiative. Forty countries have either already qualified or are currently considered eligible or potentially eligible for debt relief under the HIPC Initiative. Of these, 29 have reached the decision point and are receiving debt relief under the HIPC Initiative. Nineteen HIPCs have also reached the completion point. Of the 10 HIPCs in the interim period, the period between decision and completion point, five are advancing with the implementation of their IMF-supported programs, and six have completed a full PRSP. Barring unforeseen circumstances, three are expected to reach their completion points by end-2006. There are currently 11 pre-decision-point HIPCs that have been assessed to meet the Initiative's income and indebtedness criteria at end-2004 and might wish to be considered for debt relief. Three of these countries are making progress toward reaching their decision points.

Progress in the implementation of the MDRI. The MDRI was launched in 2005. To date, all 19 post-completion-point HIPCs have qualified for MDRI debt relief from IDA, the IMF, and the AfDB. They have already benefited from MDRI debt relief from IDA and the IMF and are expected to receive MDRI assistance from the AfDB shortly. The other 21 HIPCs would qualify for debt relief under the MDRI once they reach their completion points under the HIPC Initiative.

Impact of HIPC Initiative and MDRI debt relief. Debt relief under the two initiatives is expected to reduce the debt stocks of the 29 HIPCs that have reached the decision point by almost 90 percent. Debt service paid by these countries has already declined by about 2 percent of GDP between 1999 and 2005, and is expected to decline further in the medium term, as a result of MDRI debt relief. Poverty-reducing expenditures have increased by almost 3 percent of GDP between 1999 and 2005. Debt relief has also encouraged reforms in public financial management, with progress being most advanced in post-completion-point countries.

Challenges for the HIPC Initiative and MDRI. Helping the other interim and pre-decision-point countries move through the HIPC Initiative process has become increasingly challenging. Moreover, access to debt relief under the Initiative by some pre-decision-point HIPCs could be curtailed if the Initiative's sunset clause is to take effect at end-2006, as currently scheduled. The Executive Boards are expected to take a decision on this issue before the Annual Meetings. Major challenges remain in ensuring that debt burdens do not become unsustainable again. Strengthened management of debt and public finances will be needed to prevent debt burdens

from increasing again in the long run. “Free-riding” concerns could arise if creditors increase lending to post-MDRI HIPCs, taking advantage of the fiscal and balance-of-payments space created by debt relief.

Cost of debt relief under the HIPC Initiative and the MDRI. The total cost of the HIPC Initiative for the 40 HIPCs identified above is estimated at US\$63.2 billion in end-2005 NPV terms, US\$4.1 billion higher than the estimate presented in August 2005 (see Table 4). Of this, US\$41.3 billion represents the cost of HIPC Initiative debt relief committed to the 29 countries that have reached their decision points. HIPC Initiative debt relief that has been or is being delivered irrevocably to the 19 countries that have reached the completion point amounts to US\$28.8 billion. Of the total committed assistance, about half of the cost is borne by multilateral creditors – 23 percent by IDA and 8 percent by the IMF. In addition, the cost of MDRI debt relief to the 40 HIPCs is estimated at US\$24.9 billion in end-2005 NPV terms (equivalent to US\$48.9 billion in nominal terms), of which almost 70 percent is borne by IDA and 16 percent by the IMF (see Table 5). Of this, US\$12.8 billion and US\$3.0 billion, respectively, have already been delivered by IDA and the IMF to the 19 post-completion-point countries.

Creditor Participation. Most multilateral creditors participate in the HIPC Initiative. In addition, IDA, the IMF, and AfDF also provide debt relief to HIPCs under the MDRI. Paris Club creditors have continued to grant not only HIPC Initiative debt relief, but also, on a voluntary basis, additional debt relief beyond the HIPC Initiative. Delivery of relief by non-Paris Club official bilateral and commercial creditors, however, has been limited. Staffs have continued their efforts to improve participation of these creditors in the HIPC Initiative. Most commercial creditors have not provided their share of debt relief to HIPCs, and creditor litigation has been on the rise. Stronger efforts will be called for to discourage further litigation and encourage commercial creditor participation in the Initiative.

I. INTRODUCTION

1. This report reviews the implementation of the enhanced Heavily Indebted Poor Countries (HIPC) Initiative since the August 2005 Status of Implementation report and presents information on the implementation of the Multilateral Debt Relief Initiative (MDRI) by the International Development Association (IDA), the International Monetary Fund (IMF), and the African Development Fund (AfDF).¹ Section II provides an overview of their implementation during the past decade, including a brief summary of the two initiatives, an overview of the progress of countries in qualifying for debt relief, and an analysis of the impact of the HIPC Initiative and the MDRI on HIPC's debt stocks, debt service, and poverty-reducing expenditures. Section III updates the information on estimated costs and delivery of HIPC Initiative and MDRI debt relief and reports on the status of creditor participation, with an emphasis on participation by non-Paris Club official bilateral and commercial creditors.

II. REVIEW OF IMPLEMENTATION

A. Brief Summary of the HIPC Initiative and the MDRI

2. **September 2006 marks the tenth anniversary of the HIPC Initiative.** The Initiative was established in 1996, after almost two decades of repeated debt rescheduling provided to low-income countries by members of the international community. Unlike traditional debt-reduction mechanisms, the Initiative involved, for the first time, debt relief from multilateral financial institutions. Its objective was to reduce eligible countries' debt burdens to the thresholds established under the Initiative, subject to satisfactory policy performance. The countries targeted under the Initiative were the poorest, most heavily indebted members of IDA and the IMF that pursued or adopted programs of adjustment and reform supported by the two institutions. These countries could benefit from the Initiative upon showing, through a track record, an ability to put to good use the resources freed by debt relief. To date, the HIPC Initiative remains the only internationally agreed framework for providing comprehensive debt relief to low-income countries, although creditor participation continues to be voluntary.

3. **The HIPC Initiative was enhanced in September 1999 to provide broader, deeper, and faster debt relief.** The enhancement was the result of a comprehensive review of the Initiative by IDA and the IMF and of public consultations, which emphasized the need to deepen and accelerate the implementation of the Initiative. In this context, the Initiative's debt-burden thresholds were adjusted downward, thus enabling a larger group of countries to qualify for more debt relief. A number of creditors, including multilateral institutions, also started to provide early assistance to qualifying countries in the form of interim relief. Moreover, "floating completion points" were introduced, which were contingent on an outcome-based assessment of country performance rather than a fixed track record. These aimed to provide

¹ See IDA and IMF, "Heavily Indebted Poor Countries (HIPC) Initiative—Status of Implementation," August 22, 2005. A six-monthly statistical update was also issued in March, 2006, see IDA and IMF "Heavily Indebted Poor Countries (HIPC) Initiative—Statistical Update," March 21, 2006. These documents could also be found at: <http://www.imf.org/external/np/hipc/doc.htm> and <http://www.worldbank.org/hipc>.

incentives to implement reforms quickly, speed up the delivery of debt relief, and develop country ownership of reforms.

4. **The links between debt relief and poverty-reduction efforts were strengthened at the same time.** The international community agreed that debt relief needed to be part of a comprehensive poverty reduction strategy focused on strengthened institutional capacity, higher growth, and better targeted social programs. Debt relief was henceforth linked to progress in preparing and implementing Poverty Reduction Strategies (PRSs), which were designed to be country driven and developed with the broad participation of civil society.

5. **The MDRI was launched in 2005 to reduce further the debts of HIPCs and provide additional resources to help them meet the Millennium Development Goals.** Proposed by the G8 countries, the MDRI is separate from the HIPC Initiative but linked to it operationally. Under the MDRI, three multilateral institutions—the IDA, IMF and AfDF—provide 100 percent debt relief on eligible debts to countries having completed the HIPC Initiative process.² While the MDRI is an initiative common to three institutions, their implementation modalities vary (Table 1). Debt relief under the MDRI is to be provided by the three institutions once a country reaches the HIPC completion point. A key aspect of the MDRI is its compensatory financing for IDA and the AfDF. Moreover, annual allocations from IDA and AfDF to countries receiving MDRI debt relief will be reduced by the amount of MDRI debt service relief in that year. Unlike the HIPC Initiative, the MDRI is not comprehensive in its creditor coverage and does not involve participation by official bilateral or commercial creditors, or of multilateral institutions other than the above-mentioned three.

B. Country Progress in Qualifying for Debt Relief Under the Enhanced HIPC Initiative and MDRI

6. **The past decade has witnessed significant progress in the implementation of the HIPC Initiative.** Progress under the original HIPC Initiative was relatively slow, with only six countries reaching the decision point and four the completion point between 1996 and end-1999. After the enhancement of the Initiative, however, 22 countries reached their decision points in 2000, and all but five of those have already reached their completion points.³ Since 2000, one to two countries per year have reached their decision points, and three countries per year have, on average, reached their completion points (Figure 1).

² The IMF also provides MDRI debt relief to non-HIPCs whose income per capita is below US\$380 in order to ensure uniformity of treatment in the use of IMF resources. Consequently, Cambodia and Tajikistan have also received MDRI debt relief from the IMF. These two countries, which are not eligible for MDRI relief from IDA and the AfDF, are not covered by the analysis presented in the remainder of this paper.

³ Of the 22 countries to reach their decision points in 2000 under the enhanced HIPC Initiative, six had also reached their completion points under the original HIPC Initiative.

Table 1. Main Characteristics of the HIPC Initiative and the MDRI

	HIPC Initiative	MDRI
Country coverage	IDA-only, PRFG-eligible countries with debt indicators above the HIPC Initiative thresholds, which have been engaged in qualifying IMF- and IDA- supported programs.	HIPC countries having reached completion point. ¹
Participating Creditors	All multilateral, official bilateral and commercial creditors of external public and publicly guaranteed debt to HIPCs	IDA, IMF and AfDF only.
Debt relief provided	External public and publicly guaranteed debt is reduced to the HIPC Initiative thresholds, as calculated at the time of the decision point. ²	Debt disbursed before end-December 2004 (IMF and AfDF) and end-December 2003 (IDA) and still outstanding at the time of qualification (after the provision of HIPC Initiative debt relief) is reduced to zero.
Modality of delivery	Different modalities. Most multilateral and Paris Club creditors also provide interim debt relief.	Stock-of-debt operation at or shortly after the completion point.
Total costs of committed debt relief	US\$41.3 billion in end-2005 NPV terms (Appendix Table 4)	US\$18.3 billion in end-2005 NPV terms (Appendix Table 4)

¹ In addition, non-HIPCs with per capita income below US\$380 also qualify for MDRI debt relief from the IMF.

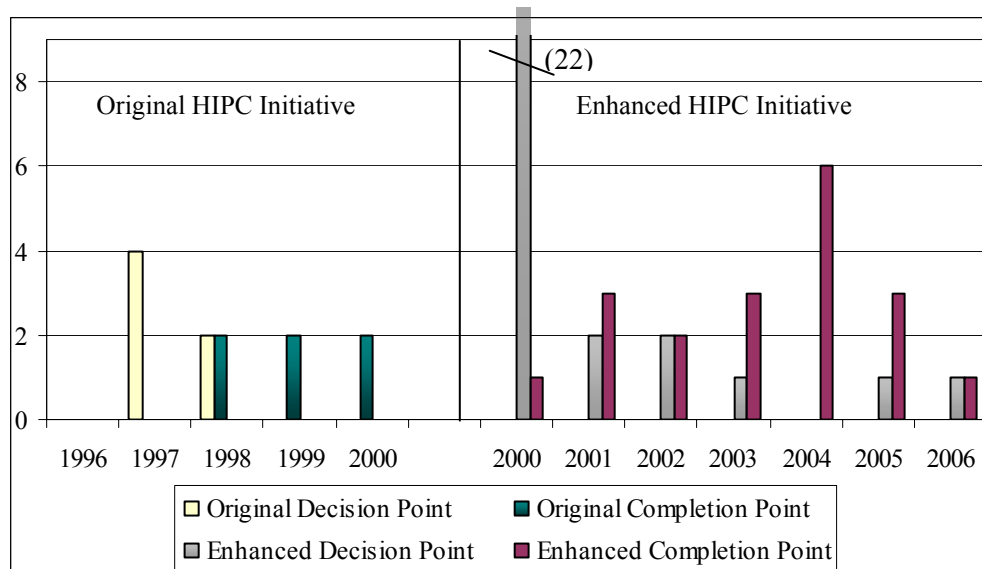
² In exceptional cases, a country may also receive additional HIPC Initiative debt relief at the completion point (topping up).

7. **To date, HIPCs have spent 2.9 years on average between decision and completion points under the enhanced HIPC Initiative** (Figure 2).⁴ Interim periods have been lengthening over time from 0.2 years in early 2000 (Uganda) to 5.5 years in 2006 (Cameroon).⁵ Interim periods may increase further, with countries such as Malawi, São Tomé and Príncipe, Guinea, Guinea-Bissau, and the Gambia expected to take even longer to reach their completion points. This is partly due to the fact that better-performing countries were the first to qualify.

⁴ The average interim period under the original HIPC Initiative was 1.6 years.

⁵ Uganda had already qualified for HIPC Initiative debt relief under the original HIPC Initiative.

Figure 1. Number of Countries Reaching Enhanced HIPC Initiative Decision or Completion Point by Year



Source: HIPC Completion Point Documents.

Note : 2000 data for enhanced decision point countries not to scale.

8. **Helping countries move through the HIPC Initiative process has become increasingly challenging for a number of reasons.** Some HIPCs experienced extended interruptions to PRGF-supported program implementation, mainly due to fiscal policy slippages (most commonly primary expenditure overruns). Weak budget execution and poor policy implementation have often slowed the achievement of agreed triggers. Preparing fully participatory PRSPs has taken longer than expected, given that many countries lack the institutional and human resource capacity needed to prepare such documents. Finally, progress in several pre-decision-point countries has been hindered by internal conflict, governance issues, or protracted arrears.

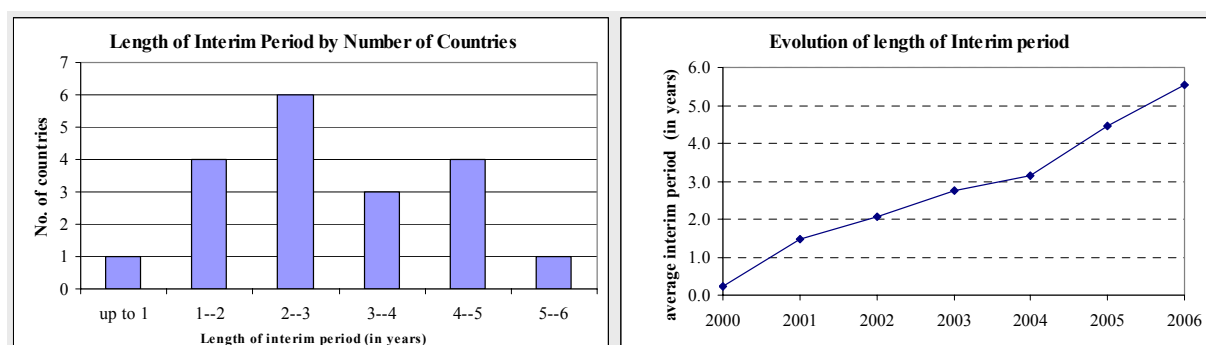
9. **As of mid-August 2006, 19 countries, representing almost half of the 40 identified HIPCs, reached their completion points under the HIPC Initiative** (Table 2 and Annex IV).⁶ Most recently, Cameroon reached its completion point in April 2006. All 19 countries have received or are receiving irrevocably the HIPC Initiative debt relief committed at the decision point. They have also received debt-stock reductions under the MDRI from IDA and the IMF and are expected to receive MDRI debt relief from the AfDF soon.⁷

⁶ For ease of reference, the term “HIPC” is used to refer to all of the 40 countries identified above, including the pre-decision-point countries.

⁷ To qualify for debt relief under the MDRI, HIPCs that had already reached their completion points when the MDRI became effective had to show that performance had not deteriorated substantially in the following areas: (i) macro-economic performance; (ii) implementation of a poverty reduction strategy (PRS) or similar framework;

(continued)

Figure 2. Length of Interim Periods of Post-Completion-Point HIPCs



Source: HIPC Completion Point Documents

Note: The average length of the interim period for a given year is calculated as the average interim period of countries reaching the HIPC completion point in that year.

Table 2. List of Countries That Have Qualified for, are Eligible or Potentially Eligible and May Wish to Receive HIPC Initiative Assistance (as of end-July 2006)

Post-Completion-Point Countries (19)		
Benin	Honduras	Rwanda
Bolivia	Madagascar	Senegal
Burkina Faso	Mali	Tanzania
Cameroon	Mauritania	Uganda
Ethiopia	Mozambique	Zambia
Ghana	Nicaragua	
Guyana	Niger	
Interim Countries (Between Decision and Completion Point) (10)		
Burundi	The Gambia	São Tomé & Príncipe
Chad	Guinea	Sierra Leone
Republic of Congo	Guinea-Bissau	
Democratic Republic of the Congo	Malawi	
Pre-Decision-Point Countries (11)		
Central African Republic	Haiti	Somalia
Comoros	Kyrgyz Republic	Sudan
Côte d'Ivoire	Liberia	Togo
Eritrea	Nepal	

10. **Five out of the 10 countries between the decision and completion point (interim HIPCs) are advancing with the implementation of their macroeconomic programs (Annex III).** Three countries (Malawi, São Tomé and Príncipe, and Sierra Leone) have been

and (iii) the state of its Public Financial Management (PFM) system. The other HIPCs will qualify for MDRI assistance upon reaching the completion point under the HIPC Initiative. AfDF would implement MDRI debt relief to post-completion-point countries with eligible debt outstanding retroactively for January 1, 2006.

satisfactorily implementing their macroeconomic policy programs, finalized their PRSPs, and made substantial progress in fulfilling the completion point triggers. They could reach their completion points by end-2006. Two countries, Burundi and the Republic of Congo, reached their decision points only recently.

11. The other five interim HIPC countries have been experiencing difficulties in the implementation of their macroeconomic programs. Staffs have continued to assist Chad, the Democratic Republic of the Congo, the Gambia, Guinea, and Guinea-Bissau in addressing obstacles in macroeconomic and structural reforms, particularly in public resource management. During the first quarter of 2006, IDA suspended project disbursements to Chad due to the dispute over changes to the framework for the management of revenues from the Chad-Cameroon pipeline. During this period, IDA did not suspend the disbursement of interim debt relief to Chad. IDA has now resumed full disbursement of project assistance to Chad after a comprehensive agreement was reached in July on a new framework for pipeline revenues. A supplementary budget for 2006 has recently been agreed with the IMF and IDA, which could pave the way for the restoration of macroeconomic stability. The Democratic Republic of the Congo is pursuing corrective measures in the area of fiscal policy that could lead to a new IMF-supported program. The Gambia, Guinea, and Guinea-Bissau experienced interruptions in the implementation of their macroeconomic programs and have resorted to staff-monitored programs with the IMF. They expect to resume their engagement in IMF-supported programs, although risks remain, in particular with respect to rising political tensions in the first two, and internal and external imbalances in the latter.

12. With regard to the completion of a full Poverty Reduction Strategy Paper (PRSP), six interim countries have already done so, and the other four are expected to follow suit by end-2006. In addition to Malawi, São Tomé and Príncipe, and Sierra Leone, three other countries (Chad, the Gambia, and Guinea) have adopted a full poverty reduction strategy (PRS) and begun its implementation, although more progress is needed to establish a one-year satisfactory track record and Chad's PRSP is being updated. The Democratic Republic of the Congo has recently completed a full PRSP. The other countries (Burundi, Guinea-Bissau, and the Republic of Congo) are expected to complete their full PRSPs by end-2006. The Republic of Congo has recently reached its decision point and is proceeding with the preparation of its PRSP at a satisfactory pace. However, the preparation of the PRSP in Burundi was delayed by security tensions and political instability and capacity constraints in Guinea-Bissau have hindered the preparation of the full PRSP.

13. Eleven countries, which have been assessed to meet the HIPC Initiative's income and indebtedness criteria based on end-2004 data and might wish to avail themselves of the Initiative, have not yet reached their decision points.⁸ In April 2006, the Boards endorsed and closed the list of countries which meet the Initiative's income and indebtedness criteria based on end-2004 data, but recognized that the list could be amended to include

⁸ See IDA and IMF "Heavily Indebted Poor Countries (HIPC Initiative) – List of Ring-Fenced Countries that Meet the Income and Indebtedness Criteria at end-2004," April 12, 2006, <http://siteresources.worldbank.org/INTDEBTDEPT/PolicyPapers/20893084/041106.pdf> and <http://www.imf.org/external/np/pp/eng/2006/041106.pdf>

countries whose data are later verified to meet the two criteria. This list includes seven countries that had been identified as HIPC in previous HIPC Initiative reports (Central African Republic, Comoros, Côte d’Ivoire, Liberia, Somalia, Sudan, and Togo), four new countries (Eritrea, Haiti, the Kyrgyz Republic, and Nepal), and three additional countries which met the two criteria but indicated that they did not wish to avail themselves of the HIPC Initiative (and therefore will not be covered in this report).⁹ The 11 countries which might wish to avail themselves of the HIPC Initiative will be henceforth referred to in this report as pre-decision point HIPCs.

14. Three of the 11 pre-decision-point HIPCs currently satisfy all eligibility criteria under the Initiative and are making progress toward reaching their decision points (Annex II). Haiti’s continued performance supported by IMF Emergency-Post-Conflict Assistance (EPCA) since October 2005 is expected to lead to an IMF-supported program in the coming months. A first draft of the Interim-PRSP (I-PRSP) has also been completed. The Kyrgyz Republic is making progress with the implementation of its IMF-supported program and has completed a full PRSP. Both countries are expected to reach the HIPC Initiative decision point by end-2006. Satisfactory performance under the current EPCA-supported program together with external arrears clearance, is expected eventually to pave the way for an IMF-supported program in the Central African Republic, which has also resumed the preparation of its PRSP.

15. Three other countries currently satisfy all eligibility criteria under the Initiative, but need to step up efforts to reach the decision point.¹⁰ Nepal has been engaged in an IMF-supported program, but policy implementation has weakened recently. It has also completed a full PRSP. The authorities are still considering whether to avail themselves of the HIPC Initiative. Côte d’Ivoire reached its decision point under the original HIPC Initiative in 1998, but the security and political situation deteriorated soon afterward. Significant progress toward peace was made in 2006, which, together with performance under an EPCA-supported program in 2006, could help pave the way for an IMF-supported program in 2007. Togo has not had an IMF-supported arrangement since 1998, but the authorities intend to take the necessary steps that could lead to a possible IMF-supported program. Both Côte d’Ivoire and Togo have yet to complete their full PRSPs.

16. The remaining five countries are not yet eligible for the HIPC Initiative. Comoros, Eritrea, Liberia, Somalia, and Sudan have not started an IDA- and IMF-supported program of economic reform after October 1996 and thus do not meet the policy eligibility criterion under the Initiative. Of these, Comoros, Liberia, Somalia, and Sudan have protracted arrears to

⁹ The Nepalese authorities indicated that they have not yet reached a decision on their participation in the HIPC Initiative. Three additional countries, which met the two criteria, were not included in the list, given their indications that they did not wish to avail themselves of the HIPC Initiative. Afghanistan may be added to the list upon further analysis of its debt indicators.

¹⁰ The eligibility criteria are: (a) being IDA-only and PRGF-eligible; (b) having end-December 2004 debt burden indicators above the enhanced HIPC Initiative thresholds after the full application of traditional debt relief mechanisms; and (c) having begun a reform program supported by IDA and the IMF between October 1, 1996 and December 31, 2006, when the sunset clause of the Initiative is currently set to take effect.

various creditors, and a concerted international effort will be required for arrears clearance. Some progress in this area has been made in the cases of Comoros, Liberia and Sudan, which could eventually pave the way for IDA- and IMF- supported programs. The Eritrean authorities have also expressed interest in taking the necessary steps that would lead to an IMF-supported program. An I-PRSP has been completed by Comoros, while Liberia, Sudan, and Eritrea are in the process of finalizing their I-PRSPs. The situation in Somalia remains fragile, and engagement in IDA- and IMF- supported programs, as well as preparation of the PRSP, are unlikely in the near future.

17. The sunset clause of the HIPC Initiative is set to take effect at end-2006, which could leave the countries that have not yet fulfilled all eligibility criteria with debt burdens above the Initiative's thresholds. Under the current extension of the HIPC Initiative's sunset clause, countries need to start to implement a qualifying IMF- and IDA-supported program of adjustment and reform by end-2006 to become eligible for HIPC Initiative debt relief. If they do not start such a program by this date, the five (and possibly more) countries may not be able to benefit from debt relief under the HIPC Initiative and eventually the MDRI.¹¹ The IDA and IMF Boards are expected to discuss in September 2006 options to deal with the countries that are not likely to meet the policy eligibility criterion by the time the sunset clause takes effect at end-2006.¹²

C. Impact of HIPC Initiative and MDRI Debt Relief on Debt Stocks, Debt Service, and Poverty-Reducing Expenditures

18. Debt relief under the HIPC Initiative and the MDRI is expected to reduce the debt stocks of the 29 post-decision-point HIPCs by about 90 percent (Figure 3). Traditional debt relief and HIPC Initiative assistance are projected to reduce the total pre-decision-point debt stock of these countries to US\$37 billion from about US\$88 billion, in end-2005 NPV terms. Voluntary additional bilateral debt relief and assistance under the MDRI are expected to further lower debt stocks to US\$10 billion. Debt stocks in the 19 post-completion-point countries are expected to decline by an average of 55 percent, from a total of US\$69 billion to US\$31 billion (in end-2005 NPV terms), due to traditional and HIPC Initiative debt relief. After additional bilateral and MDRI debt relief, their debt stock is expected to decline to US\$8 billion.¹³

19. The debt service of the 29 post-decision-point HIPCs has been reduced significantly as a result of HIPC Initiative debt relief (Figure 4 and Appendix Tables 1 and 2). Debt-service-to-exports ratios of the 29 HIPCs that have reached their decision points have declined from about 14 percent one year prior to the decision point to about 6 percent five years after the decision point. In cumulative terms, these countries' total debt service has been reduced by about US\$600 million over six years, as a result of interim and debt relief after the

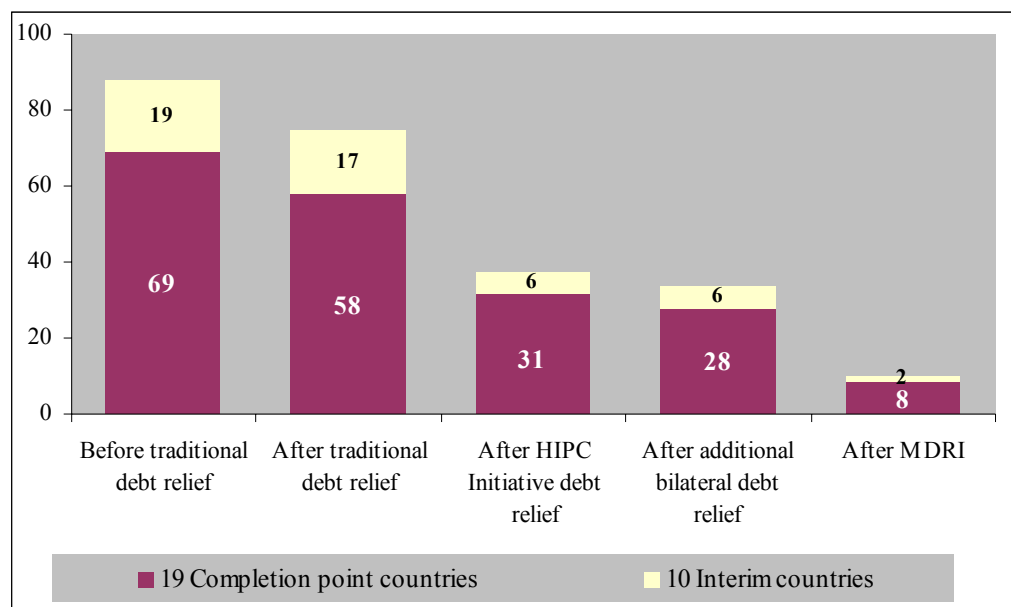
¹¹ The five countries are Comoros, Eritrea, Liberia, Somalia and Sudan.

¹² See IDA and IMF (2006), "Heavily Indebted Poor Countries (HIPC) Initiative—Issues Related to the Sunset Clause," August 17, 2006, <http://www.imf.org/external/np/hipc/doc.htm> and <http://www.worldbank.org/hipc>

¹³ Debt stocks referred to here are the debt stocks in the year prior to the decision point. They do not include new borrowing after the decision point.

completion point.¹⁴ However, analysis based on nine post-completion-point countries suggests that the NPV of debt-to-exports ratios at completion point was on average almost 40 percentage points higher than projected at decision point, mainly on account of exogenous changes in discount and exchange rates rather than new borrowing (see Box 1).

Figure 3. NPV of Debt After HIPC Initiative, Additional Bilateral Debt Relief and MDRI
(In billions of US dollars; end-2005 terms)



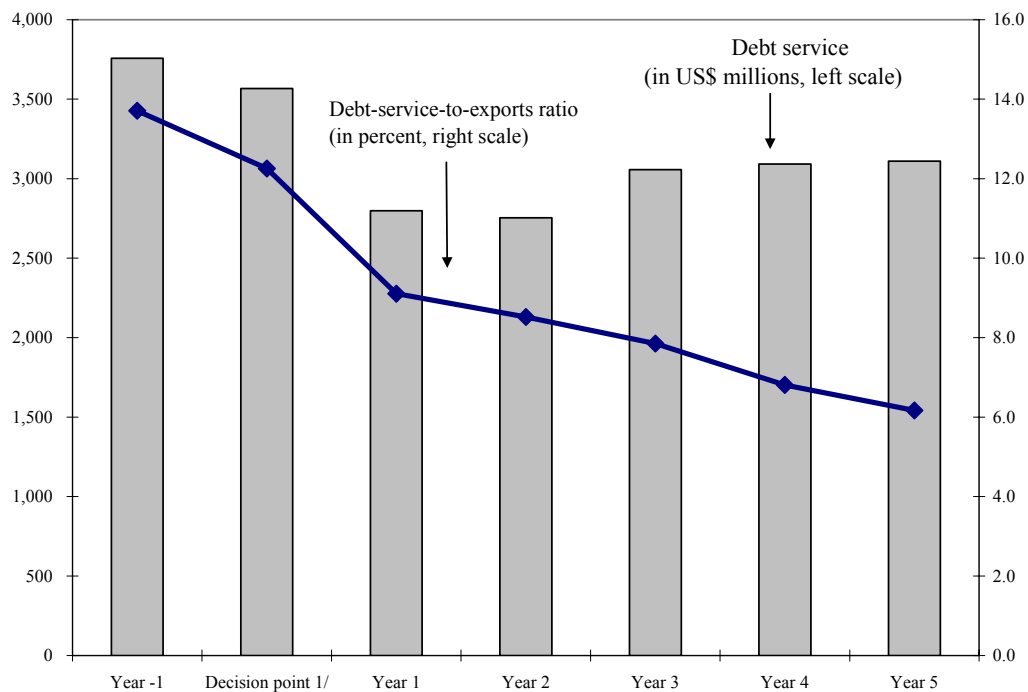
Source: HIPC Initiative country documents; and IDA and IMF staff estimates.

20. **The implementation of the MDRI is expected to lower further the debt-service ratios of HIPCs in the medium term, but ratios are projected to increase in the long run, mainly on account of new borrowing.** Between 2005 and 2011, when most HIPCs are expected to reach their completion points, the average debt-service-to-exports ratio of the 29 post-decision-point HIPCs is projected to decline by more than half. The reduction is even larger for African HIPCs, which will not only benefit from MDRI relief from IDA and the IMF, but also from AfDF (Figure 5). However, after 2011, post-MDRI debt service-to-exports ratios are projected to increase again, although they are projected to remain significantly below the pre-MDRI ratios after HIPC Initiative debt relief (namely 1.5 percentage points lower by 2025). Given that MDRI debt relief affects mostly the NPV of existing debt, long-term debt dynamics will be increasingly dominated by new borrowing. Thus, long-run projections should be interpreted with caution, as they are sensitive to assumptions on new borrowing and growth.

¹⁴ The increase in the outer years is due, in part, to new borrowing, and also, in some cases, to shifts from debt service paid to debt service due (debt service paid is used for data up to end-2005, and debt service due for projections after 2005). In HIPCs accumulating arrears, for example, actual pre-decision-point debt service paid is only a fraction of debt service due. Also see Section IIB of IDA and IMF, “Heavily Indebted Poor Countries (HIPC) Initiative—Status of Implementation,” August 22, 2005.

21. **Strengthened management of both external and domestic debt will be necessary to prevent debt burdens from becoming unsustainable again.** Capacity constraints in HIPC's debt-management offices are often severe (Annexes II-IV). However, a number of HIPC's (such as Rwanda, Zambia, and Mali) are making progress in strengthening their debt management, often with support from IDA and the IMF. Some countries have implemented new debt management software – for example, the Democratic Republic of the Congo, with support from UNCTAD. However, progress lags in many countries. Ethiopia, for example, has yet to establish a comprehensive legal framework for debt management, and there is no formal publication of debt data; and Burundi has made slow progress in meeting its debt management completion point trigger.

Figure 4. Debt Service for the 29 Post-Decision-Point HIPCs
(In millions of U.S. dollars (left scale) and percent of exports (right scale))



Sources: HIPC documents; and Fund staff estimates.

Note: For countries that reached decision point after 2000, current projections of debt service due is used for latest years.

