

Distribution: Restricted  
Original: English

**EB 2001/72/R.15**  
**Agenda Item 8**

5 April 2001  
English

---



**IFAD**  
**INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT**  
**Executive Board – Seventy-Second Session**  
Rome, 25-26 April 2001

**IFAD'S PARTICIPATION IN THE**  
**DEBT INITIATIVE FOR HEAVILY INDEBTED POOR COUNTRIES**  
**12 NEW COUNTRY CASES**

---

*Document #: 163956*  
*Library: DMS*

*Due to resource constraints and environmental concerns, IFAD documents are produced in limited quantities. Delegates are kindly requested to bring their documents to meetings and to limit requests for additional copies.*



## TABLE OF CONTENTS

	<b>Page No.</b>
Introduction	1
A. Implementation Status of the HIPC Debt Initiative	1
B. New Country Cases for Consideration by IFAD's Executive Board	2
C. Consolidated Cost Estimates of the HIPC Debt Initiative for IFAD	14
D. Recommendation	16
<b>ANNEXES</b>	
I. Parameters of the Policy Framework for the Enhanced HIPC Debt Initiative	19
II. Integrating Arrears in the NPV of Debt Relief	20
III. List of HIPC Debt Initiative Countries	21
IV. Annual Nominal Costs to IFAD	22

## **IFAD'S PARTICIPATION IN THE DEBT INITIATIVE FOR HEAVILY INDEBTED POOR COUNTRIES 12 NEW COUNTRY CASES**

### Introduction

1. The objective of this document is to:
  - (a) inform the Executive Board of the general status of implementation of the Debt Initiative for Heavily Indebted Poor Countries (HIPC Debt Initiative) and
  - (b) seek the Board's approval for IFAD's participation in the HIPC Debt Initiative for 12 additional countries: Cameroon, The Gambia, Guinea, Guinea-Bissau, Guyana, Madagascar, Malawi, Nicaragua, Niger, Rwanda, Sao Tome and Principe, and Zambia, with
  - (c) specific proposals regarding the integration of arrears into the debt relief for Guinea-Bissau and Niger, according to the policy framework approved by the Executive Board at its Seventy-First Session in December 2000 (see document EB 2000/71/R.12 and Annex II for details).

#### A. Implementation Status of the HIPC Debt Initiative

2. After a complex start-up in late 1996, with seven cases approved in 1997 and 1998 under the original HIPC Debt Initiative, the year 2000 marked a clear acceleration in the implementation of the Initiative. At the end of December 2000, the World Bank and the International Monetary Fund (IMF) declared 22 countries eligible under the enhanced HIPC Debt Initiative (see Table 1), in addition to Côte d'Ivoire, which has so far only qualified for the original Debt Initiative.

**Table 1: Status of Country Cases for the World Bank and IMF**  
 (as of the end of December 2000)

Country	Original HIPC Debt Initiative	Enhanced HIPC Debt Initiative
<b>Benin</b>		Decision Point: July 2000
<b>Bolivia</b>	<b>Completion Point: September 1998</b>	Decision Point: February 2000
<b>Burkina Faso</b>	<b>Completion Point: July 2000</b>	Decision Point: July 2000
<b>Cameroon</b>		Decision Point: October 2000
<b>Côte d'Ivoire</b>	<b>Completion Point: March 2001</b>	
<b>Gambia, The</b>		Decision Point: December 2000
<b>Guinea</b>		Decision Point: December 2000
<b>Guinea-Bissau</b>		Decision Point: December 2000
<b>Guyana</b>	<b>Completion Point: May 1999</b>	Decision Point: November 2000
<b>Honduras</b>		Decision Point: June 2000
<b>Madagascar</b>		Decision Point: December 2000
<b>Malawi</b>		Decision Point: December 2000
<b>Mali</b>	<b>Completion Point: September 2000</b>	Decision Point: September 2000
<b>Mauritania</b>		Decision Point: February 2000
<b>Mozambique</b>	<b>Completion Point: June 1999</b>	Decision Point: April 2000
<b>Nicaragua</b>		Decision Point: December 2000
<b>Niger</b>		Decision Point: December 2000
<b>Rwanda</b>		Decision Point: December 2000
<b>Sao Tome and Principe</b>		Decision Point: December 2000
<b>Senegal</b>		Decision Point: June 2000
<b>Tanzania, United Rep. of</b>		Decision Point: April 2000
<b>Uganda</b>	<b>Completion Point: April 1998</b>	<b>Completion Point: May 2000</b>
<b>Zambia</b>		Decision Point: December 2000



