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INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT
Executive Board - Sixty-Fourth Session

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REPORT AND RECOMMENDATION OF THE PRESIDENT

TO THE EXECUTIVE BOARD ON THE PROPOSED IFAD CONTRIBUTION TO

THE REPUBLIC OF MOZAMBIQUE

UNDER THE

HEAVILY-INDEBTED POOR COUNTRIES DEBT INITIATIVE

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ABBREVIATIONS AND ACRONYMS

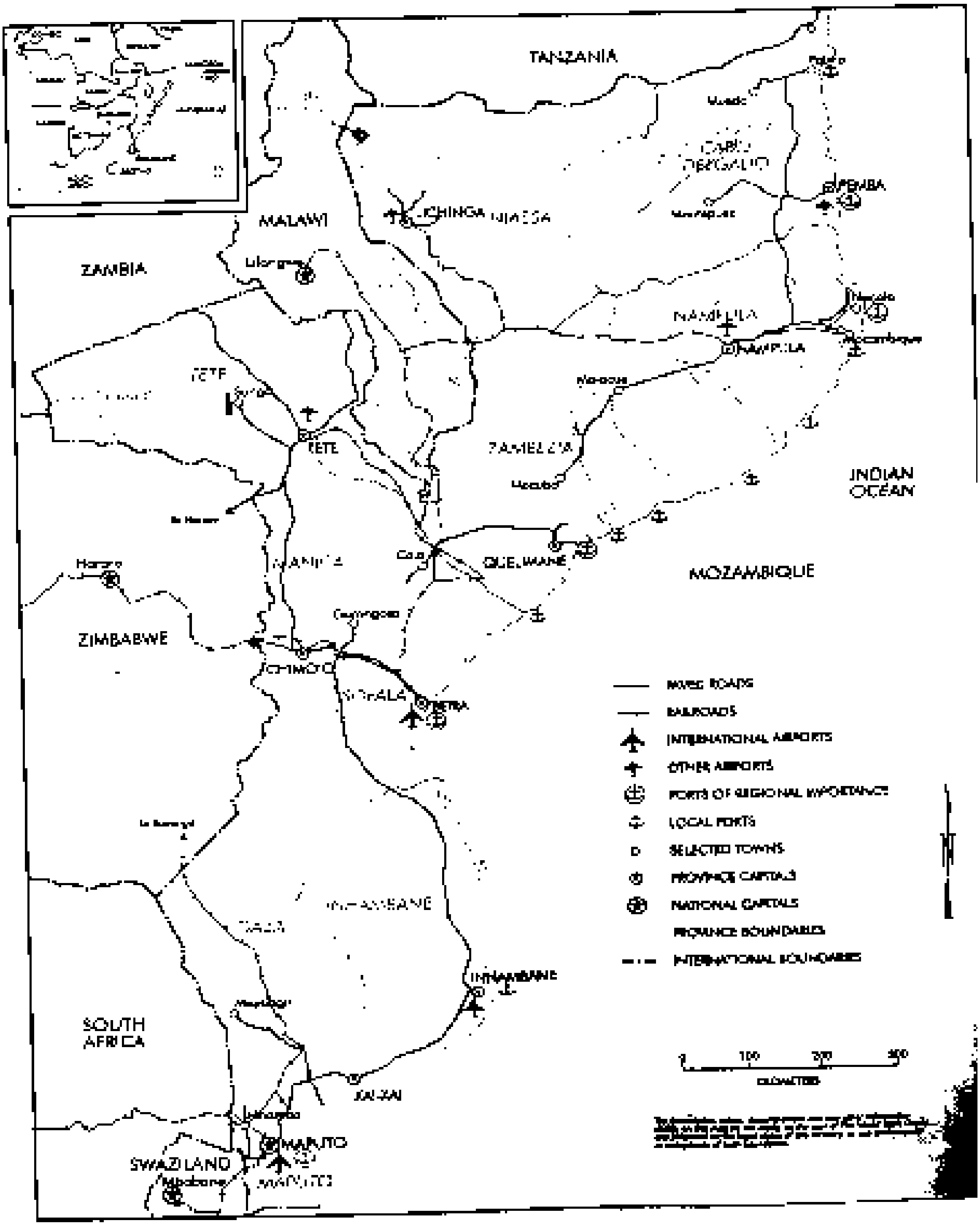
AfDB	African Development Bank
ASIP	Agricultural Sector Investment Programme
ESAF	Enhanced Structural Adjustment Facility
HIPC DI	Heavily-Indebted Poor Countries Debt Initiative
IDA	International Development Association
IFIs	International Financial Institutions
IMF	International Monetary Fund
MOE	Ministry of Education
MOH	Ministry of Health
MOU	Memorandum of Understanding
MPF	Ministry of Planning and Finance
NPV	Net Present Value
NPV/EX	Net Present Value of Debt to Exports Ratio

GOVERNMENT OF THE REPUBLIC OF MOZAMBIQUE

Fiscal Year

1 January - 31 December

MAP OF THE COUNTRY



Source: World Bank, Staff Appraisal Report No. 14373-MOZ.

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REPUBLIC OF MOZAMBIQUE

HEAVILY-INDEBTED POOR COUNTRIES DEBT INITIATIVE

FINANCING SUMMARY

INITIATING INSTITUTIONS:	International Development Association (IDA) International Monetary Fund (IMF)
RECIPIENT:	Republic of Mozambique
TOTAL INTERNATIONAL FINANCIAL INSTITUTION (IFI) CONTRIBUTION:	USD 526 million (Net Present Value (NPV))
AMOUNT OF IFAD CONTRIBUTION:	SDR 7.7 million NPV (equivalent to approximately USD 10.46 million NPV)
TERMS OF IFAD CONTRIBUTION:	Grant
HIPC DI COMPLETION POINT:	June 1999
COFINANCIERS:	IDA African Development Bank (AfDB) IMF Other IFIs
AMOUNT OF COFINANCING:	IDA: USD 295.1 million (NPV) AfDB: USD 97.5 million (NPV) IMF: USD 94.8 million (NPV) Other IFIs: USD 28.14 million (NPV)

BRIEF ON THE PROPOSED CONTRIBUTION

The rapid recovery of national food production by smallholders and the liberalization process under way in Mozambique have opened up strategic opportunities for IFAD to focus on income generation for smallholders by means of strengthening linkages with the private sector. With a 1995 per capita income level of USD 80, Mozambique is considered one of the poorest countries in the world. The medium-term social objective of the Government of Mozambique is to improve poverty indicators to levels that at least match those of sub-Saharan Africa; and it has also demonstrated a high degree of commitment to poverty alleviation in both urban and rural areas. However, the Government's still fragile efforts at adjustment, poverty alleviation and debt management risk being compromised by the country's huge backlog of debt.

Background. As of the end of 1997, the Government's net outstanding debt had a nominal value of USD 5.5 billion with an NPV of USD 3.3 billion. Multilateral debt accounted for about 25% of the total, and bilateral debt for about 75%. In the absence of debt relief measures, the stock of debt and repayment obligations would be almost twice the maximum acknowledged sustainable level for a poor country. In January 1998, the Mozambican and Russian authorities reached agreement on the application of relief terms to Mozambique's debt to the former Soviet Union, thus paving the way for relief to be applied by Paris Club bilateral creditors. In April 1998, the Executive Boards of IDA and IMF approved the participation of their respective institutions in the HIPC DI.

IFAD Debt. Mozambique would be the fourth country to benefit from debt relief assistance by IFAD, and the total NPV of this relief would be the largest IFAD has provided to any country to date. The net outstanding debt of the Government to IFAD stands at SDR 24.5 million (or USD 37.86 million) in nominal terms, and the NPV of the total outstanding IFAD debt is estimated at USD 18.6 million. In the event the agreed debt relief of share of 62.9% under HIPC DI were to be applied, the total amount of NPV to be forgiven by IFAD would be USD 10.46 million.

Performance criteria for assistance under the HIPC DI will be based on the implementation of key aspects of the Government's agenda for poverty reduction, including monitorable targets for health and education expenditures, and specific targets for reducing regional disparities in social expenditure allocation. Given that, historically, expenditure patterns have privileged the urban areas and wealthier regions, this signifies that more social sector investment will go to poorer regions and rural areas, where they are most needed. A specific objective of the Agricultural Sector Investment Programme (ASIP) will be to ensure that smallholders have greater security of tenure over land and natural resources.

Implementation of Debt Relief by IFAD. The IFAD project portfolio in Mozambique is fairly strong, and as a general rule the Government has acquitted itself well in terms of managing its debt servicing to IFAD. Repayments due from the Government during the 1999-2013 period of the debt relief exercise would average about USD 587 000 per payment every six months, or about USD 1.1 million per year in nominal terms to arrive at the required NPV of USD 10.46 million. Under this scenario, the Government would make no loan repayments to IFAD for almost 13 years. In order to encourage the maintenance of an IFAD debt management capacity within the Government, it is recommended that a minimal payment of USD 35 000 be considered due to IFAD at the six-month due date for each payment for which debt relief has been provided. With the inclusion of this minimal payment, the required total NPV of USD 10.46 million would be reached in 2015. The completion point at which IFAD would start providing debt relief would be June 1999.