1/ Corresponds to years 2001 for Ethiopia and Chad; 2002 for Ghana and Sierra Leone; 2003 for Democratic Republic of the Congo; 2005 for Burundi; 2006 for Republic of Congo; and 2000 for rest of HIPCs.

Box 1. Evolution of Debt Ratios from Decision to Completion Points

At completion point, HIPC's NPV of debt-to-exports ratios were, on average, 38.9 percentage points higher than expected at decision point, mainly on account of exogenous changes in discount and exchange rates rather than new borrowing. On average, unexpected changes in the discount rate accounted for 25.3 percentage points of the increase, while exchange rate changes added an additional 6.8 percentage points. Lower than expected exports increased debt burden indicators further by 4.7 percentage points. New borrowing was, on average, lower than projected at decision point, decreasing debt ratios by 7 percentage points, on average, but this was offset by lower than expected grant elements of disbursements, which raised the debt ratios by 6.3 percentage points. The latter factor does not necessarily imply that HIPC's contracted loans on non-concessional terms, but that new borrowing was not as concessional as projected at decision point. Other factors (such as revisions in data or completion point dates) reduced the debt ratios by 8.5 percentage points, on average.

Table 3. Contributions to the Unanticipated Increase in the Net Present Value (NPV) of Debt-to-Export Ratios in HIPC's During the Interim Period 1/
(In total percentage points)

	Total unanticipated changes in ratios 2/	Total changes due to changes in the parameters		Total changes due to unanticipated new borrowing		Total changes due to changes in exports	Total changes due to other factors		
		(I)		(II)				(III)	(IV)
		<i>Due to changes in the discount rates</i>	<i>Due to changes in the exchange rates</i>	<i>Due to higher than expected disbursements</i>	<i>Due to lower concessionality of the loans</i>				
Average	38.9	25.3	6.8	-7.0	6.3	4.7	-8.5		
Median	33.3	20.0	7.1	-7.3	1.9	2.4	-4.6		
Minimum	-47.9	3.3	-11.0	-23.6	-11.5	-29.0	-31.3		
Maximum	126.7	59.1	21.6	6.0	38.6	35.1	20.0		
Standard Deviation	46.0	17.5	10.3	8.3	15.7	21.5	19.4		

Source: Completion Point documents and Staff estimates.

1/ Completion Point countries considered in this analysis were Cameroon, Ethiopia, Honduras, Madagascar, Nicaragua, Niger, Rwanda, Senegal, and Zambia.

2/ Total unanticipated changes in the NPV debt ratios indicate the differences between the projected NPV of debt to exports (revenues) as of Completion Point (calculated at Decision Point) and actual figures at Completion Point.

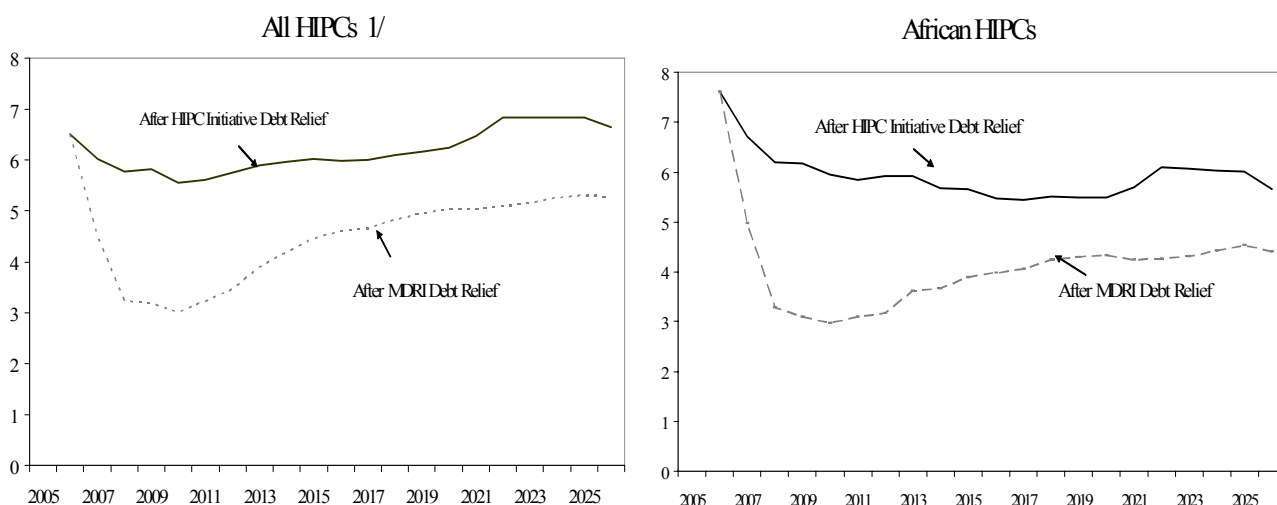
22. **Efforts are also needed to prevent so-called “free-riding” in post-MDRI countries.** “Free-riding” concerns could arise if creditors increase lending to post-MDRI HIPC's, thereby “free riding” on the fiscal and balance-of-payments space created by debt relief. IDA's Board has recently approved a two-pronged package of measures addressing “free riding” on future borrowing by IDA grant-recipient countries as well as post-MDRI countries.¹⁵ On the creditor side, the package proposes enhancing creditor coordination around a mechanism to be developed and agreed – possibly based on the debt-sustainability framework for low-income

¹⁵ International Development Association, “IDA Countries and non-concessional Debt: Dealing with the Free-Rider Problem in IDA14 Grant-recipient and post-MDRI countries,” June 2006. See <http://siteresources.worldbank.org/IDA/Resources/Seminar%20PDFs/73449-1155322341160/Freeriderboardpaper.pdf>

countries (LIC DSF). On the borrower side, it provides disincentives on unwarranted new non-concessional borrowing by reducing volumes and/or hardening the terms of assistance, on a case-by-case basis. The IMF is expected to continue to monitor and raise awareness about the consequences of non-concessional borrowing through the use of the LIC DSF in both surveillance and program contexts, including under the Policy Support Instrument and the exogenous shock facility.

23. **Poverty-reducing expenditures of HIPCs have continued to increase since 1999, while debt-service payments have been declining** (Figure 6 and Appendix Tables 1 and 3).¹⁶ Debt service paid by the 29 post-decision point HIPCs has declined from about 4 percent of GDP in 1999 to about 2 percent in 2005. During the same time, poverty-reducing expenditures have increased from about 7 percent of GDP in 1999 to over 9 percent in 2005.¹⁷ In absolute terms, poverty-reducing expenditures amounted to US\$14.8 billion at end-2005, more than five times as high as debt-service payments after expected HIPC Initiative debt relief.

Figure 5. Projected Debt Service to Exports Ratio after HIPC Initiative and MDRI Debt Relief (In percent)



Source: LIC DSAs and staff estimates.

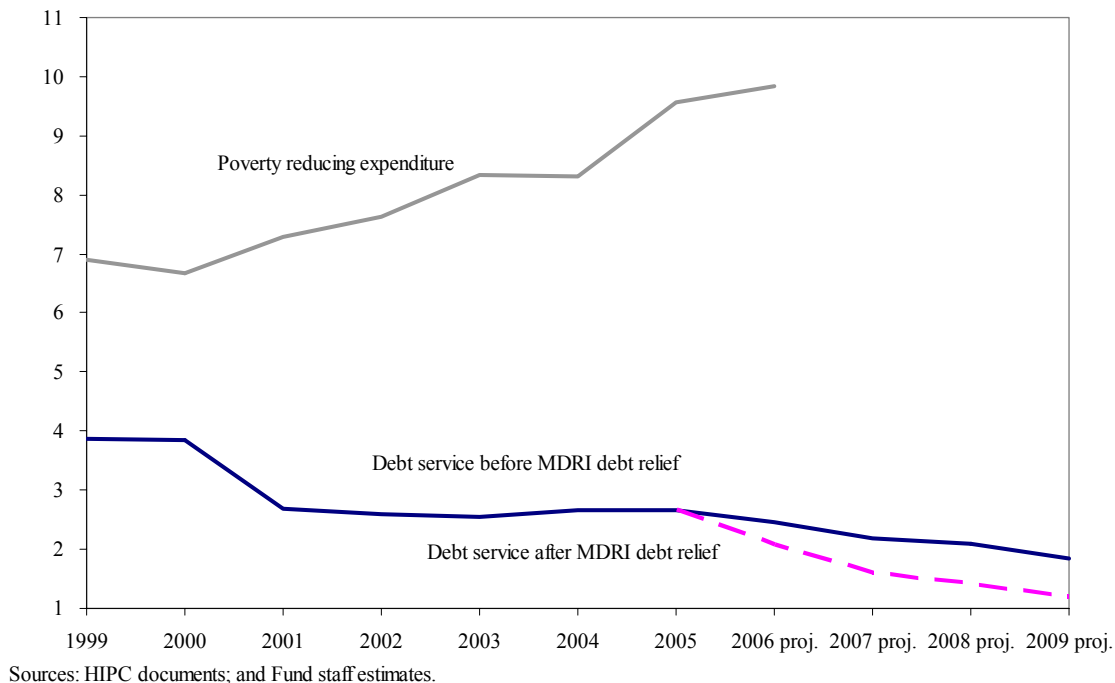
1/ Includes 11 Completion Point HIPCs for which data are available.

¹⁶ The increase may be overstated, to the extent that definitions of poverty-reducing expenditures may become more comprehensive over time and vary across countries. In most HIPCs, they include primary education and basic health, as well as expenditures for rural development (country-specific definitions are included in Appendix Table 3). IDA's IEG Report documents an increase in education expenditures over time, and slightly increasing health expenditures in a small sample of HIPCs. This suggests a genuine increase in poverty-reducing expenditures in HIPCs, and not simply a statistical artifact. (See, The World Bank's Independent Evaluation Group, "Debt Relief for the Poorest: An Evaluation Update of the HIPC Initiative," March 2006, Report No. 35608, <http://www.worldbank.org/ieg/hipc/>).

¹⁷ Econometric evidence on the existence of a negative and statistically significant relationship between the debt service payments and social spending has been documented by Clements, Bhattacharya, and Nguyen (IMF Working Paper 03/249, December 2003) and Thomas (IMF Working Paper WB/06/180, July 2006), among others.

24. **Poverty-reducing expenditures are expected to increase further in 2006 as a result of debt relief under the MDRI.** The authorities of most post-MDRI countries have indicated that they plan to expand poverty-reducing expenditures by about the equivalent of MDRI debt-service savings in 2006, which amounts to around half a percentage point of GDP, on average (Annex V). In these countries, the resources made available by debt relief are intended to support pro-poor growth, mainly in the social, infrastructure and agricultural sectors, and are often consistent with the priority areas highlighted in their PRSPs.¹⁸ The authorities have stated that supplementary budgets will be issued in most countries to reflect the additional spending. Arrangements have already been reached in all countries between central banks and governments regarding the transfer to the budget of HIPC/MDRI resources provided by IMF debt relief.¹⁹

Figure 6. HIPCs: Average Debt Service and Poverty-Reducing Expenditure 1/ (In percent of GDP)



1/ Excluding Republic of Congo due to insufficient data.

¹⁸ In two cases, however, MDRI resources in 2006 will be used either to restock food in the event of a shortage and finance a methane gas project (Rwanda) or to address urgent energy needs in light of acute electricity shortage (Uganda).

¹⁹ These arrangements vary from the total resources being placed in special accounts at the central banks (Madagascar, Mozambique, Rwanda, Tanzania) to agreed ad-hoc transfers (Ghana) and transfers being effected by the central banks in line with previous scheduled debt service (Guyana, Honduras, Uganda and Zambia). Furthermore, countries have adopted different timeframes for use of the resources, such as three years for Ghana, four years for Mozambique, and 10 years for Madagascar.

25. **Resources freed by debt relief under the HIPC Initiative and the MDRI will need to be managed effectively.** Improvements in public financial management (PFM) systems are necessary to ensure that debt-service savings are targeted toward poverty-reducing activities and used efficiently. While post-completion-point countries typically have improved their PFM systems, pre-completion point HIPCs need to speed up their efforts in strengthening their systems (see Box 2).

26. **This brief review suggests that significant progress has been made in the implementation of the HIPC Initiative and the MDRI.** The volume of debt relief has increased significantly, because of both the recent implementation of the MDRI and the progress made by eligible countries toward reaching the milestones of the HIPC Initiative process. Moreover, debt relief has substantially reduced the debt stocks and debt service of the beneficiary countries and appears to have been additional to other resource transfers to HIPCs (Box 2). Finally, the provision of debt relief has been accompanied by increased poverty-reducing efforts and, through conditionality attached to it, has encouraged some reforms in debt management and public financial management. However, challenges remain, especially with respect to helping the remaining pre-decision-point countries get through the HIPC Initiative process and increasing creditor participation in the Initiative, to which we turn next.

Box 2. Strengthening Public Financial Management in HIPCs

To ensure that PRSs are well implemented and adequate funds are allocated to priority spending, HIPCs need to increase their efforts to improve Public Financial Management (PFM). A key goal of both the HIPC Initiative and MDRI is to free up resources to allow countries to increase their poverty-reducing expenditures and to ensure that these resources are well managed so as to progress toward achieving the MDGs. However, existing capacity and institutions for PFM vary widely across HIPCs. For this reason, reaching the completion point has usually been conditional on progress in strengthening PFM systems. Post-MDRI countries have, therefore, made progress in this area—building on program conditionality (Rwanda), technical assistance from the IDA and IMF (Madagascar), and support from other IFIs (Niger).

Many of the post-MDRI countries have taken steps to improve their PFM systems in the past few years. Stronger legislative frameworks were put in place in Ghana (including new laws on overall financial management, audit, and procurement), Guyana and Rwanda (organic budget laws), and Nicaragua (a fiscal administrative law). Budgetary processes have been strengthened with the computerization and networking of expenditure databases in Mali, improvement of cash management in Ethiopia, and the introduction of new financial management information systems in Guyana and Honduras. Donor-financed projects are starting to be integrated gradually into the financial management system in Mozambique, and reporting on budget execution has improved in Zambia. Information systems for public procurement have either become operational, or soon will be, in Ethiopia, Guyana, Honduras, and Mozambique, while procedures have become more transparent in Ghana and Mali. Reforms to improve internal control and audit have been implemented in Ethiopia and Ghana. PFM strengthening efforts have also become more coherent, better monitored, and more effectively planned by the authorities and coordinated across donors.

But improvements remain unevenly distributed across HIPCs and various aspects of PFM. A survey of HIPCs' PFM was conducted in 2002 and again in 2004 using a standard set of PFM indicators, each with an agreed "benchmark" standard defined (the joint IDA/IMF PFM Assessment and Action Plans (AAPs)). The 2004 assessments found that the total number of indicators reaching agreed benchmarks increased by about 10 percent across the 24 post-completion point and interim HIPCs tracked. The average number of benchmarks met in post-completion-point HIPCs using this database was about seven out of 16, with some countries performing significantly better than average (e.g. Tanzania and Mali, which both met 11 benchmarks, and Guyana which met 10 benchmarks). On average, improvements were heavily concentrated in the area of budget reporting, while performance in the areas of budget formulation and execution was mixed.

Pre-completion-point countries are expected to make further progress in improving their PFM systems. Chad and Sierra Leone already met seven benchmarks out of 16. However, other pre-completion point countries met, on average, only three to four benchmarks. Continued PFM strengthening efforts and ongoing monitoring of their impact, are therefore required for these countries as they move toward their completion points.

To monitor and assess PFM systems, a group of donors have launched the Public Expenditure and Financial Accountability (PEFA) Program. Established in 2001, and including both the IDA and IMF, the PEFA program involves a group of donors who have agreed to coordinate the monitoring of PFM strengthening around a common performance measurement framework based on 28 indicators. To date, PEFA assessments have been conducted in eight HIPCs – Republic of Congo, Ghana, Malawi, Mozambique, Tanzania, Uganda, Zambia, and the Kyrgyz Republic. However, PEFA baseline assessments have yet to be conducted in the remainder of HIPCs. Once baselines are established, it will be important to monitor progress closely using these new harmonized standards, with periodic assessments of progress.

Box 3. The Impact of Debt Relief after Ten Years of Implementation

After ten years, the HIPC Initiative has become a significant vehicle for delivering debt relief to poor countries. A recent study by The World Bank's Independent Evaluation Group, "*Debt Relief for the Poorest: An Evaluation Update of the HIPC Initiative*" assesses the impact of the Initiative along several dimensions:

Additionality of resources. To free up resources for increased poverty-reducing expenditure, HIPC Initiative debt relief needs to be additional to other resource transfers. This appears to be the case, as net resource transfers to HIPCs doubled from US\$8.8 billion in 1999 to US\$17.5 billion in 2004, while transfers to other developing countries grew by only one-third. This result needs to be interpreted with caution, however, as measuring additionality is not straightforward. Creditors use a variety of methods to account for debt relief, and some data are not very reliable. More fundamentally, assessing whether debt relief is additional requires an assumption about the resources that would have been transferred in the absence of debt relief.

Debt sustainability. The Enhanced HIPC Initiative has contributed to reducing the debt stocks of the 19 post-completion-point HIPCs, but this alone has not been sufficient to ensure long-run debt sustainability in these countries (as indicated in Box 1, exogenous factors beyond the authorities control have mainly contributed to the increase in debt ratios between decision and completion points). Long-term sustainability also hinges on further efforts from both HIPCs and creditors to improve export diversification, fiscal and public debt management, and to obtain new financing on more concessional terms.

Improvement of policies, institutions and governance. The HIPCs that performed better in the areas of improving policies, institutions and governance appear to have gone through the HIPC Initiative process faster. Post-completion-point countries have had higher scores on key policy and institutional ratings compared to other low-income countries, and they continue to score higher. Countries not yet at completion point have, on average, the lowest ratings of all low-income countries, with pre-decision point HIPCs having the worst governance indicators.

Poverty reduction. Debt relief under the enhanced HIPC Initiative has been closely linked to Poverty Reduction Strategies (PRSs). To the extent that PRSs have tended to emphasize social sector spending rather than more balanced approaches to growth and poverty reduction, the Initiative's approach to poverty reduction has also leaned toward channeling additional resources to social expenditures. Although data is limited, debt relief appears to have helped post-completion-point HIPCs advance toward achieving the MDGs. HIPCs have made progress in improving gender equality and reducing child mortality, and have taken some steps in encouraging primary education and ensuring environmental sustainability. However, no measurable changes have been achieved in combating poverty and infectious diseases and in improving maternal health (where data is very limited).

Strengthening of public financial management. As part of the HIPC Initiative, efforts were also made to upgrade Public Financial Management (PFM) systems and capacity in HIPCs and to monitor progress against explicit indicators and benchmarks. These efforts have resulted in some improvements in this area, although much remains to be done (see also Box 2).

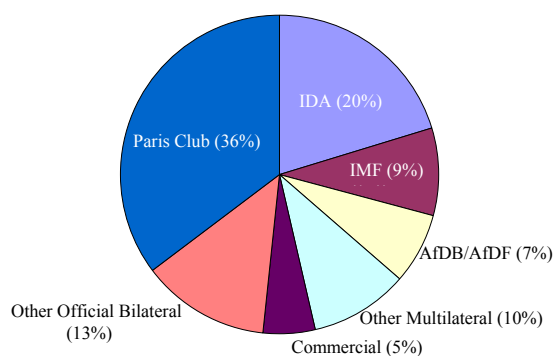
Creditor participation. The HIPC Initiative was innovative in attempting to seek a comprehensive sharing of the debt reduction burden between all creditors. But the Initiative remains voluntary in nature, and full creditor participation has therefore been difficult to achieve. Multilateral and Paris Club creditors have generally honored their commitments, but participation of non-Paris Club and commercial creditors has been limited.

III. DEBT RELIEF COSTS AND CREDITOR PARTICIPATION

A. Estimated Costs of HIPC Initiative Debt Relief

27. **The total cost of HIPC Initiative debt relief for the 40 identified HIPCs is estimated at US\$63.2 billion in end-2005 NPV terms** (Table 4 and Appendix Table 4). Almost half of this total cost, or US\$28.8 billion, represents debt relief that has been or is being delivered irrevocably to the 19 countries that have reached the completion point (almost half of the 40 countries potentially eligible for the HIPC Initiative). The cost of HIPC Initiative debt relief committed to the 10 interim countries amounts to US\$12.5 billion. The estimated cost of HIPC Initiative debt relief to the remaining 11 pre-decision-point countries is about US\$21.9 billion, of which US\$15.3 billion correspond to the three protracted arrears cases (Liberia, Somalia, and Sudan). About 46 percent of the total cost to the 40 identified HIPCs accrues to multilateral creditors, of which 20 percent corresponds to IDA, and 9 percent to the IMF (Figure 7). Paris Club, non-Paris Club, and commercial creditors account for 36, 13, and 5 percent of the total cost, respectively.

Figure 7. Distribution of Potential Costs under the HIPC Initiative by Creditors



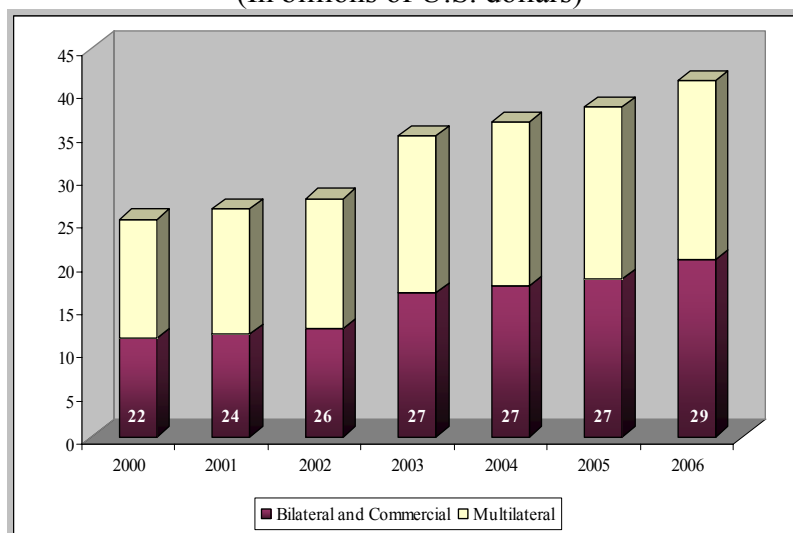
Sources: IDA and IMF staff estimates.

28. **The total cost of HIPC Initiative debt relief increased by US\$4.1 billion, or almost 7 percent, relative to last year.** Just under half of this increase is due to data revisions at the decision point (Republic of Congo and Burundi) and at the completion point (Cameroon), while updating costs from end-2004 to end-2005 NPV terms led to an increase of almost 4 percent. The increase in the total estimated cost for post-decision point countries over the last six years is largely due to new countries reaching the decision point, as well as to compounding of costs over a longer time-period.²⁰ The current cost of debt relief for the 29 HIPCs that have reached

²⁰ The new countries added after 1999 are: Ethiopia, Ghana, Burundi, Chad, the Democratic Republic of the Congo, the Republic of Congo, and Sierra Leone (see Appendix Table 4).

their decision points is about 63 percent higher than the initial projection of total HIPC Initiative cost in 2000 (Figure 8).²¹

Figure 8. HIPC Initiative Costs of Post-Decision-Point Countries 1/
(In billions of U.S. dollars)



Sources: IDA and IMF staff estimates

1/ The figure in each bar indicates the number of post-decision-point countries in each year.

B. Participation of Multilateral Creditors in the HIPC Initiative and the MDRI

29. **Twenty-three out of 31 multilateral creditors have indicated their intention to participate in the HIPC Initiative** (Appendix Table 5). The number of participating multilateral creditors has remained the same since August 2005. These creditors account for over 99 percent of the multilateral debt relief committed to the 29 HIPCs that have reached their decision points. Large multilateral creditors, including IDA, the IMF, the AfDB Group, and the IDB have also provided interim debt relief to these countries. Eight small multilateral creditors have not indicated their willingness to participate in the Initiative due primarily to financial constraints.²²

30. **The total cost of HIPC Initiative assistance to be provided by IDA amounts to US\$12.5 billion in end-2005 NPV terms** (Table 4 and Appendix Tables 6A and 6B). Of this, US\$9.4 billion is the cost of HIPC Initiative assistance committed to the 29 post-decision point HIPCs. Costs have increased since September 2005 due to topping-up assistance approved for Rwanda and to HIPC Initiative debt relief committed to the Republic of Congo at its decision

²¹ Although discount rates used to calculate costs have declined from 5.5 in 2000 to 4.4 percent in 2006, current costs in 2006 have been compounded over six years compared to costs in 2000.

²² These creditors are: BEAC, ECOWAS, PTA Bank, BDEGL, FECEGE, FOCEM, FSID, and APICORP. Costs of providing debt relief for these creditors represent an estimated 0.5 percent of total costs.

point. As a result of the recent implementation of the MDRI, the remainder of the HIPC Initiative debt relief for the 19 post-completion-point HIPCs, which was to be given on a flow basis, was provided as stock relief on July, 1 2006. Interim relief is being provided to all interim countries, with the exception of the Gambia, where IDA interim relief has reached its one-third limit. Chad, Guinea-Bissau, and Malawi are projected to reach their one-third limit in 2007.²³

Table 4. HIPC Initiative: Breakdown of Estimated Costs by Main Creditors and Country Groups
(In billions of U.S. dollars, in end-2005 NPV terms)

	Interim Countries 1/ (10)	Post-Completion- Point Countries 2/ (19)	Total Post-Decision- Point Countries (29)	Pre-Decision-Point Countries 3/ (11)	Total (40)
Multilateral creditors	5.4	15.3	20.7	8.6	29.3
World Bank	2.4	7.4	9.8	3.1	12.8
Of which: IDA	2.4	7.0	9.4	3.1	12.5
Of which: IBRD	0.0	0.4	0.4	0.0	0.4
IMF	0.8	2.3	3.1	2.5	5.6
AfDB/AfDF	1.6	1.9	3.5	1.0	4.5
IaDB	0.0	1.4	1.4	0.1	1.5
Other	0.7	2.3	2.9	1.9	4.9
Bilateral and commercial creditors	7.0	13.5	20.5	13.3	33.8
Paris Club	5.6	9.6	15.2	7.1	22.3
Other official bilateral	0.6	3.2	3.8	4.4	8.2
Commercial	0.8	0.7	1.5	1.8	3.4
Total Costs	12.5	28.8	41.3	21.9	63.2
<i>Memorandum Items</i>					
Total Costs in end-2004 NPV terms 4/	11.9	26.3	38.2	21.0	59.1
Total Change in Costs	5.0%	9.5%	8.1%	4.4%	6.8%
Change due to New Cases	0.9%	5.4%	4.1%	0.0%	2.6%
Change due to Data Revisions	0.0%	0.5%	0.3%	0.0%	0.2%
Change from 2004 to 2005 NPV terms	4.1%	3.5%	3.7%	4.4%	3.9%

Sources: Country authorities; and Bank-Fund staff estimates.

1/ Countries that reached the HIPC decision point are Burundi, Chad, Republic of Congo, Democratic Republic of the Congo, The Gambia, Guinea, Guinea-Bissau, Malawi, São Tomé Príncipe, and Sierra Leone.

2/ Countries that reached their completion point are Benin, Bolivia, Burkina Faso, Cameroon, Ethiopia, Ghana, Guyana, Honduras, Madagascar, Mali, Mauritania, Mozambique, Nicaragua, Niger, Rwanda, Senegal, Tanzania, Uganda, Zambia.

3/ Pre-decision-point countries are defined as countries that meet the income and indebtedness criteria of the HIPC Initiative as of end-2004 and might want to avail themselves of the HIPC Initiative. These are Central African Republic, Comoros, Côte d'Ivoire, Eritrea, Haiti, Kyrgyz Republic, Liberia, Nepal, Somalia, Sudan, Togo.

4/ Total costs as of September 2005 (HIPC Initiative: Status of Implementation, September 2005, IDA/SecM2005-0442)

²³ In September 2004, the IDA Board approved new guidelines for the provision and extension of the limit for the delivery of interim debt-service relief to HIPCs in exceptional circumstances. Under the new arrangement, the limit could be raised from one-third to 50 percent of the committed IDA debt relief identified at the decision point, conditional on satisfactory performance and structural reforms.

31. **The total cost of HIPC Initiative assistance to be provided by the IMF to the 40 identified HIPCs is estimated at US\$5.6 billion in end-2005 NPV terms** (Table 4 and Appendix Tables 7A and 7B). Of this, US\$3.1 billion represents debt relief already committed to the 29 post-decision point HIPCs. The IMF has already disbursed the entire amount of HIPC Initiative debt relief committed to the 19 countries that have reached their completion points, equivalent to US\$2.3 billion in end-2005 NPV terms. Resources in the PRGF-HIPC Trust and the investment income from the Special Disbursement Account (SDA) allocated to finance debt relief under the Enhanced HIPC Initiative are estimated to be sufficient to cover the costs of debt relief committed to the remaining 10 countries, most of which have already been receiving interim relief from the IMF. The estimated cost of providing HIPC Initiative debt relief to the 11 pre-decision-point countries is US\$2.5 billion in end-2005 NPV terms. As the IMF has made no provision for the financing of HIPC Initiative assistance for either the protracted arrears cases or the newly identified HIPCs, it will need to secure additional financial resources prior to these countries reaching their decision points.

32. **The total cost of MDRI debt relief to IDA, the IMF, and AfDF amounts to US\$24.9 billion in end-2005 NPV terms, of which US\$12.8 billion has already been delivered by IDA and US\$3.0 billion by the IMF** (Table 5 and Appendix Table 4).^{24, 25} Of the total cost, almost 70 percent, or US\$17.3 billion in end-2005 NPV terms, represents debt relief to be provided by IDA, of which US\$12.8 billion has been delivered to the 19 post-completion-point countries on July 1, 2006 (Annex Tables 6A, 6B). The annual amount of MDRI debt relief will be deducted from HIPCs' annual IDA allocation, to allay moral hazard and inequity concerns; however, additional resources provided by donors to compensate IDA for MDRI debt relief will be allocated to IDA countries according to IDA's performance based allocation system, helping to maintain the link between IDA resource transfers and country performance. Total MDRI debt relief to be provided by the IMF amounts to US\$4.0 billion in end-2005 NPV terms, of which US\$3.0 billion has been disbursed to the 19 post-completion-point HIPCs (Appendix Tables 7A, 7B).²⁶ The implementation of MDRI by AfDF is expected soon, once financing assurances are obtained. The total cost of MDRI debt relief of the AfDF is projected to amount to US\$3.6 billion in end-2005 NPV terms, of which US\$2.5 billion would be delivered to post-completion-point countries retroactively to January 1, 2006 (Appendix Tables 8A, 8B).

²⁴ The implementation of MDRI by AfDF will start once the financing assurances are obtained. While the implementation date is January 1, 2006, the actual benefits are to be provided retroactively, which means that countries will continue to satisfy their debt obligations until the effectiveness thresholds are satisfied and would be reimbursed for all debt services retroactively. With AfDF MDRI debt relief included, the total MDRI debt relief delivered will increase to US\$18.3 billion in end-2005 NPV terms.

²⁵ The implementation of the MDRI by the IMF is described in a series of papers which can be found at: <http://www.imf.org/external/np/MDRI/index.aspx?SortOption=MDRI>. For IDA see "The Multilateral Debt Relief Initiative: Implementation Modalities for IDA", November 2005, <http://siteresources.worldbank.org/IDA/Resources/MDRI.pdf>. For the African Development Fund, see "The Multilateral Debt Relief Initiative: ADF Implementation Modalities Paper," November 2005, <http://www.afdb.org/portal/page>

²⁶ Seventeen HIPCs received the debt relief on January 6, 2006, and two additional countries received such relief subsequently. In addition, as noted above, the IMF also provided MDRI debt relief to two non-HIPCs, amounting to SDR 182 million.

Table 5. MDRI: Breakdown of Estimated Costs by Creditor and Country Group
(In billions of U.S. dollars)

	Qualifying Countries 1/ Post-Completion point countries	Potentially Qualifying Countries		Total
		Interim countries 2/	Pre-decision point countries 3/	
Estimated Costs in nominal terms 4/				
Total nominal	35.5	7.6	5.8	48.9
of which: IDA	26.7	5.4	4.5	36.5
IMF 5/	3.0	0.7	0.4	4.1
AfDF	5.8	1.6	0.9	8.3
Estimated costs in end-2005 NPV terms 6/				
Total costs	18.3	3.9	2.7	24.9
of which: IDA	12.8	2.5	1.9	17.3
IMF 4/	3.0	0.6	0.4	4.0
AfDF	2.5	0.7	0.4	3.6

Sources: Country authorities; and IDA, IMF and AfDF staff estimates.

1/ For IDA and IMF these include 19 post-completion point HIPCs. For AfDF, this includes 15 completion point countries (Benin, Burkina Faso, Cameroon, Ethiopia, Ghana, Madagascar, Mali, Mauritania, Mozambique, Niger, Rwanda, Senegal, Tanzania, Uganda, Zambia).

2/ For IDA, IMF and AfDF, this includes 10 interim countries.

3/ For IDA and IMF, costs include 11 pre-decision point countries, while only 8 pre-decision point countries could potentially qualify for MDRI debt relief from AfDF (Central African Republic, Comoros, Cote d'Ivoire, Eritrea, Liberia, Somalia, Sudan and Togo). Cost estimates are very preliminary and subject to a number of assumptions, including on: (i) timing HIPC decision and completion points, and, where applicable, of arrears clearance; (ii) type and size of IMF-supported arrangements, (iii) results of updated DSAs; (iv) future interest rate path; and (v) modalities of IMF MDRI relief to the protracted arrears cases (after arrears clearance, their debt would not be MDRI-eligible under the current MDRI and traditional arrears clearance frameworks, requiring a modified approach).