3. Six of these 22 countries had previously been declared eligible for the original Debt Initiative and had reached the respective completion points, with Côte d'Ivoire expected to reach the completion point in March 2001. Only Uganda has already reached the completion point also under the enhanced Initiative. For the majority of the remaining 21 approved cases under the enhanced Initiative, the countries expect to complete full poverty-reduction strategy papers (PRSPs) in the course of 2001, and within one year of the effective implementation of these strategies, they will have met the main completion-point condition.

4. The total debt relief so far committed for the 22 countries under the enhanced Initiative amounts to USD 20.3 billion in net present value (NPV) terms (USD 14.6 billion for the African HIPC's and USD 5.7 billion for the Latin American ones). On average this implies a reduction of the debt stocks of these countries in NPV by 47%, while the cumulative reduction, including the traditional debt relief, is estimated at about 63%. The debt relief under the enhanced Initiative amounts to USD 33.6 billion of nominal debt-service relief (USD 25.1 billion for the African HIPC's and USD 8.5 billion for the Latin American HIPC's).

### B. New Country Cases for Consideration by IFAD's Executive Board

5. IFAD has so far approved participation in 12 country cases under the original and the enhanced HIPC Debt Initiative (see Table 2). The Executive Board is now invited to consider participation in the Debt Initiative for 11 new country cases and one case of top-up under the original Initiative (Guyana). The technical data are presented in Table 3 and Graph 1.

**Table 2: Approved Country Cases**

Country	Approved Relief (in SDR million (NPV))	
	Original	Enhanced
<b>Benin</b>		4.72
<b>Bolivia</b>		6.56
<b>Burkina Faso</b>		5.18
<b>Côte d'Ivoire</b>	0.16	
<b>Guyana</b>	0.64	
<b>Honduras</b>		1.33
<b>Mali</b>		6.82
<b>Mauritania</b>		7.58
<b>Mozambique</b>		10.67
<b>Senegal</b>		2.33
<b>Tanzania, United Rep. of</b>		11.95
<b>Uganda</b>		12.77
<b>Total</b>		<b>70.71</b>

6. **Cameroon.** With an NPV of debt-to-exports ratio of 205% in 1998-99, Cameroon's external debt situation is unsustainable, even after the full application of all traditional debt-relief mechanisms. The international community has declared Cameroon eligible for debt relief under the enhanced framework of the HIPC Initiative in recognition of the substantial progress the country has made in implementing a comprehensive programme of macroeconomic, structural and social reforms, with a determined focus on poverty reduction. This progress has been particularly marked in the areas of governance, education, health and HIV/AIDS.



7. The primary rural development objectives under the Interim-PRSP are (i) diversification and transformation of agricultural, livestock and forestry exports, (ii) reconstruction of financing mechanisms for rural activities, and (iii) extension to rural populations of coverage under the national social security system. Attaining these objectives will require (i) increased agricultural production and income to ensure food security, (ii) improvement in environmental factors and the incentive system through reform of taxation and management of land resources, (iii) modernization of the institutional framework, (iv) improved and concerted sustainable management of rural areas, and (v) development of rural and agricultural finance and microfinance and the introduction of appropriate prudential regulation.

8. To achieve the NPV-of-debt-to-exports target of 150%, total relief from all of Cameroon's creditors would amount to USD 1.3 billion in NPV terms. Under the decision taken, all creditors would provide a reduction of 26.9% in the NPV of their outstanding claims as of the end of June 1999. The Executive Board is invited to approve IFAD's contribution to debt relief for Cameroon in the amount of SDR 2.2 million in 1999 NPV terms (tentatively SDR 2.7 million in nominal terms, spread over two years).