REPORT AND RECOMMENDATION OF THE PRESIDENT OF IFAD TO THE EXECUTIVE BOARD ON THE PROPOSED IFAD CONTRIBUTION TO THE REPUBLIC OF MOZAMBIQUE UNDER THE HEAVILY-INDEBTED POOR COUNTRIES DEBT INITIATIVE

I submit the following Report and Recommendation on a proposed financial assistance to the Republic of Mozambique, constituting a contribution of SDR 7.7 million NPV (equivalent to approximately USD 10.46 million NPV) to reduce the Net Present Value of Mozambique's debt to IFAD under the Heavily-Indebted Poor Countries Debt Initiative (HIPC DI).

PART I - HEAVILY-INDEBTED POOR COUNTRIES DEBT INITIATIVE

1. At its Twentieth Session in February 1997, the Governing Council approved IFAD's participation in the HIPC DI on a country-by-country basis[1]. Uganda was the first country for which the HIPC DI process was initiated[2], followed by Burkina Faso[3]. The present document sets out a proposal for IFAD's participation in this process for Mozambique.

2. The overall objective of the HIPC DI is to develop and implement a comprehensive and consistent framework for reducing "the net present value (NPV)[4]" of the debt of approximately 22 countries with unsustainable or possibly stressed levels of debt to a sustainable level that will not compromise economic reform and poverty eradication efforts. The NPV concept is employed because of the need for a "common denominator" for valuing debt with differing interest rates, grace periods and maturities. The guiding principles of the HIPC DI stipulate that it must: "(a) address a country's aggregate debt sustainability and involve all creditors to be effective and equitable; (b) assist only countries with a track record of economic policy and structural reform and that are making efforts towards poverty eradication; (c) build on the existing mechanisms of debt relief; (d) preserve the financial integrity of the IFIs involved; and (e) secure a continued flow of new external finance on appropriately concessional terms from the IFIs and from the private sector."

3. For each country programme, two critical milestones exist: the "decision point" at which an agreement is reached between the IFIs and the participating government on the general targets, terms and conditions, and cut-off date of debt relief; and the "completion point", which is the point at which performance in attaining the agreed targets and conditions is assessed and debt relief operations are triggered. The completion point may be anywhere from one to three years after the decision point, and is determined on a case-by-case basis.

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1 GC 20/L.6.

2 EB 97/61/R.14/Rev.1.

3 EB 97/62/R.10/Rev.1.

4 The NPV is the present worth of a future cash flow stream, which is based on the concept that values received earlier are worth more than values received later. The NPV is calculated by discounting the nominal cash flow stream at a suitable discount rate, usually the opportunity cost of capital. Thus the nominal cash flow is the actual amount at the determined dates of repayment which the borrower is expected to pay, while the NPV represents the cumulative current value of future repayments after discounting.

4. The rationale for IFAD participation is that: debt is a key problem that must be addressed if poverty alleviation is to occur, and the HIPC DI offers a comprehensive policy framework for accomplishing this; participation will enable IFAD to be part of a system with the potential to address the arrears issue; and participation will enable IFAD to be part of a policy dialogue process for monitoring poverty-related parameters of adjustment performance.

PART II - THE HIPC DI FOR MOZAMBIQUE

A. Preparations for the Mozambique HIPC DI

5. A preliminary document on the HIPC DI for Mozambique was prepared by the IDA and the IMF (for end-1996 debt outstanding and disbursed), for the consideration of their respective Executive Boards.

6. In January 1998, the Mozambican and Russian authorities completed the first phase of the reconciliation of Russian claims and discussed the application of the terms of the September 1997 Memorandum of Understanding (MOU) between the Russian Federation and the Paris Club. In that MOU, the Russian Federation agreed to special treatment for a small number of countries, including Mozambique, and to apply concessional terms to arrears on post-cut-off date debt[5]. The participation of the Russian Federation in this debt initiative has meant that the debts of all creditor countries are treated in an equitable fashion. The application of relief terms to Russian debt has resulted in further reducing the NPV of the total debt of Mozambique, and constitutes a crucial element in the broader international effort to assure debt sustainability for the country.

7. The debt calculations were subsequently revised by IDA and IMF, including a further reconciliation of debt data and establishing the cut-off date as 31 December 1997. A revised proposal was approved by the IDA and IMF Executive Boards in April 1998. It is within the context of the substantial work already undertaken that the general framework and objectives for IFAD’s participation in the HIPC DI for Mozambique have been developed.

B. Rationale for the Mozambique HIPC DI

8. For countries to be eligible for inclusion in the HIPC DI, they must meet three specific conditions. First, they must be IDA countries eligible for IMF's Enhanced Structural Adjustment Facility (ESAF). With a 1995 per capita income level of USD 80, Mozambique is considered one of the poorest countries in the world and therefore meets this criterion. Secondly, the country must have a good structural adjustment record over at least the last three years. As the following section explains, Mozambique clearly meets this criterion. Finally, the country's debt burden at "decision point" must be unsustainable as measured by high NPV of debt to exports and debt service to exports ratios. This is discussed in paragraphs 15-18 below.

9. In the specific case of Mozambique, IFAD participation is justified for several reasons. First, the Government is committed to pursuing economic policy reform, as witnessed by more than five years' successful implementation of a structural adjustment programme. Secondly, the Government has demonstrated a high degree of commitment to poverty alleviation in both urban and rural areas. Notwithstanding this commitment, the needs of the population are staggering after almost 20 years of almost continuous civil war. The financing requirements to address these needs outstrip the financing capacity of the country. The Government's still fragile efforts at adjustment, poverty alleviation and debt management risk being compromised by the huge backlog of debt. Finally, the

5 With regard to post-cut-off date maturities, the usual practice assumes that these are paid on non-concessional terms.

IFAD project portfolio in Mozambique is fairly strong and, as a general rule, the Government has acquitted itself well in terms of managing its debt servicing to IFAD.

C. Policy Context, Agriculture and Poverty Situation

10. Since 1987, the Government has been implementing a wide-ranging programme of economic stabilization and structural reform, involving a shift towards market-oriented policies and a sharp reduction in the size of the public sector. The adjustment effort has received support from IMF and IDA in the form of financial and technical assistance; and has been sustained with only two exceptions which were rectified in a timely manner, so that the adjustment programme was put back on track. A second three-year ESAF arrangement approved in June 1996 will be the subject of a mid-term review during the second half of 1998. IDA's fifth adjustment credit, the Third Economy Recovery Credit, was approved in February 1997.

11. All structural benchmarks of the adjustment programme are being observed and implementation is generally proceeding as expected. The key areas of the reform programme are fiscal, financial and trade reforms; the strengthening of public administration; continued efforts for privatization; private sector development; and reforms in the agricultural, transportation and water sectors. Civil service reform is under way. The privatization programme is on track, with more than 100 small and medium enterprises and about 32 large enterprises having been privatized in 1997. Customs management was privatized in 1997; preparations are in hand for the introduction of a value-added tax; and new budgetary recording and monitoring procedures have been introduced.

12. Notable success has been achieved in reforming and stabilizing the economy. All the objectives of the 1997/98 economic programme are being attained. Economic growth, which has been strong since the start of adjustment in 1987, was 8% in 1997. Inflation has declined sharply since 1995; in 1997, it fell to an annualized rate of 5.8% at the end of the period, well below the target of 14%, and is the lowest rate of inflation since Independence. The external current account has strengthened and the nominal exchange rate is stable. The difference between the parallel and the market exchange rates is now less than 2%.

13. Agriculture is the main sector of the economy and contributes about half of GDP. Production is dominated by small-scale crop agriculture, with lesser contributions from fisheries and livestock. Exports are dominated by primary commodities, with about 37% of earnings derived from fisheries and 24% from cotton, cashew and coconut. Although export performance has been relatively satisfactory, economic reform and recovery have engendered strong demand for imports and the country has continuously run a deficit on its current account. The country's debt service ratio has consistently exceeded 20% of export earnings (ranging between 22% and 35%) and constitutes a substantial burden for the economic progress of the country.

14. At least two-thirds of all Mozambicans live in poverty and, of these, 90% live in rural areas or were displaced from rural areas during the war. About 60-70% of rural families live in absolute poverty. The Government's medium-term social objective is to improve poverty indicators to levels that at least match those of sub-Saharan Africa. Its strategy is to: (a) promote poverty-reducing growth, particularly through support to rural development; (b) develop human resources through improved provision of social services (health and education); and (c) strengthen the safety nets aimed at assisting the poorest and most vulnerable groups. Table 1 compares selected socio-economic indicators for Mozambique with those of the sub-Saharan Africa region.