4/ For IDA and AfDF, the relief in nominal terms reflects the sum of debt service savings. For the IMF, it reflects the stock of debt eligible for relief.

5/ In the case of the IMF, financing needed to provide MDRI assistance to the newly identified HIPCs and the protracted arrears cases was not included in the original cost estimates and funding of the MDRI Trusts, and such resources would need to be mobilized for this purpose.

6/ The computations of the NPVs are affected by the underlying financing arrangements. The significant differences between the estimates in nominal and NPV terms for IDA and AfDF reflect the fact that the costs to these institutions correspond to the lost reflows over several decades, while the costs to the Fund were incurred upfront for the qualifying countries.

C. Participation of Paris Club Official Bilateral Creditors in the HIPC Initiative

33. **Paris Club official bilateral creditors have continued to provide interim relief to countries that have reached their decision points and stock-of-debt reductions to countries that have reached their completion points.** The estimated cost to Paris Club creditors of providing HIPC debt relief to the 29 countries that have reached the decision point is US\$15.2 billion in end-2005 NPV terms (Table 4 and Appendix Table 10). Paris Club creditors have already signed agreements to provide their share of HIPC Initiative debt relief in the form of stock-of-debt reductions to the 19 post-completion-point countries. The total amount of HIPC Initiative debt relief provided to these countries amounts to US\$9.6 billion in end-2005 NPV terms. They have also been providing interim debt relief to the other 10 post-decision-point countries, conditional on their continued pursuit of reforms under IDA- and IMF-supported programs.²⁷ The estimated additional cost of providing debt relief to the 11 pre-decision-point countries amounts to US\$7.1 billion in end-2005 NPV terms.

²⁷ Information on the amount of interim debt relief provided by these creditors to the 10 HIPCs is not available.

34. **Almost all 19 Paris Club creditors have agreed, on a bilateral basis, to grant additional debt relief beyond that committed under the HIPC Initiative.** Practices to provide additional debt relief depend on the creditor, the HIPC Initiative stage reached, and the categories of eligible claims (see Appendix Table 11). At the decision point, some creditors have provided stock-of-debt reductions on various categories of debt in addition to interim relief. At the completion point, most creditors have cancelled 100 percent of pre-cutoff debt, and some have also cancelled part or all of post-cutoff debt. To date, Paris Club creditors have delivered US\$6.4 billion in additional debt relief to the 19 post-completion-point HIPCs, representing an increase of about 66 percent relative to the total HIPC Initiative debt relief provided by these creditors to the 19 HIPCs.

D. Participation of Non-Paris Club Official Bilateral Creditors in the HIPC Initiative

35. **The voluntary nature of the HIPC Initiative has contributed to the low participation of non-Paris Club official bilateral creditors.** The HIPC Initiative was adopted by broad international consensus at the Boards of IDA and the IMF, and efforts have been deployed to encourage all creditors to join in, with a view to ensuring that debt relief provided would be comprehensive and the costs shared equitably. However, there is no legal basis requiring creditors to participate and provide debt relief on terms comparable to those granted by other creditors. Therefore, the refusal by a member country to reschedule its claims on HIPCs is neither a breach of a contractual commitment to the IDA or IMF, nor a breach of the obligations under the Articles of Agreement of these institutions. In practice, many non-Paris Club creditors (as well as commercial creditors, as will be discussed in the next section) have not participated in the HIPC Initiative. This fact has been repeatedly pointed out in previous Status of Implementation Reports.²⁸

36. **In response to the Boards' request, staffs have redoubled their efforts to encourage these creditors to participate in the Initiative.** Directors' recommendations included intensified moral suasion, more explicit attention to creditor participation issues in Article IV consultations, creditor education on the HIPC Initiative methodology, and enhanced transparency of creditor participation. Staffs have followed up on these recommendations, and also stepped up their efforts to obtain more accurate information on debt relief actually provided. Thirteen out of 56 creditors account for about 85 percent of the HIPC Initiative debt relief expected to be provided by non-Paris Club official bilateral creditors to the 29 post-decision-point countries (see Figure 9 and Figure 10). Given the distribution of non-Paris Club debt relief, as a first step, staffs sent letters and questionnaires to nine large creditors of HIPCs and four smaller ones that indicated their willingness to provide HIPC Initiative debt relief but had not yet done so.²⁹ In addition, staffs have also requested more detailed information from

²⁸ See, for example, "Heavily Indebted Poor Countries (HIPC) Initiative: Status of Implementation," August 2005, Section III.

²⁹ The large creditors to which letters were sent are: Algeria, Bulgaria, China, Honduras, Kuwait, Libya, Saudi Arabia, United Arab Emirates, and Venezuela. The four smaller creditors reportedly willing to provide relief to which letters were also sent are: Hungary, Poland, Romania, and the Slovak Republic.

the 29 post-decision-point HIPCs on debt relief they have received. IMF staff has continued to discuss the issue of low participation in the Initiative in Article IV consultation discussions.

Figure 9. Non-Paris Club Creditor Cost is Heavily Concentrated on a Few Creditors

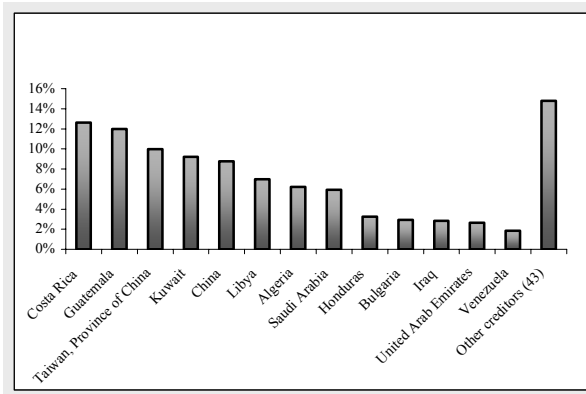
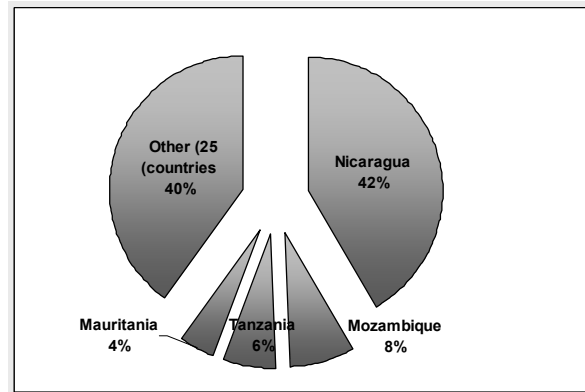


Figure 10. Non-Paris Club Creditor Debt Relief is Concentrated on Four Debtors



Sources: HIPC documents and IDA and IMF staff estimates.

37. **Responses from both creditors and HIPC debtors to requests for information have been limited.** Partial responses were received from seven creditors (Bulgaria, Kuwait, Saudi Arabia, Hungary, Poland, Romania, and the Slovak Republic), and, on the debtor side, 16 post-completion-point HIPCs, and five interim HIPCs. Based on available information to date, staffs determined that six countries (the Czech Republic, Jamaica, the Republic of Korea, the Slovak Republic, South Africa, and Trinidad and Tobago) have provided full HIPC Initiative debt relief. This amounted to US\$52 million in end-2005 NPV terms, or 1.4 percent of the total relief to be granted by non-Paris Club creditors to HIPCs. A number of other creditors (e.g., Algeria, Bulgaria, Burundi, China, Hungary, India, Kuwait, Libya, Poland, Romania, and Saudi Arabia) have provided some debt relief to their HIPC debtors, including through new agreements since August 2005.³⁰ Several HIPCs have also reported that negotiations are ongoing with another large creditor, the United Arab Emirates, which could result in further delivery of debt relief. China and Libya have notified staffs that they provide debt relief to HIPCs through their own initiatives but did not share details on the amounts of debt relief delivered.³¹

³⁰ Burundi, a HIPC itself, reportedly signed an agreement with Uganda in October 2005 and provided partial debt relief.

³¹ In October 2000, China announced that it would cancel US\$1.2 billion of its claims on African countries over the next two years to alleviate their debt burden. However, China has not reached agreement with more than a third of its debtors so far, mainly due to lack of diplomatic relations. In September 2005, the Chinese authorities indicated that HIPCs that have diplomatic relations with China will benefit from debt relief on all interest-free or low-interest government debt overdue as of end-2004.

Table 6. Non-Paris Club Creditors that Have Delivered Debt Relief to HIPC, and Amounts of Assistance Provided

Creditor Country	Cost of HIPC Initiative Debt Relief		Range of HIPC Initiative Debt Relief Delivered 1/	
	NPV Terms (US\$ millions)	Percent of Total Cost	NPV Terms (US\$ millions)	Percent of Cost of HIPC Initiative Debt Relief
Total Debt relief to the 29 HIPCs	3821	100	1022 — 1411	27 — 37
<i>Countries that have delivered debt relief</i>	<i>2045</i>	<i>54</i>	<i>1022 — 1411</i>	<i>50 — 69</i>
Brazil	8	0	6	77
Bulgaria	107	3	20 — 95	19 — 89
Burundi	1	0	0 — 0	0 — 12
China	345	9	149 — 261	43 — 76
Czech Republic	7	0	7	100
Egypt	12	0	4	31
Guatemala	445	12	439	99
Hungary	17	0	12	71
India	37	1	10 — 33	28 — 90
Jamaica 2/	0	0	0	100
Kuwait	370	10	190 — 264	51 — 71
Libya	275	7	25 — 44	9 — 16
Mexico	63	2	51	81
People's Democratic Republic of Korea	4	0	0 —	0 —
Poland	19	1	6	30
Republic of Korea	7	0	7	100
Romania	42	1	6	14
Rwanda	1	0	0 — 1	0 — 75
Saudi Arabia	242	6	51 — 135	21 — 56
Slovak Republic	33	1	33	100
South Africa	5	0	5	100
Tanzania	4	0	3	65
Trinidad and Tobago	1	0	1	100
Others 3/	1	0	0 — 1	0 — 100
<i>Others that have not delivered debt relief</i>	<i>1776</i>	<i>46</i>	<i>0</i>	<i>0</i>

1/The lower bound includes debt relief only when debtors consider that relief has been delivered in full on HIPC Initiative terms; partial debt relief is excluded. The upper bound assumes full debt relief even when debtors assessed that partial debt relief has been provided.

2/ The amount is smaller than US\$0.5 million.

3/ Include Ecuador and Uruguay.

38. **The available information suggests that debt relief delivered to HIPCs by non-Paris Club official bilateral creditors is low even under optimistic assumptions.** Given the lack of full information, staffs could not determine the precise amount of partial debt relief provided to the 29 post-decision-point HIPCs and were only able to provide a range of estimates for the delivery of debt relief.³² Estimated debt relief delivered ranges between US\$1.1 and US\$1.4 billion in end-2005 NPV terms, or 27 and 37 percent of total HIPC Initiative assistance costs attributable to these creditors (Table 6 and Appendix Table 12). Even under the most optimistic scenario, this is still less than half of the debt relief expected to be delivered by non-Paris Club official bilateral creditors.^{33, 34}

³² Another factor that complicates the estimation of debt relief is the variety of modalities of delivery (e.g., through flow rescheduling, buyback operations, debt reprofiling, and debt cancellation).

³³ Staffs estimates of delivery of debt relief are subject to significant uncertainty, given that they are based on partial information. The uncertainty is even larger for individual cases, such as China (with a range of 43 to

(continued)

39. **In one case, a bilateral creditor has initiated litigation against a HIPC.** In 2004, Libya indicated that it would not participate in the HIPC Initiative. More recently, the Government of Libya initiated litigation against the Government of Nicaragua (see Box 4). This is a noteworthy development, which staff will monitor closely.

40. **Staffs will continue their efforts to obtain and report on information from non-Paris Club creditors and HIPC debtors and provide them with technical assistance, as needed.** Despite the low level of responses, staffs plan to continue to contact both groups and reconcile the information received in order to refine their estimates of debt relief provided. They will also notify non-Paris Club creditors whether they provided debt relief on HIPC Initiative terms and will continue to share with creditors and debtors technical notes on the HIPC Initiative methodology. Staffs will also disseminate more widely information on the delivery of HIPC debt relief on the IDA and IMF websites. In this regard, they could prepare a note for the Boards to be published externally, acknowledging individual creditors' progress or lack thereof in providing debt relief to HIPCs.

76 percent), India (range of 28 to 90 percent), or Saudi Arabia (range of 21 to 56 percent), underscoring the need for more detailed information.

³⁴ Creditors are not expected to deliver debt relief until their HIPC debtors reach the completion point. The estimated debt relief delivered by non-Paris Club creditors as a share of HIPC Initiative assistance expected to be delivered to the 19 post-completion-point countries ranges between 32 and 44 percent (Appendix Table 12, Memo Item).

Box 4. Nicaragua — Obtaining HIPC Initiative Debt Relief from Non-Paris Club Official Creditors

Nicaragua has been actively seeking debt relief from all its non-Paris Club official creditors. It has 23 non-Paris Club creditors, more than double the average HIPC's number of creditors (10), and expects about 40 percent of its total debt relief from this group of creditors, compared to the average of 9 percent for other HIPCs.

Despite its sustained efforts, progress in obtaining debt relief has been limited. Two and a half years after reaching its completion point, Nicaragua has only been able to sign agreements with 12 of its non-Paris Club creditors, accounting for less than 40 percent of the total relief expected from these creditors. Although this represents the highest number of agreements that a HIPC has signed with its non-Paris Club creditors to date, Nicaragua has yet to reach agreements with its other 11 creditors. Some of the challenges it has faced in the process are detailed below.

Some creditors refuse to participate fully in the HIPC Initiative and one creditor has even resorted to litigation. Nicaragua has been unable to reach agreements with certain creditors that have explicitly indicated their unwillingness to provide relief under the HIPC Initiative – China, Iran, Libya and Taiwan Province of China. China has not provided its share of debt relief on the grounds that it does not maintain diplomatic relations with Nicaragua. The Government of Libya has initiated litigation against the Government of Nicaragua. Because of the delay in reaching an agreement with Taiwan Province of China, in which time Nicaragua has continued to service its debt, the NPV of the outstanding debt has become smaller than the expected debt relief.

Limited understanding of the HIPC Initiative methodology has complicated reaching mutually agreeable solutions. The principles of burden sharing and comparability of treatment, as well as the methodology to calculate the relief to be provided, are not well understood by all parties involved. As a result, agreements have not yet been reached with Costa Rica, the Republic of Serbia, and Algeria. Staffs have tried to assist debtors and creditors, upon request, in clarifying the HIPC Initiative methodology.

Legal or institutional constraints have hindered the provision of debt relief. For example, Ecuador and Venezuela have indicated that the provision of debt relief to Nicaragua is limited by legal restrictions. Similarly, Poland indicated that formal approval from Cabinet was required. While Bulgaria and India have cancelled Nicaragua's sovereign debt, they indicated that the governments are not authorized to provide debt relief on claims held by public enterprises.

HIPC-to-HIPC debt relief may require assistance from other creditors and donors. While Honduras, itself a HIPC, has indicated its willingness to provide HIPC Initiative debt relief, it has not yet delivered on its promise. The cost of debt relief to be provided by Honduras is equivalent to seventeen percent of the HIPC Initiative debt relief it expects to receive from its creditors. Therefore, the Honduran authorities plan to approach both their bilateral creditors to try to implement debt-swap operations and donors to seek grants.

E. Participation of Commercial Creditors in the HIPC Initiative and Commercial Creditor Litigation against HIPCs

41. **The share of debt relief expected to be provided by commercial creditors to HIPCs has been increasing.** Commercial creditors now account for about 4 percent of the total costs of HIPC Initiative debt relief to the 29 post-decision-point countries. Their share in total debt relief has almost doubled since mid-2005, mainly on account of the Republic of Congo reaching its decision point. While the share of HIPC Initiative debt relief to be provided by commercial creditors is low compared to other groups of creditors, it varies among individual HIPC cases from zero (in Burkina Faso, the Gambia, Mauritania, and São Tomé and Príncipe) to 35 percent (in the Republic of Congo). It is expected to increase further, if pre-decision-point countries with large commercial debt burdens start to move through the HIPC Initiative process (such as Côte d'Ivoire, Liberia, and Sudan with commercial debt shares of 21, 21, and 13 percent, respectively).

42. **Very few commercial creditors have provided their share of HIPC Initiative debt relief** (Table 6). According to a recent survey conducted by IDA and IMF staffs, some commercial creditors have only provided debt relief in three cases (on debt owed by the Democratic Republic of the Congo, Guyana, and Madagascar).³⁵ This debt relief only amounts to 5.5 percent of the total HIPC Initiative assistance to be provided by commercial creditors to the 29 post-decision-point HIPCs.³⁶ In the case of Guyana, a commercial creditor dropped its legal action against the country and granted it debt relief following pressure from the Government of Guyana and several non-governmental organizations. A supplier provided partial debt relief to Madagascar. Concessional terms were provided in the restructuring of some commercial loans to the Democratic Republic of the Congo.

43. **Many HIPCs have made use of the IDA Debt Reduction Facility (DRF) for IDA-only countries to reduce their exposure to commercial creditors.** The DRF provides grants to qualifying countries to prepare and execute buy-back operations (see Box 5). Since 1989, the DRF has supported operations and provided technical assistance to 13 of the 19 countries now past completion point; three of the 10 countries now in the interim stage; and two of the 11 pre-decision-point countries.³⁷ Creditors are now required to provide a discount under the operation of at least the combined effect of the provision of traditional and HIPC Initiative debt relief. The Governments of Mozambique and Nicaragua are currently using DRF preparation grants to pay for financial and legal advice on possible debt buy-backs. In August 2005, the IDA Board approved a DRF preparation grant to the Democratic Republic of the Congo.

44. **A growing number of commercial creditors and distressed debt funds are engaging in litigation against HIPCs** (Table 7 and Appendix Table 13). Eleven out of the

³⁵ The survey was sent to the 29 countries that have reached their decision points. Twenty-four countries have replied to the survey (a response rate of 83 percent). The survey was not sent to pre-decision point HIPCs.

³⁶ This relief does not include debt reduction in the context of debt buybacks supported by IDA's Debt Reduction Facility, which are discussed in the next paragraph.

³⁷ About US\$3.8 billion of external commercial debt (principal only) owed by HIPCs was extinguished using IDA's DRF.

24 respondents to the staff survey reported that they have been targeted with lawsuits by a total of 44 litigating creditors. Three reported legal actions are new since the survey in mid-2005. The HIPC facing the most litigation are the Republic of Congo, Guyana, and Uganda, with eight, seven, and six lawsuits respectively. Litigating creditors are based all over the world, but higher concentrations are observed in the United Kingdom, British Virgin Islands, and the United States (home to six, six, and five litigating creditors, respectively). Lawsuits against HIPCs have been filed mainly in London, Paris, and New York with nine, seven, and six litigations respectively. Another 15 legal disputes have been filed in local HIPC courts.

45. **Litigating creditors have generally won lawsuits against HIPCs.** Of the total 44 litigations, 26 creditors have obtained court judgments in their favor against seven HIPCs (Cameroon, the Democratic Republic of the Congo, Republic of Congo, Nicaragua, Sierra Leone, Uganda, and Zambia), amounting to about US\$1 billion. Sierra Leone, Uganda, and Zambia have already paid a cumulative US\$30 million to some of their litigating creditors, including through out-of-court settlements.³⁸ Staffs are aware of international commercial arbitration proceedings involving four HIPCs (Cameroon, the Democratic Republic of the Congo, Republic of Congo, and São Tomé and Príncipe). In the case of the Republic of Congo, creditors have obtained at least five enforceable court judgments against the country and are seeking to enforce them in multiple jurisdictions. Fourteen lawsuits (against Cameroon, Guyana, Honduras, Sierra Leone, and Zambia) are still pending.

46. **Litigation can result in significant financial and economic costs to HIPCs** (Table 7). The total reported claims under litigation amount to about US\$1.9 billion, and are about 22 percent higher than the total HIPC Initiative debt relief to be provided by commercial creditors. For example, lawsuits against Cameroon and Nicaragua have resulted in court awards equivalent to more than half, and four times, respectively, of the debt relief that should have been provided by commercial creditors to these countries. Claims under litigation could represent a significant fraction of HIPCs' GDP, as illustrated by the cases of the Republic of Congo and São Tomé and Príncipe, whose litigated debts are equivalent to about 15 and 13 percent of GDP, respectively.

47. **The low participation of commercial creditors could hinder some HIPCs' access to debt relief from the IMF.** Minimum thresholds for financing assurances have been established by the IMF to foster fair burden sharing of debt relief costs and encourage HIPCs to approach all their creditors promptly.³⁹ HIPCs that have significant debt to commercial creditors (such as the Republic of Congo, Côte d'Ivoire, or Liberia) could find it difficult to get the financing assurances required to access interim relief from creditors such as the IMF. As of end-July 2006, the IMF has not received sufficient financing assurances to start disbursing interim assistance to the Republic of Congo, which reached its decision point in April 2006.

48. **The low delivery of debt relief by commercial creditors also raises "free-riding" concerns.** The payment of commercial debt on more favorable terms than those granted to

³⁸ Ethiopia has also opted for an out-of-court settlement with one litigating creditor, but has not yet paid.

³⁹ Under established thresholds, financing assurances must be received from creditors holding 70 percent of HIPC Initiative eligible debt for the IMF to disburse interim assistance to a HIPC that has reached the decision point (and 80 percent to disburse the remaining HIPC Initiative debt relief after a country has reached the completion point).

most bilateral and multilateral creditors undermines the Initiative's goal of equitable burden-sharing among creditors.⁴⁰ It also prevents HIPCs from using the totality of resources freed by debt relief for poverty-reducing spending, as initially intended.

Box 5. The Debt Reduction Facility (DRF) for IDA-Only Countries

The Debt Reduction Facility (DRF) for IDA-Only Countries was established in the context of the debt crisis of the 1980s as an instrument to reduce the stock of external debt owed to commercial creditors by IDA-only countries. Since its inception in 1989, the DRF has played a significant role in extinguishing commercial external debt for low-income countries where high debt burdens have constrained economic growth and poverty reduction.

The DRF provides grant funding to eligible countries to buy back the debts owed to external commercial creditors at a deep discount. Often, the settlement of arrears with commercial creditors enables countries to manage their debt in a more cost effective way vis-à-vis expensive legal cases and penalty interest awards.

The Facility was initially funded with a US\$100 million transfer from IBRD's FY89 net income. This was subsequently replenished by US\$100 million each from IBRD's net income in FY93 and FY95 and with US\$50 million from IBRD's net income in 2004. IDA administers the Facility under which funds are made available on a grant basis to recipient member countries to facilitate the maximum debt reduction that can be negotiated.

Eligible debt includes medium- and long-term commercial debt that is public, external, non-collateralized and un-guaranteed; and short-term debt of similar type that has been in arrears for some time where the existence of such debt is likely to impair the country's access to short-term credit on reasonable terms. Debt reduction has been largely through cash buy-backs at significant discounts.

Under current guidelines, all highly indebted IDA-only countries are eligible for the facility provided: (i) there is satisfactory performance under a medium term adjustment program; and (ii) the government is implementing a satisfactory strategy for debt management that seeks comprehensively to address commercial debt, provides substantial relief from official bilateral creditors, and enhances the country's growth and development prospects. Although the DRF was established before the HIPC Initiative, to date all but three of the supported operations have been in current HIPCs (the exceptions are: Yemen, Vietnam, and Albania).

Since its establishment, the Facility has supported 22 operations in 21 IDA-only countries. About US\$4.5 billion of external commercial debt principal and more than US\$3.5 billion of associated interest arrears and penalties have been extinguished. To achieve this, resources of about US\$637 million have been utilized. This was comprised of IBRD net income transfers of US\$218 million, donor funding of US\$207 million, and about US\$212 million from beneficiary countries' own resources, IDA credits, and IMF financing.

⁴⁰ "Free-riding" concerns in this case arise not from new borrowing (as discussed in paragraph 22), but from creditors' lack of participation in the Initiative and their request for debt-service payments or court awards from HIPC debtors. This type of "free riding" is not subject to IDA's policies mentioned in paragraph 22.

Table 7. Enhanced HIPC Initiative:
Commercial Creditor Participation and Lawsuits by Country
Status at end-2005 1/

	Commercial Creditor Participation 2/			Commercial Creditor Lawsuits 2/				
	NPV of Debt with Commercial Creditors at the Decision Point	Expected Debt Relief under HIPC 3/	Delivery of Debt Relief 4/	Number of litigating Creditors	Claims of Litigating Creditors 5/		Court Awards 6/	
					(In millions of US dollars)	(In percent of GDP)	(In millions of US dollars)	(In percent of GDP)
I. Completion Point Countries (19)								
TOTAL	3102	688	9	27	762		390	
Benin	10	2	...	0				
Bolivia	24	8	0	0				
Burkina Faso	0	0	...	0				
Cameroon	891	81	...	5	347	2.0	53	0.3
Ethiopia	145	40	0	1	9	0.1	9	0.1
Ghana *	470	265	...	...		
Guyana 7/	62	25	4	7	47	6.0		
Honduras	55	3	0	1	1	0.0		
Madagascar	21	3	4	0				
Mali	8	3	0	0				
Mauritania	0	0	0	0				
Mozambique 8/	204	62	0	0				
Nicaragua	976	71	0	4	276	5.5	276	5.5
Niger *	5	3	...	...		
Rwanda	1	1	...	0				
Senegal	4	1	0	0				
Tanzania	132	78	...	0				
Uganda	56	15	0	6	36	0.4	30	0.3
Zambia	41	28	0	3	46	0.6	23	0.3
II. Decision Point Countries (10)								
TOTAL	3815	844	72	19	1101		629	
Burundi	6	5	...	0				
Chad *	6	2	...	0				
Congo, Dem. Rep. of	308	175	72	2	162	2.3	162	2.3
Congo, Rep. of	3329	590	0	7	900	15.3	453	7.7
Gambia, The *	0	0	...	...		
Guinea *	10	3	...	...		
Guinea-Bissau	1	1	...	0				
Malawi	53	23	0	0				
São Tomé and Príncipe	0	0	0	1	9	12.7		
Sierra Leone	101	45	0	9	31	2.6	14	1.2
HIPC countries (I + II)	6917	1532	81	46	1863		1018	

Source: Survey on Commercial Creditor Participation and Creditor Lawsuits against HIPCs. The survey was responded by 24 countries out of 29 HIPCs.

1/ Countries that did not response the survey are shown with an asterisk.

2/ No response or insufficient information are shown with three dots.

3/ At the Decision Point.

4/ As reported by the authorities of HIPCs.

5/ Commercial creditors lawsuits against HIPCs are reported without assessing the merits of these disputes.

6/ Some litigations are pending or in arbitration.

7/ A supplier provided its share of debt relief under HIPC plus additional assistance in the amount of \$18.6 million.

8/ Total commercial debt is nominal debt at the decision point as commercial debt in NPV terms was not available.

49. **The ability of IDA and the IMF to encourage the participation of commercial creditors in the HIPC Initiative is currently limited.** As mentioned earlier, the HIPC Initiative is not legally binding on other creditors. Moreover, in accordance with their respective Articles of Agreement and policies, both institutions are required to operate with neutrality and impartiality in disputes among members. Both Boards have discussed a proposal to create and manage a trust fund financed by donors to help HIPCs get legal advice against creditor litigation, but the proposal was dropped.⁴¹ The Boards have encouraged staff to continue using moral suasion while maintaining neutrality in disputes.⁴²

50. **Staffs will continue to make use of moral suasion, but stronger support from the international community would be needed to encourage creditor participation in the Initiative and limit “free-riding” concerns.**⁴³ Staffs will continue to monitor and discourage non-concessional borrowing by countries in the context of surveillance and programs, in order to limit “free-riding” concerns. They will make further efforts to raise public awareness, including in their contacts with NGOs, of the issues and costs involved in lawsuits against HIPCs by tracking and releasing data on lawsuits, litigators, and settlements/awards against HIPCs in the context of their annual reports on the implementation of the HIPC Initiative.

IV. CONCLUSIONS

51. **In conclusion, significant progress has been made in the implementation of the HIPC Initiative and the MDRI.** Almost three quarters of the countries identified as potentially eligible for the HIPC Initiative have already reached their decision points, and almost half of the total have also reached their completion points. HIPC Initiative and MDRI debt relief to these countries is expected to reduce their debt stocks by about 90 percent. As a result of debt relief, their debt service has declined by about 2 percent of GDP between 1999 and 2005, and is expected to decline further in the medium term, as a result of MDRI debt relief. At the same time, poverty-reducing expenditures in these countries have increased significantly, and are now more than five times as high as debt-service payments. Finally, the conditionality attached to the provision of debt relief under the two initiatives has encouraged some reforms in debt and public financial management, although more needs to be done in these areas to prevent debt from becoming unsustainable again and to ensure that debt-service savings are targeted and used efficiently.

52. **However, challenges remain with respect to helping the interim and pre-decision-point countries to get through HIPC Initiative process and encouraging creditor**

⁴¹See IDA and IMF “Enhanced HIPC Initiative—Creditor Participation Issues”, April 8 2003, <http://www.imf.org/external/np/hipc/2003/creditor/040803.htm> and <http://www.worldbank.org/hipc>

⁴²“Enhanced HIPC Initiative—Status of Implementation,” September 2002, <http://www.worldbank.org/hipc> and <http://www.imf.org/external/np/hipc/doc.htm>.

⁴³ For example, member countries could consider the scope for enacting laws that protect HIPCs from lawsuits or seizure of assets under their jurisdictions in the wake of litigation. It may be difficult, however, to obtain the necessary support for such legal changes, especially when such changes may have ramifications for creditor-debtor relations more broadly within a country’s legal framework. Also see IDA and IMF “Enhanced HIPC Initiative—Creditor Participation Issues,” April 8, 2003.

participation in the HIPC Initiative. Half of the HIPCs in the interim period have been experiencing difficulties in the implementation of their macroeconomic programs, and will need more time to reach their completion points. Similarly, several of the pre-decision-point countries would need to step up their efforts to attain their decision points. Staffs stand ready to help these countries reach the HIPC Initiative milestones and access the needed debt relief. However, the provision of debt relief especially by non-Paris Club official bilateral and commercial creditors has been limited, and some of these creditors have even resorted to litigation. Staffs have maintained their efforts to encourage participation of non-Paris Club official bilateral and commercial creditors in the Initiative mainly through moral suasion, and will continue to do so and report to the Boards on progress made in this area.

Annex I: Country Coverage, Data Sources, and Assumptions for the HIPC Initiative and MDRI Costing Exercise

Country Coverage

- The costing analysis for the decision point countries is based on 29 HIPCs: Benin, Bolivia, Burkina Faso, Burundi, Cameroon, Chad, Democratic Republic of the Congo, Republic of Congo, 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.
- The costing analysis for the pre-decision-point countries is based on 11 HIPCs: Central African Republic, Comoros, Côte d’Ivoire, Eritrea, Haiti, the Kyrgyz Republic, Liberia, Nepal, Somalia, Sudan, and Togo.

Data Sources

- Staff estimates are based on enhanced HIPC Initiative decision and completion point documents for all 29 post-decision-point countries, and preliminary documents or estimates presented in “Heavily Indebted Poor Countries (HIPC Initiative) – List of Ring-Fenced Countries that Meet the Income and Indebtedness Criteria at end-2004” for the 11 pre-decision-point HIPCs.

Assumptions for the HIPC Initiative and MDRI Costing Exercise

- Calculations of total costs include costs under the original and enhanced HIPC Initiative frameworks and the MDRI, including assistance that has already been delivered.
- Cost estimates for the HIPC Initiative are based on debt data after full use of traditional debt-relief mechanisms.
- The SDR-U.S. dollar exchange-rate used for the calculations was as of the date of delivery of debt relief, or as of July 1, 2006, in cases where debt relief was not yet delivered.

Update of Cost Estimates in Net Present Value Terms

- The cost of HIPC Initiative assistance calculated in NPV terms at the time of the decision point was adjusted each year after the decision point year by the average interest rate applicable to the debt relief. This rate was estimated at 4.4 percent and corresponds to the implicit long-term interest rate of currencies that comprise the SDR basket over the period 2003-2005, calculated as an average of the 6-month Commercial Interest Reference Rate (CIRR) over this period, weighted by the participation of the currencies in the SDR basket. The same rate was used to calculate MDRI debt relief in end-2005 NPV terms.

Annex II: Enhanced HIPC Initiative: Progress in Implementation in Countries that Have been Assessed to Meet the Income and Indebtedness Criteria as of End-2004 and Might Avail Themselves of the HIPC Initiative (Pre-Decision-Point Countries)

(As of end-July 2006)

Central African Republic

Recent Political Developments: Since the May 2005 elections, the political situation has been generally peaceful, although tensions remain, partly as a result of the difficult fiscal situation. Recent instability in neighboring countries (Chad and Sudan) is a source of border security concerns.

PRSP Status: Preparation of the final PRSP has resumed, and its completion is expected in 2006 or early 2007. A JSAN was prepared and presented to IDA's Board in January 2001. IDA has provided technical assistance to advise the Central African Republic's government on the finalization of the PRSP. The final PRSP is expected to be completed during FY07.