9. Cameroon will reach the completion point under the enhanced HIPC Debt Initiative framework once it has undertaken a number of actions to strengthen economic growth and reduce poverty. These include (i) maintenance of a satisfactory macroeconomic framework as supported by the ongoing IMF Poverty Reduction and Growth Facility (PRGF) arrangement; (ii) continued satisfactory implementation of key structural and social reforms in the education and health sectors and HIV/AIDS, in the areas of governance and combating corruption and through the establishment of regulatory agencies in key sectors; (iii) completion of a full PRSP, which will be elaborated through a broad consultative process with civil society and the support of international partners (expected to be completed by the end of November 2001), and at least one year of effective implementation of the poverty-reduction strategy; and (iv) confirmation of the participation of the other creditors in the debt-relief operation.

10. Cameroon is remaining current on its arrears settlement agreement with IFAD, and as of 31 January 2001 about SDR 1.8 million remained to be settled under that agreement. IFAD's debt relief under the HIPC Initiative would be conditional on the country's continued compliance with the effective arrears settlement agreement.

11. **The Gambia.** With an NPV of debt-to-exports ratio of 245% in 1999, The Gambia's external debt situation is unsustainable, even after the full application of all traditional debt-relief mechanisms. The international community has declared The Gambia eligible for debt relief under the enhanced framework of the HIPC Initiative in recognition of the substantial progress the country has made in implementing a comprehensive programme of macroeconomic, structural and social reforms and in achieving poverty reduction. This progress has been particularly marked in the areas of per capita GDP growth, inflation control, fiscal deficit reduction, privatization, financial-sector reform, governance, combating AIDS and primary education.