Table 1. Comparison of Social Indicators for Mozambique and Sub-Saharan Africa

Indicators	*Mozambique*	*Sub-Saharan Africa*
Per capita GNP (USD 1996)	90	490
Life expectancy at birth (years)	47	52
Infant mortality (per 1000)	134	92
Illiteracy (% population age 15+)	60	43
Gross primary enrolment (% of age group)	62	71

D. Debt Status

15. The third criterion for qualifying for inclusion in the HIPC DI programme is that debt levels remain unsustainable after existing debt relief channels, such as Paris Club forgiveness or rescheduling, have run their course. Debt is considered unsustainable under the HIPC DI if the ratio of NPV of debt to exports (hereafter referred to as the NPV/EX) exceeds 250% at the decision point, and if the debt service to exports ratio exceeds 20%. A country is considered debt-stressed if it falls within the ranges of 200-250% and 20-25% for the NPV/EX and debt service to exports ratios, respectively.

16. Mozambique has accumulated a substantial debt burden since the late 1980s, including significant amounts owed to the former Soviet Union. Mozambique first approached the Paris Club of official bilateral creditors in 1984 and, since 1987, has signed a number of debt rescheduling agreements with the IMF, the World Bank and individual bilateral donors.

17. At the end of 1997, the total public and publicly guaranteed debt for Mozambique stood at USD 5.5 billion in nominal terms and at USD 3.3 billion in NPV terms[6], of which multilateral debt constituted 25% and bilateral debt 75% (Appendix V). In the absence of debt relief measures, the NPV/EX in the baseline scenario would be projected to reach 421% in 1999, as estimated in the World Bank President's Report for Mozambique[7]. The debt service ratio has varied as a result of variations in export earnings, and has been consistently above the 20% indicator for determining debt distress.

18. The World Bank and IMF have judged that the Mozambique largely meets the criteria for unsustainable debt levels and thus qualifies for relief under HIPC DI. The NPV of the stock of its outstanding public debt is nearly double the 250% criterion, and the debt service ratio remains above the 20% ratio despite a number of previous rescheduling efforts.

E. The IFAD Programme in Mozambique

19. IFAD has financed five projects in Mozambique for a total loan value, under the Regular Programme and the Special Programme for Sub-Saharan African Countries Affected by Drought and Desertification (SPA), of USD 69.21 million (details of IFAD assistance to Mozambique are provided in Appendix II). Two projects are currently under implementation and a third was declared effective in February 1998. IFAD's programme in Mozambique has reflected three factors: the state of internal war lasting from 1975 to 1992 and the associated food crisis; the need to promote the smallholder as a legitimate element of the development landscape (against a background of State farm-led strategy until the late 1980s); and the need to establish a minimum basis for smallholder agricultural services in the immediate post-war period.

6 See paragraph 2. page 1, for an explanation of NPV.

7 Report and Recommendation of the President of the International Development Association to the Executive Directors on Assistance to the Republic of Mozambique under the HIPC DI, 31 March 1998.

20. The first phase of IFAD assistance involved heavy emphasis on emergency input distribution, followed by area-specific institutional development as the country emerged from war. The consolidation of peace made it possible to streamline public sector services to smallholders and to entrust greater responsibility to civil-society institutions and the private sector. The very rapid recovery of national food production based on smallholders, and a radical policy of economic liberalization, is opening up the possibility of a new strategic thrust for IFAD - focusing on income-generation within a framework in which the private sector and organized smallholders are the principal actors.

21. In a context of rising household food self-sufficiency, smallholders are increasingly turning to cash crop production as a means of circumventing national grain market bottlenecks - and as a means of generating income. As demonstrated by the strength of the cash crop sectors in the pre-Independence period, Mozambique has an excellent resource basis for the development of large subsectors of cotton and cashew production, with further opportunities for sugar, tobacco, copra, vegetables and citrus fruit. The smallholders' ability to exploit the cash crop option for income expansion will depend on the establishment of a competitive position in international commodity markets. Such a recovery will require major inflows of capital (for production and processing), technology and marketing expertise.

22. The only way smallholders can profit from the potential of cash crops is through association with private sector investment and service provision. This is already taking place on a large scale in the cotton belt of the north and in the sugar complex (Zambezi Valley). The future development of smallholder production and income in Mozambique depends on the smallholders' ability to participate in this rapidly-expanding cash crop complex - but on better terms. IFAD's major objective in the country is to increase the value retained by smallholders in commercial production and exchange. Experience elsewhere suggests that this is possible - while encouraging the private investment that is the essential engine of growth for the agricultural sector as a whole - if the framework for promoting capital inflows has credibility.

23. The specific characteristics of IFAD interventions in support of this strategy will vary, but would include the following elements:

- linking small-scale cash crop producers to commercial systems of credit through "seed" investments and credit risk-sharing arrangements;
- encouraging the development of competitive markets for agricultural inputs;
- promoting small farmer market organization;
- targeted public investment in infrastructure (transport and communication);
- specialized research and extension financed in part by producers, processors and traders; and
- reorganization of community land-use and rights, in association with conditional land entitlement for large-scale producers.

While the Government is not expected to be a major direct investor, it will play a crucial role in creating a facilitating framework to influence private sector investment decisions in a positive manner. The existing substantial "debt overhang" not only absorbs substantial government expenditure which could be directed toward development, but it also jeopardizes the inflow of capital that the country needs.

24. The IFAD experience in Uganda (the first country to benefit from IFAD's participation in the HIPC DI) is relevant to Mozambique, and indicates that the implementation of the above strategy requires important structural accomplishments at the macroeconomic level. It also requires a

stable and reasonably organized financial sector that allows the development of credit lines to producers, and the implementation of a clear policy relative to the role of the private sector and the disposal of public and semi-public productive assets. In Mozambique, these conditions have not been fully satisfied as yet, although progress has been made on all fronts. Experience in Uganda suggests that IFAD and other donors can help in the process, once it is agreed in principle at the policy level. In Mozambique, such policy commitments are rapidly emerging as part of the HIPC DI process.

PART III - THE MOZAMBIQUE HIPC DI PROGRAMME

25. Each HIPC DI programme has two aspects: a set of policy measures to be implemented by the recipient; and the NPV debt relief operation itself. These, and implications for IFAD participation, are discussed in the following sections.

A. Policy Measures to be Implemented

26. The Government has agreed on policy conditionality in the areas of macroeconomics, transport, the social sector (health and education) and the agricultural sector policy. The full set of policy conditions and social indicators to be tracked under the Mozambique HIPC DI are briefly set out below.

27. **Macroeconomic Policy**. The country's medium-term policy package aims at achieving sustained economic growth while, at the same time, ensuring human resource development and progress towards poverty reduction. Although GDP growth picked up to an average of 8% in 1997, a comprehensive strategy is required to strengthen the basis for growth and poverty reduction. In the agricultural sector, it will be important that price incentives be further enhanced to foster cash crops and other exportable commodities. The strengthening of linkages between smallholders and private sector operators in the rural areas is crucial for reducing poverty and going beyond subsistence farming.

28. Debt relief to Mozambique will be granted in recognition of past commitment to structural reform and poverty alleviation, and, as improvement continues, supported by specific monitorable actions. Policy reform and conditionality will be monitored under the Government's current medium-term economic programme for the 1997-99 period. During the discussion of the third annual ESAF arrangement and the Fourth Economic Recovery Credit, the programme will be revised in mid-1998 and updated to cover the period through 2000.

29. The following policy framework targets will form the basis for discussion of the 1998/99 programme: (a) end-period inflation of 6-10% in 1998 and 8% in 1999; (b) real non-energy GDP growth of about 6.5% in both 1998 and 1999; (c) gross international reserves of about 6.5 months of projected imports of goods and non-factor services in 1998 and of slightly less than six months in 1999; and (d) net government repayment to the banking system amounting to 0.4% of GDP in 1998 and zero per cent in 1999. The programme will assume a slight decrease in the velocity of circulation of money during the next two years, consistent with an increase in money demand. The major economic structural reform measures to be implemented are presented in Appendix III.

30. **Social Sector Policy and Investment**. The social performance criteria for assistance under the HIPC DI will be based on the implementation of key aspects of the Government's agenda for poverty reduction. Emphasis will be placed on ensuring that adequate provision is made in the budget for recurrent health and education expenditures, that the health and education budgets are executed as programmed, and that expenditures are better prioritized through the development of an integrated sector expenditure programme. Appendix IV provides a summary of the social development indicators and targets for health and education to be monitored under the HIPC DI.

Satisfactory progress towards the achievement of these targets constitutes the condition for reaching the completion point. Monitoring will take place in the context of ongoing and new IDA lending operations and through regular contacts with the authorities.

31. The HIPC DI will support the Government's poverty reduction objectives by releasing budgetary funds from debt service for other areas of expenditure, in particular for higher public spending and policy reforms in the social sectors. Already, increasing shares of budgetary allocations are being directed towards the priority sectors of health and education. In addition, specific targets exist for reducing regional disparities in the allocation of social expenditures, improving access to primary education, and increasing the staffing and utilization rates of primary health care facilities. Given that, historically, expenditure patterns have privileged the urban areas and wealthier regions, this implicitly signifies that more social sector investment will go to poorer regions and rural areas where they are most needed.

32. The strategy aims at increasing the poverty focus of public expenditure, increasing accountability, transferring more responsibility to decentralized social service delivery units, and reducing staffing and operating funds in a number of areas to provide room for recruitment in higher-priority social sector areas (i.e., shifting resources from higher education to primary education, particularly in rural areas, and from urban hospitals to rural clinics).