IMF Program and Macroeconomic Status: A first EPCA-supported program was approved in July 2004. The review of the first EPCA-supported program was completed in January 2006, when a second EPCA-supported program was adopted. If performance under the current EPCA-supported program is satisfactory, and there is agreement on clearing arrears to multilateral creditors, a PRGF-supported arrangement could be in place by December 2006. The economy has continued to improve, and GDP is expected to grow at three percent in 2006, based on strong activity in the mining and tertiary sectors. Inflation as of May 2006 accelerated to 6.6 percent at an annual rate, due to a large pass-through of the increase in the administered prices of petroleum products at end-2005 and to higher than expected food prices. Revenue performance was strong, but the expenditure overrun continued.

Decision Point: The expected Decision Point date is in mid-2007.

Comoros

Recent Political Developments: The political situation and inter-island relations have improved significantly following the May 2006 presidential elections. The new president, Ahmed Sambi, was elected with strong support in the first democratic power transfer in over a decade.

PRSP Status: An I-PRSP has been transmitted to the IDA and IMF and presented to the Boards alongside a JSAN on May 16, 2006. As noted in the JSAN, the I-PRSP and related action plan are more comprehensive than is usually expected, and they contain most of the material required for a full PRSP. The new administration has endorsed the I-PRSP. The full PRSP is not likely to be completed before 2007.

IMF Program and Macroeconomic Status: Comoros has had an IMF Staff-Monitored Program (SMP) in place since the beginning of 2005. The SMP was extended through June 2006. The third staff review and extension of the SMP were conducted in February 2006. Negotiations for a PRGF-supported arrangement could be conducted later this year, with a view to submitting the PRGF-supported program for Board approval before year-end, although significant hurdles remain, including the need to establish a track record of policy implementation and multilateral arrears clearance. While macroeconomic stability was maintained in 2005, growth slowed down and public finances deteriorated sharply in the run up to the presidential elections.

Decision Point: If Comoros concludes a PRGF-supported arrangement before the end of 2006, the decision point could be reached toward the middle of 2007.

Côte d'Ivoire

Recent Political Developments: In 2006, significant progress toward peace was made. The new transition government, which includes rebels who control the country's northern half, has managed to maintain fragile political stability. It started implementing a new roadmap for Disarmament, Demobilization, and Reintegration, the redeployment of the civil service in the whole territory of Côte d'Ivoire, and the preparation of presidential elections by October 2006, as recommended by the UN Security Council and the African Union.

PRSP Status: An I-PRSP was endorsed in March 2002, but the conflict delayed the completion of the full PRSP. Since May 2005, there has been a new and strengthened institutional framework in place for managing the PRS process. A new I-PRSP could be prepared by early 2007.

IMF Program and Macroeconomic Status: The last PRGF arrangement was approved in March 2002, but went off track later that year. A mission in May 2006 reached broad agreement on a program that could be supported by an EPCA, expected to be considered by the Board at end-August 2006. Satisfactory EPCA-supported policy implementation could lead to a new PRGF-supported arrangement. The economy has continued to show resilience, due to sharply increasing oil production, sustained strong exports, and buoyancy in the informal sector. Growth is estimated at 1.8 percent in 2005 and a similar rate is foreseen for 2006. In 2005, the fiscal situation remained difficult as expenditure overruns were financed by accumulation of external arrears. The first quarter of 2006 showed a slight improvement in expenditure control, allowing a reduction in domestic payment arrears.

Decision Point: The decision point is expected to be reached in mid-2007.

Eritrea

Recent Political Developments: Diplomatic relations between Eritrea and Sudan were upgraded to “ambassador level” in June 2006, following a series of meetings between Eritrean and Sudanese high level governmental delegations. This upgrade in relations is likely to be followed by a normalization of trade relations between the two countries. In contrast, several rounds of talks in May and June 2006 between Eritrean and Ethiopian delegations to settle the border dispute were inconclusive.

PRSP Status: An I-PRSP had been drafted in June 2003, but has not yet been finalized.

IMF Program and Macroeconomic Status: The government is currently discussing with the IMF the implementation of an SMP. Initiation of an EPCA-supported program in 2007 is possible, but contingent upon the successful implementation of the SMP. With inflation in double digits and low growth (2 percent growth is expected in 2006), the macroeconomic situation in Eritrea remains unstable. Large fiscal deficits are the source of an unsustainable debt burden, high inflation, widespread administrative controls, and declining donor support.

Decision Point: The date of the decision point is undetermined.

Haiti

Recent Political Developments: The presidential and parliamentary elections took place in February and April 2006 respectively. The Prime Minister has been nominated, and the new government has been formed. A coalition government has been formed, including ministers from different political parties. The coalition government received almost unanimous approval in Parliament, raising hopes for moving forward with an ambitious reform agenda to modernize the state and promote private sector investment.

PRSP Status: The authorities have completed a first draft of an I-PRSP. The I-PRSP, together with a JSAN, is expected to be presented to the Boards of the IDA and IMF in October 2006. The authorities are committed to complete the full PRSP by end-September 2007.

IMF Program and Macroeconomic Status: A PRGF-supported program was approved in October 1996, but a review was never completed. A new PRGF arrangement is under preparation and is expected to be discussed by the IMF Board in October 2006. In October 2005, the Executive Board of the IMF approved new EPCA-supported program (covering the period October 2005 to September 2006), following a previous EPCA-supported program approved in January 2005 (covering October 2004 to September 2005). Performance under the EPCA-supported program is expected to count towards the track-record for a future PRGF-supported arrangement. During 2004-06, Haiti has made significant progress toward strengthening macroeconomic stability. The economy has gradually recovered from the shocks experienced in 2004 (political turmoil and severe floods), and annual GDP growth is expected

to increase to 2.5 percent in FY2006 from 1.8 percent in FY2005. Progress has also been achieved in the implementation of structural and economic governance measures.

Decision Point: The expected decision point date is in October 2006.

Kyrgyz Republic

Recent Political Developments: A new government has been in place since March 2005. A possible move toward a parliamentary system is under consideration and may be put to a national referendum in late 2006. Several political parties and movements organized a large demonstration in April 2006, demanding that the president deliver on his election promises, including tackling corruption. The president responded with a major reshuffle of the Cabinet.

PRSP Status: A full PRSP was completed and endorsed by the Boards of the IMF and IDA in February 2003. In April 2006, the second annual progress report and accompanying JSAN were sent to the Boards. The authorities plan to issue an NPRS-II in the fall of 2006 (renamed the Country Development Strategy , CDS), extending the poverty reduction strategy to 2010.

IMF Program and Macroeconomic Status: The staff expects successful completion of the current PRGF-supported program, which expires in 2008. The Board completed the second review under the arrangement in May this year on a lapse-of-time basis, and the third review is tentatively scheduled for Board consideration later this year. The authorities are likely to request a successor arrangement. Transitory factors and the uncertain business climate in the wake of the March political events resulted in a 0.6 percent output contraction in 2005. Economic activity has rebounded during the first half of 2006 and a 5 percent growth rate in GDP is expected for the current year. Inflation is expected to reach 5.7 percent by year's end. In the fiscal area, progress has been achieved through improved tax collection, but the quasi-fiscal deficit of the electricity sector remains a significant burden on the economy. The external current account deficit has widened over the past 18 months, despite a surge in workers' remittances.

Decision Point: The Kyrgyz Republic is expected to reach the decision point by end-2006.

Liberia

Recent Political Developments: The post-conflict transition government conducted elections that were generally regarded to be free and fair. The new President, inaugurated on January 16 2006, expressed a strong desire to work with the international community to rebuild Liberia's economy and institutions and endorsed the donor-supported Governance Economic and Management Assistance Program (GEMAP), which has led to a significant improvement in fiscal revenue performance. The government also elaborated a "one hundred and fifty day Action Plan" to identify priority actions for the first one hundred and fifty days of its terms in office.

PRSP Status: The Ministry of Planning and Economic Affairs has begun coordinating preparation of an I-PRSP, currently named the National Agenda for Reconstruction and

Development (NARD). While the government had committed to completing an I-PRSP by end-September, current plans call for a draft by end-June, in time for a mid-July donors' conference. A full PRSP by late 2007 is possible if the early effort is maintained and funding is found.

IMF Program and Macroeconomic Status: A 6-month SMP was approved by the IMF Board on April 26, 2006. A follow-up program after the expiration of the current SMP could be another SMP or a Rights Accumulation Program (RAP). A RAP arrangement is conditioned on (i) sufficient financing assurance from donors to clear arrears and to provide debt relief, and (ii) satisfactory performance under the current SMP. The economy is expected to continue to recover during 2006, largely supported by donor activities and improvements of security in rural areas. Real GDP growth is projected at about 8 percent, and inflation is expected to remain in the single digits. The current account is expected to widen mostly as a result of increases in donor-funded imports. Fiscal management has improved, reflecting strengthening of tax and customs administration and implementation of the new commitment control system.

Decision Point: The earliest possible date of reaching the decision point is mid-2007. The issue of protracted arrears to the IMF is a precondition for reaching the decision point.

Nepal

Recent Political Developments: The political situation remains fluid, with some ground for optimism due to the restoration of democracy in May 2006. Peace talks with Maoist insurgents began in May 2006, and a ceasefire is currently in place. A UN team arrived in Nepal in late July to assist with monitoring.

PRSP Status: A full PRSP was completed and endorsed by the Boards of the IDA and IMF in November 2003. The JSAN of the second PRSP Progress report was provided to the Boards in December 2005.

IMF Program and Macroeconomic Status: A PRGF-supported arrangement was approved in November 2003, and the first review was completed in October 2004. The second and third reviews have not yet been completed. The PRGF-supported arrangement is scheduled to expire on November 18, 2006. Alternatively, Nepal could move to a staff monitored program. The macroeconomic situation has been deteriorating in 2005/06 amidst political turmoil. Inflation has been on the rise (9 percent as of mid-June), mainly on account of increases in food and international oil prices. GDP growth for 2005/06 is projected to decline to 2 percent as the security situation disrupted manufacturing, tourism, and transportation. With weak activity, revenue is expected to fall short of the budget target. However, the current account remained in surplus, and international reserves stood at 6 months of imports of goods and services in mid-May, buoyed by continued strength in remittances.

HIPC Decision Point: The expected Decision Point is uncertain. If the reform program gains momentum, participation is possible, but the Nepalese authorities have not yet made any decision regarding their participation in the Initiative.

Somalia

Recent Political Developments: The political situation in Somalia remains fragile. The Union of Islamic Courts (UIC) has gained effective control over much of south and central Somalia, including the capital city of Mogadishu--leaving the Transitional Federal Government (TFG) isolated in the town of Baidoa. The TFG has been further weakened by mass resignations from the cabinet, and the prime minister barely survived a vote of no-confidence in late July. Prospects for peace are uncertain, and complicated by difficult relations with neighboring Ethiopia. The breakaway republics of Puntland and Somaliland in the north remain relatively stable, however.

PRSP Status: There is no PRSP process in place in Somalia. Given the lack of a fully functional national authority and continued domestic conflict, Somalia is not expected to proceed with the preparation of a PRSP in the near term.

IMF Program and Macroeconomic Status: Somalia has not had an IMF-supported arrangement since 1987, and the prospects for an arrangement in the foreseeable future are minimal. In order to re-establish formal relations with the IMF, Somalia needs to deal with the problem of its overdue obligations to the IMF. In addition, Somalia would need to demonstrate sufficient capacity and improvement in its data reporting to qualify for a formal IMF-supported program.

Decision Point: Undetermined.

Sudan

Recent Political Developments: A Comprehensive Peace Agreement was signed in January 2005, including the establishment of the Government of National Unity (GNU) and the Government of Southern Sudan. More work is needed, however, to make the government commissions envisaged in the agreement operational. The situation in Darfur remains critical, and progress towards the resolution of the conflict has been slow. A Darfur Peace Agreement was signed between the GNU and one of the three main Darfur rebel groups on May 5, 2006, representing tangible but fragile progress towards the resolution of the conflict. The United Nations is negotiating with the government on a peacekeeping force in Darfur.

PRSP Status: An I-PRSP is being prepared and is currently scheduled for completion in October/November 2006. The prospects for a full PRSP will be discussed upon the completion of the I-PRSP.

IMF Program and Macroeconomic Status: A review of the 2005 SMP was completed in May 2006, and performance was assessed to have been satisfactory. Macroeconomic stability and rapid growth are expected to prevail in the near term. In order for Sudan to realize its full economic potential, the authorities would need to minimize non-concessional borrowing, ensure the effective operations of the North-South commissions, and resolve the crisis in Darfur.

Decision Point: The timing of HIPC decision point is uncertain, given the need for arrears clearance and the establishment of a track record under a RAP or a PRGF-supported program.

Togo

Recent Political Developments: A new government took office in late June 2005. On April 24, 2006, the national political dialogue between the government and the opposition parties resumed. A successful dialogue between the opposition and the government may lead to the formation of a government of national unity and pave the way for the holding of free and fair legislative elections, and hence to the resumption of donor support.

PRSP Status: An I-PRSP was approved by the Council of Ministers in November 2004 but has not been submitted to the Boards of the IDA and IMF. Togo will update and file its I-PRSP when the DSA and an arrears clearance plan are in place. The PRSP is expected to be completed at the beginning of 2008.

IMF Program and Macroeconomic Status: The 1994 ESAF-supported arrangement went off track in 1998, and Togo has not had an IMF arrangement since then. The authorities are eager to enter into a new SMP, and initial discussions took place in June 2006 and are expected to continue in the coming months. Satisfactory performance under the SMP and an arrears clearance plan could pave the way for an agreement on a possible new PRGF. The macroeconomic situation is expected to improve in 2006. Growth is projected to reach about 3 percent in 2006, primarily as a result of a rebound of cotton production and continued strong growth in the transportation and clinker sectors. Following a spike in 2005, inflation is projected to return to the authorities' target of 3 percent in 2006. The external current account deficit is projected to increase to 17.7 percent of GDP in 2006, largely on account of higher imports of petroleum products and lower production and exports of cotton.

Decision Point: Togo may reach the decision point in late 2007 at the earliest.

**Annex III: Enhanced HIPC Initiative: Implementation Status of HIPCs
in the Interim Period
(As of end-July 2006)**

Burundi

PRSP Status: Burundi's I-PRSP was completed in November 2003 and discussed by the Boards of IDA and IMF in January 2004. A JSAN and PSR were prepared in July 2005. The PRSP has been delayed because of difficulties in consultations in some provinces with poor security. A draft of a complete PRSP is expected in mid-2006. Following the sharp deterioration of social indicators over the past decade, Burundi seems to have made some slight progress since the return to peace, although its social indicators remain among the weakest in sub-Saharan Africa. **IMF Program and Macroeconomic Status:** Burundi has had a satisfactory track record under the programs supported by EPCA (2002-03) and the PRGF (2004-2007). The PRGF-supported arrangement for 2004-07 remains on track, although privatization and the coffee sector reforms lagged in mid-2005 during the political transition. The third and fourth PRGF reviews were approved by the IMF Board on July 14, 2006. Macroeconomic developments in 2005 were in line with the program, although growth was lower than expected (by about 1 percent). In 2006, GDP growth is projected to recover to 6 percent with continued vigor in the service sectors and coffee output. Inflation is expected to decelerate further to around 3 percent.

HIPC Completion Point: Burundi could reach completion point by mid-2007.

Status of Completion Point Triggers: Budgetary allocations for priority spending targeting pro-poor activities and projects have increased markedly. The elimination of primary schools fees in September 2005 increased first grade enrollment and primary school enrollment rate rose from an estimated eighty percent in 2003/04 to close one hundred percent in 2005/06. On the other hand, little progress has been achieved so far on debt management.

Chad

PRSP Status: The PRSP was completed in June 2003 and discussed at the Boards of the IDA and IMF in November 2003. The first annual PRSP progress report was circulated to the Boards in June 2005 and the second annual Progress Report was prepared in December 2005. An update of the PRSP will be conducted in the second half of 2006, with a view to be completed in 2007.

IMF Program and Macroeconomic Status: A PRGF-supported arrangement was approved in January 2000 and extended to January 2004. A successor PRGF-supported arrangement was approved by the Board in February 2005. The first review of the program has been delayed by more than six months, due in part to the break in relations with IDA associated with the Chad-Cameroon pipeline revenue management arrangements, as well as to poor overall performance under the program. A comprehensive agreement has now been reached with IDA on a new framework for Chad-Cameroon pipeline revenue management; and a supplementary budget for

2006 has been agreed with the IMF. These pave the way for the restoration of macroeconomic stability.

HIPC Completion Point: Chad could reach the completion point by end-2007.

Status of Completion Point Triggers: The triggers on basic infrastructure, water access, and education enrollment were met. The health related triggers have largely been met, and significant progress has been made in the trigger related to HIV/AIDS and sexually transmitted diseases. Some progress has been made in the education area on reducing the repetition rate. The data for 2004 and 2005 will need to be reviewed, as it becomes available. Progress has also been made in the governance area: the Public Expenditure Tracking Survey (PETS) has been undertaken, the procurement code was adopted in 2003, and the Governance Strategy and Action Plan adopted in 2002, with implementation of the latter now underway. Work remains to be done to complete the rural development triggers.

Democratic Republic of the Congo

PRSP Status: A JSA of the I-PRSP was sent to the IDA Board on June 24, 2004. A full PRSP was completed, adopted officially, and transmitted formally to development partners on July, 17 2006. The Fund and World Bank staffs are preparing a joint staff advisory note.

IMF Program and Macroeconomic Status: The PRGF-supported agreement approved by the Board on June 12, 2002, expired on March, 31 2006, prior to the completion of the last review, due to fiscal slippages and delays in implementing structural reforms. IMF staff agreed with the authorities on a staff monitored program (SMP) for April-December 2006. The main objective is to maintain macroeconomic stability through the elections and to reestablish a track record of policy implementation. Strong performance under the program would pave the way for a successor PRGF arrangement. Growth is expected to continue at around 6-8 percent. But with very low levels of official reserves and high dollarization, the authorities do not have many tools to buffer economic shocks.

HIPC Completion Point: The Democratic Republic of the Congo is expected to reach the completion point in the second half of 2007.

Status of Completion Point Triggers: The budget execution system is operational, and quarterly budget execution reports are produced, albeit with some delay. However, additional efforts are needed to ensure timely and comprehensive transmission of information to relevant parties. To this end, the government has recently started to publish its treasury operation plans on its website. In particular, no budget-tracking exercise on health, education, rural development and infrastructure expenditure has yet been carried out. A simplified double-entry accounting system is being introduced. The new procurement code is under preparation. Some progress towards the adoption of satisfactory sectoral development strategies was achieved. The Sector Country Status reports for Education (2004) and Health (2005) were completed. An agricultural sector review was completed in May 2006. These reports would serve as a basis for

future strategies. A new public debt management software (DMFAS) has been acquired with the support by external partners (UNCTAD). It is expected that the full system will be operational by December 2006.

Republic of Congo

PRSP Status: The Republic of Congo PRSP has not yet been finalized, but it is expected by end-December 2006. A JSAN for the I-PRSP was approved by the IDA Board in December 2004.

IMF Program and Macroeconomic Status: A three-year PRGF-supported program was approved in December 2004. The first and second reviews were completed in August 2005, and late June 2006, respectively. The program is expected to remain on track, notwithstanding some potential risks. The international environment in 2006, with the strong increase in oil prices, is expected to remain favorable for growth (projected at 4.8 percent) and the fiscal position (primary budget surplus expected at 12.6 percent of GDP). Based on the second program review discussions, structural and governance reforms will mainly cover the oil, electricity and banking sectors, and corruption issues.

HIPC Completion Point: The expected completion point date is end-2009 at the earliest.

Status of Completion Point Triggers: A joint IMF-World Bank mission visited Brazzaville in mid-June to discuss with the authorities an action plan to implement the triggers for reaching the Completion Point as well as the substance of key Terms of Reference. A poverty survey is completed, sector strategies are under preparation, and a plan to strengthen the participatory process is available to be implemented. On public finance management, an IMF Technical Assistance mission is planned for August 2006 to help establish a functional classification system for government expenditures. A combined Country Financial Accountability Assessment (CFAA) and Country Procurement Assessment Report (CPAR) are underway and should provide a comprehensive action plan to reform procurement and as well as the financial management system.

The Gambia

PRSP Status: A full PRSP was completed in April 2002 and presented to the World Bank and IMF Boards in July 2002. The authorities are currently preparing the second PRSP. The first Annual Progress Report JSAN was prepared in April 2005. The second Annual Progress Report JSAN was submitted to the Boards in June 2006.

IMF Program and Macroeconomic Status: The PRGF-supported arrangement, approved in July 2002, went off-track due to fiscal and monetary policy slippages, and misreporting and governance issues. A six-month SMP spanning the period October 2005–March 2006 has been completed, and a first preliminary assessment was finalized in March 2006. Macroeconomic performance strengthened in the last 18 months, although uncertainties about the 2006 budget cloud the short-term macroeconomic outlook. There is a possibility of a new PRGF-supported program by the end of 2006. However, in the aftermath of a failed coup plot in March 2006,

political tensions have been on the rise. Presidential and parliamentary elections are scheduled for September 2006 and early-2007, respectively.

HIPC Completion Point: The completion point could be reached at the earliest in mid-2007.

Status of Completion Point Triggers: The Governance triggers need clarification or have not been met. The social sector reform triggers were met, but some need confirmation. Structural reform triggers are in progress and have partially been met.

Guinea

PRSP Status: The first PRSP was presented to the Boards in July 2002. The authorities are working on a new PRSP, which could be ready by end-2006. The first JSAN was discussed by the Boards in August 2004. A JSAN on the second annual progress report will be sent to management of IDA and the IMF shortly.

IMF Program and Macroeconomic Status: The PRGF-supported arrangement approved in May 2001 went off track in December 2002. Implementation of an SMP covering April 2005-March 2006 was broadly satisfactory. Discussions on a new PRGF-supported arrangement are currently taking place, but no formal program is yet in place. The political situation in Guinea remains fragile. The reformist Prime Minister Diallo was dismissed in April 2006. The new government has confirmed its commitment to a program with the IMF.

HIPC Completion Point: The completion point is expected by mid-2007.

Status of Completion Point Triggers: A new law covering microfinance has been adopted in 2005, establishing a revised and adequate framework for micro-credit institutions. In addition, Guinea has made progress in structural reform in the past year, under the SMP framework, mainly in the areas of exchange market, tax and customs administration, electricity and water sectors, and privatization. Since the decision point, the government has revised the institutional set-up for governance and anti-corruption policies by creating a National Agency for the Fight against Corruption (ANLC). The country is about to transform the ANLC into an Agency for Good Governance with a wider and more encompassing mandate. The education sector triggers have been generally surpassed, especially with regard to improved gross enrollment ratios, including for girls. However, sustainable progress depends also on improved financing for the sector. On health, the immunizations objectives were met early in the decade, but the success could not be maintained in the wake of weak macroeconomic policies and budget execution. A similar outcome applies to the second health indicator measuring consultations for pregnant women. The inadequate mobilization of public resources has undermined progress.

Guinea Bissau

PRSP Status: The preparation of the full PRSP was delayed as a result of political instability and capacity constraints. In March 2006, a draft PRSP was discussed on an informal basis with IDA and IMF staffs and representatives of the donor community. A final PRSP is expected to be ready by end-August 2006, and the JSAN is expected to be finalized by end-2006.

IMF Program and Macroeconomic Status: The PRGF-supported program went off-track immediately after its inception at the end of 2000, reflecting fiscal policy slippages. Since then, the government engaged in successive SMPs. The latest SMP, approved in July 2006, covers April-December 2006. The first review of progress under the SMP is planned for September 2006. The SMP could be followed by an EPCA-supported program by end-2006 (covering 2007-08) and eventually by a PRGF-supported arrangement (covering 2009-11). The fiscal situation remains difficult, and support is needed to solve internal and external imbalances.

HIPC Completion Point: The completion point could be reached in 2009.

Status of Completion Point Triggers: Progress is being made in public finance management. Since 2003, a Treasury Committee has been established and is in charge of controlling revenue collection and ensuring that expenditure commitments are consistent with financial resources. However, Parliament still lacks the capacity to control the budget process effectively. School fees in the primary sector have been eliminated since 2002, which has allowed for an increase in the gross enrollment rate above the 61 percent target. In the health sector, the 40 percent target for the proportion of children fully vaccinated per year was exceeded largely thanks to donor assistance. The demobilization program was completed in March 2006 involved the reintegration of more than 7,000 ex-combatants into their communities through small scale businesses.

Malawi

PRSP Status: The full PRSP was completed and presented to the Boards in August 2002. The second APR and JSAN (covering July 2003-June 2004) were submitted to the Boards in June 2005. The third APR (covering July 2004-Dec. 2005) was submitted in May 2006. The accompanying JSAN has been prepared and is currently planned to be presented to the Boards in conjunction with the HIPC Completion Point document at end of August 2006. A new PRSP (called the Malawi Growth and Development Strategy) was submitted to Cabinet on May 30, 2006. Cabinet adopted the strategy in principle, subject to the finalization of a human-resource and capital-needs assessment. Formal Cabinet approval is expected by end-August 2006.

IMF Program and Macroeconomic Status: A PRGF-supported arrangement was approved in December 2000 and expired in 2004, after completing only one review in 2003. Satisfactory implementation under the SMP, covering July 2004-June 2005, allowed Malawi to move to a new PRGF, approved in August 2005 (to expire in August 2008). The first review was completed in February 2006. The second review was undertaken in February and May 2006 and is scheduled to be discussed by the IMF Board at end-August 2006. The performance under

the program has been satisfactory, with the government adhering to the key program objective of reducing domestic debt and moving toward a more flexible exchange rate system.

HIPC Completion Point: Malawi is expected to reach the HIPC completion point at end-August 2006, at the time that the second review under the new PRGF-supported arrangement is completed. Malawi's progress toward the completion point is being closely followed at the highest political level. The President has publicly indicated that his government will do everything possible to fulfill all the requirements for completing the HIPC Initiative process.

Status of Completion Point Triggers: Malawi has satisfied all the HIPC completion point triggers except two, for which waivers will be needed. The two triggers are the share of health expenditure of at least 13 percent of discretionary recurrent budget and the yearly enrolment of 6,000 students for teacher training and institution of in-service training for primary teachers. Even though the triggers have not been fully met, effectiveness of health expenditures has increased, and additional capacity to train teachers is being created.

São Tomé and Príncipe

PRSP Status: A full PRSP was adopted by the government in December 2002 and the JSAN was discussed by the Boards of IDA and the IMF in April and August of 2005, respectively. The newly-elected government updated and resubmitted a first annual progress report to IDA and the IMF in July 2006. A JSAN on the revised first APR is currently under preparation and will be circulated for information to the Executive Boards at the World Bank and the IMF in the coming months.

IMF Program and Macroeconomic Status: The PRGF-supported arrangement, approved in July 2002, went off track due to fiscal and monetary policy slippages and misreporting and governance issues. A new PRGF-supported program was approved in August 2005. The first review was completed in March 2006, and showed broadly satisfactory performance. The second program review was completed in July 2006. Expenditures during the first few months of 2006 were higher than expected on account of legislative elections and increases in water and electricity costs, but the government is planning to control them for the rest of the year while increasing tax revenues.

HIPC Completion Point: The completion point is expected in December 2006.

Status of Completion Point triggers: Progress has been achieved and government is very committed to reaching the HIPC completion point. Substantial progress has been made in strengthening public financial management and the use of HIPC Initiative assistance. The implementation of the triggers in the social sectors has been satisfactory. The only pending trigger is the establishment of the tribunal for arbitration in business and contract matters, which is expected to be met in the third quarter of 2006.

Sierra Leone

PRSP Status: The final version of a full PRSP was circulated to IDA, the IMF, and the rest of the donor community in the spring of 2005. The latest JSAN was approved by the Board in April 2005.

IMF Program and Macroeconomic Status: Satisfactory progress was made under the PRGF-supported arrangement approved in September 2001, which expired in June 2005 and was fully disbursed. A fourth Economic Rehabilitation and Recovery operation was approved by the IDA Board in June 2005 to support the government's updated agenda for post-conflict reconstruction and poverty reduction. A new PRGF-supported arrangement was approved by the IMF Board in May 2006. The first program review is expected in the fourth quarter of 2006, and a good outcome for macroeconomic performance under the PRGF-supported program is expected in the near term.

HIPC Completion Point: The completion point is expected by end-2006.

Status of Completion Point Triggers: As of end 2005, the triggers on education and health were largely or fully met. Triggers on use of budgetary savings and governance were substantively or partially met. A full report on the status of triggers is expected by November 2006.

Annex IV: Enhanced HIPC Initiative: Status of Post-Completion-Point HIPCs (As of end-July 2006)

Benin

PRSP Status: Benin adopted its Poverty Reduction Strategy in December 2002 and has prepared PRSP Progress Reports in December 2004 and September 2005. The third progress report is under preparation and is expected in shortly. The government has launched the work and has set up thematic groups charged with developing PRSP II. Although some progress has been achieved in sustaining economic growth in a stable macroeconomic framework and improving some social indicators (in particular with regard to non-monetary poverty indicators, including maternal and child health and an increase in socio-community investments), progress in reducing poverty has been slow as stated in the PRSP progress reports. According to the latest data available, the incidence of monetary poverty remained almost constant at 29 percent between 2000 and 2003.

IMF Program and Macroeconomic Status: A PRGF-supported program was approved in August 2005. The first review of the program began in December 2005, but has not yet been completed. Growth forecasts remain largely unchanged after the elections. Economic activity has continued to slow down in 2005 owing to a sharp drop in cotton production. In 2006, GDP growth is expected to rebound by more than one and half percentage point. Fiscal policy has been conservative under the new government and unpaid obligations from the previous administration have been audited and plans made to settle them.

Public Financial Management: The reforms initiated in 1998 are continuing: the budget coverage is more comprehensive, treasury general ledgers have been produced regularly, the integrated financial information system is improving, and program budgeting is gradually taking hold in some line ministries. The 2004 HIPC AAP showed no deterioration in PFM relative to 2002, with 8 out of 16 benchmarks met. The new government is tightening expenditure control by restricting the use of exceptional expenditure procedures and has undertaken the audit of all spending ministries and the treasury. However, numerous weaknesses remain: unrealistic budget forecasts, extra-budgetary expenditure, inadequate budget classification, insufficient appropriation of program budgeting by line ministries, lack of basic functionalities for the software used by the treasury and proper interface with the budget execution software, inadequate accounting resources, untimely reconciliation of government accounts, inaccurate accounts, and treasury ledgers, etc. Progress in eliminating these deficiencies is essential to improving Benin's PFM.

Bolivia

PRSP Status: The 2001 PRSP sets out poverty reduction policies and targets for the period through 2015, based on the National Dialogue of 2000. There have been no formal updates of the PRS, and in recent years its implementation has been difficult, largely due to an uncertain political situation. The new government has prepared a national development plan, which includes policies to reduce poverty and income inequality. It is likely that many of the MDGs will be met, or very close to being met, by 2015. If current trends continue, the goals of

universal primary education and gender equality in primary education are likely to be met. Goals on reducing child mortality; improving maternal health; combating HIV/AIDS, malaria and other diseases; and increasing access to safe drinking water could also be reached. However, the objectives of reducing poverty to 34 percent and extreme poverty by half by 2015 are, most probably, not going to be met.

IMF Program and Macroeconomic Status: Bolivia is in surveillance mode at present. The sixth review of the latest PRGF-supported arrangement was completed in October 2005, and the last Stand-By Arrangement was concluded in March 2006. The new administration has inherited a favorable macroeconomic situation boosted by favorable external conditions, gas exports and a new hydrocarbon law. However, growth has concentrated in the hydrocarbon sector, and private investment remains low mainly due to the deterioration of the investment climate due political uncertainty and government policies. The economy is expected to continue to benefit from the favorable external environment. Medium-term prospects will be affected by some structural policy decisions—notably in the hydrocarbons and land reform areas—whose implementation will depend on possibly difficult and protracted negotiations among the parties involved.

Public Financial Management: Bolivia met four of the 16 expenditure management benchmarks in the 2004 HIPC Assessment and Action Plan (AAP). Bolivia faces continuing challenges in the areas of budget classification, formulation, internal controls and external audit; and still lacks a mechanism to track local government spending. Since 2004, the government has been implementing a series of initiatives following the recommendations of the June 2004 Country Financial Accountability Assessment and August 2004 HIPC Assessment and Action Plan. They are also strengthening the financial management information system (SIGMA), including the integration of a functional classification. The improved financial management information system will then be gradually expanded to sub-national governments. A system to track public employment expenses better has been put in place. Furthermore, a draft law that already is in Congress would establish, inter alia, a framework to improve budget formulation, including a medium-term budget framework; and minimum reporting requirements—including economic and functional classifications based on international standards that will play a critical role in improving the capacity to track poverty-reducing spending. While the new government supports transparency in public financial management, they have not yet proposed actions in this area.

Burkina Faso

PRSP Status: The second PRSP and the fourth APR on the implementation of the first PRSP were issued in 2005. A fifth and sixth PRSP progress reports are awaiting transmission to the Boards and a JSAN is currently being prepared. IDA staff estimates that the poverty headcount fell by 8 percentage points between 1998 and 2003. School enrollment and literacy programs have exceeded PRS targets since the completion point, and dropout rates have declined. Progress has been achieved in raising immunization coverage rates, lowering infant and child

mortality rates, and reducing the transmission of HIV/AIDS. In health and education, more needs to be done in ensuring that financial resources are used efficiently towards reaching MDG targets.