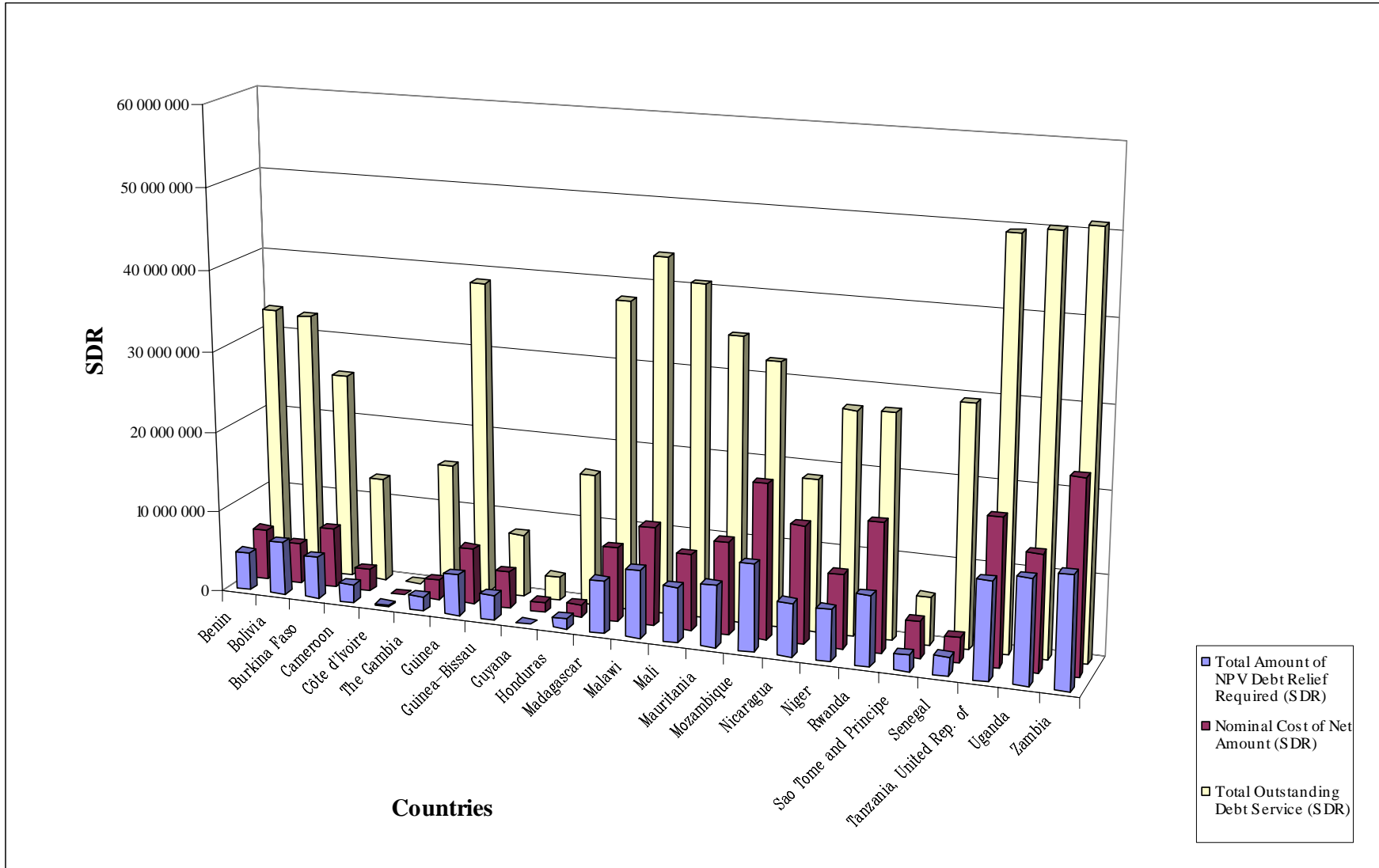
12. To help reduce the income gap between farmers and the rest of the population, durably raise production levels and provide a measure of protection against external shocks, the Government has established specific objectives: (i) an increase in overall agricultural output to generate gainful employment opportunities in the sector and increase export earnings, (ii) an increase in domestic cereal production to substitute for imported rice, (iii) diversification of the production base to reduce fluctuations in household incomes, and (iv) the sustainability of agriculture. Marketing arrangements for groundnuts are likely to improve following the settlement of the Gambia Groundnut Corporation property dispute. Two key groundnut-processing facilities will revert to the Government, creating an opportunity to prepare the facilities for sale to competing firms. In addition, the improved provision of extension and credit services should benefit rural development, especially for women.