33. A central element in the Government's poverty alleviation strategy is the promotion of **agricultural development and natural resource management**. The Government plans to start implementing an Agricultural Sector Investment Programme (ASIP) in 1998. This programme will focus on improving the effectiveness of government service provision (research, extension, disease prevention) and regulation (quarantines, land, forest and wildlife management). The programme will also support improved tenure security over land and natural resources by smallholders; and aim at raising smallholder returns from cash crop production by improving rural infrastructure and increasing access to markets and marketing information. Concomitant reform and investment in the **transportation sector** are also aimed at fostering rapid growth in rural areas through reducing transportation costs while paving the way for improved foreign exchange earnings.

B. Debt Relief Calculations

34. Debt relief calculations are approximate since such calculations are based on projected estimates of debt obligations, often before the entire loan amount has been disbursed and the final reconciliation of repayment schedules drawn up by the concerned institution. Debt estimates and relief calculations do not represent an "accounting" of credit repayment obligations of the concerned government, but should be considered as a close estimate of the actual amounts. The method of estimating NPV and the application of a percentage share reduction to arrive at the value of debt relief is the same for all creditors, including IFAD.

35. Calculating the IFAD contribution involves the following process: the World Bank and IMF estimate the total stock of all debt at the future completion point, on the basis of projected disbursements and expected repayments by the country. Thereafter, what would be a sustainable level of debt for the country is estimated. In order to ensure a common basis for evaluating the debt of different institutions with different maturity dates and repayment schedules, all future repayment obligations are estimated in terms of their NPV[8]. Finally, the percentage share reduction required to reduce future debt obligations to sustainable levels for the country is estimated. To ensure equitable treatment for all multilateral creditors, this percentage share reduction is unilaterally applied by each individual multilateral creditor to the NPV amounts owed by the concerned country. This allows

[8] See footnote 4, page 1, for a brief discussion of NPV.

each individual institution to arrive at the value of the debt relief that it will accord. The value of this relief is usually quite close to the original World Bank and IMF estimates, but it would be unusual for the estimate and the actual amount to be exactly the same. In the case of Mozambique, the percentage share reduction applied to the NPV of outstanding multilateral debt is 62.9%. This relatively high level of reduction is required to bring the debt burden closer to a level which could be realistically sustained by the country.

36. The specific amounts of nominal and NPV values for outstanding publicly guaranteed debt for Mozambique are summarized in Table 2, and followed by a discussion of how these amounts were derived. The last row of the table shows the total debt relief to be accorded by multilateral donors and the IFAD amount and its relative share. More detailed information is provided in the relevant appendices.

Table 2. Summary Presentation of Debt Relief Estimate for Mozambique

	(USD million)			
	Total Public Debt	Multilateral Debt	IFAD Share	IFAD % Multilateral Debt
Nominal Value	5 526.30	1 813.60	37.86	2.1
NPV	3 304.80	837.20	16.63	2.0
62.9% share of NPV to be forgiven		526.60	10.46	2.0

37. **Calculation of the Value of Debt Relief by IFAD**. Under the HIPC DI, the NPV of the nominal value of the stream of future repayments is calculated on net outstanding amounts disbursed (i.e., gross disbursements minus repayments). Appendix VI presents detailed calculations of the NPV of outstanding disbursements by IFAD for the Mozambique portfolio. IFAD has approved five loans to Mozambique, of which two have closed, two are effective and are disbursing, and one became effective only in February 1998 (and has consequently been omitted from the debt calculations). The principal on commitments totalled SDR 39.06 million, of which SDR 28.0 million (or 71.7%) was disbursed as of 31 December 1997[9]. Three loans, two closed and one ongoing, have 50-year maturity periods and service charges of 1%, while one ongoing loan carries a 40-year maturity period and a service charge of 0.75%. All have ten-year grace periods on principal payments, and two of the closed loans have already begun to reimburse principal. Of the remaining loans, principal payments will begin in 2003 for one loan and in 2004 for the other.

38. The two closed loans are fully disbursed and two others were 30% and 8.5% disbursed as of 31 December 1997. As of 31 December 1997, the Government had reimbursed principal payments to IFAD in the amount of SDR 3.09 million of the SDR 28.0 million that had been disbursed, thus leaving a net outstanding debt to IFAD of SDR 24.9 million in nominal terms.

39. The NPV calculations for estimating the debt relief to be provided by IFAD are based on the outstanding amount of SDR 24.9 million (or USD 37.86 million) in nominal terms. The following parameters have been used to arrive at the NPV of this nominal amount: Excel methodology for NPV calculation; an SDR-based semi-annual discount factor of 3.03%[10] (because reimbursements to IFAD are scheduled on a semi-annual basis); and for USD calculations (because the World Bank/IMF figures are United States dollar-denominated), an exchange rate of SDR 1 = USD 1.35135 (December 1997 rate supplied by the World Bank). Given these parameters, the NPV on total outstanding debt to IFAD as of 31 December 1997 is estimated at SDR 12.3 million, or USD 16.63 million.

[9] Totals are based on revised loan amounts after cancellation.
[10] Discount factor supplied by the World Bank.

40. To calculate the dollar value of the IFAD contribution to the debt relief exercise, the agreed percentage share of debt relief of 62.9% for Mozambique is applied to the NPV of the total outstanding debt to IFAD of USD 16.63 million, giving an IFAD debt relief value of USD 10.46 million. The provision of this value of debt relief is conditional on the fulfilment of the country's adjustment programme outlined in the final HIPC DI document of IDA.

41. **Calculation of the IFAD Share of Multilateral Debt Relief**. At the end of 1997, NPV total outstanding public debt stood at USD 3 304.8 million, of which USD 837.2 million was owed to multilateral agencies[11]. Appendix V presents the nominal and NPV equivalent breakdown of total public debt by donor. The multilateral creditors' share of debt relief would be 62.9% of the NPV of multilateral debt at the decision point - a value of USD 526 million. The NPV of Mozambique's outstanding debt to IFAD is USD 16.63 million; IFAD's share of total outstanding public debt (including publicly guaranteed and privately held) is 0.5%; and IFAD's share of multilateral debt is 2.1%. For the sake of comparison, IFAD's share of multilateral debt for Burkina Faso was 1.9%, while for Uganda it was 2.1%.

42. In this scenario, at the proposed completion point of June 1999 (already approved by the World Bank and IMF Executive Boards), the cost of reducing Mozambique's projected NPV/EX of 421% to 250% in 1999 would have an NPV of USD 526 million for multilateral creditors. The contributions of IDA and IMF would be USD 295 million and USD 95 million respectively, and IFAD's contribution would be USD 10.46 million. As a result of this debt relief package, the World Bank and IMF estimate that the NPV/EX of Mozambique will decline from the estimated 421% to about 250% by mid-1999, and that the debt service ratio will stabilize at around 22% by mid-1999 and gradually decline to under 20%.

43. As the above-mentioned debt relief requirements rely on macroeconomic forecasting several years into the future, estimates are subject to change. However, maximum commitment levels are set by individual participating multilateral agencies at decision point. Under the HIPC DI procedures, if a 10% or more degradation of the baseline NPV/EX were to occur at completion point, the participating agencies would be apprised of the situation and requested to reassess their original funding levels. However, the only binding commitment level is that agreed at decision point.

C. Mechanism for Reducing Mozambique's Debt to IFAD

44. Each participating IFI will be responsible for reducing Mozambique's debt to that particular institution (e.g., IFAD will be responsible only for reducing IFAD's "share" of Mozambique's total debt), and each IFI will employ the debt reduction mechanism most suitable to its conditions. Debt reduction under the HIPC DI involves renunciation, by multilateral creditors, of part of their claims against the country in terms of future debt service payments. Debt reduction by IFAD will be accomplished through the mechanism adopted at the Sixty-Second Session of the Executive Board (December 1997) and ratified at the Twenty-First Session of the Governing Council (February 1998). No reduction of Mozambique's debt to IFAD will take place:

(a) prior to the agreed completion point for the Mozambique HIPC DI (June 1999). IDA and IMF will monitor compliance with the monitorable conditions for debt reduction as specified above, and will report to IFI participants in the Mozambique HIPC DI on or by 31 March 1999; and

[11] For the debt reconciliation exercise carried out for Mozambique, calculations are based on outstanding debt as of 31 December 1997.

(b) until Mozambique has satisfied conditions for the commencement of IDA and IMF debt relief under the Mozambique HIPC DI.

D. Implementation of IFAD's Debt Relief for Mozambique

45. The nominal streams of twice-yearly repayments due from the Government during the 1999-2013 period of the debt relief exercise average USD 587 000 per payment, or about USD 1.1 million per year in nominal terms, to arrive at the required NPV of USD 10.46 million. Under this scenario, the Government would not make any repayments to IFAD for almost 13 years. In order to encourage the maintenance of an IFAD debt management capacity within the Government, it is recommended that a minimal payment of USD 35 000 be considered due to IFAD at the six-month due date for each payment for which debt relief has been provided. If this payment is included in the calculations, the required total NPV of USD 10.46 million will be reached in 2015.