IMF Program and Macroeconomic Status: The PRGF-supported arrangement is underway and the sixth and final review is expected to be completed by September 2006. IMF Board completed the fifth review of the PRGF arrangement on March 13, 2006. Real GDP grew by 7.1 percent in 2005, driven mainly by a record cereal and cotton production. Inflation was 6.4 percent in 2005, up from -0.4 percent in 2004. Excluding food items and transportation, price level remained flat in 2005. Burkina Faso was hit hard in 2005 by a massive deterioration in its terms of trade. Monetary policy is implemented by a supranational Central Bank and is consistent with the peg to the Euro.

Public Financial Management: Burkina Faso's public financial management (PFM) system performance has improved since the completion point. Burkina Faso met nine of the 16 PFM benchmarks in the 2004 HIPC assessment, up from eight in 2001. Budget coverage is generally complete and extra-budgetary expenditures are negligible. The budget is a reliable implementation guide. The ability to track spending has improved with the adoption of a new budget nomenclature and the implementation of annual surveys on service delivery. The medium-term expenditure framework and annual budget laws are aligned with PRS priorities. Internal budget reports and the entry of transactions into the accounts are timely. Internal control is enforced – though limited by weak capacity and procedures – and the external audit of budget execution is submitted to the National Assembly. A reform program is addressing remaining shortcomings in the procurement system, including those related to the institutional framework and to capacity. Going forward, the government is working on identifying priority social spending in the budget and will report spending on priority social sectors separately (this includes the spending financed by MDRI relief and remaining HIPC Initiative funds).

Cameroon

PRSP Status: The PRSP was discussed by the IDA and IMF Boards in July 2003. The first PRSP APR was completed in April 2004, and the JSAN was submitted to the two Boards in May 2005. The JSAN of the second APR (covering January 2004-March 2005) was issued in March 2006, and the third APR (covering 2005) was discussed by the Boards in April 2006. Before preparing the new PRSP, the government intends to: (i) finalize a number of sector strategies including in the urban, telecoms, electricity and water sectors; and (ii) launch a household survey. The new PRSP could be prepared in the course of the second semester of 2007. The most recent household survey dated 2001, indicates that the poverty rate fell from 53 percent in 1996 to 40 percent in 2001. Over the 2002-05 period, achievements in reducing poverty are expected to be lower, due to a slowing down of growth in 2004-05.

IMF Program and Macroeconomic Status: The PRGF-supported arrangement approved in October 2000 went off-track in 2004, due primarily to slippages in fiscal policy implementation. The fiscal situation improved markedly in 2005 under the new PRGF-

supported arrangement that was approved in October 2005. The first review was concluded in April 2006, and the second review is scheduled to take place in early September 2006. The macroeconomic objectives of the program are as follows: (i) achieving annual real GDP growth of about four percent on average during 2006-08; (ii) keeping inflation below 3 percent, consistent with the regional convergence criterion; and (iii) keeping the external current account deficit below 3 percent of GDP, while allowing for increased investment related imports. An increase in non-oil real GDP growth is expected to result in part from the easing of electricity constraint on manufacturing, a recovery in the forestry sector, and increased public investment.

Public Financial Management: While the PFM system still faces many challenges, the reforms undertaken over the years have resulted in improvements. In the HIPC AAP reviews, Cameroon has progressed from achieving benchmark ratings in four out of 15 areas in 2001 to seven out of 16 areas in 2004. Budget allocation to the priority sectors of the PRSP have progressively increased since 2000. An integrated public finance information system is in place and functioning and has improved the monitoring of the flow of resources and the timeliness of fiscal reporting. A supreme audit body (la chambre des comptes) has become operational. The foundations for the introduction of a Medium-Term Expenditure Framework (MTEF) are in place, with the development of sector strategies and expenditure plans consistent with the strategy. The government has defined several criteria to guide resource tradeoffs in budget allocations and is revising the budget preparation calendar to make the MTEF the cornerstone of budget preparation.

Ethiopia

RSP Status: Ethiopia completed its PRS, the Sustainable Development and Poverty Reduction Program (SDPRP), in July 2002. It was followed by two annual progress reports in December 2003 and July 2005. A new PRS (Plan for Accelerated and Sustained Development to End Poverty, PASDEP) has been formulated and recently presented to Parliament. The recent Poverty Assessment suggests a decline in rural and a slight increase in urban income poverty over the period 1995-1999. Although new survey results should become available shortly, available quantitative and qualitative evidence suggest that the impact of recent economic growth on poverty is likely to have been muted by the long-lasting effects of the repeated droughts. Nonetheless, Ethiopia has continued to make progress in most of the areas initially targeted in completion point triggers, and implementation of the PRS has been broadly satisfactory. Ethiopia has also continued to make progress towards achieving the MDGs (particularly regarding education-related goals).

IMF Program and Macroeconomic Status: Ethiopia is not engaged in an IMF-supported program, and announced it does not intend to be in the foreseeable future. The last PRGF-supported program expired in October 2004, after the final review was completed in September 2004. Real GDP grew by 8.8 percent in 2004/05 on the back of a strong performance in agriculture, and indications of another good harvest suggest growth may exceed the staff projection of 5 percent in 2005/06.

Public Financial Management: Ethiopia's PFM systems have steadily improved since the HIPC completion point, although there have been setbacks as well. Since the 2004 Assessment and Action Plan, which concluded that Ethiopia met seven out of the 16 expenditure management benchmarks, the authorities are working to strengthen cash management, roll out budget and accounting reforms to additional sub-national governments, and pass new procurement legislation. The government is proceeding with an initiative to implement performance-based budgeting that will strengthen the medium-term expenditure framework. Reforms are also underway to improve internal control and audit. The backlog of federal accounts to be audited has been reduced to one year compared to 3-4 years a few years ago. The government also needs to ensure the timely and regular consolidation of extra budgetary funds in fiscal reporting and the reconciliation of the fiscal and monetary accounts, both of which were triggers for the completion point. There is no formal dissemination of debt data to the public and information on the debt situation is not published in the annual budget proclamation.

Ghana

PRSP Status: The Ghana Growth and Poverty Reduction Strategy (GPRS II) was completed in October 2005 and presented to the Boards in June 2006, covering the period 2006-09. The new strategy updates the first GPRS,⁴⁴ aiming the focus on (i) accelerating private sector-led growth; (ii) promoting vigorous human resource development; and (iii) encouraging good governance and civic responsibility. The next update of the GPRS is expected in 2008-09. The poverty headcount has declined by 7 percentage points between 1997 and 2003, reaching 35 percent in 2003. Current real GDP growth projections suggest that Ghana could reach the MDG of halving the 1990 poverty rate before 2015. To support this positive trend, total poverty-related spending has risen during the past few years, reaching 8.5 percent of GDP by end-2005. Further progress in poverty reduction will gain from further sharpening the focus of poverty interventions, aiming at greater coordination across sectors, such as strengthening of the links between interventions in health and nutrition to reduce infant and under five mortality rates.

IMF Program and Macroeconomic Status: A three-year PRGF-supported arrangement in support of Ghana's Growth and Poverty Reduction Strategy (GPRS) was approved in May 2003 and is set to expire in October 2006. The fourth and fifth reviews under the PRGF

⁴⁴ The Ghana Growth and Poverty Reduction Strategy (GPRS) is the Ghanaian PRSP

were completed on June 12, 2006. Recent macroeconomic performance has been strong, supported by continued strengthening of macroeconomic policy implementation and a favorable external environment. A relatively high rate of growth has been achieved (estimated 5.9 percent real GDP growth in 2005), inflation is falling (inflation stood at 15 percent at end-2005, and has declined gradually to 9.5 percent in April 2006) and the external position has strengthened considerably. The country's medium term macroeconomic outlook is favorable, with sustained growth and declining inflation.

Public Financial Management: Ghana's public financial management has improved since the completion point. The country currently meets eight of the 16 HIPC public financial management benchmarks, up from seven benchmarks at the time of the 2004 HIPC AAP assessment, and one benchmark in 2001. Areas of specific progress include: (i) broadening the coverage of the budget, (ii) preparing timely external audit reports of the consolidated fund account, and (iii) reducing arrears to public sector service providers. Budget coverage has been broadened to include more information on internally generated funds and donor grants. External audit reports are being expedited and are now submitted within twelve months of the closing of the accounts. The stock of arrears has declined by 60 percent between end-2004 and June 2005. In the meantime, there has also been progress in implementing the new public procurement law, with increased coverage provided by the entity tender committees and the tender review boards. Under the auspices of the new internal audit agency law, there has been an increase in number of government ministries, departments and agencies submitting internal audit reports. There has been a recent strengthening of payroll management and control, and the introduction of a new computerized personnel and payroll database is scheduled to be completed later this year.

Guyana

PRSP Status: Guyana's 2001 PRSP was discussed by the Boards of IDA and the IMF in September 2002. Two PRSP Progress Reports were prepared in 2004 and 2005. Of a total of 25 poverty reduction targets identified in 2001, Guyana successfully met or exceeded 14. However, there were shortfalls in targets relating to access to treated water and adequate sanitation, the distribution of house lots and land titles, the percentage of trained teachers in secondary schools, and HIV/AIDS. The 2005 PRSP Progress Report indicates that there is a significant risk that Guyana may not attain all the Millennium Development Goals by 2015.

IMF Program and Macroeconomic Status: The current PRGF arrangement was approved by the IMF Board in September 2002. The arrangement was extended twice and will expire in September 2006. The fifth review was completed in January 2006. The completion of the sixth and last review of the arrangement is expected in September 2006. Real GDP declined by 3 percent in 2005 as a result of the closure of a major gold mine and record flooding, but is projected to recover by 3.5 percent in 2006. Notwithstanding higher oil prices, inflation is projected to remain low. The current account deficit is increasing dramatically, reflecting high capital imports for a large public sector investment program and higher fuel prices, but it is expected to be broadly covered by foreign direct investment and official disbursements.

Public Financial Management: The PFM system has improved since the completion point in December 2003. Guyana met 10 of the 16 expenditure management benchmarks in the May 2004 HIPC assessment. This reflects improved budget formulation, by presenting in a timely fashion the budgets of 10 statutory bodies with the national budget for the first time in February 2005; and improved budget execution and reporting by extending the computerized Integrated Financial Management System (IFMAS) to all central government agencies. However, PFM is limited in several areas: inability to track end-use of actual spending; weaknesses in managing cash; and lack of enforcement of legislation. The legal framework for the budget, external audit, and public procurement was strengthened during 2003–05, legal provisions to enforce the new laws are still lacking, due to delays in parliamentary proceedings.

Honduras

PRSP Status: The Honduras PRSP was completed in August 2001 and discussed by the Boards shortly thereafter. Two PRSP Progress Reports have been completed so far; in December 2003 and January 2005. A third Progress Report is scheduled to be completed by mid-2006. A new PRSP is not planned at this time. Since 2003, public spending on poverty-reduction programs has been maintained at the planned levels. However, the impact on poverty indicators has been modest so far. A newly elected government, which took office in February 2006, is in the process of developing its policy agenda. The new government does not count on a Congressional majority, and this may make it more difficult to implement all the reforms contemplated in the PRSP.

IMF Program and Macroeconomic Status: A three-year PRGF arrangement was approved in February 2004, and the third program review was completed in December 2005. Discussions are ongoing for the fourth review. Economic prospects are good, boosted by the recent approval of CAFTA and external debt reduction under the MDRI. Growth remains strong, and annual inflation has fallen to below 6 percent. Fiscal pressures are mounting, and the financial sector, although recovering, remains fragile. Key fiscal challenges include the need to keep teacher salaries under control, with the previous agreement to contain wage growth expiring at the end of 2006; the need to return to a flexible domestic fuel pricing mechanism and to limit fuel subsidies; the need to adopt measures to compensate for the fiscal impact of telecom reform and implementation of CAFTA; and the need to contain the losses of the public electricity utility.

Public Financial Management: Honduras met seven of the 16 HIPC PFM benchmarks in 2004. There has been notable progress made in the public financial management system since the HIPC completion point. A new integrated financial administration system (SIAFI) was introduced in May 2005. It will support the introduction of a single treasury account, which is expected to be operative in 2006 and integrate budgeting, accounting, cash management, public credit and personnel management within a single automated system. The 2006 budget was already formulated using the new SIAFI. In addition, the information system for public procurement was made operational in October 2005.

Madagascar

PRSP Status: The PRSP was completed in July 2003 and a JSAN was presented to the Boards in November 2003. The first APR covering the period July 2003-June 2004 was completed in July 2004 and went to the Board in October 2004. The second APR covering January to December 2005 was published in June 2006 and the associated JSAN was issued in July 2006. The overall incidence of poverty declined from crisis highs of around 80 percent in 2002 to 68.7 percent in 2005, slightly lower than the level in 2001 (69.7 percent). Rural poverty in 2005 stands at 73.5 percent, lower than the 2001 level of 77.2 percent, but urban poverty in 2005 (52 percent) is higher than the 2001 levels of 44 percent.

IMF Program and Macroeconomic Status: The IMF Executive Board approved a new three-year PRGF-supported arrangement and activation of the Trade Integration Mechanism for Madagascar on July 21, 2006. The first review is expected to take place in September 2006. The last PRGF arrangement with the IMF expired in March 2005. In 2006, real GDP growth is projected at 4.7 percent, based on receipts from tourism, mining, construction and most importantly for the poor, improved prospects in agriculture. Inflation is projected at 11 percent for 2006. Real GDP growth is projected around 5.6 percent, with inflation declining to 5 percent during 2007-11.

Public Financial Management: Public financial management reform in Madagascar has been guided by the 2004 and follow-up 2005 Priority Action Plans (PAP) of the Ministry of Economy, Finance, and Budget. Priority objectives include strengthening the budget preparation process, aligning the budget more closely with PRSP priorities, and improving the capacity for controlling expenditure commitments and payments. An integrated financial management system is operational in the central treasury and five regional treasuries, and it is being expanded to 13 ministries. The Auditor-General has made strong efforts to clear the backlog of audited accounts, key recommendations of the independent audit of the Treasury are being implemented, and the implementation regulations for the new procurement code have been issued. Progress in other areas has been slower: recurrent expenditures continue to be under-budgeted and domestic arrears remain. Internal control mechanisms and institutions are weak. Madagascar's public finance system has also been challenged by the introduction of program budgeting in 2005. Madagascar met four of the 16 HIPC PFM benchmarks in 2004. A draft assessment using the new Public Expenditure and Financial Accountability (PEFA) indicators has been conducted and shows some progress over the last year.

Mali

PRSP Status: Mali's PRS was adopted in May 2002. The second APR was adopted in August 2005. The government is currently working on the PRSP for 2007-2011, which it is hoped to be approved by the National Assembly by end-2006. Although data are partial, poverty, health and social indicators generally show signs of continued modest improvement. The latest data (from 2001) indicate that poverty fell significantly between 1989 and 2001, and income inequality decreased. Strong growth since 2001 suggests that poverty and inequality have likely continued to decline. A variety of health and education indicators tracked under the PRS have improved between 2002 and 2004. Implementation of the structural reform agenda designed to accelerate growth and poverty reduction has also progressed, albeit slowly.

IMF Program and Macroeconomic Status: Mali is under a three-year PRGF-supported arrangement approved by the IMF Board on June 23, 2004. The second and third reviews were concluded on December 19, 2005. The economy is showing renewed momentum resulting from a strong 2005/2006 cereal harvest and strengthening terms of trade. After multiple exogenous shocks, GDP growth has recovered, and inflation is on a downward trend. According to preliminary estimates, real GDP growth was 6.1 percent in 2005 on account of stronger gold and agricultural production. The medium term outlook assumes average GDP growth of 5.7 percent through 2010 and stable inflation at 2.5 percent per year from 2007.

Public Financial Management: Mali's public financial management system has improved since the completion point. The core systems work reasonably well, although there is still room for strengthening public finance systems, e.g., Mali met 11 of the 16 expenditure management benchmarks in the 2004 HIPC Assessment Action Plan (AAP), up from eight in 2001. Tracking of poverty-reducing expenditures is good. Key weaknesses to be addressed are procurement, internal controls, timely audits of budget execution and tracking of grant-financed activities and extra budgetary funds. Mali continues to make progress on PFM as part of its three-year action plan to strengthen public financial management. Specific measures include computerization and networking of expenditure databases, improvements in public procurement processes, and increasing resources for *ex post* controls. Debt management has been assessed and found satisfactory. While some delays have developed in plans to enhance internal controls and audits, progress continues.

Mauritania

PRSP Status: Mauritania prepared its PRSP in February 2001, covering 2001-2004. Since 2001, two PRSP Progress Reports have been prepared in a participatory manner and were discussed by the Boards in June 2002 and July 2003, respectively. The 2004 progress report, which has not been published because of ongoing data issues, supplemented the original PRSP with an action plan for 2005. The second PRSP, covering 2006-2010, was shared with the IDA and IMF in May 2006 and is expected to be completed by September 2006. Staffs consider that Mauritania's implementation of its poverty reduction strategy since its HIPC completion point has been broadly satisfactory. The incidence of poverty declined from 51 percent in 2000 to 46.7 percent in 2004. Progress was realized in primary school enrolments, child vaccination rates, and access to maternal health care, but little progress was made in reducing child and infant mortality rates.

IMF Program and Macroeconomic Status: The SMP covering the first six months of 2006 is on track, and a PRGF-supported arrangement is in the pipeline. The beginning of oil production in February 2006 has boosted growth prospects and the credibility of the authorities' economic stabilization program. Disinflation is expected to continue in 2006. The macroeconomic outlook for Mauritania is benign, provided that the authorities are successful in managing the wealth generated by non-renewable natural resources (notably oil). Oil production (directly and via its impact on public investment) and important FDI-driven non-oil mining developments are expected to raise annual real GDP growth in 2006–10 to 10 percent on average.

Public Financial Management: The IDA and IMF Boards assessed the criteria for MDRI eligibility for eighteen post-completions point HIPC countries in March 2006. At that time, the Boards: (i) decided that Mauritania did not qualify for MDRI eligibility, pending the completion of remedial actions on the macroeconomic and public financial management (PFM) criteria; and (ii) agreed that Mauritania's eligibility would be reassessed upon successful implementation of the remedial measures. These remedial actions have now been taken, and in June 2006 staffs advised the Boards that Mauritania now meets the MDRI criteria for the following reasons: (i) examination of budget execution during the first quarter of 2006 shows no indication of extra-budgetary spending; (ii) the arrears clearance target for the first quarter of 2006 has been largely surpassed; (iii) the periodic reconciliation of data between the Treasury and the BCM is now established, and the Treasury now produces routinely the monthly balance; (iv) the authorities have adopted a new functional classification of the budget and reclassified the 2006 budget on its basis; and (v) the authorities have updated the global MTEF (2007-2009), which reflects joint IDA-IMF staff comments made on earlier drafts. This updated assessment of the MDRI was approved by the Boards in June 2006.

Mozambique

PRSP Status: The government implemented an Action Plan for Reducing Absolute Poverty (PARPA) which was presented to the Board in 2001. The most recent Progress Report was prepared in March 2005, and a new PRSP is expected to be finalized by September 2006. A number of the MDGs are within Mozambique's reach, but achieving the remainder will require continued policy reforms, additional investment, and help of the international community.

IMF Program and Macroeconomic Status: On July 6, 2004, the Board approved a three-year PRGF-supported arrangement that seeks to consolidate macroeconomic stability and deepen structural reforms to sustain broad-based growth and reduce poverty. The program is on-track and the fourth review was completed on June 19, 2006. In 2005, growth remained strong, inflation moderated, and the external position remained comfortable, albeit with a widening of the current account deficit and greater exchange rate volatility. Prospects for 2006 are for a continued strong macroeconomic performance with some downside risks related to exogenous shocks.

Public Financial Management: Mozambique met four out of the 16 expenditure management benchmarks in the 2004 Country Assessment and Action Plan. PFM has not deteriorated substantially since completion point. Mozambique has made progress in the implementation of the new integrated financial management information system (e-SISTAFE). The ministries of

Finance, Planning, and Education are currently undertaking a pilot of the system, and plans are for the rollout of full functionality to the main spending ministries in the second semester of 2006, strengthening tracking of poverty-reducing expenditure. Budget coverage, execution, and reporting have improved. Fiscal information presented in official reports covers 95 percent of the Government Financial Statistics (GFS) definition of general government. In general, actual current expenditures are often very close to the originally approved budget law. On the other hand, the execution of investment expenditures is often at least fifteen percent lower than budgeted amounts. Budget reporting has improved through the publication of quarterly budget execution reports. Strong ex-ante control is in place, although technical and human resource inadequacies make it difficult to achieve an effective internal and external control system. In the area of decentralization, the government approved regulations to the Local State Entities Law (LOLE) that confers a central role to districts in the planning process and in local development, including the introduction of an investment budget. A new public procurement code in line with international standards was also approved but a strengthening of internal and external audit capacity is needed to reinforce the integrity of fiscal operations.

Nicaragua

PRSP Status: The first PRSP was completed in July 2001. A new PRSP was completed in November 2005 and presented to the Boards at the turn of the year. The authorities completed two PRSP Progress Reports under the old PRSP (in November 2002 and November 2003), and have completed a preliminary draft of a third Progress Report covering 2005 with reference to the new PRSP. Poverty reducing spending has been maintained on target since 2003, and amounts to over 13 percent of GDP in 2005. Indicators in education and water sectors improved and their targets under PRSP-I were exceeded in 2004. PRSP implementation has been less successful in the health sector.

IMF Program and Macroeconomic Status: A three-year PRGF-supported arrangement was approved on December 13, 2002, but went off-track at the end of 2004. Significant progress was made in the second half of 2005, permitting the completion of pending reviews on January 18, 2006 and the extension of the arrangement through December 12, 2006. The latest program review was completed in January 2006. Nicaragua's growth prospects continue to be good, boosted by the recent approval of CAFTA and external debt reduction under the MDRI. Several important sources of risk that could jeopardize future prospects include rising energy prices, a high level of internal public indebtedness, legally mandated public resource transfers from the central government to municipalities and other public bodies.

Public Financial Management: Nicaragua met six of the 16 HIPC PFM benchmarks in 2004. Nicaragua's PFM system performance has improved since the completion point. In 2005 the authorities passed a Fiscal Administrative Law, which strengthened the budgetary process by eliminating all off-budget transactions and improved the coverage of the fiscal accounts and transparency in fiscal reporting. Within-year budget reporting, on an administrative, economic and functional basis, is available quarterly, enabling active management of spending. Poverty reducing expenditures are clearly defined in the budget and tracked during their execution.

Nicaragua still faces some important challenges to improve its PFM systems. The internal audit units lack qualified staff and financing, but the authorities have started to implement a capacity strengthening plan to address this problem. Also, the government's procurement system is still weak (though in the process of becoming modernized) and the budget provides limited information on the budgets of local governments and autonomous public entities involved in non-commercial activities. In addition, efforts have been made to devolve expenditures from the central government to the municipalities, with the equivalent of 50 percent of the revenues transferred to these entities. In 2006 the authorities are committed to further devolution of expenditure to municipalities.

Niger

PRSP Status: Niger completed its full PRSP in January 2002 and has issued PRSP Progress Reports in July 2003 and August 2004. A final draft of the third progress report has been submitted to the Council of Ministers for approval. The first draft of the government planned new PRSP is expected around October 2006. Significant progress has been made in expanding access of the poor to education and clean water during 2003-2005, and while progress in the health sector was slow in 2003-2004, it has improved in 2005. Income poverty has remained broadly unchanged since the adoption of the first full PRSP, with the share of total population living in poverty estimated at around 65 percent in 2005.

IMF Program and Macroeconomic Status: On January 31, 2005, the IMF Board approved a third three-year PRGF-supported arrangement. On November 14, 2005, the first and second reviews were concluded on November 14, 2005, and June 19, 2006, respectively. Overall macroeconomic performance improved in 2005, with real GDP growth rebounding to 7 percent compared to -0.6 percent in 2004 (following favorable rainfalls and a strong recovery of agriculture output). For 2006, real GDP growth is projected at 3.5 percent and inflation at about 1 percent. Macroeconomic objectives for 2006-2008 generally remain in line with the objectives spelled out in the Poverty Reduction Strategy (PRSP). Economic growth is expected to be driven by increased agricultural output, new gold mining activities, continued prudent government financial policies, and investments in infrastructure, including in telecommunications.

Public Financial Management: Niger met five of the 16 expenditure management benchmarks in the 2004 HIPC PFM assessments, up from three of the fifteen benchmarks in 2001. Niger's PFM system has continued to improve since the country reached the HIPC Completion Point in April 2004. Progress has been strongest in budget preparation, with medium-term public expenditure frameworks (MTEFs) being integrated into the budget preparation process. Delays in the preparation of budget execution reports have been substantially reduced. Budget coverage has improved over the past four years. The government has committed to integrate all HIPC resources into line ministry budgets based on their performance on budget management and reforms. This was done for the Ministry of Health and

the Ministry of Education (both accounting for sixty percent of HIPC resources in 2006). Remaining problems include over-budgeting of capital outlays, difficulties in tracking spending, and weak internal and external controls. The authorities are aware that improving public financial management is critical for the effective implementation of the PRS. In July 2005, they adopted the Public Financial Management and Financial Accountability Review (PFMFAR) conducted with IDA support. In this context, the government continues strengthening the computerization program for central and provincial treasury offices, and enhancing internal and external controls of government financial operations, including through a reactivation of the “Chambre des comptes” and parliament oversight of government finances. The government has also made significant progress with improving the reporting system, with the formal closing of accounts and regular submission of budget execution laws to the “Chambre des comptes.”

Rwanda

PRSP Status: Rwanda’s PRSP was completed in June 2002. Three progress reports were prepared, with the third being completed in July 2005. The second PRSP (PRSP-II) is expected to be completed in mid-2007, focusing on implementation of measures to promote sustained long-term growth. The 2001 Household Living Conditions Survey (EICV) found that 60 percent of people fell below the poverty line. There have been improvements in non-income indicators of poverty related to access to services, and indicators in education and health have improved significantly in the past two years.

IMF Program and Macroeconomic Status: A three-year PRGF-supported arrangement was approved by the Executive Board on June 05, 2006, and the sixth review was completed on June 5, 2006. Macroeconomic performance in 2005 was favorable. Driven by the strong performance of the agricultural sector, real growth increased by 6 percent, while inflation declined due to increased food supplies.

Public Financial Management: Rwanda met eight of the benchmarks in the 2004 HIPC PFM assessment. However, the pace of implementation of PFM reforms has since been adversely affected by delays in parliamentary approval of the Organic Budget Law (OBL) and the decentralization process. The recent approval of the OBL in March 2006 is expected to revive the reform momentum; moreover, the 2006 program is expected to provide added impetus to PFM reforms (including through structural conditionality). Two prior actions as interim steps toward account reconciliation and a treasury single account were implemented. The Sous-Comite de la Dette responsible for coordinating debt management has been made operational and formulated an action plan for 2006.

Senegal

PRSP Status: The first generation PRSP for the period 2003-2005 was presented to the Board in December 2002 and progress reports were prepared in 2004 and 2005. The second generation PRSP, covering 2006-10, was recently validated by the Prime Minister. Senegal’s current performance in the implementation of its poverty reduction strategy shows no substantial deterioration compared to the completion point. The poverty reduction agenda has

remained broadly on track, with progress achieved in varying degrees in the implementation of the PRSP's major objectives. The allocation of spending toward social sectors has improved as both the combined shares of education and health expenditures in total public expenditures and in GDP amounting respectively to 33 percent and 8 percent in 2005.

IMF Program and Macroeconomic Status: A three-year PRGF-supported arrangement was approved in April 2003 and expired in April 2006. The last reviews were completed in January 2006. A Policy Support Instrument (PSI), providing IMF advice, monitoring and endorsement of economic policies, is being discussed with the authorities. Macroeconomic prospects are relatively good, with robust GDP growth projected around 5.5 percent over the next few years (with nonetheless a slowdown in GDP growth to around 4 percent in the first semester of 2006 due to the continuous increase in oil prices and the financial crisis in the largest industrial company in Senegal) and low inflation.

Public Financial Management: Senegal met seven of 16 HIPC PFM benchmarks at time of its completion point. A breach of budgetary discipline and fiscal transparency, equivalent to less than five percent of the total budget, occurred in 2003/04, which delayed the completion of the second review under the PRGF arrangement for ten months. The second review was completed on the basis of understandings on remedial actions to restore budgetary discipline, including a supplementary budget in 2004 that provided full appropriation for infrastructure projects and mandated steps to strengthen procurement procedures. These procedures were initially strengthened, but subsequently, there was a backtracking on these reforms. A new legal and institutional framework on procurement was approved by Parliament in July 2006. The authorities have also introduced a new tax, the proceeds from which are not channeled through the budget. The tax revenues are earmarked for the construction of Dakar's new airport (estimated to cost about four percent of GDP), which the authorities intend to implement off-budget.

Tanzania

PRSP Status: Tanzania's first PRSP was prepared in 2000. Tanzania's second PRSP (National Strategy for Growth and Reduction of Poverty) was approved by Cabinet in February 2005 and published in June 2005. The first progress report for the second PRSP is expected in October 2006. Implementation arrangements are primarily handled through Tanzania's budget guidelines and Medium Term Expenditure Framework. Poverty simulations suggest that Tanzania's recent growth performance is likely to have translated into a decline in income poverty. Regarding non-income dimensions of poverty, significant progress was made in access to primary education and the reduction of malnutrition and child mortality.

IMF Program and Macroeconomic Status: A PRGF-supported arrangement is currently in place, and the 6th and last review is expected before end-2006. The fifth review was completed in April 2006. A follow-up PSI has been requested by government. Maintaining macroeconomic stability has been among government's top policy priorities and a consistent macroeconomic program has been implemented for almost a decade, supported by the IMF through a series of ESAF- and PRGF-supported arrangements. The inflation rate has remained below 5 percent since 2001. Macroeconomic performance under the program has been strong,

though drought and energy shortages are contributing to a slowdown in real growth this year, to about 5.9 percent. Growth prospects going forward are bright, assuming energy issues are addressed expeditiously.

Public Financial Management: Tanzania has made significant progress in the PFM reform process since the November 2001 completion point. Overall, Tanzania met 11 out of the 16 public financial management benchmarks in the 2004 PFM Country Assessment and Action Plan review, up from nine out of 15 in 2001. The government is building on the 2004 assessment in the area of budget execution and reporting, particularly through the extension of the Integrated Financial Management System to local governments. Government's commitment to continued PFM reforms is evidenced by the adoption of a wide-ranging Public Financial Management Reform Program, which should ensure appropriate sequencing of reforms as well as ownership of the reforms. Budget formulation has been strengthened to provide more effective linkage between policy and resource allocations, continued efforts are being made to enhance internal audit and external audit functions, and the reform of the procurement system has reached the implementation stage. Cash management is also being strengthened.

Uganda

PRSP Status: Uganda's poverty reduction strategy, the Poverty Eradication Action Plan (PEAP), launched in 1997, has been revised twice through broad-based and participatory consultations with stakeholders. The current version of the PEAP was approved in May 2005. The first PRSP progress report is currently being prepared and is expected to be finalized by the end of June 2006. An annual PEAP implementation review will be conducted starting in November/December 2006, and a new PRSP is planned at the end of the current PEAP period in 2007/8. Income poverty reduced from 56 percent in 1992 to 34 percent in 2000. A possible reversal of this trend in 2002/03, to 38 percent, has been a major source of concern. Inequality has persistently worsened, which calls for a resolute stance to address unequal access to social services and promotion of pro-poor growth. At the sectoral level, strong results have been realized in the education, health, water and sanitation, agriculture, telecommunication and the trade sectors.

IMF Program and Macroeconomic Status: Uganda is currently supported by a PSI. The latest program review under the PRGF-supported arrangement was completed in January 2006. Macroeconomic performance remains relatively strong, and fiscal developments are broadly on track, yet both are jeopardized by the worsening electricity shortage. Real GDP growth registered 6 percent in 2004/05, but is projected to decline to 5.6 percent in 2005/06 due to the electricity shortage. The government tightened its proposed fiscal stance for 2006/07, leaving room for the yet-to-be quantified power sector measures. Ongoing reforms at the Uganda Revenue Authority have greatly improved domestic revenue collections, and in 2004/05 tax-revenue performed above target by 4.4 percent. Nevertheless, domestic revenue in percent of GDP remains under 13 percent.

Public Financial Management: Uganda continues to make progress in improving its PFM systems and met nine out of the 16 benchmarks during the 2004 HIPC assessment. Despite the

challenges it faces in deepening its public finance reforms, the core systems are established and work reasonably well. In addition to strengthening the legal and regulatory framework for efficient public financial management, Uganda is in the process of rolling out its Integrated Financial Management System, which will help with the implementation of commitment control system that the authorities have not implemented so far. To further strengthen public financial management, the government has incorporated most donor projects in the medium term expenditure framework and is consolidating all revenues, spending and accounts of semi-autonomous bodies into the government budget. Enforcement of procurement and payroll rules and procedures, solution of the ongoing arrears problem (with both an old stock of arrears, mainly on pensions, and new arrears to suppliers, estimated at about 3 percent of GDP), independence and resource capacity of the Auditor General's office, tracking of contingent liabilities and improving the timeliness and effectiveness of legislative and public scrutiny are some of the areas of fiduciary risk that will continue to require attention. A draft of the Public Finance Management (PFM) Performance Report and an update of the Country Integrated Fiduciary Assessment have been issued in November 2005. A draft of Local Government PFM Assessment has been issued in December 2005.