**Table 3: IFAD's HIPC Debt Initiative Country Cases**

		Cut-Off Date for Eligible Debt	Total Outstanding Debt Service (SDR)	Discount Rate (%)	NPV of Total Outstanding Debt Service (SDR)	Target NPV Debt-to-Export Ratio (%)	Target Fiscal Ratio of Debt (%)	Common Debt-Reduction Factor (%)	Total Amount of NPV Debt Relief to be Approved (SDR)	NPV Debt Relief Approved by the Executive Board (SDR) <sup>a</sup>	Estimated Time Period for Debt Relief (years) <sup>b</sup>	Required Reduction of Future Nominal Repayments (% of debt service)	Estimated Nominal Cost of Net Amount at Time of Approval <sup>a</sup> (SDR)	Remarks <sup>b</sup>	Arrears (SDR) (as of 31/1/2001)	Debt Relief already Provided (nominal SDRs) (as of 31/1/2001)
1	Benin	Dec-98	33 005 137	5.25	15 081 277	150		31.3		4 720 440	7	100	6 243 790	Enhanced		
2	Bolivia	Dec-98	32 610 471	5.25	18 754 998	150		35.0		6 564 249	4	100	4 926 359	Enhanced (approved under original Initiative: SDR 2 200 000)		2 574 649
3	Burkina Faso	Dec-99	25 533 651	5.59	11 193 315	150		46.3		5 182 505	10	100	7 343 223	Enhanced (approved under original Initiative: SDR 1 390 860 at DP, revised to 2 955 035 at CP)		
4	Cameroon	Jun-99	12 846 476	4.87	8 359 948	150		26.9	2 248 826		2	100	2 713 918	Enhanced	1 768 008	c
5	<b>Côte d'Ivoire (original)</b>					<b>141</b>	<b>280.0</b>	<b>6.0</b>		<b>164 300</b>		<b>100</b>		<b>Original Initiative</b>		
6	Gambia, The	Dec-99	15 557 570	5.59	6 710 439	150		27.2	1 825 239		5	100	2 398 467	Enhanced		
7	Guinea	Dec-99	38 582 884	5.59	16 169 224	150		31.6	5 109 475		6	100	6 921 920	Enhanced		
8	Guinea-Bissau	Dec-99	7 772 895	5.59	3 598 230	150		85.4	3 072 889		16	100 and arrears	4 535 619	Enhanced	633 040	
9	Guyana	Dec-98	2 943 793	5.25	2 401 076	150	250	63.3	1 519 881		6	100	1 236 186	Enhanced (original Initiative: SDR 630 000)		607 164
10	Honduras	Dec-99	16 317 725	5.59	7 482 666	110	250	17.8		1 331 915	3	100	1 527 819	Enhanced		
11	Madagascar	Dec-99	37 995 676	5.59	16 318 466	150		39.5	6 445 794		8	100	9 125 023	Enhanced		
12	Malawi	Dec-99	43 650 366	5.59	18 947 091	150		44.0	8 336 720		9	100	12 188 736	Enhanced		
13	Mali	Dec-98	40 757 521	5.25	18 430 543	150		37.0		6 819 301	8	100	9 303 302	Enhanced (approved under original Initiative: SDR 1.575 million)		
14	Mauritania	Dec-98	34 912 948	5.25	15 158 293	137	250	50.0		7 579 147	12	100	11 400 148	Enhanced		
15	Mozambique	Dec-98	32 271 650	5.25	14 801 914	150		72.1		10 672 180	20	100	18 951 262	Enhanced (approved under original Initiative: SDR 7 741 870)		960 421
16	Nicaragua	Dec-99	18 643 727	5.59	9 039 291	150		72.2	6 526 368		30	100	14 426 843	Enhanced		
17	Niger	Dec-99	27 378 896	5.59	11 757 885	150		53.5	6 290 469		11	100 and arrears	9 054 939	Enhanced	127 503	
18	Rwanda	Dec-99	27 576 187	5.59	11 996 114	150		71.3	8 553 229		20	100	15 806 991	Enhanced		
19	Sao Tome and Principe	Dec-99	5 834 891	5.59	2 458 402	150		83.0	2 040 474		29	100	4 490 000	Enhanced		
20	Senegal	Jun-98	29 603 818	5.25	12 079 036	133	250	19.3		2 331 354	4	100	3 073 314	Enhanced		
21	Tanzania, United Rep. of	Jun-99	49 530 777	4.87	22 121 593	150		54.0		11 945 660	14	100	17 932 401	Enhanced		
22	Uganda	Jun-99	50 181 004	4.87	23 655 279	150		54.0		12 773 851	10	100	14 170 254	Enhanced (approved under original Initiative: SDR 4 160 000)		3 109 291
23	Zambia	Dec-99	51 021 226	5.59	21 931 826	150		62.6	13 729 323		16	100	23 535 513	Enhanced		
	<b>Total</b>		<b>634 529 288</b>		<b>288 446 906</b>				<b>65 698 687</b>	<b>70 084 902</b>			<b>201 306 026</b>		<b>2 528 551</b>	<b>7 251 524</b>
	<b>USD</b>		<b>823 485 764</b>		<b>374 343 510</b>				<b>85 263 099</b>	<b>90 955 485</b>			<b>261 252 948</b>		<b>3 281 528</b>	<b>9 410 956</b>
<b>exchange rate: 1 SDR = USD 1.29779 as of 29/09/2000</b>																
<p><sup>a</sup> These are highly tentative estimates. The final nominal amounts (and time frame) will depend on the timing of the completion point, the approach to settle arrears at decision point and during the interim period (if any), the amounts of debt relief already provided (if any), and the development of the countries' future debt-service obligations (additional disbursements under eligible loans and possibly new loans, if any and if necessary). Given the fact that IFAD provides 100% of debt-service relief for all loans approved at the time of the cut-off date of eligible debt as against just the amounts disbursed at that time, the actual time period for debt relief will in reality be shorter and the annual nominal amounts higher than presented in this forecast.</p> <p><sup>b</sup> Amounts approved under the original Debt Initiative (if any) are included in the amount approved to meet the enhanced Initiative requirements also.</p> <p><sup>c</sup> Existing arrears have been rescheduled with an arrears settlement plan.</p>																