PART IV - RECOMMENDATION

46. I recommend that the Executive Board approve the proposed contribution to the reduction of Mozambique's debt to IFAD within the framework of the Mozambique HIPC DI in terms of the following resolution:

RESOLVED: that the Fund, upon declaration at the completion point (June 1999) by the World Bank and the International Monetary Fund that the Republic of Mozambique has satisfied the conditions for debt relief under the Mozambique HIPC DI, shall:

reduce the value of Mozambique's debt to IFAD through the forgiving of Mozambique's debt service obligations to IFAD (principal and service charge payments) as they fall due after the completion point up to the aggregate value of SDR 12 380 000 (approximately USD 16 630 000) in nominal terms and USD 10 460 000 in Net Present Value terms; and

that the Government shall provide a minimal debt service payment of USD 35 000 to IFAD when its obligations fall due every six months until the amount of USD 10 460 000 in Net Present Value terms has been reached.

Fawzi H. Al-Sultan
President

COUNTRY DATA

MOZAMBIQUE

Land area (km^2 thousand) 1994 1/	**784**	**GNP per capita (USD) 1995 2/**	**80**
Population (million) 1995 1/	**16**	**Average annual real rate of growth of GNP per capita, 1985-95 2/**	**3.6**
Population density (population per km^2) 1995 1/	**21**	**Average annual rate of inflation, 1985-95 2/**	**52.2**
Local currency	**Metical**	**Exchange rate: USD 1 =**	**MZM 11 590**

Social Indicators		**Economic Indicators**	
Population (average annual rate of growth) 1980-95 1/	1.9	GDP (USD million) 1995 1/	1 469
Crude birth rate (per thousand people) 1995 1/	44	Average annual rate of growth of GDP 1/	
Crude death rate (per thousand people) 1995 1/	18	1980-90	-0.2
Infant mortality rate (per thousand live births) 1995 1/	113	1990-95	7.1
Life expectancy at birth (years) 1994 3/	46.0		
		Sectoral distribution of GDP, 1995 1/	
Number of rural poor (million) 1/	n.a.	% agriculture	*33*
Poor as % of total rural population 1/	n.a.	% industry	*12*
Total labour force (million) 1995 1/	8	% manufacturing	n.a.
Female labour force as % of total, 1995 1/	48	% services	*55*
Education		Consumption, 1995 1/	
Primary school enrolment (% of age group total) 1993 1/	60	Government consumption (as % of GDP)	*20*
Adult literacy rate (% of total population) 1994 3/	39.5	Private consumption (as % of GDP)	*75*
		Gross domestic savings (as % of GDP)	5
Nutrition			
Daily calorie supply per capita, 1992 3/	1 680	**Balance of Payments (USD million)**	
Index of daily calorie supply per capita (industrial countries=100) 1992 3/	54	Merchandise exports, 1995 1/	169
Prevalence of child malnutrition (% of children under 5) 1989-95 1/	n.a.	Merchandise imports, 1995 1/	784
		Balance of trade	- 615
Health			
People per physician, 1993 1/	*36 225*	Current account balances (USD million)	
People per nurse, 1993 1/	*4 937*	before official transfers, 1995 1/	n.a.
Access to safe water (% of population) 1990-96 3/	63	after official transfers, 1995 1/	n.a.
Access to health service (% of population) 1990-95 3/	39	Foreign direct investment, 1995 1/	36
Access to sanitation (% of population) 1990-96 3/	54	Net workers' remittances, 1995 1/	n.a.
		Income terms of trade (1987=100) 1995 1/	*120*
Agriculture and Food			
Cereal imports (thousands of metric tonnes) 1994 1/	496	**Government Finance**	
Food imports as percentage of total merchandise imports 1993 1/	n.a.	Overall budget surplus/deficit (as % of GDP) 1994 1/	n.a.
Fertilizer consumption (hundred grams of plant nutrient per arable ha) 1994/95 1/	22	Total expenditure (% of GDP) 1994 1/	n.a.
Food production index (1989-91=100) 1995 1/	109	Total external debt (USD million) 1995 1/	5 781
Food aid in cereals (thousands of metric tonnes) 1994-95 1/	320	Total external debt (as % of GNP) 1995 1/	339.9
		Total debt service (% of exports of goods and services) 1995 1/	35.3
Land Use			
Agricultural land as % of total land area, 1994 1/	60	Nominal lending rate of banks, 1995 1/	n.a.
Forest and woodland area (km^2 thousand) 1990 1/	173	Nominal deposit rate of banks, 1995 1/	n.a.
Forest and woodland area as % of total land area, 1990 1/	22		
Irrigated land as % of arable land, 1994 1/	3.4		

n.a. not available.
Figures in italics indicate data that are for years or periods other than those specified.
1/ World Bank, *World Development Report*, 1997
2/ World Bank, *Atlas*, 1997
3/ UNDP, *Human Development Report*, 1997

BASIC FINANCIAL DATA FOR THE IFAD PORTFOLIO IN MOZAMBIQUE

Loan 093-MZ: National Programme for Food Production in the Cooperative and Family Sector
Initiating Institution: IFAD
Cooperating Institution: United Nations Office for Project Services (UNOPS)
Approved 1982, closed 1986
Original loan amount: SDR 17.7 million
Disbursement (final): SDR 17.7 million(100%)

Loan SRS 008-MZ: Second Agricultural Rehabilitation Project
Initiating Institution: IFAD
Cooperating Institution: World Bank-IDA
Approved 1987, closed 1996
Revised loan amount: SDR 8.3 million
Grant amount: SDR 800 000
Disbursement (final): loan SDR 8.3 million (100%) and grant SDR 784 000 (98%)

Loan 334-MZ: Nampula Artisanal Fisheries Project
Initiating Institution: IFAD
Cooperating Institution: UNOPS
Approved 1993, effective 1994
Loan amount: SDR 4.35 million
Disbursement as of 02.05.98: SDR 1.4 million (32%)

Loan 359-MZ: Niassa Agricultural Development Project
Initiating Institution: IFAD
Cooperating Institution: World Bank-IDA
Approved 1994, effective 1994
Loan amount: SDR 8.8 million
Disbursement as of 02.05.98: SDR 880 000 (10%)

Loan 432-MZ: Family Sector Livestock Development Programme
Initiating Institution: IFAD
Cooperating Institution: UNOPS
Approved 1996, effective 1998
loan amount: SDR 13.45 million
grant amount: SDR 65 000
Disbursement as of 02.05.98: None

Total Assistance, SDR: **SDR 53.5 million, of which SDR 52.6 million in loans and SDR 865 000 in grants.**

Total Assistance, USD: **USD 69.21 million, of which USD 68.21 million in loans and USD 1 million in grants.**

KEY STRUCTURAL REFORMS UNDER INTERNATIONAL DEVELOPMENT ASSOCIATION AND INTERNATIONAL MONETARY FUND-SUPPORTED PROGRAMMES, 1998-99

	Policy Measures	Expected Date of Completion
1.	**Privatization and public enterprise reform**	
	Complete privatization of large enterprises under the Technical Unit for the Rehabilitation of Enterprises	Mid-1998
	Complete privatization of small and medium enterprises	Mid-1999
	Establish a private oil importing company to replace the State-owned oil company	Mid-1998
	Privatize the management of five major water companies	End-1998
	Concessioning of the public railroad company's ports and railways	1998-99
2.	**Fiscal reform**	
	Introduce a value added tax (VAT)	July 1998
	Revise personal and corporate taxes	Mid-1998
	Reduce dispersion of import duties	1998-99
	Develop a medium-term expenditure framework	End-1998
3.	**Civil service reform**	
	Finalize a new career stream and compensation structure	June 1998
	Complete salary decompression according to new structure	April 1999
4.	**Social sector reforms and poverty**	
	Approve integrated sector expenditure programme for education	End-1998
	Review ongoing health sector recovery programme	April 1998
	Increase the shares of health and education in the recurrent budget	1998-99
	Complete poverty assessment and action plan	End-1998

SOCIAL DEVELOPMENT PERFORMANCE INDICATORS

Objective	Verifiable Indicator	Means of Verification	Target
A. Health			
1. Increase public spending in health sector	Share of health in total recurrent expenditures	Budget allocation and execution data Ministry of Planning and Finance (MPF)	Increase to 7.8% in 1997 and 8% in 1998. Future increases consistent with medium-term expenditure framework
2. Improve monitoring of spending in the health sector	Systematic monitoring of internally-and externally-financed expenditures	Install pilot and information system by 1998 (Ministry of Health (MOH) and MPF)	Annual reports on estimates of executed expenditures
3. Increase the efficiency and effectiveness of expenditures in the health sector	Implementation of sector expenditure programme adopted in late 1995	Regular monitoring (MOH) Review of the Programme (MOH) Prepare action plan to correct identified problems (MOH)	Annual reports completed in June of every year Joint review with donors by April 1998 Start implementation by January 1999
4. Increase access to basic health services, especially in rural areas	Service unit per inhabitant *	Semi-annual monitoring (MOH)	Increase from 2.64 in 1996 to 3.93 in 2000
	Vaccination coverage	Annual monitoring (MOH)	Increase child vaccination coverage from 58% in 1996 to 80% in 2000
	Coverage of first-level health facilities per inhabitant	Annual monitoring (MOH)	Decrease geographical inequity index** from 3.6 in 1996 to near 1 in 2000
5. Increase quality of health services	Proportion of first-level facilities staffed by trained personnel	Annual monitoring data (MOH)	Increase to cover 95% in 2000, from 70% in 1995
	Proportion of first-level facilities properly stocked with essential Drugs Programme Kit	Annual monitoring data (MOH)	Increase from 40% in 1996 to 80% in 2000
6. Increase sustainability of health expenditures over the medium term	Cost-recovery	Preparation and formal approval of new user fees legislation and annual adjustment of user fees to reflect inflation	Increase the share of receipts in recurrent health expenditure to 10% by 2000, from 2% in 1995
	Cost-sharing	Formulation of cost-sharing strategy (MOH)	Complete cost-sharing strategy by January 1999

* Measured in terms of "service units", which is a weighted sum of in-patient days, hospital deliveries, vaccination doses, outpatient consultations, and mother and child health visits.