Zambia

PRSP Status: The Fifth National Development Plan, 2006-2010 (FNDP), which will serve as the revised PRSP, has been considered by stakeholders and is expected to be launched soon. Implementation of Zambia's poverty reduction strategy has been broadly satisfactory since the HIPC completion point. In line with PRSP objectives, several thousand new teachers were hired in 2005. The government defined a broader set of poverty reducing programs (PRPs) for the 2005 budget, and total allocations for the newly defined PRPs amounted to 10.2 percent of GDP, including donor-funded projects. Results from the 2004 household consumption survey were recently released, showing that the incidence of poverty fell from 73 percent in 1998 to 67 percent in 2004.

IMF Program and Macroeconomic Status: The three-year PRGF-supported arrangement approved on June 16, 2004 is on track, and the fourth review has been completed in July 2006. Real GDP growth remains robust (5 percent in 2005, despite a number of adverse shocks in 2005) and inflation has fallen sharply, to 8.5 percent in June 2006. The local currency (Kwacha) appreciated substantially in 2005. International reserves, however, remain low.

Public Financial Management: Zambia met only three of the 16 HIPC PFM benchmarks in 2003. The country is engaged in a process of substantially enhancing its Public Financial Management (PFM) systems. In cooperation with development partners, the government of Zambia designed a comprehensive Public Financial Management and Financial Accountability (PFMFA) reform program. With donor support, implementation of the PFMFA reform began full force in the first half of 2005 after an initial focus on those improvements necessary to reach HIPC Completion. Since reaching the HIPC completion point, there have been some improvements in Zambia's PFM systems and the core systems work reasonably well. As noted above, a revised definition of PRPs was introduced in 2005. In addition, a cash-flow framework has been implemented in all line ministries; a framework for monitoring and evaluating the

PFMFA reform program has been prepared using the new Public Expenditure and Financial Accountability (PEFA) indicators; and quarterly budget execution reports covering most ministries are now available within forty five days of the end of the quarter. Progress in some areas, however, has been slow. In particular, as was the case in 2004, preparation of the medium-term expenditure framework was protracted and the piloting of the Integrated Financial Management and Information System (IFMIS) has experienced repeated delays.

Annex V: Use of MDRI Resources in 2006

Countries	Debt service savings in 2006 1/		Use of MDRI in 2006
	In millions of U.S. dollars	in percent of GDP	
Benin	15.6	0.3	In health and education, in the cotton sector, as well as for funding small-holder projects in agriculture.
Bolivia	40.9	0.4	There is no earmarked expenditure to be covered with MDRI debt relief.
Burkina Faso	17.6	0.3	In education, health, and rural infrastructure programs.
Cameroon	29.8	0.2	For pro-poor spending in line with PRSP priorities including infrastructure, social sector, and governance reforms.
Ethiopia	13.8	0.1	In view of cutbacks in donor support, MDRI resources may provide financing for poverty-reducing expenditures already envisaged in the authorities' medium term macroeconomic and fiscal framework.
Ghana	57.9	0.5	In energy and water, the rehabilitation of essential major highways and feeder roads in the main agricultural areas, education, health, and development of information and communication technology.
Guyana	6.4	0.8	The rehabilitation of drainage and irrigation infrastructure and farm to market roads, maintenance of education and health facilities, and acquisition of materials and supplies for education and health.
Honduras	27.6	0.3	For anti-poverty program including the elimination of fees for public schools.
Madagascar	34.3	0.7	For priority spending ministries in line with their Poverty Reduction Strategy.
Mali	27.0	0.5	The relief will be targeted at water supply and roads.
Mauritania	10.8	0.3	To finance social spending
Mozambique	28.8	0.4	To finance "priority" pro-poor spending.
Nicaragua	17.7	0.3	On poverty reduction expenditures in the housing and water sectors and in the provision of medical supplies.
Niger	9.3	0.3	For programs in education, health and rural sector development.
Rwanda	9.7	0.4	Food imports and spending for the Lake Kivu methane gas project (to generate electricity).
Senegal	48.5	0.6	For priority needs in the social services sector.
Tanzania	82.3	0.6	To meet the foreign exchange cost of growth critical energy projects and food imports.
Uganda	57.9	0.6	Given Uganda's acute electricity shortage, the government is considering using the resources freed up by the MDRI to help meet Uganda's urgent electricity needs.
Zambia	23.8	0.3	MDRI savings will be used to increase spending on agricultural projects on small-holder irrigation and livestock disease control.
Total	559.4	...	
Simple average	29.4	0.4	

Sources: Finance Departments of IMF and World Bank; African Development Bank staff estimates; and HIPC authorities.

1/ Only refers to the additional debt service savings freed up by the MDRI.

Table 1. Summary of Debt Service and Poverty Reducing Expenditures 1/
(In millions of US dollars, unless otherwise indicated)

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
								Prel.	Projections			
Debt Service 2/												
Paid/due after enhanced HIPC Initiative relief 3/	3,695	3,177	3,043	2,336	2,298	2,400	2,620	2,620	2,828	2,689	2,833	2,875
Due after MDRI	...	...	...	...	...	...	...	...	1,828	1,434	1,549	1,606
Debt service savings from MDRI	...	...	...	...	...	...	...	...	999	1,255	1,284	1,269
Poverty Reducing Expenditures	...	5,940	6,004	6,787	7,702	9,361	11,192	14,821	16,701	...	...	...
Weighted average ratios (in percent)												
Debt service/exports 2/ 4/	18.0	15.1	14.0	10.2	9.7	8.6	7.4	6.5	3.9	3.1	3.2	3.2
Debt service/GDP 2/ 4/	4.1	3.5	3.3	2.5	2.3	2.1	2.0	1.8	1.2	0.9	0.9	0.9
Poverty-reducing expenditure/government revenue	...	41.6	43.3	45.8	47.4	45.6	46.0	49.9	50.3	...	...	...
Poverty-reducing expenditure/GDP	...	6.7	6.5	7.1	7.3	7.5	7.9	9.3	10.2	...	...	...

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

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

1/ Data refers to 29 post-decision point countries, unless specified otherwise.

2/ Excluding Burundi, the Democratic Republic of the Congo, and the Republic of Congo, for which data for early years are not available.

3/ The debt service figures for 2000 largely reflect pre-HIPC Initiative relief debt service because many countries did not reach their decision points until late in 2000 or thereafter.

Debt service paid covers 1998-2005, and debt service due covers 2006-2009. For post-completion point HIPC, debt service due assumes full HIPC Initiative debt relief, and additional debt relief provided by some Paris Club Creditors on a voluntary basis. For pre-completion point countries, debt service due includes interim debt relief and full HIPC Initiative assistance expected at the projected completion point. See Table 2 for a detailed breakdown.

4/ For projections, debt service due after MDRI is used for countries that reached the completion point, and debt service due after HIPC Initiative assistance is used for countries that have not reached the completion point.

Table 2. Debt Service of the 29 HICPs that Have Reached the Decision Point, by Country, 1998-2009
(In millions of US dollars, unless otherwise indicated)

	1998-99	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
	Avg.						Prel.		Proj.		
A. Countries that have reached the Completion Point											
Benin											
Paid	65.1	54.5	36.2	35.7	32.5	35.8	25.5	...	...	...	...
Due after enhanced HIPC Initiative relief 1/	...	...	...	...	...	...	...	34.5	40.1	38.6	44.8
Due after MDRI	...	...	...	...	...	...	...	15.4	19.2	18.4	23.0
In percent of exports 2/	16.6	13.8	9.8	9.5	8.0	7.6	4.4	2.9	3.1	2.8	2.9
In percent of GDP 2/	2.8	2.3	1.4	1.3	0.9	0.9	0.6	0.3	0.4	0.4	0.4
Bolivia											
Paid	319.7	268.3	260.5	274.9	374.0	321.8	427.8	...	...	...	...
Due after enhanced HIPC Initiative relief 1/	...	...	...	...	...	...	...	426.5	409.4	373.3	402.8
Due after MDRI	...	...	...	...	...	...	...	299.4	291.5	292.0	342.7
In percent of exports 2/	23.8	18.3	17.1	17.6	20.0	12.6	14.4	8.2	7.7	7.6	8.8
In percent of GDP 2/	3.8	3.2	3.2	3.5	4.6	3.7	4.6	2.9	2.6	2.4	2.6
Burkina Faso											
Paid	58.9	48.2	35.1	33.5	48.9	45.7	40.5	...	...	...	...
Due after enhanced HIPC Initiative relief 1/	...	...	...	...	...	...	...	50.3	60.3	64.9	65.6
Due after MDRI	...	...	...	...	...	...	...	31.5	29.3	32.1	34.8
In percent of exports 2/	20.8	20.3	13.7	11.5	12.8	7.7	6.8	4.6	4.0	4.1	4.0
In percent of GDP 2/	2.1	1.8	1.2	1.0	1.1	0.9	0.7	0.5	0.5	0.5	0.5
Cameroon											
Paid	401.0	339.7	260.9	240.4	284.8	259.1	406.2	...	...	...	...
Due after enhanced HIPC Initiative relief 1/	...	...	...	...	...	...	...	427.6	331.1	359.3	358.6
Due after MDRI	...	...	...	...	...	...	...	156.5	32.6	38.6	53.0
In percent of exports 2/	16.3	12.5	9.6	8.8	8.8	7.1	9.7	3.2	0.7	0.8	1.1
In percent of GDP 2/	4.2	3.8	2.8	2.2	2.1	1.6	2.4	0.8	0.2	0.2	0.2
Ethiopia											
Paid	114.0	142.8	166.2	91.5	82.9	99.2	111.3	...	...	...	...
Due after enhanced HIPC Initiative relief 1/	...	...	...	...	...	...	...	131.0	137.3	137.6	134.4
Due after MDRI	...	...	...	...	...	...	...	87.9	84.5	79.0	76.1
In percent of exports 2/	11.8	14.5	17.0	9.3	7.3	6.6	6.1	4.0	3.4	2.9	2.5
In percent of GDP 2/	1.8	1.8	2.1	1.2	1.0	1.0	1.0	0.7	0.6	0.5	0.5
Ghana											
Paid	540.8	538.0	275.8	266.8	160.9	195.0	163.2	...	...	...	...
Due after enhanced HIPC Initiative relief 1/	...	...	...	...	...	...	...	141.9	160.3	189.6	207.6
Due after MDRI	...	...	...	...	...	...	...	75.7	58.2	74.7	89.1
In percent of exports 2/	21.6	22.0	11.5	10.2	5.2	5.6	4.2	1.7	1.2	1.5	1.7
In percent of GDP 2/	7.1	10.8	5.2	4.3	2.1	2.2	1.5	0.7	0.5	0.6	0.6
Guyana											
Paid	100.4	54.5	52.8	58.4	52.3	44.2	39.2	...	...	...	...
Due after enhanced HIPC Initiative relief 1/	...	...	...	...	...	...	...	29.2	27.6	32.0	32.6
Due after MDRI	...	...	...	...	...	...	...	21.6	18.2	22.7	22.6
In percent of exports 2/	14.7	8.1	8.0	8.7	7.8	5.9	7.1	2.8	2.3	2.7	2.6
In percent of GDP 2/	14.1	7.7	7.6	8.1	7.0	5.6	4.9	2.6	2.1	2.4	2.3
Honduras											
Paid	275.5	211.4	189.6	224.6	232.6	197.7	168.9	...	...	...	...
Due after enhanced HIPC Initiative relief 1/	...	...	...	...	...	...	...	161.4	138.0	165.0	166.6
Due after MDRI	...	...	...	...	...	...	...	133.7	98.8	118.7	125.1
In percent of exports 2/	11.6	8.5	7.8	8.9	8.6	6.3	4.9	3.6	2.5	2.8	2.8
In percent of GDP 2/	5.2	3.5	3.0	3.4	3.3	2.7	2.1	1.5	1.1	1.2	1.2
Madagascar											
Paid	136.2	83.9	46.7	54.6	69.0	71.2	52.5	...	...	...	...
Due after enhanced HIPC Initiative relief 1/	...	...	...	...	...	...	...	39.3	68.6	75.7	83.9
Due after MDRI	...	...	...	...	...	...	...	22.2	35.1	38.5	42.4
In percent of exports 2/	16.1	7.1	3.5	7.5	5.5	5.0	3.9	1.7	2.5	2.5	2.6
In percent of GDP 2/	3.6	2.2	1.0	1.2	1.3	1.6	1.0	0.4	0.6	0.6	0.6
Mali											
Paid	78.8	82.2	79.0	67.3	67.2	78.2	98.3	...	...	...	...
Due after enhanced HIPC Initiative relief 1/	...	...	...	...	...	...	...	106.0	110.0	109.5	117.3
Due after MDRI	...	...	...	...	...	...	...	74.4	68.2	70.2	76.2
In percent of exports 2/	11.9	12.7	9.0	6.3	5.8	6.4	7.1	4.3	3.7	3.8	3.9
In percent of GDP 2/	2.9	3.1	2.6	2.0	1.5	1.5	1.8	1.3	1.1	1.0	1.1

Note: Data corresponding to years of decision and completion points are in thin and thick boxes, respectively.

Table 2 (continued). Debt Service of the 29 HIPC that have Reached the Decision Point, by Country, 1998-2009
(In millions of US dollars, unless otherwise indicated)

	1998-99	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
	Avg.						Prel.				
								Proj.			
Mauritania											
Paid	84.7	65.1	28.5	26.6	40.0	42.8	44.7	...	...	...	...
Due after enhanced HIPC Initiative relief 1/	...	...	...	...	...	...	...	98.4	80.5	89.2	72.8
Due after MDRI	...	...	...	...	...	...	...	88.2	59.1	69.3	51.8
In percent of exports 2/	22.2	16.2	7.1	6.6	11.0	8.7	6.7	4.4	2.4	2.6	1.9
In percent of GDP 2/	9.2	6.0	2.5	2.3	3.1	2.9	2.4	2.8	1.6	1.7	1.2
Mozambique											
Paid	82.1	18.0	27.1	62.0	71.8	58.1	68.8	...	...	...	...
Due after enhanced HIPC Initiative relief 1/	...	...	...	...	...	...	...	78.6	84.2	91.0	102.7
Due after MDRI	...	...	...	...	...	...	...	40.6	42.1	45.2	48.5
In percent of exports 2/	25.2	2.5	2.7	5.2	5.3	3.2	3.2	1.6	1.5	1.6	1.5
In percent of GDP 2/	2.0	0.5	0.7	1.5	1.5	1.0	1.0	0.6	0.6	0.6	0.5
Nicaragua											
Paid	200.2	184.7	153.3	158.0	98.3	76.3	88.7	...	...	...	...
Due after enhanced HIPC Initiative relief 1/	...	...	...	...	...	...	...	127.9	131.7	146.7	140.1
Due after MDRI	...	...	...	...	...	...	...	116.3	109.3	120.5	108.0
In percent of exports 2/	24.1	16.8	13.7	13.8	7.5	4.6	4.8	5.5	4.7	4.7	3.9
In percent of GDP 2/	11.5	4.7	3.7	3.9	2.4	1.7	1.8	2.2	2.0	2.1	1.8
Niger											
Paid	17.9	22.4	34.1	53.0	27.1	22.7	24.6	...	...	...	...
Due after enhanced HIPC Initiative relief 1/	...	...	...	...	...	...	...	36.6	38.4	40.7	42.8
Due after MDRI	...	...	...	...	...	...	...	26.5	24.2	23.7	23.5
In percent of exports 2/	5.4	7.9	12.2	17.5	6.3	4.2	3.9	4.3	3.6	3.3	3.3
In percent of GDP 2/	1.1	1.2	1.8	2.4	1.0	0.8	0.7	0.8	0.7	0.6	0.5
Rwanda											
Paid	27.5	37.3	22.2	15.9	15.5	18.5	16.8	...	...	...	...
Due after enhanced HIPC Initiative relief 1/	...	...	...	...	...	...	...	16.7	18.1	16.4	17.0
Due after MDRI	...	...	...	...	...	...	...	4.6	5.2	5.7	6.2
In percent of exports 2/	34.5	24.9	14.1	12.0	11.1	9.8	7.4	1.9	1.9	1.9	2.0
In percent of GDP 2/	2.2	2.1	1.3	0.9	0.9	1.0	0.8	0.2	0.2	0.2	0.2
Senegal											
Paid	192.5	164.2	130.3	145.6	159.6	160.8	131.3	...	...	...	...
Due after enhanced HIPC Initiative relief 1/	...	...	...	...	...	...	...	164.2	153.0	165.7	161.1
Due after MDRI	...	...	...	...	...	...	...	108.4	98.2	101.4	92.5
In percent of exports 2/	13.5	12.5	9.3	9.5	8.7	7.6	5.7	4.7	4.0	4.0	3.5
In percent of GDP 2/	4.0	3.5	2.7	2.7	2.3	2.0	1.5	1.2	1.0	1.0	0.8
Tanzania											
Paid	208.5	154.4	92.0	90.3	83.2	184.1	170.5	...	...	...	...
Due after enhanced HIPC Initiative relief 1/	...	...	...	...	...	...	...	140.4	153.7	156.5	163.0
Due after MDRI	...	...	...	...	...	...	...	24.6	41.5	47.5	52.1
In percent of exports 2/	18.5	11.8	6.2	5.3	3.6	6.6	5.4	0.7	1.1	1.1	1.2
In percent of GDP 2/	2.5	1.7	1.0	1.0	0.8	1.7	1.4	0.2	0.3	0.3	0.3
Uganda											
Paid	104.0	106.3	47.8	65.1	67.3	102.9	122.8	...	...	...	...
Due after enhanced HIPC Initiative relief 1/	...	...	...	...	...	...	...	138.4	115.8	115.3	107.7
Due after MDRI	...	...	...	...	...	...	...	70.4	40.8	61.5	74.4
In percent of exports 2/	13.4	16.0	7.0	9.3	8.8	10.5	10.8	5.8	3.1	4.5	5.1
In percent of GDP 2/	1.7	1.8	0.8	1.1	1.1	1.5	1.4	0.7	0.4	0.5	0.6
Zambia											
Paid	136.7	137.2	138.5	118.1	183.7	373.2	165.6	...	...	...	...
Due after enhanced HIPC Initiative relief 1/	...	...	...	...	...	...	...	107.9	115.3	156.7	172.7
Due after MDRI	...	...	...	...	...	...	...	91.7	74.6	86.0	92.0
In percent of exports 2/	15.5	15.7	13.1	10.9	14.6	18.3	6.7	2.5	2.1	2.6	2.9
In percent of GDP 2/	4.3	4.2	3.8	3.1	4.3	6.9	2.3	0.8	0.6	0.6	0.6

Note: Data corresponding to years of decision and completion points are in thin and thick boxes, respectively.

Table 2 (concluded). Debt Service of the 29 HIPC that have Reached the Decision Point, by Country, 1998-2009
(In millions of US dollars, unless otherwise indicated)

	1998-99	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
	Avg.						Prel.		Proj.		
B. Countries that have reached the Decision Point											
Burundi											
Paid	...	20.9	14.2	28.5	25.8	63.5	27.8	...	...	...	...
Due after enhanced HIPC Initiative relief 1/	...	...	...	...	...	...	...	17.2	15.1	15.7	13.9
Due after MDRI	...	...	...	...	...	...	...	...	...	...	...
In percent of exports 3/	...	38.1	31.4	73.6	51.5	99.8	30.5	15.1	11.1	10.3	8.1
In percent of GDP 3/	...	3.0	2.1	4.5	4.3	9.6	3.5	1.8	1.4	1.4	1.1
Chad											
Paid	27.8	33.5	11.4	32.7	37.0	40.3	29.5	...	...	...	...
Due after enhanced HIPC Initiative relief 1/	...	...	...	...	...	...	...	65.4	31.7	38.2	42.7
Due after MDRI	...	...	...	...	...	...	...	65.4	17.9	23.2	25.9
In percent of exports 3/	10.1	14.3	4.6	12.9	5.5	1.8	0.9	1.7	0.8	1.0	1.3
In percent of GDP 3/	2.1	2.4	0.7	1.6	1.4	0.9	0.5	1.0	0.5	0.5	0.6
Congo, Democratic Republic											
Paid	1.9	...	...	34.2	165.6	163.2	154.1	...	...	...	...
Due after enhanced HIPC Initiative relief 1/	...	...	...	...	...	...	...	251.6	335.9	290.6	314.9
Due after MDRI	...	...	...	...	...	...	...	251.6	293.5	244.3	255.1
In percent of exports 3/	0.2	...	...	2.9	11.2	8.2	6.9	9.8	11.8	9.8	10.2
In percent of GDP 3/	0.0	...	...	0.6	2.9	2.5	2.2	3.0	3.7	2.9	3.0
Congo, Republic											
Paid	...	...	...	...	365.7	539.6	608.4	...	...	...	...
Due after enhanced HIPC Initiative relief 1/	...	...	...	...	...	...	...	632.0	529.2	359.4	344.4
Due after MDRI	...	...	...	...	...	...	...	...	...	354.3	338.2
In percent of exports 3/	...	...	...	...	12.9	14.7	11.7	11.5	9.8	6.2	5.1
In percent of GDP 3/	...	...	...	...	10.2	12.4	10.2	10.2	8.4	5.3	4.4
Gambia											
Paid	22.9	20.7	16.6	26.1	12.2	28.5	23.4	...	...	...	...
Due after enhanced HIPC Initiative relief 1/	...	...	...	...	...	...	...	27.4	29.4	31.3	31.5
Due after MDRI	...	...	...	...	...	...	...	27.4	27.6	23.5	22.9
In percent of exports 3/	13.7	19.5	16.0	23.9	12.0	23.2	17.1	18.7	18.5	18.3	17.2
In percent of GDP 3/	5.4	4.9	4.0	7.0	3.5	7.1	5.1	5.4	5.4	5.3	5.0
Guinea											
Paid	129.9	104.4	62.8	76.2	68.3	61.5	94.0	...	...	...	...
Due after enhanced HIPC Initiative relief 1/	...	...	...	...	...	...	...	140.5	144.9	135.1	108.9
Due after MDRI	...	...	...	...	...	...	...	140.5	113.2	104.7	81.0
In percent of exports 3/	16.5	14.2	7.8	9.7	8.5	7.5	11.3	16.2	15.6	13.8	10.7
In percent of GDP 3/	3.7	3.4	2.1	2.4	1.9	1.5	2.9	4.4	4.2	3.6	2.7
Guinea-Bissau											
Paid	6.5	13.1	1.1	2.3	5.7	6.2	5.0	...	...	...	...
Due after enhanced HIPC Initiative relief 1/	...	...	...	...	...	...	...	28.8	29.6	31.8	22.2
Due after MDRI	...	...	...	...	...	...	...	28.8	29.6	31.8	22.2
In percent of exports 3/	17.1	19.1	1.9	3.8	8.0	7.4	4.4	23.5	22.3	22.1	14.3
In percent of GDP 3/	3.1	6.1	0.5	1.1	2.4	2.3	1.7	9.2	8.9	9.0	5.9
Malawi											
Paid	77.3	101.7	72.3	55.5	107.5	69.2	67.6	...	...	...	...
Due after enhanced HIPC Initiative relief 1/	...	...	...	...	...	...	...	80.2	67.2	51.7	48.4
Due after MDRI	...	...	...	...	...	...	...	49.7	7.3	13.2	11.1
In percent of exports 3/	14.3	22.8	15.1	11.8	22.4	13.5	12.2	14.0	11.3	8.5	7.7
In percent of GDP 3/	4.4	5.9	4.2	2.9	6.1	3.6	3.3	3.7	2.9	2.1	1.8
Sao Tome and Principe											
Paid	4.3	3.5	0.7	1.7	3.2	2.3	6.3	...	...	...	...
Due after enhanced HIPC Initiative relief 1/	...	...	...	...	...	...	...	4.2	3.6	3.7	3.9
Due after MDRI	...	...	...	...	...	...	...	2.5	1.8	2.0	2.0
In percent of exports 3/	33.4	21.8	4.3	9.0	15.2	11.6	29.3	17.0	13.1	12.3	11.8
In percent of GDP 3/	10.2	7.6	1.5	3.1	5.3	3.6	9.0	5.9	4.6	4.3	4.1
Sierra Leone											
Paid	22.7	52.7	94.2	21.0	14.3	24.5	26.4	...	...	...	...
Due after enhanced HIPC Initiative relief 1/	...	...	...	...	...	...	...	24.3	9.2	18.1	23.3
Due after MDRI	...	...	...	...	...	...	...	24.3	5.7	5.5	6.8
In percent of exports 3/	24.5	45.9	73.0	13.7	7.2	10.2	9.3	6.6	2.1	3.7	4.3
In percent of GDP 3/	3.4	8.3	11.7	2.2	1.4	2.3	2.2	1.8	0.6	1.1	1.3

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

Note: Data corresponding to years of decision and completion points are in thin and thick boxes, respectively.

1/ Debt service due after the full use of traditional debt relief mechanism and assistance under the enhanced HIPC Initiative.

For the completion-point countries, debt relief includes bilateral assistance beyond HIPC relief provided by some bilateral creditors on a voluntary basis.

2/ The projected ratio is calculated after MDRI and additional bilateral debt relief.

3/ The projected ratio is calculated after HIPC Initiative and additional bilateral debt relief.

Table 3. Poverty-Reducing Expenditure of the 29 HIPCs that Have Reached the Decision Point, by Country, 1998-2006 1/

	1999	2000	2001	2002	2003	2004	2005 Prel.	2006 Proj.
A. Countries that have reached the Completion Point								
Benin 2/								
In millions of U.S. dollars	114.5	110.2	161.0	162.2	153.1	165.8	199.0	222.4
In percent of government revenue 3/	30.0	29.5	41.8	35.4	25.3	24.9	28.7	30.0
In percent of GDP	4.8	4.6	6.4	5.8	4.3	4.1	4.5	4.9
Bolivia 4/								
In millions of U.S. dollars	882.0	899.6	989.6	1,018.9	941.6	1,041.3	1,159.9	1,320.1
In percent of government revenue 5/	44.8	47.5	55.1	60.4	56.1	49.5	41.8	39.3
In percent of GDP	10.7	10.7	12.1	12.8	11.6	11.9	12.4	12.7
Burkina Faso 6/								
In millions of U.S. dollars	113.8	98.4	109.8	156.8	201.1	274.8	315.6	348.7
In percent of government revenue 3/	29.6	32.8	35.4	38.9	35.6	39.0	47.8	44.3
In percent of GDP	4.0	3.8	3.8	4.8	4.7	5.4	5.6	5.9
Cameroon 2/								
In millions of U.S. dollars	264.0	286.7	335.6	365.0	489.0	499.6	533.3	581.4
In percent of government revenue 3/	15.8	17.3	20.0	19.4	22.0	20.7	18.4	17.6
In percent of GDP	2.9	3.2	3.6	3.4	3.6	3.2	3.1	3.2
Ethiopia 7/								
In millions of U.S. dollars	710.0	534.2	808.8	1,001.4	1,180.4	1,619.8	2,223.4	2,445.0
In percent of government revenue 5/	61.0	45.8	66.3	77.1	73.1	90.6	93.8	101.6
In percent of GDP	11.0	6.8	10.3	13.7	14.9	16.6	19.9	19.1
Ghana 8/								
In millions of U.S. dollars	344.8	189.2	241.3	293.7	493.1	679.9	910.0	1,124.7
In percent of government revenue 3/	35.3	27.7	25.6	28.2	31.8	32.4	35.9	45.8
In percent of GDP	4.4	3.8	4.5	4.7	6.5	7.7	8.5	10.0
Guyana 9/								
In millions of U.S. dollars	87.0	146.7	144.3	151.0	159.5	157.2	173.8	192.3
In percent of government revenue 3/	43.6	65.5	66.3	65.0	68.4	60.8	63.8	68.9
In percent of GDP	12.5	20.6	20.7	20.9	21.4	20.0	21.9	23.3
Honduras 10/								
In millions of U.S. dollars	487.7	493.2	564.9	493.5	520.8	616.8	744.0	837.9
In percent of government revenue 3/	46.9	47.0	48.4	40.9	40.5	42.5	47.4	49.0
In percent of GDP	9.0	8.2	8.8	7.5	7.5	8.3	9.1	9.4
Madagascar 2/								
In millions of U.S. dollars	156.0	185.4	190.9	190.9	202.9	134.5	205.7	216.0
In percent of government revenue 3/	36.7	39.6	41.8	54.3	35.4	25.6	40.3	36.8
In percent of GDP	4.2	4.8	4.2	4.2	3.7	3.1	4.1	4.0
Mali 11/								
In millions of U.S. dollars	103.4	142.9	155.4	190.0	322.5	367.4	398.4	409.6
In percent of government revenue 3/	24.3	41.0	39.5	33.5	42.0	42.7	41.3	42.0
In percent of GDP	3.8	5.3	5.1	5.7	7.3	7.0	7.4	7.2
Mauritania 12/								
In millions of U.S. dollars	85.0	70.0	79.1	105.0	214.2	179.0	129.2	173.0
In percent of government revenue 13/	34.7	27.7	29.5	26.0	47.5	35.2	26.4	18.7
In percent of GDP	9.0	6.5	7.0	9.1	16.7	12.0	6.9	5.4
Mozambique 14/								
In millions of U.S. dollars	543.0	688.0	665.2	647.4	762.7	842.9	954.7	1,254.7
In percent of government revenue 3/	52.8	143.3	145.5	127.1	123.3	113.0	102.8	124.9
In percent of GDP	6.3	18.5	18.0	15.8	15.9	14.3	14.4	18.0
Nicaragua 15/								
In millions of U.S. dollars	342.9	349.3	361.5	410.7	467.5	593.5	657.9	724.8
In percent of government revenue 16/	60.1	44.1	47.4	54.4	56.0	59.8	59.2	60.9
In percent of GDP	15.5	8.9	8.8	10.2	11.4	13.2	13.4	13.5
Niger 2/								
In millions of U.S. dollars	104.4	104.3	97.3	125.9	142.0	177.7	183.1	194.8
In percent of government revenue 3/	58.2	67.5	53.7	54.5	49.0	50.0	53.6	50.6
In percent of GDP	5.1	5.8	5.0	5.8	5.2	6.0	5.3	5.7
Rwanda 17/								
In millions of U.S. dollars	75.2	72.4	90.6	107.8	115.4	137.0	214.7	254.4
In percent of government revenue 3/	39.5	45.4	48.1	54.8	53.9	52.8	65.9	76.2
In percent of GDP	3.9	4.0	5.3	6.2	6.9	7.5	10.0	10.8
Senegal 2/								
In millions of U.S. dollars	254.3	238.6	303.6	313.2	456.3	622.2	700.7	734.4
In percent of government revenue 3/	30.8	31.0	37.0	30.4	33.8	39.2	44.0	43.0
In percent of GDP	5.3	5.1	6.2	5.9	6.7	7.8	8.1	8.3
Tanzania 18/								
In millions of U.S. dollars	412.3	524.7	598.7	825.3	977.5	1,130.2	1,356.5	1,646.2
In percent of government revenue 3/	42.8	54.6	54.0	72.8	80.2	80.8	89.1	101.7
In percent of GDP	4.8	5.8	6.5	8.8	9.7	10.6	11.4	13.2
Uganda 19/								
In millions of U.S. dollars	306.0	402.5	444.8	553.1	724.8	914.7	1,039.7	1,050.3
In percent of government revenue 3/	40.4	59.7	68.0	79.3	101.3	98.0	92.9	86.7
In percent of GDP	5.3	6.8	7.9	9.5	11.6	13.4	11.9	11.1
Zambia 20/								
In millions of U.S. dollars	166.0	85.4	45.7	35.3	46.8	111.1	1,525.2	1,169.7
In percent of government revenue 3/	30.1	23.7	7.0	5.3	5.9	11.2	94.8	58.4
In percent of GDP	5.3	2.6	1.3	0.9	1.1	2.0	21.0	9.7

Note: Data corresponding to years of decision and completion points are in thin and thick boxes, respectively.

Table 3 (concluded). Poverty-Reducing Expenditure of the 29 HIPCs that have Reached the Decision Point, by Country, 1999-2006

	1999	2000	2001	2002	2003	2004	2005	2006
							Prel.	Proj.
B. Countries that have reached the Decision Point								
Burundi 21/								
In millions of U.S. dollars	...	26.4	28.5	27.1	29.0	33.5	25.2	28.5
In percent of government revenue 3/	...	20.9	22.4	24.6	23.3	25.3	14.9	16.2
In percent of GDP	...	3.7	4.3	4.3	4.9	5.0	3.1	3.0
Chad 22/								
In millions of U.S. dollars	63.0	62.4	64.3	84.8	113.0	132.4	242.1	544.8
In percent of government revenue 3/	50.0	56.8	51.6	48.6	48.4	32.7	46.2	66.0
In percent of GDP	4.0	4.5	3.8	4.3	4.1	3.0	4.1	8.1
Democratic Republic of Congo 2/								
In millions of U.S. dollars	...	...	...	26.2	85.2	130.2	142.6	279.5
In percent of government revenue 3/	...	...	...	6.3	14.2	19.3	10.9	15.8
In percent of GDP	...	...	...	0.5	1.5	2.0	2.0	3.3
Congo, Republic of 23/								
In millions of U.S. dollars	...	...	...	...	143.8	194.8	294.9	380.4
In percent of government revenue 3/	...	...	...	...	13.8	13.9	13.1	14.9
In percent of GDP	...	...	...	...	4.0	4.5	4.9	6.1
The Gambia 24/								
In millions of U.S. dollars	23.5	20.8	19.6	18.4	16.3	21.5	17.6	25.1
In percent of government revenue 3/	30.2	26.7	31.1	30.5	29.5	25.3	19.0	23.2
In percent of GDP	5.4	4.9	4.7	5.0	4.6	5.4	3.8	5.0
Guinea 25/								
In millions of U.S. dollars	85.1	79.8	102.9	131.5	121.9	116.3	114.4	110.2
In percent of government revenue 3/	22.8	23.4	29.9	34.0	32.1	28.2	26.7	24.6
In percent of GDP	2.5	2.6	3.4	4.1	3.4	2.9	3.5	3.4
Guinea-Bissau 2/								
In millions of U.S. dollars	...	...	...	9.2	11.4	15.1	15.8	15.1
In percent of government revenue 3/	...	...	...	27.3	29.1	30.0	31.2	25.2
In percent of GDP	...	...	...	4.5	4.8	5.6	5.2	4.8
Malawi 11/								
In millions of U.S. dollars	208.0	161.0	135.0	190.0	194.0	218.8	270.9	331.5
In percent of government revenue 3/	66.1	57.1	48.0	63.7	51.7	54.6	58.6	68.8
In percent of GDP	11.5	9.3	7.9	9.8	11.0	11.5	13.1	15.4
São Tomé and Príncipe 11/								
In millions of U.S. dollars	8.0	8.0	11.9	10.4	15.8	14.3	20.3	22.1
In percent of government revenue 3/	87.8	86.2	120.1	84.0	105.6	81.0	107.4	102.5
In percent of GDP	17.0	17.3	25.0	19.4	26.7	22.3	28.8	31.1
Sierra Leone 2/								
In millions of U.S. dollars	...	23.5	36.7	57.4	59.7	49.8	52.4	63.2
In percent of government revenue 3/	...	25.7	38.2	52.7	53.2	39.9	38.4	39.8
In percent of GDP	...	3.7	4.6	6.1	6.0	4.7	4.4	4.7

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

Note: Data corresponding to years of decision and completion points are in thin and thick boxes, respectively.