**Graph 1: IFAD's HIPC Debt Initiative Country Cases**



5





13. To achieve the NPV-of-debt-to-exports target of 150%, total relief from all of The Gambia's creditors would amount to USD 67.0 million in NPV terms. Under the decision taken, all creditors would provide a reduction of 27.2% in the NPV of their outstanding claims as of December 1999. The Executive Board is invited to approve IFAD's contribution to debt relief for The Gambia in the amount of SDR 1.8 million in 1999 NPV terms (tentatively SDR 2.4 million in nominal terms spread over five years).

14. The Gambia will reach the completion point under the enhanced Initiative framework when the following conditions have been met: (i) continued commitment to the financial and economic programme supported by the ongoing IMF PRGF arrangement; (ii) continued satisfactory implementation of key structural and social reforms in public expenditure management, primary health and primary education, and private-sector development; (iii) completion of a PRSP through a participatory process (expected before the end of 2001) and a first annual implementation report of the strategy; and (iv) confirmation of the participation of the other creditors in the debt-relief operation. The debt relief would be tracked within a special poverty fund.

15. **Guinea.** With an NPV of debt-to-exports ratio of 219% in 1999, Guinea's external debt situation is unsustainable, even after the full application of all traditional debt-relief mechanisms. The international community has declared Guinea eligible for debt relief under the enhanced framework of the HIPC Initiative in recognition of the substantial progress the country has made in implementing a comprehensive programme of macroeconomic, structural and social reforms and in achieving poverty reduction. This progress has been particularly marked in the areas of price liberalization, privatization, financial-sector reform, public expenditure management, reform of trade and the foreign-exchange regime, primary school enrolment rates, the village communities support programme, and the capacity-building for service-delivery programme.

16. In addition to policy initiatives in the health and education sectors, the Government also aims to strengthen rural development and poverty-alleviation programmes by (i) promoting agricultural production and productivity through support for rural development, (ii) improving service delivery in rural areas through the devolution of responsibilities and resources to local institutions and the private sector, (iii) enhancing governance and institutional capacity, (iv) improving labour-intensive public works programmes, and (v) extending credit-based programmes, especially through microfinance services.

17. To achieve the NPV-of-debt-to-exports target of 150%, total relief from all of Guinea's creditors would amount to USD 545.0 million in NPV terms. Under the decision taken, all creditors would provide a reduction of 31.6% in the NPV of their outstanding claims as of December 1999. The Executive Board is invited to approve IFAD's contribution to debt relief for Guinea in the amount of SDR 5.1 million in 1999 NPV terms (tentatively SDR 6.9 million in nominal terms, spread over six years).

18. Guinea will reach the completion point under the enhanced Initiative framework when the following conditions have been met: (i) continued commitment to the financial and economic programme supported by the ongoing IMF PRGF arrangement; (ii) continued satisfactory implementation of key structural and social reforms in the areas of the regulation of microcredit institutions, anti-corruption measures, government procurement, primary school enrolment, immunization rates and prenatal consultations; (iii) completion of a PRSP through a participatory process (with a comprehensive set of indicators for monitoring progress in poverty reduction, based on a living standards measurement survey) and a first annual implementation report of the strategy; and (iv) confirmation of the participation of the other creditors in the debt-relief operation.