** This index is defined as the number of health units servicing the 25% most-favoured population, divided by the number of units servicing the 25% least-favoured population.

Objective	Verifiable Indicator	Means of Verification	Target
B. Education			
1. Increase public spending in education	Share of education in total recurrent expenditures	Budget allocation and execution data (MPF)	17% in 1997, 18% in 1998. Future increases consistent with medium -term expenditure framework
2. Improve monitoring of spending in education	Installation of information system to monitor internally- and externally-financed expenditures	Annual reports on estimates of executed expenditures (Ministry of Education (MOE) and MPF)	Installation of information system by 1998
3. Increase effectiveness and efficiency of public expenditures in education	Develop an integrated sector expenditure in coordination with donors	Education Sector Strategy and Public Expenditure Review (MOE)	Complete by mid-1998
		Education Sector Expendi-ture Programme (MOE)	Approval by World Bank in 1998
4. Increase access to primary education	Gross admission rate	Annual monitoring data (MOE)	Increase to 82-86% in 2000, from 75% in 1996
	Gross enrolment rate	As above	Increase to 79% in 2000, from 62% in 1996
5. Improve quality of primary education	Share of qualified teachers	Annual monitoring data (MOE)	Maintain at least at 70% throughout
	Pupil: teacher ratio	Semi-annual monitoring data (MOE)	No higher than 60 throughout
	Content of curriculum	Annual revisions (MOE) and United Nations Educational, Scientific and Cultural Organization	Complete revision by year 2000
6. Increase internal efficiency of primary	Repetition rate	Semi-annual monitoring data (MOE)	Reduce to 27-29% by 2000, from 33% in 1996
	Drop-out rate	As above	Reduce to 5-6% by 2000, from 8% in 1996
	Completion rate	As above	Increase to 10% by 2000, from 6% in 1996

NOMINAL AND NET PRESENT VALUE (NPV) OF PUBLIC AND PUBLICLY GUARANTEED DEBT OUTSTANDING, END-DECEMBER 1997

	Nominal debt at end-1997			NPV of debt at end-1997			62.9% of NPV at a decision point
	USD millions	Percent of total debt	Percent of multilateral debt	USD millions	Percent of total debt	Percent of multilateral debt	Estimate
Total	***5 526.30***	***100%***		***3 304.80***	***100%***		
Multilateral creditors	**1 813.60**	**32.8%**		**837.2**	**25.3%**	**100%**	**526.60**
IDA 1/	1 162.50	21.0%	64.1%	469.2	14.2%	56.0%	295.13
African Development Bank Group 1	347.3	6.3%	19.1%	155.1	4.7%	18.5%	97.56
of which AfDB 2/	38.9	0.7%	2.1%	44.9	1.4%	5.4%	28.24
AfDB	308.5	5.6%	17.0%	110.2	3.3%	13.2%	69.32
IMF 1/	189.4	3.4%	10.4%	150.8	4.6%	18.0%	94.85
IFAD 1/**	**33.6**	**0.6%**	**1.9%**	**16.1**	**0.5%**	**1.9%**	**10.13**
European Investment Bank 3/ 4/	33.5	0.6%	1.8%	18.7	0.6%	2.2%	11.76
Arab Bank for the Economic Development of Africa (BADEA) 3/	18.5	0.3%	1.0%	13.0	0.4%	1.6%	8.18
OPEC Fund 3/	14.8	0.3%	0.8%	9.7	0.3%	1.2%	6.10
Nordic Development Fund 1/	14.1	0.3%	0.8%	4.6	0.1%	0.55%	2.89
Bilateral creditors	**3 712.70**	**67.2%**		**2 467.60**	**74.7%**		
Paris Club	2 798.80	50.6%		2 069.70	62.6%		
of which Russian F3ederation 5/	516.9	9.4%		294.9	8.9%		
Non-Paris Club Official Bilateral	733.6	13.3%		272.5	8.2%		
Commercial	180.4	3.3%		125.4	3.8%		
		0.0%					
Memorandum item:		0.0%					
Private non-guaranteed debt	1 912.5	34.6%					

Source: Report and Recommendation of the President of IDA on Assistance to Mozambique under the HIPC DI, Report No. P7231-MOZ, 31 March 1998.

1/ Figures are based on reconciled end-1996 data and creditor records for. disbursements in 1997.

** IFAD estimates were provided to the World Bank at an early stage of the discussions and have been superseded by the calculations provided in this document. There are however only slight differences between the estimates in this table and the final amounts to be accorded.

2/ Includes Nigerian Trust Fund.

3/ Estimates based on reconciled 1996 figures.

4/ Includes European Fund for Economic Development.

5/ Assumes an upfront discount of 80% on all claims disbursed before 1992 and a rescheduling of pre-cut-off date claims on Naples terms at end-1997, with a 67% NPV reduction. Further action on post-cut-off date debt is assumed in 1998, only.

APPENDIX VI

PROJECTED IFAD DEBT SERVICE FOR MOZAMBIQUE

(On Disbursements as of 31 December 1997)