1/ The coverage of poverty-reducing expenditures varies across countries, but is generally consistent with the definition in the PRSP and the budget. In some countries, the definition of poverty-reducing expenditures has evolved over time to include more sectors; therefore, some of the increase in such spending over the 1999-2003 period may reflect changes in the definition.

2/ Data refer to health and education spending.

3/ Government refers to central government.

4/ Includes current and capital expenditure on health, education, basic sanitation, and selected urban and rural development. Excludes education spending at the university level, pension contributions, and health and education spending by the Ministry of Defense.

5/ Government includes central, local, and public enterprises.

6/ Includes current and capital expenditure on health, education, rural roads, promotion of women, employment and youth, water resources, environment, justice and communication.

7/ Poverty-related spending, including health, education, agriculture, and rural road.

8/ Spending on basic education, primary health care, poverty-focused agriculture and infrastructure.

9/ Spending on health and education. For 2003-05 and projections, poverty reducing expenditure includes infrastructure.

10/ Spending on education, health, water and sanitation, rural infrastructure, and social safety projects.

11/ Spending on education, health, and social safety net.

12/ Spending on education, health, and poverty reduction programs.

13/ Government includes central and local government.

14/ Includes expenditures on health, education, HIV, roads, sanitation, public works, governance and judicial system, agriculture and rural development.

15/ Spending on education, health, rural infrastructure and food assistance.

16/ Government includes central and local government, and social security fund.

17/ Spending on health and education expenditure. Relevant capital expenditures included from 2002, and spending on energy development from 2005.

18/ Spending on education, health, water, agricultural research and extension, land, roads, and the judiciary.

19/ Spending on education, health, roads, agriculture, water, and public order.

20/ Beginning in 2005, the definition of PRSPs was broadened to include spending on basic health and education. During 2001-04, figures reflect poverty reducing priorities (mostly investment projects) financed by HIPC relief.

21/ Refers to education, health, reinsertion conflict affected victims and other social sectors.

22/ Domestically-financed government spending in health, education, rural development, infrastructure, and good governance.

23/ Spending on health, education, infrastructure, electricity, water, disarmament, remobilization and reinsertion of former combatants, and social protection.

24/ Spending on education, health and agriculture.

25/ Expenditure in health and education during 1999-2001. Expenditure in health, education, transport, road maintenance, justice, rural development, urban planning, and social affairs from 2002

Table 4. HIPC Initiative and MDRI: Committed Debt Relief and Outlook 1/
Status as of mid-July 2006
(In millions of U.S. dollars, in end-2005 NPV terms, unless otherwise indicated)

	Assistance under the HIPC Initiative				HIPC Initiative Assistance Committed and MDRI Assistance Delivered or Expected to be Delivered		Total HIPC Initiative and MDRI Assistance
	HIPC Decision-Point Date	HIPC Completion-Point Date	Estimated Nominal Debt Service Relief	In NPV terms as of the Decision-Point 7/	Committed HIPC Initiative Assistance	MDRI Assistance Delivered or Expected to be Delivered 8/	
Countries that have reached their Completion Point (19)							
TOTAL 2/			42,396	23,405	28,809	18,308	47,117
Benin	Jul-00	Mar-03	460	265	328	571	899
Bolivia 3/	Feb-00	Jun-01	2,060	1,302	1,663	1,004	2,667
Burkina Faso 3/ 4/	Jul-00	Apr-02	930	553	672	573	1,244
Cameroon	Oct-00	Apr-06	4,917	1,267	1,569	707	2,276
Ethiopia 4/	Nov-01	Apr-04	3,275	1,982	2,284	1,383	3,666
Ghana	Feb-02	Jul-04	3,500	2,186	2,595	1,963	4,558
Guyana 3/	Nov-00	Dec-03	1,354	591	732	140	872
Honduras	Jul-00	Apr-05	1,000	556	688	733	1,421
Madagascar	Dec-00	Oct-04	1,900	836	1,035	1,219	2,255
Mali 3/	Aug-00	Mar-03	895	539	667	985	1,652
Mauritania	Feb-00	Jun-02	1,100	622	770	424	1,194
Mozambique 3/	Apr-00	Sep-01	4,300	2,023	2,599	1,004	3,603
Nicaragua	Dec-00	Jan-04	4,500	3,308	4,098	466	4,565
Niger 4/	Dec-00	Jun-04	1,190	664	800	489	1,289
Rwanda 4/	Dec-00	Jun-05	1,316	696	814	206	1,020
Senegal	Jun-00	Apr-04	850	488	605	1,297	1,902
Tanzania	Apr-00	Nov-01	3,000	2,026	2,511	1,919	4,430
Uganda 3/	Feb-00	May-00	1,950	1,003	1,282	1,705	2,987
Zambia	Dec-00	Apr-05	3,900	2,499	3,096	1,522	4,618
Countries that have reached their Decision Point (10)							
TOTAL 2/			18,825	11,353	12,455	...	12,455
Burundi	Aug-05	...	1,465	826	826	...	826
Chad	May-01	...	260	170	202	...	202
Congo, Dem. Rep. of the	Jul-03	...	10,389	6,311	6,875	...	6,875
Congo, Rep. of	Apr-06	...	2,881	1,679	1,679	...	1,679
Gambia, The	Dec-00	...	90	67	83	...	83
Guinea	Dec-00	...	800	545	676	...	676
Guinea-Bissau	Dec-00	...	790	416	515	...	515
Malawi	Dec-00	...	1,000	643	796	...	796
São Tomé and Príncipe	Dec-00	...	200	97	120	...	120
Sierra Leone	Mar-02	...	950	600	683	...	683
Countries that have not yet reached their Decision Point (11) 5/							
Côte d'Ivoire 6/	...	...	...	...	...	...	...
Central African Republic	...	...	...	...	...	...	...
Comoros	...	...	...	...	...	...	...
Eritrea	...	...	...	...	...	...	...
Haiti	...	...	...	...	...	...	...
Liberia	...	...	...	...	...	...	...
Kyrgyz Republic	...	...	...	...	...	...	...
Nepal	...	...	...	...	...	...	...
Somalia	...	...	...	...	...	...	...
Sudan	...	...	...	...	...	...	...
Togo	...	...	...	...	...	...	...
Total debt relief committed 2/			61,221	34,758	41,264	18,308	59,572

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

1/ Committed debt relief under the assumption of full participation of creditors.

2/ The total amounts shown are only indicative, as they represent the sum of individual commitments expressed in different NPV terms, corresponding to the time of the decision point of each HIPC.

3/ Also reached completion point under the original HIPC Initiative. The assistance includes original debt relief.

4/ Assistance includes topping up at the completion point.

5/ These are countries that meet the HIPC Initiative income and indebtedness criteria using end-2004 data and that may wish to be considered for HIPC Initiative assistance.

6/ Côte d'Ivoire reached its decision point under the original HIPC Initiative in 1998, but did not reach its completion point under the original HIPC Initiative, nor has it reached the decision point under the enhanced HIPC Initiative.

7/ Topping-up assistance and assistance provided under the original HIPC Initiative are expressed in NPV-terms as of the time of the enhanced HIPC Decision Point.

8/ MDRI assistance has been delivered in full to the post-completion-point countries by IDA and the IMF. AfDF is expected to deliver the assistance retroactively as of January 1, 2006. MDRI Assistance from the IMF presented in this table does not include assistance to two non-HIPCs.

Table 5. HIPC Initiative: Estimates of Costs to Multilateral Creditors and Status of Their Commitments 1/

(In millions of U.S. dollars, in end-2005 NPV terms)

Creditors	Total Cost of HIPC Initiative Debt Relief
Total	20,779
Delivering or committed to deliver debt relief 2/	20,697
World Bank Group	9,781
African Development Bank (AfDB)	3,573
International Monetary Fund (IMF)	3,103
Inter-American Development Bank (IaDB)	1,391
European Union/European Investment Bank (EU/EIB)	838
Central American Bank for Economic Integration (CABEI)	634
International Fund for Agricultural Development (IFAD)	340
Arab Bank for Economic Development in Africa (BADEA)	244
OPEC Fund for International Development	200
Islamic Development Bank (IsDB)	155
Corporación Andina de Fomento (CAF)	117
Arab Fund for Social and Economic Development (AFESD)	79
Caricom Multilateral Clearing Facility (CMCF)	72
West African Development Bank (BOAD)	55
Fund for the Financial Development of the River Plate Basin (FONPLATA)	31
Nordic Development Fund (NDF)	28
Caribbean Development Bank (CDB)	21
Arab Monetary Fund (AMF)	15
Central Bank of West African States (BCEAO)	7
Nordic Investment Bank (NIB)	4
East African Development Bank (EADB)	4
Banque de Développement des Etats de l'Afrique Centrale (BDEAC)	2
Asian Development Bank (AsDB)	0
Have not indicated intentions to provide relief under the HIPC Initiative	82
Banque des Etats de l'Afrique Centrale (BEAC)	40
Economic Community of West African States (ECOWAS)	17
Eastern and Southern African Trade and Development Bank (PTA Bank)	10
Banque de Développement des Etats des Grands Lacs (BDEGL)	8
Conseil de L'Entente (FEGECE)	3
Fondo Centroamericano de Estabilización Monetaria (FOCEM)	2
Fund for Solidarity and Economic Development (FSID)	1
Arab Petroleum Investment Corporation (APICORP)	0

Sources: HIPC documents; HIPC authorities; and IDA and IMF staff estimates.

1/ Refers to 29 HIPCs that have reached their decision points.

2/ Some of these creditors are providing relief on a case-by-case basis and have yet to agree to full participation in the delivery of enhanced HIPC Initiative debt relief.

Table 6A. Status of Delivery of HIPC Initiative and MDRI Assistance by the World Bank
Status as of mid-July 2006

(In millions of US dollars, in end-2005 NPV terms, unless otherwise indicated)

	World Bank Assistance under the HIPC Initiative				Assistance under the MDRI (IDA only)		Total Committed Assistance under the HIPC Initiative and MDRI	Total Delivered Assistance under the HIPC Initiative and MDRI
	Committed Assistance in Nominal Terms	Committed Assistance (In NPV terms as of the decision point)	Committed Assistance (in end-2005 NPV terms)	Total Delivered Assistance	Committed Assistance in Nominal Terms	Committed Assistance (in end-2005 NPV terms)		
	(I)	(II)	(III)	(IV)	(V)	(VI)	(III) + (VI)	(IV) + (VI)
Countries that have reached their Completion Point (19)								
TOTAL 1/	10,717.3	6,068.1	7,386.4	2,651.7	26,654.5	12,828.2	20,214.7	15,480.0
Benin	124.3	124.3	105.8	41.3	690.8	360.3	466.0	401.6
Bolivia 2/	287.2	198.8	246.3	123.8	1,526.2	780.5	1,026.7	904.3
Burkina Faso 2/ 3/	419.5	226.8	280.9	157.5	740.1	355.0	635.9	512.5
Cameroon	267.6	176.1	218.2	151.0	823.2	398.1	616.3	549.1
Ethiopia 3/	1,278.4	801.7	951.4	159.7	2,341.7	984.2	1,935.6	1,143.9
Ghana	1,445.7	781.6	927.6	186.7	2,994.3	1,440.5	2,368.0	1,627.1
Guyana 2/	132.8	68.3	84.6	45.8	189.4	94.1	178.7	139.9
Honduras	107.7	97.8	121.1	46.6	1,193.5	591.1	712.2	637.8
Madagascar	444.4	256.2	317.4	86.3	1,780.1	875.5	1,192.9	961.8
Mali 2/	291.8	185.1	229.3	115.9	1,270.0	644.1	873.4	760.0
Mauritania	172.8	99.9	123.7	37.8	551.8	266.8	390.5	304.6
Mozambique 2/	1,055.1	429.4	532.0	509.2	1,318.9	662.2	1,194.1	1,171.4
Nicaragua	382.6	190.9	236.4	44.8	772.6	333.7	570.2	378.5
Niger 3/	408.7	231.5	286.8	59.9	747.4	328.6	615.4	388.5
Rwanda 3/	709.0	357.4	442.7	76.1	351.3	133.4	576.2	209.6
Senegal	163.9	123.6	153.1	77.5	1,865.9	977.6	1,130.8	1,055.1
Tanzania	1,157.1	694.7	860.5	265.1	2,824.2	1,374.5	2,235.0	1,639.6
Uganda 2/	983.6	531.0	657.7	334.3	2,790.6	1,378.2	2,035.9	1,712.5
Zambia	885.2	493.2	610.9	132.4	1,882.5	849.9	1,460.9	982.4
Countries that have reached their Decision Point (10)								
TOTAL 1/	3,289.9	2,140.5	2,394.8	747.2	...	...	2,394.8	747.2
Burundi	773.0	424.8	424.8	10.0	...	...	424.8	10.0
Chad	106.7	68.1	80.9	26.7	...	...	80.9	26.7
Congo, Dem. Rep. of the	1,031.2	855.5	932.0	468.3	...	...	932.0	468.3
Congo, Rep. of	70.7	48.9	48.9	0.0	...	...	48.9	0.0
Gambia, The	31.8	22.3	27.6	11.1	...	...	27.6	11.1
Guinea	233.6	151.4	187.6	62.1	...	...	187.6	62.1
Guinea-Bissau	179.6	93.3	115.5	27.0	...	...	115.5	27.0
Malawi	588.5	330.9	409.9	105.8	...	...	409.9	105.8
São Tomé and Príncipe	44.9	23.7	29.4	6.4	...	...	29.4	6.4
Sierra Leone	229.9	121.5	138.2	29.8	...	...	138.2	29.8
Countries that have not yet reached their Decision Points (11)								
Côte d'Ivoire	...	...	...	...	...	...	...	...
Central African Republic	...	...	...	...	...	...	...	...
Comoros	...	...	...	...	...	...	...	...
Eritrea	...	...	...	...	...	...	...	...
Haiti	...	...	...	...	...	...	...	...
Liberia	...	...	...	...	...	...	...	...
Kyrgyz Republic	...	...	...	...	...	...	...	...
Nepal	...	...	...	...	...	...	...	...
Somalia	...	...	...	...	...	...	...	...
Sudan	...	...	...	...	...	...	...	...
Togo	...	...	...	...	...	...	...	...
Total debt relief committed 1/	14,007.2	8,208.6	9,781.2	3,399.0	26,654.5	12,828.2	22,609.4	16,227.2

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

1/ The total amounts shown are only indicative, as they represent the sum of individual commitments expressed in different NPV terms, corresponding to the time of the decision point of each HIPC.

2/ Also reached completion point under the original HIPC Initiative. The assistance includes original debt relief.

3/ The assistance includes topping up at the completion point.

Table 6B. Estimated Delivery of HIPC Initiative and MDRI Assistance by the World Bank, 2000-2010

(In millions of U.S. dollars)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
	Actual 1/						Projections 1/				
Debt service before HIPC Initiative debt relief 2/											
Benin	10	12	14	16	18	21	21	23	23	25	26
Bolivia	31	21	23	27	32	28	36	39	44	50	53
Burkina Faso	13	14	19	21	24	27	28	30	31	32	32
Burundi	13	14	16	19	19	21	22	23	25	26	28
Cameroon	87	80	69	59	60	57	50	40	41	42	41
Chad	8	11	11	12	17	14	17	19	20	23	26
Congo, Republic of	5	80	12	11	9	7	7	7	7	7	7
Congo, Dem. Rep. of	0	0	353	37	40	43	47	53	55	56	56
Ethiopia	34	36	42	54	63	70	72	77	91	97	98
Gambia, The	4	4	4	5	5	6	6	7	7	8	9
Ghana	56	63	65	76	87	97	102	114	121	129	136
Guinea	18	21	22	26	27	31	33	35	39	42	46
Guinea-Bissau	5	5	5	6	7	7	8	8	9	10	11
Guyana	8	8	8	8	8	7	8	8	8	8	9
Honduras	56	46	45	45	40	28	25	26	27	32	33
Madagascar	27	29	32	37	42	46	50	56	62	66	70
Malawi	36	35	36	42	47	50	53	57	59	66	68
Mali 2/	20	23	25	28	33	36	38	43	45	47	49
Mauritania	9	9	10	11	13	14	15	17	18	19	22
Mozambique	19	22	24	27	30	33	35	30	32	36	43
Nicaragua	12	12	10	12	15	18	19	20	22	25	27
Niger	14	14	15	17	20	22	25	28	31	31	32
Rwanda	11	14	16	19	21	23	24	25	27	29	30
São Tomé and Príncipe	1	1	1	2	2	2	2	2	2	2	2
Senegal	27	29	31	35	39	44	47	53	59	62	69
Sierra Leone	4	5	6	9	11	13	13	14	14	14	15
Tanzania	57	61	68	78	89	91	92	102	106	110	124
Uganda	29	34	42	53	65	73	71	77	83	88	97
Zambia	27	33	35	43	45	50	54	59	62	66	69
TOTAL	643	732	1060	835	929	978	1020	1092	1168	1247	1327
Debt service after HIPC Initiative debt relief 3/											
Benin	8	6	7	9	11	12	12	14	14	15	17
Bolivia	13	0	8	14	18	14	21	23	26	31	33
Burkina Faso	7	1	6	9	9	12	13	14	14	14	14
Burundi	13	14	16	19	19	11	1	2	2	2	2
Cameroon	87	74	41	30	14	16	21	28	28	29	28
Chad	8	7	6	7	11	8	10	18	19	20	22
Congo, Republic of	5	80	12	11	9	7	4	3	3	3	3
Congo, Dem. Rep. of	-	-	25	12	7	9	10	12	13	13	13
Ethiopia	34	35	17	26	21	13	12	14	19	21	21
Gambia, The	4	2	2	2	3	3	3	4	4	5	5
Ghana	56	63	32	31	39	44	45	53	57	61	65
Guinea	18	10	11	14	14	17	18	20	22	24	26
Guinea-Bissau	4	0	0	1	1	1	2	2	2	3	3
Guyana	6	4	5	4	4	3	3	3	3	3	4
Honduras	51	27	33	45	40	23	16	17	17	20	21
Madagascar	27	14	16	20	24	27	29	34	38	41	45
Malawi	36	18	18	22	25	26	27	30	32	36	38
Mali	14	9	10	13	17	19	20	24	25	26	28
Mauritania	5	3	4	5	6	7	7	8	10	10	13
Mozambique 5/	5	6	6	5	5	4	15	20	20	32	43
Nicaragua	12	6	2	3	5	6	6	7	8	10	12
Niger	14	4	5	7	8	10	12	9	10	10	10
Rwanda	11	1	2	4	5	5	3	3	3	4	4
São Tomé and Príncipe	1	0	0	0	0	0	0	0	1	1	1
Senegal	22	15	16	24	29	26	28	32	37	40	63
Sierra Leone	4	5	2	2	3	3	3	4	4	4	4
Tanzania	29	22	25	32	41	42	43	49	51	53	62
Uganda 4/	4	3	9	14	30	36	34	47	51	55	61
Zambia	27	14	13	17	16	16	16	19	22	24	28
TOTAL	525	444	349	402	433	426	436	514	556	610	689

Table 6B (concluded). Estimated Delivery of HIPC Initiative and MDRI Assistance by the World Bank, 2000-2010
(In millions of U.S. dollars)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
	Actual 1/						Projections 1/				
Debt Service After MDRI 5/											
Benin	8	6	7	9	11	12	6	1	1	1	1
Bolivia	13	-	8	14	18	14	11	1	2	3	4
Burkina Faso	7	1	6	9	9	12	8	2	2	2	2
Burundi	13	14	16	19	19	11	1	1	0	1	1
Cameroon	87	74	41	30	14	16	13	15	14	13	12
Chad	8	7	6	7	11	8	10	18	7	7	7
Congo, Republic of	5	80	12	11	9	7	4	3	3	3	3
Congo, Dem. Rep. of	-	-	25	12	7	9	10	7	3	3	3
Ethiopia	34	35	17	26	21	13	6	2	5	7	7
Gambia, The	4	2	2	2	3	3	3	2	0	1	1
Ghana	56	63	32	31	39	44	23	5	5	7	8
Guinea	18	10	11	14	14	17	18	10	0	1	1
Guinea-Bissau	4	0	0	1	1	1	2	2	2	3	1
Guyana	6	4	5	4	4	3	1	0	0	0	0
Honduras	51	27	33	45	40	23	8	2	2	2	2
Madagascar	27	14	16	20	24	27	16	4	4	5	5
Malawi	36	18	18	22	25	26	20	1	1	2	2
Mali 2/	14	9	10	13	17	19	10	2	2	3	4
Mauritania	5	3	4	5	6	7	4	1	1	1	1
Mozambique	5	6	6	5	5	4	4	4	4	6	9
Nicaragua	12	6	2	3	5	6	3	1	2	2	2
Niger	14	4	5	7	8	10	8	1	1	1	1
Rwanda	11	1	2	4	5	5	1	1	1	1	1
São Tomé and Príncipe	1	0	0	0	0	0	0	0	0	0	0
Senegal	22	15	16	24	29	26	15	3	4	5	7
Sierra Leone	4	5	2	2	3	3	3	0	0	0	0
Tanzania	29	22	25	32	41	42	22	5	6	6	9
Uganda	4	3	9	14	30	36	13	2	2	3	5
Zambia	27	14	13	17	16	16	8	1	2	2	3
TOTAL	525	444	349	402	433	426	253	95	78	91	103
Memorandum item											
Average Annual Debt Service Reduction (In percent) 6/											
	18	39	67	52	53	56	75	91	93	93	92

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

1/ From 2000 to 2005, information corresponds to debt service actually paid to the World Bank. Debt service after 2005 is based on stocks as of end-June 2006.

2/ Debt service before original HIPC Initiative debt relief.

3/ Includes original HIPC Initiative debt relief for countries that have reached their completion point under the original HIPC Initiative.

4/ 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.

5/ Debt service after MDRI calculated as debt service after a debt of stock cancellation of debt disbursed and outstanding as of end-2003 at the end of the quarter during which the completion point was reached.

6/ Weighted by each country's share in total debt service before HIPC Initiative debt relief.

Table 7A. Implementation of the HIPC Initiative and MDRI by the IMF
(In millions of SDRs, unless otherwise indicated; as of July 6, 2006)

Member	HIPC Initiative Assistance				Delivery date	Total	MDRI Debt Relief of which, from		Total (in millions of U.S. dollars) 2/
	Decision Point	Completion Point	Amount Committed	Amount Disbursed into HIPC Umbrella Account 1/			HIPC Umbrella Account	MDRI Trusts	
Completion point countries (19)			1,422.5	1,524.7		2,409.6	333.0	2,076.6	3,486.9
Benin	Jul. 2000	Mar. 2003	18.4	20.1	Jan. 2006	36.1	1.9	34.1	52.1
Bolivia	Feb. 2000	Jun. 2001	62.4 3/	65.5	Jan. 2006	160.9	6.1	154.8	232.5
Burkina Faso	Jul. 2000	Apr. 2002	44.0 3/	46.0	Jan. 2006	62.1	5.1	57.1	89.7
Cameroon	Oct. 2000	Apr. 2006	28.6	33.7	Apr. 2006	173.3	24.1	149.2	254.9
Ethiopia	Nov. 2001	Apr. 2004	45.1	46.7	Jan. 2006	112.1	32.4	79.6	161.9
Ghana	Feb. 2002	Jul. 2004	90.1	94.3	Jan. 2006	265.4	45.4	220.0	383.4
Guyana	Nov. 2000	Dec. 2003	56.6 3/	59.6	Jan. 2006	45.1	13.5	31.6	65.1
Honduras	Jun. 2000	Apr. 2005	22.7	26.4	Jan. 2006	107.5	9.2	98.2	155.2
Madagascar	Dec. 2000	Oct. 2004	14.7	16.4	Jan. 2006	137.3	8.8	128.5	198.3
Mali	Sep. 2000	Mar. 2003	45.5 3/	49.3	Jan. 2006	75.1	12.6	62.4	108.5
Mauritania	Feb. 2000	Jun. 2002	34.8	38.4	Jun. 2006	32.9	2.7	30.2	48.6
Mozambique	Apr. 2000	Sep. 2001	106.9 3/	108.0	Jan. 2006	106.6	23.5	83.0	154.0
Nicaragua	Dec. 2000	Jan. 2004	63.5	71.2	Jan. 2006	140.5	48.7	91.8	203.0
Niger	Dec. 2000	Apr. 2004	31.2	34.0	Jan. 2006	77.6	17.7	59.8	112.0
Rwanda	Dec. 2000	Apr. 2005	46.8	50.6	Jan. 2006	52.7	32.6	20.2	76.2
Senegal	Jun. 2000	Apr. 2004	33.8	38.4	Jan. 2006	100.3	5.6	94.8	144.9
Tanzania	Apr. 2000	Nov. 2001	89.0	96.4	Jan. 2006	234.0	27.0	207.0	338.1
Uganda	Feb. 2000	May. 2000	119.6 3/	121.7	Jan. 2006	87.7	11.9	75.8	126.7
Zambia	Dec. 2000	Apr. 2005	468.8	508.3	Jan. 2006	402.6	4.1	398.5	581.6
Decision point countries (10)			424.3	95.4					
Burundi	Aug. 2005	Floating	19.3	0.1					
Chad	May. 2001	Floating	14.3	8.6					
Congo, Dem. Rep. of	Jul. 2003	Floating	228.3	3.4					
Congo, Rep. of	Mar. 2006	Floating	5.6	--					
Gambia, The	Dec. 2000	Floating	1.8	0.1					
Guinea	Dec. 2000	Floating	24.2	5.2					
Guinea-Bissau	Dec. 2000	Floating	9.2	0.5					
Malawi	Dec. 2000	Floating	23.1	11.6					
São Tomé and Príncipe	Dec. 2000	Floating	-- 4/	--					
Sierra Leone	Mar. 2002	Floating	98.5	66.0					
Memo Items:									
Total for Non-HIPCs (2), of which:						126.1	--	126.1	182.2
Cambodia	--	--	--	--	Jan. 2006	56.8	--	56.8	82.1
Tajikistan	--	--	--	--	Jan. 2006	69.3	--	69.3	100.1
Total including non-HIPCs			1,846.8	1,620.1		2,535.8	333.0	2,202.8	3,669.1

Source: IMF Finance Department.

1/ Includes interest on amounts committed under the Enhanced HIPC Initiative.

2/ Using SDR/US\$ exchange rates at the time when the debt relief was delivered.

3/ Includes commitment under the original HIPC Initiative.

4/ At the time of its decision point, São Tomé and Príncipe did not have eligible debt to the IMF.

Table 7B. IMF Debt Service after HIPC Initiative and MDRI Debt Relief, 1999-2010
(In millions of U.S. dollars; as of end-April 2006)

	Actual 1/						Projections 2/					
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
IMF debt service before HIPC Initiative debt relief												
Benin	17	14	16	16	16	12	8	0	0	0	0	0
Bolivia	34	31	32	30	30	40	55	2	1	4	7	4
Burkina Faso	6	11	15	15	18	19	16	1	1	1	1	2
Burundi	8	6	6	3	1	29	1	1	1	1	5	10
Cameroon	20	21	5	3	12	26	37	23	1	1	1	1
Chad	5	2	4	8	10	13	14	16	15	14	13	11
Congo, Dem. Rep. of 3/	3	0	0	570	5	6	12	8	69	134	149	159
Congo, Rep. of	6	1	3	10	9	12	12	5	1	1	1	3
Ethiopia 4/	7	12	14	15	16	13	13	1	1	1	1	1
Gambia, The	4	2	1	0	0	10	2	4	4	5	4	3
Ghana	72	39	68	17	22	40	49	3	3	3	3	3
Guinea	8	9	13	13	16	18	24	20	21	18	13	12
Guinea Bissau	1	1	1	2	5	5	3	4	3	2	2	2
Guyana	22	26	17	17	17	18	16	1	0	0	0	2
Honduras	7	10	14	44	41	15	26	1	1	1	1	3
Madagascar	13	6	3	5	8	8	12	1	1	1	1	3
Malawi	22	10	8	8	10	13	17	28	20	9	7	4
Mali	13	19	24	29	29	29	25	1	1	1	1	1
Mauritania	10	12	15	18	19	17	14	16	14	11	13	10
Mozambique	32	31	29	24	21	22	28	0	0	0	0	0
Nicaragua	4	7	7	7	9	17	26	1	1	1	1	1
Niger	6	3	2	4	9	13	13	1	1	1	1	1
Rwanda	9	13	12	7	2	5	9	0	0	0	0	0
São Tomé and Príncipe	0	0	0	0	0	0	0	1	1	1	1	0
Sierra Leone	13	27	78	31	32	20	8	5	17	25	29	36
Senegal	34	25	31	30	39	46	43	1	1	1	1	2
Tanzania 4/	36	32	27	27	26	31	47	2	2	2	2	2
Uganda 4/	60	53	50	44	45	40	50	1	2	2	2	2
Zambia	9	9	222	220	222	223	224	3	3	3	3	4
TOTAL	484	431	715	1,216	687	759	805	150	186	242	260	282
IMF debt service after HIPC Initiative debt relief												
Benin	17	11	11	11	10	7	6	0	0	0	0	0
Bolivia	23	21	23	19	21	23	42	2	1	4	7	4
Burkina Faso	6	8	8	9	4	3	3	1	1	1	1	2
Burundi	8	6	6	3	1	29	1	1	1	1	1	4
Cameroon	20	20	4	3	12	22	36	23	1	1	1	1
Chad	5	2	2	5	6	12	12	16	15	8	8	9
Congo, Dem. Rep. of 3/	3	0	0	570	4	4	10	6	26	52	59	85
Congo, Rep. of	6	1	3	10	9	12	12	5	1	1	1	2
Ethiopia 4/	7	12	14	10	10	9	7	1	1	1	1	1
Gambia, The	4	2	1	0	0	10	2	4	4	4	3	3
Ghana	72	39	68	8	5	23	28	3	3	3	3	3
Guinea	8	9	10	12	14	17	24	17	9	6	4	12
Guinea Bissau	1	1	0	2	5	5	3	4	3	1	1	0
Guyana	15	17	6	10	8	6	6	1	0	0	0	2
Honduras	7	10	12	39	41	10	14	1	1	1	1	3
Madagascar	13	6	2	3	4	7	10	1	1	1	1	3
Malawi	22	10	5	8	8	9	14	18	7	6	6	4
Mali	13	18	17	19	18	17	14	1	1	1	1	1
Mauritania	10	7	7	7	8	9	9	16	14	11	13	10
Mozambique	18	0	2	6	9	9	14	0	0	0	0	0
Nicaragua	4	7	7	6	6	9	5	1	1	1	1	1
Niger	6	3	2	3	6	7	4	1	1	1	1	1
Rwanda	9	13	4	3	2	1	2	0	0	0	0	0
São Tomé and Príncipe	0	0	0	0	0	0	0	1	1	1	1	0
Sierra Leone	13	27	78	2	2	2	3	5	4	10	15	26
Senegal	34	23	26	25	32	32	30	1	1	1	1	2
Tanzania 4/	36	25	6	5	9	16	37	2	2	2	2	2
Uganda 4/	45	32	20	20	22	16	30	1	2	2	2	2
Zambia	9	9	71	67	70	221	25	3	3	3	3	4
TOTAL	437	340	414	884	349	548	404	134	104	124	137	187

Table 7B (concluded). IMF Debt Service after HIPC Initiative and MDRI Debt Relief, 1999-2010
(In millions of U.S. dollars; as of end-April 2006)

	Actual 1/						Projections					
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
IMF debt service after MDRI and HIPC Initiative debt relief												
Benin	17	11	11	11	10	7	6	0	0	0	0	0
Bolivia	23	21	23	19	21	23	42	2	1	4	7	4
Burkina Faso	6	8	8	9	4	3	3	1	1	1	1	2
Burundi	8	6	6	3	1	29	1	1	1	1	1	1
Cameroon	20	20	4	3	12	22	36	23	1	1	1	1
Chad	5	2	2	5	6	12	12	16	15	0	0	1
Congo, Dem. Rep. of 3/	3	0	0	570	4	4	10	6	6	5	5	5
Congo, Rep. of	6	1	3	10	9	12	12	5	1	1	1	1
Ethiopia 4/	7	12	14	10	10	9	7	1	1	1	1	1
Gambia, The	4	2	1	0	0	10	2	4	2	0	0	0
Ghana	72	39	68	8	5	23	28	3	3	3	3	3
Guinea	8	9	10	12	14	17	24	17	6	1	1	1
Guinea Bissau	1	1	0	2	5	5	3	4	3	1	1	0
Guyana	15	17	6	10	8	6	6	1	0	0	0	2
Honduras	7	10	12	39	41	10	14	1	1	1	1	3
Madagascar	13	6	2	3	4	7	10	1	1	1	1	3
Malawi	22	10	5	8	8	9	14	12	1	1	1	1
Mali	13	18	17	19	18	17	14	1	1	1	1	1
Mauritania	10	7	7	7	8	9	9	16	14	11	13	10
Mozambique	18	0	2	6	9	9	14	0	0	0	0	0
Nicaragua	4	7	7	6	6	9	5	1	1	1	1	1
Niger	6	3	2	3	6	7	4	1	1	1	1	1
Rwanda	9	13	4	3	2	1	2	0	0	0	0	0
São Tomé and Príncipe	0	0	0	0	0	0	0	0	0	0	0	0
Sierra Leone	13	27	78	2	2	2	3	5	0	0	0	2
Senegal	34	23	26	25	32	32	30	1	1	1	1	2
Tanzania 4/	36	25	6	5	9	16	37	2	2	2	2	2
Uganda 4/	45	32	20	20	22	16	30	1	2	2	2	2
Zambia	9	9	71	67	70	221	25	3	3	3	3	4
TOTAL	437	340	414	884	349	548	404	128	68	44	48	52
<i>Memorandum item:</i>												
<i>Average Annual Debt Service Reduction (In percent) 5/</i>												
	10	21	42	27	49	28	50	15	63	82	81	82

Sources: IMF Finance Department, IMF staff estimates.