19. **Guinea-Bissau.** With an NPV of debt-to-exports ratio of 1029% in 1999, Guinea-Bissau's external debt situation is unsustainable, even after the full application of all traditional debt-relief





mechanisms. The international community has declared Guinea-Bissau eligible for debt relief under the enhanced framework of the Initiative in recognition of the substantial progress the country has made in implementing a comprehensive programme of macroeconomic, structural and social reforms and in achieving poverty reduction. Because of the improved economic policies and structural reform measures since 1994, the authorities have been able to achieve progress in key socio-economic indicators (real per capita GDP, primary school enrolment, immunization coverage and infant mortality). However, in spite of this initial progress, the country's situation has continued to be difficult, and most indicators still remain below the average for sub-Saharan Africa. The lack of more-recent poverty data prevents a detailed assessment of the effect on poverty of the important events of the past decade, including the reforms, integration into the West African Economic Monetary Unit (WAEMU) and the recent conflict. The improvement in the key macroeconomic and social indicators was reversed by the effects of the armed conflict in 1998-99.

20. The Government's strategy emphasizes rapid and sustained growth with equitably distributed benefits as a way to tackle poverty reduction. In particular, the authorities recognize that there are many areas with significant growth potential that remain undeveloped. At present, for example, only about one third of the arable – and typically quite fertile – land is cultivated, usually on small, manually cultivated family plots. Moreover, unexplored comparative advantages, for example in tropical fruits, also offer interesting business opportunities. The planned introduction of the land law and the revision of the 1977 Letter of Agricultural Development Policy are expected to create an appropriate policy framework for the promotion of rural development, which will require the mobilization of considerable donor support. In this context, the Government plans to take action to (i) address the human capital limitations imposed by the skill shortages and poor health status of farmers and (ii) improve access to productive assets related to land tenure, technology, rural infrastructure and the availability of farm credits. The authorities will also need to implement measures to prevent the environmental degradation associated with deforestation, fisheries depletion and soil and coastal degradation. In the medium and long term, agriculture, including fishing and forestry, and agribusiness offer attractive growth opportunities for the achievement of the much-needed diversification of the country's productive and export base, which is critical for the reduction of poverty and vulnerability.

21. To achieve the NPV-of-debt-to-exports target of 150%, total relief from all of Guinea-Bissau's creditors would amount to USD 416.0 million in NPV terms. Under the decision taken, all creditors would provide a reduction of 85.4% in the NPV of their outstanding claims as of December 1999. The Executive Board is invited to approve IFAD's contribution to debt relief for Guinea-Bissau in the amount of SDR 3.1 million in 1999 NPV terms (tentatively SDR 4.5 million in nominal terms, spread over 16 years).

22. Guinea-Bissau will reach the completion point under the enhanced Initiative framework when the following conditions have been met: (i) continued commitment to the financial and economic programme supported by the ongoing IMF PRGF arrangement; (ii) continued satisfactory implementation of key structural and social reforms in the areas of governance, education and health, and HIV/AIDS; (iii) completion of the demobilization process; (iv) completion of a PRSP through a participatory process and a first annual implementation report of the strategy; and (v) confirmation of the participation of the other creditors in the debt-relief operation.

23. As of 31 January 2001, Guinea-Bissau has accumulated **SDR 633 000 in arrears** with IFAD. While the World Bank and IMF assess Guinea-Bissau's capacity to service its multilateral development bank debt at about USD 1.5 million per annum, the country currently not only owes an average of about USD 15.0 million per annum to these banks over the next three years, but it has also accumulated about USD 22.5-35.0 million in arrears. In 1995, Guinea-Bissau started accumulating arrears with IFAD, and an arrears settlement plan was worked out in June 1996. Because of reported difficulties, an IFAD mission visited the country in August 2000. The mission was informed that



Guinea-Bissau is indeed facing acute debt-servicing constraints. In spite of these difficulties, however, a substantial portion (USD 300 000) has been paid against the arrears settlement plan, and the Government has committed itself to settle the balance as soon as the financial situation permits. This history of arrears and the problems encountered by the country in remaining current with IFAD (and all other creditors, except the World Bank and IMF thanks to a bilateral grant) were described in document EB 2000/71/R.12, and Annex II provides the main policy principles approved by the IFAD Executive Board in December 2000 for dealing with such cases. Based on the specific World Bank/IMF recommendation, the Executive Board is now invited to approve the integration of the arrears in the NPV of debt relief according to the policy approved by the Executive Board at its Seventy-First Session in December 2000 (see document EB 2000/71/R.12 and Annex II for details).