		93-MZ		334-MZ		359-MZ		SRS 008-MZ		Total (SDR)	Total (USD)
Loan Amount			17 626 845		4 350 000		8 800		8 291	39 068 055	52 794 616
Disbursed			17 626 845		1 348 189		752 661		8 291	28 018 905	37 863 347
% Disbursed			100.00%		30.99%		8.55%		100.00%	71.72%	71.72%
Repaid Principal			3 098 186							3 098 186	4 186 734
Outstanding			14 528 659		1 348 189		752 661		8 291	24 920 719	33 676 614
6 month installment			213 657		16 852		12 544		104 952		
Interest Rate		1.00%		1.00%		0.75%		1.00%			
Year	**Sem**	**Interest**	**Principal**	**Interest**	**Principal**	**Interest**	**Principal**	**Interest**	**Principal**	**Total (SDR)**	**Total ($)**
1998	1	72 643	213 657	6 741		2 822		41 456	104 952	442 272	597 664
1998	2	71 575	213 657	6 741		2 822		40 931	104 952	440 679	595 511
1999	1	70 507	213 657	6 741		2 822		40 407	104 952	439 085	593 358
1999	2	69 438	213 657	6 741		2 822		39 882	104 952	437 492	591 205
2000	1	68 370	213 657	6 741		2 822		39 357	104 952	435 899	589 053
2000	2	67 302	213 657	6 741		2 822		38 832	104 952	434 306	586 900
2001	1	66 234	213 657	6 741		2 822		38 307	104 952	432 713	584 747
2001	2	65 165	213 657	6 741		2 822		37 783	104 952	431 120	582 594
2002	1	64 097	213 657	6 741		2 822		37 258	104 952	429 527	580 442
2002	2	63 029	213 657	6 741		2 822		36 733	104 952	427 934	578 289
2003	1	61 960	213 657	6 741		2 822		36 208	104 952	426 341	576 136
2003	2	60 892	213 657	6 741	16 852	2 822		35 684	104 952	441 600	596 757
2004	1	59 824	213 657	6 657	16 852	2 775		35 159	104 952	439 876	594 427
2004	2	58 756	213 657	6 572	16 852	2 822	12 544	34 634	104 952	450 790	609 175
2005	1	57 687	213 657	6 488	16 852	2 775	12 544	34 109	104 952	449 066	606 845
2005	2	56 619	213 657	6 404	16 852	2 728	12 544	33 585	104 952	447 341	604 515
2006	1	55 551	213 657	6 320	16 852	2 681	12 544	33 060	104 952	445 617	602 185
2006	2	54 482	213 657	6 235	16 852	2 634	12 544	32 535	104 952	443 893	599 855
2007	1	53 414	213 657	6 151	16 852	2 587	12 544	32 010	104 952	442 168	597 524
2007	2	52 346	213 657	6 067	16 852	2 540	12 544	31 486	104 952	440 444	595 194
2008	1	51 278	213 657	5 983	16 852	2 493	12 544	30 961	104 952	438 720	592 864
2008	2	50 209	213 657	5 898	16 852	2 446	12 544	30 436	104 952	436 995	590 534
2009	1	49 141	213 657	5 814	16 852	2 399	12 544	29 911	104 952	435 271	588 204
2009	2	48 073	213 657	5 730	16 852	2 352	12 544	29 387	104 952	433 547	585 873
2010	1	47 004	213 657	5 646	16 852	2 305	12 544	28 862	104 952	431 822	583 543
2010	2	45 936	213 657	5 561	16 852	2 258	12 544	28 337	104 952	430 098	581 213
2011	1	44 868	213 657	5 477	16 852	2 211	12 544	27 812	104 952	428 374	578 883
2011	2	43 800	213 657	5 393	16 852	2 164	12 544	27 288	104 952	426 649	576 553
2012	1	42 731	213 657	5 308	16 852	2 117	12 544	26 763	104 952	424 925	574 222
2012	2	41 663	213 657	5 224	16 852	2 070	12 544	26 238	104 952	423 201	571 892
2013	1	40 595	213 657	5 140	16 852	2 023	12 544	25 713	104 952	421 476	569 562
2013	2	39 526	213 657	5 056	16 852	1 976	12 544	25 188	104 952	419 752	567 232
2014	1	38 458	213 657	4 971	16 852	1 929	12 544	24 664	104 952	418 028	564 902
2014	2	37 390	213 657	4 887	16 852	1 882	12 544	24 139	104 952	416 303	562 571
2015	1	36 322	213 657	4 803	16 852	1 835	12 544	23 614	104 952	414 579	560 241
2015	2	35 253	213 657	4 719	16 852	1 788	12 544	23 089	104 952	412 855	557 911
2016	1	34 185	213 657	4 634	16 852	1 741	12 544	22 565	104 952	411 130	555 581
2016	2	33 117	213 657	4 550	16 852	1 693	12 544	22 040	104 952	409 406	553 251
2017	1	32 049	213 657	4 466	16 852	1 646	12 544	21 515	104 952	407 681	550 920
2017	2	30 980	213 657	4 382	16 852	1 599	12 544	20 990	104 952	405 957	548 590
2018	1	29 912	213 657	4 297	16 852	1 552	12 544	20 466	104 952	404 233	546 260
2018	2	28 844	213 657	4 213	16 852	1 505	12 544	19 941	104 952	402 508	543 930
2019	1	27 775	213 657	4 129	16 852	1 458	12 544	19 416	104 952	400 784	541 600
2019	2	26 707	213 657	4 045	16 852	1 411	12 544	18 891	104 952	399 060	539 269
2020	1	25 639	213 657	3 960	16 852	1 364	12 544	18 367	104 952	397 335	536 939
2020	2	24 571	213 657	3 876	16 852	1 317	12 544	17 842	104 952	395 611	534 609
2021	1	23 502	213 657	3 792	16 852	1 270	12 544	17 317	104 952	393 887	532 279
2021	2	22 434	213 657	3 708	16 852	1 223	12 544	16 792	104 952	392 162	529 949
2022	1	21 366	213 657	3 623	16 852	1 176	12 544	16 268	104 952	390 438	527 618
2022	2	20 297	213 657	3 539	16 852	1 129	12 544	15 743	104 952	388 714	525 288
2023	1	19 229	213 657	3 455	16 852	1 082	12 544	15 218	104 952	386 989	522 958
2023	2	18 161	213 657	3 370	16 852	1 035	12 544	14 693	104 952	385 265	520 628
2024	1	17 093	213 657	3 286	16 852	988	12 544	14 169	104 952	383 541	518 298
2024	2	16 024	213 657	3 202	16 852	941	12 544	13 644	104 952	381 816	515 967
2025	1	14 956	213 657	3 118	16 852	894	12 544	13 119	104 952	380 092	513 637
2025	2	13 888	213 657	3 033	16 852	847	12 544	12 594	104 952	378 368	511 307
2026	1	12 819	213 657	2 949	16 852	800	12 544	12 069	104 952	376 643	508 977
2026	2	11 751	213 657	2 865	16 852	753	12 544	11 545	104 952	374 919	506 647
2027	1	10 683	213 657	2 781	16 852	706	12 544	11 020	104 952	373 195	504 316
2027	2	9 615	213 657	2 696	16 852	659	12 544	10 495	104 952	371 470	501 986
2028	1	8 546	213 657	2 612	16 852	612	12 544	9 970	104 952	369 746	499 656
2028	2	7 478	213 657	2 528	16 852	564	12 544	9 446	104 952	368 022	497 326
2029	1	6 410	213 657	2 444	16 852	517	12 544	8 921	104 952	366 297	494 996
2029	2	5 341	213 657	2 359	16 852	470	12 544	8 396	104 952	364 573	492 665
2030	1	4 273	213 657	2 275	16 852	423	12 544	7 871	104 952	362 848	490 335
2030	2	3 205	213 657	2 191	16 852	376	12 544	7 347	104 952	361 124	488 005
2031	1	2 137	213 657	2 107	16 852	329	12 544	6 822	104 952	359 400	485 675
2031	2	1 068	213 657	2 022	16 852	282	12 544	6 297	104 952	357 675	483 345
2032	1			1 938	16 852	235	12 544	5 772	104 952	142 294	192 289
2032	2			1 854	16 852	188	12 544	5 248	104 952	141 638	191 403
2033	1			1 769	16 852	141	12 544	4 723	104 952	140 982	190 516
2033	2			1 685	16 852	94	12 544	4 198	104 952	140 326	189 630
2034	1			1 601	16 852	47	12 544	3 673	104 952	139 670	188 743
2034	2			1 517	16 852			3 149	104 952	126 470	170 905
2035	1			1 432	16 852			2 624	104 952	125 861	170 082
2035	2			1 348	16 852			2 099	104 952	125 252	169 259
2036	1			1 264	16 852			1 574	104 952	124 643	168 436
2036	2			1 180	16 852			1 050	104 952	124 034	167 613
2037	1			1 095	16 852			525	104 952	123 425	166 790
2037	2			1 011	16 852					17 864	24 140
2038	1			927	16 852					17 779	24 026
2038	2			843	16 852					17 695	23 912
2039	1			758	16 852					17 611	23 798
2039	2			674	16 852					17 526	23 684
2040	1			590	16 852					17 442	23 571
2040	2			506	16 852					17 358	23 457
2041	1			421	16 852					17 274	23 343
2041	2			337	16 852					17 189	23 229
2042	1			253	16 852					17 105	23 115
2042	2			169	16 852					17 021	23 001
2043	1			84	16 852					16 937	22 887
TOTAL 1/		2 506 194	14 528 659	347 159	1 348 189	122 731	752 661	1 658 242	8 291 210	29 555 044	39 939 209

1/ Totals subject to rounding.

Note: A Project, 432-MZ was signed in 1997 but has not yet begun to disburse, so it is not included in the calculations

Discount Factor Semi-Annual (SDR) =	3.03%
Net Present Value (SDR) =	12 308 224
Exchange Rate (USD/SDR) =	1.35135
USD Equivalent ($) =	16 632 719
62.9 percent (SDR) =	7 741 873
62.9 percent ($) =	10 461 980

APPENDIX VI

NOMINAL AND NPV-EQUIVALENT PAYMENT STREAMS

(Assuming a Projected Completion Point of June 1999)