1/ Using SDR/U.S. dollar exchange rate at the completion point (for original HIPC Initiative assistance) or at the decision point (for enhanced HIPC Initiative assistance) for actual figures.
2/ Projections are based on credit outstanding as of end-April 2006. Data for 2006 includes actual debt service by members during January-April 2006. Average SDR/U.S. dollar exchange rate during January-May 2006 is used for projection.

3/ The figures for 1998-2002 represent actual payments made by the Democratic Republic of the Congo to the IMF, including the settlement of its arrears on June 12, 2002.

4/ Fiscal year data for actual figures.

5/ Weighted average.

Table 8A. Status of Delivery of HIPC Initiative and MDRI Assistance by the African Development Bank (AfDB)
Status as of mid-August 2006
(In millions of US dollars, in end-2005 NPV terms, unless otherwise indicated)

	AfDB Assistance under the HIPC Initiative			Assistance under the MDRI (AfDF only)	AfDB Total Assistance	
	Committed Assistance (In NPV terms as of the Decision Point)	Committed Assistance	Total Delivered Assistance	Committed Assistance	Total Committed Assistance under the HIPC Initiative and MDRI	Total Delivered Assistance under the HIPC Initiative and MDRI
	(I)	(II)	(III)	(IV)	(II) + (IV)	(III) + (IV)
Countries that have reached their Completion Point (15) 1/						
TOTAL	1,574.8	1,926.8	715.6	2,479.1	4,405.9	3,194.7
Benin	38.0	47.1	28.1	161.3	208.4	189.4
Burkina Faso	80.5	99.7	39.3	135.2	234.9	174.5
Cameroon	78.8	97.7	37.4	92.2	189.9	129.6
Ethiopia	329.4	390.9	125.9	283.3	674.2	409.2
Ghana	130.9	155.4	81.4	204.9	360.3	286.3
Madagascar	60.1	74.4	32.8	158.2	232.6	191.0
Mali	69.2	85.8	45.2	250.6	336.4	295.8
Mauritania	72.8	90.2	51.5	113.3	203.4	164.7
Mozambique	146.5	181.4	14.3	221.4	402.8	235.7
Niger	48.0	59.5	11.8	74.4	133.9	86.2
Rwanda	109.6	135.8	24.6	43.0	178.8	67.6
Senegal	56.9	70.5	58.3	182.2	252.7	240.5
Tanzania	124.9	154.8	53.2	245.0	399.7	298.2
Uganda	83.0	102.9	36.0	217.6	320.5	253.6
Zambia	146.1	181.0	75.9	96.5	277.5	172.4
Countries that have reached their Decision Point (10) 1/						
TOTAL	1,432.6	1,587.6	189.7	...	1,587.6	189.7
Burundi	149.4	149.4	3.0	...	149.4	3.0
Chad	37.0	43.9	17.0	...	43.9	17.0
Congo, Dem. Rep. of the	905.1	986.0	17.0	...	986.0	17.0
Congo, Rep. of 2/	41.9	41.9	41.9	...	41.9	41.9
Gambia, The	15.7	19.5	7.5	...	19.5	7.5
Guinea	75.3	93.3	35.6	...	93.3	35.6
Guinea-Bissau	60.4	74.8	19.7	...	74.8	19.7
Malawi	70.9	87.8	31.2	...	87.8	31.2
São Tomé and Príncipe	34.2	42.4	7.2	...	42.4	7.2
Sierra Leone	42.8	48.7	9.7	...	48.7	9.7
Countries that have not yet reached their Decision Points (8) 1/						
Côte d'Ivoire	...	...	...	...	...	...
Central African Republic	...	...	...	...	...	...
Comoros	...	...	...	...	...	...
Eritrea	...	...	...	...	...	...
Liberia	...	...	...	...	...	...
Somalia	...	...	...	...	...	...
Sudan	...	...	...	...	...	...
Togo	...	...	...	...	...	...
Total debt relief committed	3,007.4	3,514.3	905.3	2,479.1	5,993.4	3,384.4

Sources: African Development Bank Group; World Bank - IMF staff estimates.

1/ Includes only HIPCs that owe debt to the African Development Bank Group.

2/ The total amount of HIPC Initiative debt relief has been provided through an arrears clearance operation in 2004.

Table 8B. Estimated Delivery of HIPC Initiative and MDRI Debt Relief by the African Development Bank Group, 2000-2010
(In millions of U.S. dollars)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
	Actuals			Projected							
Debt service before HIPC Initiative debt relief											
Benin	5	4	9	7	8	9	9	9	10	10	11
Burkina Faso	8	5	11	10	9	8	9	9	10	10	11
Burundi	0	-	-	3	28	17	6	6	6	6	6
Cameroon	51	28	70	42	38	37	35	27	26	25	14
Chad	3	1	8	6	3	10	7	7	8	9	10
Congo, Dem. Rep of	-	-	72	74	41	114	120	125	129	133	136
Congo, Rep.	8	-	0	33	142	53	20	18	13	12	12
Ethiopia	48	38	51	47	47	48	42	41	40	30	30
Gambia	4	3	4	3	4	4	4	4	4	4	5
Ghana	33	17	41	30	29	31	30	26	26	17	15
Guinea	26	20	29	23	52	17	17	17	15	15	14
Guinea-Bissau	-	4	4	4	4	4	4	4	4	4	5
Madagascar	15	11	15	13	10	9	9	10	10	11	12
Malawi	11	8	11	11	11	12	12	12	13	13	13
Mali	8	6	15	9	13	14	14	14	15	16	17
Mauritania	13	9	13	12	12	13	14	16	15	16	16
Mozambique	4	7	8	8	7	7	8	9	9	10	11
Niger	1	2	3	3	4	5	5	5	6	6	6
Rwanda	6	5	8	7	8	9	9	9	10	10	10
Sao Tome	2	1	2	2	2	2	2	3	3	3	3
Senegal	27	16	34	25	25	25	24	22	22	22	22
Sierra Leone	3	2	4	4	4	5	5	5	5	5	5
Tanzania	12	9	13	15	16	16	17	17	19	20	20
Uganda	7	6	10	10	11	12	12	13	13	14	13
Zambia	34	27	27	27	26	25	24	20	14	13	12
TOTAL	327	230	463	427	556	504	458	449	446	435	427
Debt service after HIPC Initiative debt relief 3/											
Benin	3	0	4	2	3	4	4	4	5	7	11
Burkina Faso	5	0	4	2	3	3	3	4	4	5	5
Burundi	0	0	0	3	28	14	0	0	3	6	6
Cameroon	48	16	59	36	38	37	35	27	26	25	14
Chad	3	0	4	2	0	6	6	7	8	9	10
Congo, Dem. Rep of	0	0	72	73	32	100	102	103	129	133	136
Congo, Rep. 1/	8	-	0	33	142	53	20	18	13	12	12
Ethiopia	48	38	20	17	17	18	14	14	13	11	10
Gambia	4	0	1	1	4	4	4	4	4	4	5
Ghana	33	17	23	9	9	12	11	11	11	5	8
Guinea	26	9	18	13	52	17	17	17	15	15	14
Guinea-Bissau	0	0	0	0	0	0	0	4	4	4	5
Madagascar	15	2	7	5	10	3	4	4	4	5	5
Malawi	11	1	4	4	4	12	12	12	13	13	13
Mali	6	0	6	1	5	5	5	5	6	6	10
Mauritania	6	0	5	3	4	5	6	8	8	8	8
Mozambique	2	5	6	5	5	4	5	6	6	6	8
Niger	1	0	1	1	2	2	2	2	2	3	3
Rwanda	6	0	3	2	3	5	2	2	2	2	2
Sao Tome	2	0	1	0	1	1	1	3	3	3	3
Senegal	23	8	26	21	11	7	15	22	22	22	22
Sierra Leone	3	2	2	1	2	2	2	2	5	5	5
Tanzania	7	0	5	5	6	6	7	7	8	8	9
Uganda	4	0	4	4	5	5	6	6	6	6	6
Zambia	34	4	7	8	26	16	6	6	5	4	4
TOTAL	297	103	284	252	409	341	290	297	325	328	332

Table 8B (concluded). Estimated Delivery of HIPC Initiative and MDRI Debt Relief by the African Development Bank Group 2000-10

(In millions of U.S. dollars)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
	Actuals			Projected							
Debt Service After MDRI											
Benin	3	-	4	2	3	4	2	2	2	2	2
Burkina Faso	5	-	4	2	3	3	1	1	1	1	1
Burundi	0	-	-	3	28	14	-	-	3	6	6
Cameroon	48	16	59	36	38	37	33	24	23	22	10
Chad	3	-	4	2	-	6	6	7	5	5	6
Congo, Dem. Rep of	-	-	72	73	32	100	102	103	127	131	134
Congo, Rep. 1/	8	-	0	33	142	53	20	18	13	12	11
Ethiopia	48	38	20	17	17	18	8	8	7	4	3
Gambia	4	0	1	1	4	4	4	4	3	1	0
Ghana	33	17	23	9	9	12	6	5	5	-	2
Guinea	26	9	18	13	52	17	17	15	7	7	6
Guinea-Bissau	-	-	0	0	0	0	-	4	4	4	4
Madagascar	15	2	7	5	10	3	1	1	1	1	1
Malawi	11	1	4	4	4	12	11	9	9	9	9
Mali	6	-	6	1	5	5	7	8	8	8	5
Mauritania	6	0	5	3	4	5	5	6	6	6	5
Mozambique	2	5	6	5	5	4	2	2	2	2	2
Niger	1	0	1	1	2	2	0	0	0	0	0
Rwanda	6	0	3	2	3	5	1	1	1	1	1
Sao Tome	2	-	1	0	1	1	1	2	2	2	2
Senegal	23	8	26	21	11	7	11	15	15	14	13
Tanzania	7	0	5	5	6	6	3	3	3	3	3
Uganda	4	0	4	4	5	5	2	2	2	2	2
Zambia	34	4	7	8	26	16	4	4	2	1	1
TOTAL	294	101	281	251	408	339	246	241	249	242	229
Memorandum item											
<i>Average Annual Debt Service Reduction 2/</i>											
	10	56	39	41	27	33	46	46	44	44	46

Sources: African Development Bank and World Bank and IMF staff estimates.

1/ The total amount of HIPC Initiative debt relief has been provided through the 2004 arrears clearance operation (total sum in NPV terms: 39.6 millions of U.S. dollars)

2/ Weighted by each country's share in total debt service before HIPC.

3/ Debt service after HIPC for interim HIPC countries assumes that interim debt relief is provided according to the schedule determined at the decision point. São Tomé and Príncipe is expected to reach its 40 percent ceiling of interim HIPC debt relief in October 2006, while Sierra Leone and Guinea Bissau would reach their ceiling in January 2007.

Table 9. Status of Bilateral Donor Pledges to the HIPC Trust Fund

(As of June 30, 2006, in millions of U.S. dollars)

Donor	(1) Inception through September 2002		(3) Memo: Total Contributions Including EC-ACP Contribution (Cols.1,2)	(4) From October 2002 through October 2004			(7) From October 2004 onwards		(9) Total Contributions since inception Including EC-ACP Contribution (Cols. 3,4,5,7)
	(2) Contributions Pledged			(5) Contributions Pledged			(8) Contributions Pledged ^{d/}		
	EC-ACP Contribution	Bilateral		EC-ACP Contribution a/	Bilateral b/	Paid-in	Bilateral b/	Paid-in	
Australia		13	13						13
Austria	18	26	44	6					50
Belgium	26	20	46	10	9	2			64
Canada		116	116		51	51	28	28	195
Denmark	15	43	58	5	21	21			85
Finland	10	25	35	3	13	13	13	13	64
France	166	21	187	60	11				259
Germany	160	72	232	58	60	12			350
Greece	9	3	12	3		2			17
Iceland		2	2		1	1			3
Ireland	4	20	23	1					25
Italy	86	70	156	31	31				217
Japan		200	200		58	58			258
Korea					10	10			10
Luxembourg	2	1	2	1					4
Netherlands	36	136	172	13	56				240
New Zealand		2	2						2
Norway		79	79		47	47	20	20	146
Portugal	7	15	22	2					24
Russian Federation					10	10	15	15	25
Spain	40	85	125	15	25				165
Sweden	19	58	77	6	26	26			109
Switzerland		60	60		35	35			95
United Kingdom	88	221	310	32	95	49			436
United States		600	600		150	75			750
Total Bilateral Contributions		1889			711	412	76	76	2675
Total EC-ACP Contributions	685			246	c/	126			931
Total	685	1,889	2,574	246	711	538	76	76	3606
<i>Memo: Total contributions less contributions earmarked for IDA</i>	685	1,808	2,493	246	711	538	76	76	3526

Note: 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), specific country-held multilateral debt relief facilities, bilateral debt relief Trust Funds and the Central American Emergency Trust Fund.

- a/ This column reflects the decision on May 16, 2003 when the ACP-EU Council bringing together Ministers from African, Caribbean, and Pacific countries and and EU Member States approved a new contribution to the HIPC Trust Fund of EUR 200 million (eq. \$246 million). This contribution is funded from resources already allocated to EU-ACP co-operation through the 8th and 9th European Development Fund.
- b/ From Chairman's Summary of HIPC Technical Meeting of October 24, 2002. Most EU Member States pledges made at the October 2002 meeting included the donor's share of an expected EC-ACP contribution. The bilateral pledges of EU members have as a result been adjusted to take into account the new EC-ACP contribution. This bilateral attribution is based on each donor's share in EDF9. In addition, a number of donors made pledges after the October 2002 meeting or increased the amount of their pledges including Canada, Finland, Greece, Korea, Norway, Russia and the UK.
- c/ Contribution agreements have been signed covering the full amount of the donor's outstanding pledge. The EC has signed and paid for EUR100 million. Germany has signed an agreement for Euro 50 million, of which Euro 10 million has been paid and Euro 20 million each is payable in 2006 and 2007.
- d/ Excludes contribution earmarked for IDA provided in the context of IDA 14.

Table 10. Debt Relief Committed and Delivered by the Paris Club to the 29 HIPCs
Status as of mid-July 2006

(In millions of U.S. dollars, end-2005 NPV terms)

Debtor Country	HIPC Initiative Assistance Committed	HIPC Initiative Assistance Provided	Debt Relief Beyond HIPC Initiative Provided	Total Debt Relief Provided
Countries that have reached their Completion Points (19)				
TOTAL	9,621.0	9,621.0	6,389.8	16,010.7
Benin	79.8	79.8	...	79.8
Bolivia	512.4	512.4	...	512.4
Burkina Faso	28.3	28.3	21.8	50.1
Cameroon	1,072.4	1,072.4	3,035.6	4,108.0
Ethiopia	598.3	598.3	195.2	793.5
Ghana	982.1	982.1	659.2	1,641.3
Guyana	220.6	220.6	35.8	256.4
Honduras	208.9	208.9	810.7	1,019.6
Madagascar	485.4	485.4	600.4	1,085.8
Mali	139.8	139.8	...	139.8
Mauritania	170.0	170.0	21.6	191.6
Mozambique 1/	1,281.6	1,281.6	...	1,281.6
Nicaragua	1,077.4	1,077.4	153.1	1,230.5
Niger	133.1	133.1	51.4	184.5
Rwanda	42.8	42.8	6.7	49.6
Senegal	156.2	156.2	382.1	538.3
Tanzania	933.2	933.2	...	933.2
Uganda	148.0	148.0	...	148.0
Zambia	1,350.4	1,350.4	416.2	1,766.6
Countries that have reached their Decision Points (10)				
TOTAL 2/	5,568.5	...	...	...
Burundi	85.8	...	...	...
Chad	17.4	...	...	...
Congo, Dem. Rep. of	3,772.9	...	...	...
Congo, Rep. of	913.2	...	...	...
Gambia, The	5.9	...	...	...
Guinea	189.1	...	...	...
Guinea-Bissau	186.4	...	...	...
Malawi	160.2	...	...	...
São Tomé and Príncipe	24.3	...	...	...
Sierra Leone	213.4	...	...	...
Grand Total	15,189.5	...	...	...

Sources: HIPC country documents, country authorities; and staff estimates.

1/ Agreements with Portugal and Japan are still pending.

2/ No information is available regarding the provision of interim debt relief to these countries by the Paris Club creditors.

**Table 11. Paris Club Creditors' Delivery of Debt Relief Under Bilateral Initiatives
Beyond the HIPC Initiative 1/**

Countries Covered		ODA (In percent)		Non-ODA (In percent)		Provision of Relief	
		Pre-cutoff date debt	Post-cutoff date debt	Pre-cutoff date debt	Post-cutoff date debt	Decision point (In percent)	Completion point
(1)		(2)	(3)	(4)	(5)	(6)	(7)
Australia	HIPCs	100	100	100	100 ^{2/}	2/	2/
Austria	HIPCs	100	-	100	-	Case-by-case, flow	Stock
Belgium	HIPCs	100	100	100	-	100 flow	Stock
Canada	HIPCs ^{3/}	- ^{4/}	- ^{4/}	100	100	100 flow	Stock
Denmark	HIPCs	100	100 ^{5/}	100	100 ^{5/}	100 flow	Stock
France	HIPCs	100	100	100	-	100 flow ^{6/}	Stock
Finland	HIPCs	100	- ^{7/}	100	- ^{7/}	-	-
Germany	HIPCs	100	100	100	- ^{8/}	100 flow	Stock
Ireland	-	-	-	-	-	-	-
Italy	HIPCs	100	100 ^{9/}	100	100 ^{9/}	100 flow	Stock
Japan	HIPCs	100	100	100	-	-	Stock
Netherlands, the	HIPCs	100 ^{10/}	100	100	-	90-100 flow ^{10/}	Stock ^{10/}
Norway	HIPCs	11/	11/	12/	12/	-	-
Russia	Case-by-case	-	-	-	-	-	Stock
Spain	HIPCs	100	Case-by-case	100	Case-by-case	-	Stock
Sweden	HIPCs	-	- ^{13/}	100	-	-	Stock
Switzerland	HIPCs	100	-	100	Case-by-case	100, flow ^{14/}	Stock
United Kingdom	HIPCs	100	100	100	100 ^{15/}	100 flow ^{15/}	Stock
United States	HIPCs	100	100	100	100 ^{16/}	100 flow	Stock

Source: Paris Club Secretariat.

1/ 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 indicates that the debt relief provided under the enhanced HIPC Initiative framework will be topped up to 100 percent through a bilateral initiative.

2/ 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.

3/ Canada: including Bangladesh. Canada has granted a moratorium of debt service as of January 2001 on all debt disbursed before end-March 1999 for 13 out of 17 HIPCs with debt service due to Canada. Eligible countries are Benin, Bolivia, Cameroon, Dem. Rep. of the Congo, Ethiopia, Ghana, Guyana, Honduras, Madagascar, Rwanda, Senegal, Tanzania, and Zambia. 100% cancellation will be granted at completion point. As of July 2004, Canada has provided completion point stock of debt cancellation for Benin, Bolivia, Guyana, Senegal and Tanzania.

4/ 100 percent of ODA claims have already been cancelled on HIPCs, with the exception of Myanmar's debt to Canada.

5/ Denmark provides 100 percent cancellation of ODA loans and non-ODA credits contracted and disbursed before September 27, 1999.

6/ France: cancellation of 100 percent of debt service on pre-cutoff date commercial claims on the government as they fall due starting at the decision point. Once countries have reached their completion point, debt relief on ODA claims on the government will go to a special account and will be used for specific development projects.

7/ Finland: no post-COD claims

8/ Germany proposes to cancel all debts incurred before June 20, 1999 depending on a consensus within Paris Club creditors

9/ Italy: cancellation of 100 percent of all debts (pre- and post-cutoff date, 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.

10/ The Netherlands: 100 percent ODA (pre- and post-cutoff date debt will be cancelled at decision point); for non-ODA: in some particular cases (Benin, Bolivia, Burkina Faso, Ethiopia, Ghana, Mali, Mozambique, Nicaragua, Rwanda, Tanzania, Uganda and Zambia), 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 HIPCs will receive 100 per cent cancellation of the remaining stock of the pre-cutoff date debt.

11/ Norway has cancelled all ODA claims.

12/ Due to the current World Bank/IMF methodology for recalculating debt reduction needs at HIPC completion point, Norway has postponed the decisions on whether or not to grant 100% debt reduction until after the completion point.

13/ Sweden has no ODA claims.

14/ Switzerland: In principle 100 percent cancellation of Pre-cutoff date non-ODA debt. However, Switzerland claims the right at the decision point to forgive only 90 percent in case of major political and/or political weaknesses.

15/ 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.

16/ United States: 100 percent post-cutoff date non-ODA treated on debt assumed prior to June 20, 1999 (the Cologne Summit).

Table 12. Costs and Delivery of HIPC Initiative Debt Relief by Non-Paris Club Creditors 1/

Status as of end-July 2006

(In millions of U.S. dollars, 2005 NPV terms)

Creditor Country	HIPC Initiative Assistance Costs		HIPC Debt Relief Delivered			
	NPV Terms	Percent of Total Cost	Lower Bound 2/		Upper Bound 3/	
			NPV Terms	Percent of Total Cost	NPV Terms	Percent of Total Cost
	(1)	(2)	(3)	(4) = (3)/(1)	(5)	(6) = (5)/(1)
I. Fully delivered debt relief on all claims to all HIPCs:						
Jamaica	0.2	0.0	0.2	100.0	0.2	100.0
Czech Republic	6.6	0.2	6.6	100.0	6.6	100.0
Republic of Korea	6.6	0.2	6.6	100.0	6.6	100.0
Slovak Republic	33.2	0.9	33.2	100.0	33.2	100.0
South Africa 4/	4.7	0.1	4.7	100.0	4.7	100.0
Trinidad and Tobago	0.5	0.0	0.5	100.0	0.5	100.0
Total	51.8	1.4	51.8	100.0	51.8	100.0
II. Partially delivered debt relief: 5/						
Brazil 4/	8.0	0.2	6.2	76.8	6.2	76.8
Bulgaria	106.7	2.8	20.1	18.8	94.8	88.8
Burundi	1.3	0.0	0	0	0.2	12.1
China	345.2	9.0	148.7	43.1	261.2	75.7
Egypt	11.9	0.3	3.7	31.2	3.7	31.2
Guatemala 6/	444.6	11.6	438.5	98.6	438.5	98.6
Hungary	16.9	0.4	12.0	71.3	12.0	71.3
India 7/	36.9	1.0	10.2	27.6	33.2	89.9
Kuwait	370.2	9.7	189.6	51.2	264.0	71.3
Libya 8/	275.3	7.2	24.7	9.0	43.6	15.8
Mexico 9/	62.8	1.6	51.2	81.5	51.2	81.5
People's Democratic Republic of Korea	3.7	0.1	0	0		
Poland	19.2	0.5	5.8	30.0	5.8	30.0
Romania	42.1	1.1	6.0	14.2	6.0	14.2
Rwanda 10/	0.9	0.0	0	0	0.7	74.9
Saudi Arabia	242.2	6.3	51.4	21.2	134.8	55.6
Tanzania	4.0	0.1	2.6	65.0	2.6	65.0
Other 11/	1.1	0.0	0	0	1.1	100.0
Total	1,993.0	52.2	970.6	48.7	1,359.3	68.2
III. Not yet delivered debt relief :						
Algeria	234.4	6.1	0	0	0	0
Argentina	4.7	0.1	0	0	0	0
Angola	36.1	0.9	0	0	0	0
Colombia	4.5	0.1	0	0	0	0
Costa Rica	467.8	12.2	0	0	0	0
Cuba	2.7	0.1	0	0	0	0
Cote d'Ivoire	12.1	0.3	0	0	0	0
Former Serbia and Montenegro 14/	109.7	2.9	0	0	0	0
Honduras	120.4	3.2	0	0	0	0
Iran	66.9	1.8	0	0	0	0
Iraq	105.3	2.8	0	0	0	0
Israel 4/	15.8	0.4	0	0	0	0
Morocco	5.8	0.2	0	0	0	0
Namibia	0.6	0.0	0	0	0	0
Nigeria	2.0	0.1	0	0	0	0
Oman	27.7	0.7	0	0	0	0
Pakistan	1.5	0.0	0	0	0	0
Peru	9.3	0.2	0	0	0	0
Taiwan Province of China	374.1	9.8	0	0	0	0
Thailand	0.5	0.0	0	0	0	0
United Arab Emirates	104.9	2.7	0	0	0	0
Venezuela	68.0	1.8	0	0	0	0
Other 12/	1.30	0.0	0	0	0	0
Total	1,776.0	46.5	0	0	0	0
Grand Total (I+II+III)	3,820.8	100.0	1,022.3	26.8	1,411.1	36.9
<i>Memo Item:</i>						
Costs pertaining to the 19 post-completion-point HIPCs 13/	3,205.8	83.9		31.9		44.0

Sources: HIPC country documents, country authorities; and staff estimates.

1/ Estimates are based on partial information. HIPC Initiative costs presented refer to all 29 post-decision-point countries and do not include the cost of traditional debt relief.

2/ Includes only full debt relief when debtors consider that relief has been delivered on HIPC terms. Partial debt relief excluded.

3/ Includes full debt relief even when debtors assessed that partial debt relief has been provided.

4/ Some claims have been dealt with in the context of the Paris Club.

5/ Creditors have either treated some HIPC claims or have provided debt relief to some HIPCs.

6/ Guatemala's claims on Nicaragua were taken over by Spain in a debt swap. Spain has provided HIPC relief to Nicaragua on those claims.

7/ In June 2003, India announced its intention to write off all non-export credit claims on HIPCs. However, many agreements remain unsigned. India has not yet agreed to provide full relief on export-credit claims.

8/ Libya indicated its intention to withdraw its participation from the HIPC Initiative in July 2004. Debt relief has been delivered under its bilateral initiative.

9/ Relief provided to Nicaragua under the 1996 rescheduling was considered to be in line with relief expected under the enhanced HIPC Initiative. However, relief to Honduras has not yet been provided.

10/ Rwanda has provided relief to Uganda but has not yet agreed to provide HIPC relief on its claim on the Democratic Republic of the Congo.

11/ Includes Ecuador and Uruguay.

12/ Total claims held by each creditor are less than US\$500,000. Includes: Cape Verde, Cameroon, Democratic Republic of the Congo, Niger, Senegal, Togo, Zambia, and Zimbabwe.

13/ Creditors are not expected to deliver debt relief until their HIPC debtors reach the completion point. Lower and upper-bound estimates are calculated as total debt relief delivered to all HIPCs relative to the costs pertaining to the 19 post-completion point HIPCs.

14/ Montenegro seceded from Serbia in June 2006. Debts owed to the two countries have not been reconciled with debtor countries.

Table 13. Commercial Creditor Lawsuits Against HIPC's 1/ 5/

HIPC Debtor	Creditor 2/	Domicile of Creditor	Status of Legal Action	Original Claim 3/ 4/		Judgment for Creditor
				(In millions of U.S. dollars)		
Cameroon	(1) Winslow Bank	Bahamas	Judgement to pay	9.9	19.9	
	(2) Del Favaro Spa	Italy	Judgement to pay	2.9	4.6	
	(3) Sconset	British Virgin Islands	Pending	18.2	...	
	(4) GraceChurch CAPITAL	Cayman Islands	Pending	8.9	...	
	(5) Antwerp Investments Limited	British Virgin Islands	In arbitration	13.3	...	
Congo, D.R.	(1) ENERGOINVEST	Former SFR Yugoslavia	Judgement to pay	55.8	81.7	
	(2) KHD Humboldt Wedag AG Koln and others	Germany	Judgement to pay	...	80.4	
	(3) GAT		In arbitration	19.0	...	
Congo, Rep. of	(1) GAT	Lebanon	Judgement to pay	77.0	78.3	
	(2) Citoh Middle East	Lebanon	Judgement to pay	9.8	7.2	
	(3) FG Hemisphere Associates LLC	USA	Judgement to pay	35.9	151.9	
	(4) AF CAP, Inc.	Bermuda	Judgement to pay	5.9	...	
	(5) Berrebi	France	Judgement to pay	1.91	...	
	(6) Kensington Intrenational Ltd.	Cayman Islands	Judgement to pay	30.6	118.6	
	(7) Walker International Holdings	British Virgin Islands	Judgement to pay	12.9	...	
	(8) CommisimPex	Rep. of Congo	In arbitration	19.7	96.6	
Ethiopia	(1) Kintel	Bulgaria	Out of court settlement	8.7	8.7	
Guyana	(1) Citizens Bank (government bonds)	Guyana	Pending	26.4	...	
	(2) EPDS		Pending	12.7	...	
	(3) Barclays Bank	United Kingdom	Pending	3.1	...	
	(4) Lloyds Bank (overdraft)	United Kingdom	Pending	0.4	...	
	(5) ITT World Communications Inc.	USA	Pending	0.2	...	
	(6) India Tata	India	Pending	0.1	...	
	(7) CDC	United Kingdom	Pending	0.6	...	
Honduras	(1) Laboratories Bago	Argentina	Pending	1.45	...	
Nicaragua	(1) LNC Investments	USA	Judgement to pay	26.3	87.1	
	(2) GP Hemisphere Associates	USA	Judgement to pay	30.9	126.0	
	(3) Greylock Global Opportunity Master Fund	British Virgin Islands	Judgement to pay	10.5	50.9	
	(4) Hamsah Investments, Ltd.	British Virgin Islands	Judgement to pay	2.5	11.6	
Sao Tome & Principe	(1) Annadale Associates	London	In arbitration	3.0	8.9	
Sierra Leone	(1) J&S Franklin Ltd.	U.K.	Judgement to pay (paid US\$2.0 million)	1.1	2.4	
	(2) UMARCO	France	Pending (paid US\$ 0.1 million)	0.6	...	
	(3) Executive Outcomes, International Inc.	South Africa/Panama	Pending (paid US\$1.1 million)	19.5	28.5	
	(4) Chatelet Investment Ltd.	Sierra Leone	Pending	0.4	...	
	(5) Scancem International ANS	Norway	Settlement (paid US\$2 million)	3.7	3.7	
Uganda	(1) Banco Arabe Espanol	Spain	Judgement awarded and paid	1.0	2.7	
	(2) Transroad Ltd	United Kingdom	Judgement awarded and paid	5.5	10.6	
	(3) Industry of Construction Machinery and Equipment	Former SFR Yugoslavia	Judgement awarded and paid	8.4	8.9	
	(4) Sours Fab Famous Rz Promet	Former SFR Yugoslavia	Judgement awarded and paid	1.3	1.8	
	(5) Arab Fund For External Development	Iraq	Judgement to pay	2.6	6.4	
	(6) Shelter Afrique	Kenya	Out of court settlement and paid	0.1	0.1	
Zambia	(1) Connecticut Bank of Commerce	USA	Judgement awarded and paid	0.9	0.3	
	(2) Fap Famos Belgrade	Former Yugoslavia	Out of court settlement (grace period)	26.0	26.0	
	(3) Donegal International Limited	British Virgin Islands	Pending	15.4	...	

Source: Survey on Commercial Creditor Participation and Creditor Lawsuits against HIPC's. The survey was responded by 24 countries out of 29 HIPC's.

1/ Responses to previous surveys have been included in the table, with the exception of lawsuits against Mozambique and Niger which the staff determined were official claims. Lack of response or insufficient information are shown with three dots.

2/ Either original creditor or holder of current claim.

3/ The following exchange rates were used in cases where amounts were not given in US dollars; 1.74 UK £= \$1 USD; 1.19 €=\$1 USD.

4/ Excludes accumulated interest and charges.

5/ Commercial creditors lawsuits against HIPC's are reported without assessing the merits of these disputes