USD Discount rate = 3.66%

Debt Forgiveness Adjustment per Repayment Period = USD 35 000, **SDR** 25 900

		Nominal Streams		Forgiveness Adjustment		Cumulative Nominal		NPV-Equivalent		
Year	**Sem**	**SDR**	**USD**	**SDR**	**USD**	**SDR**	**USD**	**USD**	**Cumulative**	**Period** 1/
1999	2	**437 492**	591 205	411 592	556 205	411 592	556 205	536 593	536 593	1
2000	1	**435 899**	589 053	409 999	554 053	821 592	1 110 258	515 668	1 052 261	2
2000	2	**434 306**	586 900	408 406	551 900	1 229 998	1 662 158	495 552	1 547 814	3
2001	1	**432 713**	584 747	406 813	549 747	1 636 811	2 211 905	476 214	2 024 027	4
2001	2	**431 120**	582 594	405 220	547 594	2 042 031	2 759 499	457 623	2 481 650	5
2002	1	**429 527**	580 442	403 627	545 442	2 445 659	3 304 941	439 751	2 921 401	6
2002	2	**427 934**	578 289	402 034	543 289	2 847 693	3 848 230	422 570	3 343 971	7
2003	1	**426 341**	576 136	400 441	541 136	3 248 134	4 389 366	406 055	3 750 026	8
2003	2	**441 600**	596 757	415 700	561 757	3 663 834	4 951 122	406 664	4 156 690	9
2004	1	**439 876**	594 427	413 976	559 427	4 077 810	5 510 549	390 697	4 547 388	10
2004	2	**450 790**	609 175	424 890	574 175	4 502 700	6 084 724	386 858	4 934 246	11
2005	1	**449 066**	606 845	423 166	571 845	4 925 866	6 656 569	371 702	5 305 948	12
2005	2	**447 341**	604 515	421 441	569 515	5 347 308	7 226 084	357 134	5 663 082	13
2006	1	**445 617**	602 185	419 717	567 185	5 767 025	7 793 269	343 132	6 006 214	14
2006	2	**443 893**	599 855	417 993	564 855	6 185 018	8 358 123	329 673	6 335 887	15
2007	1	**442 168**	597 524	416 268	562 524	6 601 286	8 920 648	316 736	6 652 623	16
2007	2	**440 444**	595 194	414 544	560 194	7 015 830	9 480 842	304 302	6 956 924	17
2008	1	**438 720**	592 864	412 820	557 864	7 428 650	10 038 706	292 350	7 249 274	18
2008	2	**436 995**	590 534	411 095	555 534	7 839 745	10 594 239	280 864	7 530 138	19
2009	1	**435 271**	588 204	409 371	553 204	8 249 116	11 147 443	269 824	7 799 962	20
2009	2	**433 547**	585 873	407 647	550 873	8 656 763	11 698 316	259 213	8 059 174	21
2010	1	**431 822**	583 543	405 922	548 543	9 062 685	12 246 859	249 015	8 308 189	22
2010	2	**430 098**	581 213	404 198	546 213	9 466 883	12 793 072	239 214	8 547 403	23
2011	1	**428 374**	578 883	402 474	543 883	9 869 357	13 336 955	229 794	8 777 197	24
2011	2	**426 649**	576 553	400 749	541 553	10 270 106	13 878 508	220 742	8 997 939	25
2012	1	**424 925**	574 222	399 025	539 222	10 669 131	14 417 730	212 042	9 209 980	26
2012	2	**423 201**	571 892	397 301	536 892	11 066 431	14 954 622	203 681	9 413 661	27
2013	1	**421 476**	569 562	395 576	534 562	11 462 008	15 489 184	195 646	9 609 307	28
2013	2	**419 752**	567 232	393 852	532 232	11 855 860	16 021 416	187 924	9 797 232	29
2014	1	**418 028**	564 902	392 128	529 902	12 247 987	16 551 317	180 504	9 977 736	30
2014	2	**416 303**	562 571	390 403	527 571	12 638 390	17 078 889	173 374	10 151 110	31
2015	1	**414 579**	560 241	388 679	525 241	13 027 069	17 604 130	166 522	10 317 631	32
2015	2	**412 855**	557 911	386 955	522 911	13 414 024	18 127 041	159 937	**10 477 568**	33
2016	1	411 130	555 581	385 230	520 581	13 799 254	18 647 622	153 610	10 631 178	34
2016	2	409 406	553 251	383 506	518 251	14 182 760	19 165 872	147 530	10 778 709	35
2017	1	407 681	550 920	381 781	515 920	14 564 541	19 681 793	141 688	10 920 397	36
2017	2	405 957	548 590	380 057	513 590	14 944 598	20 195 383	136 075	11 056 471	37
2018	1	404 233	546 260	378 333	511 260	15 322 931	20 706 643	130 681	11 187 152	38
2018	2	402 508	543 930	376 608	508 930	15 699 539	21 215 573	125 498	11 312 651	39
2019	1	400 784	541 600	374 884	506 600	16 074 423	21 722 172	120 519	11 433 169	40
2019	2	399 060	539 269	373 160	504 269	16 447 583	22 226 442	115 734	11 548 904	41
2020	1	397 335	536 939	371 435	501 939	16 819 019	22 728 381	111 137	11 660 041	42
2020	2	395 611	534 609	369 711	499 609	17 188 730	23 227 990	106 721	11 766 762	43
2021	1	393 887	532 279	367 987	497 279	17 556 716	23 725 269	102 478	11 869 239	44
2021	2	392 162	529 949	366 262	494 949	17 922 979	24 220 217	98 401	11 967 640	45
2022	1	390 438	527 618	364 538	492 618	18 287 517	24 712 836	94 484	12 062 124	46
2022	2	388 714	525 288	362 814	490 288	18 650 330	25 203 124	90 721	12 152 846	47
2023	1	386 989	522 958	361 089	487 958	19 011 420	25 691 082	87 106	12 239 952	48
2023	2	385 265	520 628	359 365	485 628	19 370 785	26 176 710	83 634	12 323 586	49
2024	1	383 541	518 298	357 641	483 298	19 728 425	26 660 007	80 297	12 403 883	50
2024	2	381 816	515 967	355 916	480 967	20 084 341	27 140 975	77 093	12 480 976	51
2025	1	380 092	513 637	354 192	478 637	20 438 533	27 619 612	74 014	12 554 990	52
2025	2	378 368	511 307	352 468	476 307	20 791 001	28 095 919	71 056	12 626 046	53
2026	1	376 643	508 977	350 743	473 977	21 141 744	28 569 896	68 216	12 694 262	54
2026	2	374 919	506 647	349 019	471 647	21 490 763	29 041 542	65 487	12 759 748	55
2027	1	373 195	504 316	347 295	469 316	21 838 057	29 510 859	62 865	12 822 614	56
2027	2	371 470	501 986	345 570	466 986	22 183 628	29 977 845	60 348	12 882 961	57
2028	1	369 746	499 656	343 846	464 656	22 527 473	30 442 501	57 929	12 940 890	58
2028	2	368 022	497 326	342 121	462 326	22 869 595	30 904 827	55 606	12 996 496	59
2029	1	366 297	494 996	340 397	459 996	23 209 992	31 364 823	53 375	13 049 872	60
2029	2	364 573	492 665	338 673	457 665	23 548 665	31 822 488	51 232	13 101 104	61
2030	1	362 848	490 335	336 948	455 335	23 885 613	32 277 824	49 174	13 150 278	62
2030	2	361 124	488 005	335 224	453 005	24 220 837	32 730 829	47 197	13 197 475	63
2031	1	359 400	485 675	333 500	450 675	24 554 337	33 181 503	45 299	13 242 774	64
2031	2	357 675	483 345	331 775	448 345	24 886 113	33 629 848	43 476	13 286 249	65
2032	1	142 294	192 289	116 394	157 289	25 002 507	33 787 138	14 714	13 300 964	66
2032	2	141 638	191 403	115 738	156 403	25 118 245	33 943 540	14 116	13 315 079	67
2033	1	140 982	190 516	115 082	155 516	25 233 327	34 099 057	13 541	13 328 620	68
2033	2	140 326	189 630	114 426	154 630	25 347 753	34 253 686	12 989	13 341 609	69
2034	1	139 670	188 743	113 770	153 743	25 461 523	34 407 430	12 459	13 354 067	70
2034	2	126 470	170 905	100 570	135 905	25 562 093	34 543 334	10 625	13 364 692	71
2035	1	125 861	170 082	99 961	135 082	25 662 054	34 678 416	10 188	13 374 881	72
2035	2	125 252	169 259	99 352	134 259	25 761 405	34 812 675	9 769	13 384 650	73
2036	1	124 643	168 436	98 743	133 436	25 860 148	34 946 111	9 367	13 394 017	74
2036	2	124 034	167 613	98 134	132 613	25 958 281	35 078 724	8 981	13 402 997	75
2037	1	123 425	166 790	97 525	131 790	26 055 806	35 210 513	8 610	13 411 608	76
2037	2	17 864	24 140	(8 037)	(10 860)	26 047 769	35 199 653	(685)	13 410 923	77
2038	1	17 779	24 026	(8 121)	(10 974)	26 039 649	35 188 679	(667)	13 410 256	78
2038	2	17 695	23 912	(8 205)	(11 088)	26 031 444	35 177 591	(650)	13 409 605	79
2039	1	17 611	23 798	(8 289)	(11 202)	26 023 154	35 166 389	(634)	13 408 972	80
2039	2	17 526	23 684	(8 374)	(11 316)	26 014 781	35 155 074	(618)	13 408 354	81
2040	1	17 442	23 571	(8 458)	(11 429)	26 006 323	35 143 644	(602)	13 407 752	82
2040	2	17 358	23 457	(8 542)	(11 543)	25 997 781	35 132 101	(587)	13 407 165	83
2041	1	17 274	23 343	(8 626)	(11 657)	25 989 154	35 120 444	(571)	13 406 594	84
2041	2	17 189	23 229	(8 711)	(11 771)	25 980 444	35 108 673	(557)	13 406 037	85
2042	1	17 105	23 115	(8 795)	(11 885)	25 971 649	35 096 788	(542)	13 405 495	86
2042	2	17 021	23 001	(8 879)	(11 999)	25 962 770	35 084 789	(528)	13 404 966	87
2043	1	16 937	22 887	(8 963)	(12 113)	25 953 806	35 072 676	(514)	13 404 452	88

Nominal SDR Equivalent of Required Debt Relief	**62.9 Percent**
Required NPV Relief (USD)	**10 461 980**
NPV (USD) in Period When Required Level Reached	**9 609 307**
Nominal SDRs in Period When Required Level Reached	**12 638 390**
Required Nominal SDR Relief	**13 759 846**
Required Nominal USD Relief	**18 594 368**

1/ Payment period after completion point.