24. **Guyana.** With an NPV of debt-to-exports ratio of 151% and an NPV of debt-to-revenue ratio of 543% in 1998, Guyana's external debt situation is unsustainable, even after the full application of all traditional debt-relief mechanisms. The basic decision for IFAD's participation in the HIPC Initiative for Guyana, under the original framework, was made by the Executive Board in September 1998 on the basis of document EB 98/64/R.14. The international community has now declared Guyana eligible for debt relief also under the enhanced framework of the Initiative in recognition of the substantial progress the country has made in implementing a comprehensive programme of macroeconomic, structural and social reforms and in achieving poverty reduction.

25. To achieve the NPV-of-debt-to-exports target of 150%, as well as the target fiscal ratio of 250%, total relief from all of Guyana's creditors would amount to USD 585.0 million in NPV terms under both the original and the enhanced Initiatives (USD 256.0 million and USD 329.0 million, respectively). Under the decision taken, all creditors would provide a cumulative reduction of 63.3% in the NPV of their outstanding claims as of December 1998. The Executive Board is invited to approve IFAD's contribution to debt relief for Guyana in the amount of SDR 1.5 million in 1998 NPV terms, including the SDR 630 000 approved under the original Initiative. This tentatively amounts to SDR 1.2 million in nominal terms, spread over six years, in addition to the SDR 607 164 already provided under the original Initiative.

26. Guyana will reach the completion point under the enhanced Initiative framework when the following conditions have been met: (i) continued commitment to the financial and economic programme supported by an IMF PRGF arrangement, (ii) continued satisfactory implementation of key structural and social reforms, (iii) completion of a PRSP through a participatory process and a first annual implementation report of the strategy, and (iv) confirmation of the participation of the other creditors in the debt-relief operation.

27. **Madagascar.** With an NPV of debt-to-exports ratio of 248% in 1999, Madagascar's external debt situation is unsustainable, even after the full application of all traditional debt-relief mechanisms. The international community has declared Madagascar eligible for debt relief under the enhanced framework of the HIPC Initiative in recognition of the substantial progress the country has made in implementing a comprehensive programme of macroeconomic, structural and social reforms and in achieving poverty reduction.

28. Agriculture provides about 35% of Madagascar's GDP and 40% of exports, and almost 75% of the population derive their livelihood from agriculture. Four of every five poor people live in rural areas. Madagascar commands favourable conditions for agriculture and relatively low labour costs. Domestic resource cost calculations indicate that both traditional and improved rice, as well as the cash crops vanilla and coffee, could be highly competitive. However, agricultural productivity has remained almost stagnant over the last decades. Deeply rooted structural constraints, primarily the lack of rural infrastructure, resource degradation, poorly functioning rural institutions, including land tenure and rural finance systems, and the negligible use of new technology, need to be overcome if the desired supply response is to be fostered. A key ingredient in boosting rural incomes is the



rehabilitation and improvement of Madagascar's infrastructure and access to credit. To confront these problems, in June 2000 the Government prepared the Action Plan for Rural Development (PADR), which underlies the Interim PRSP. The PADR emphasizes (i) institutional and regulatory reforms, (ii) rural development partnerships, (iii) sustainable growth in agricultural production, (iv) regional food security and (v) access to rural social services. Regarding this last point, much of basic service delivery hinges crucially on the extension of the very rudimentary rural transport infrastructure (roads, culverts, foot bridges), often rendered unusable during the rainy season. The Government is currently elaborating a rural transport policy through a participatory process. This policy will define an institutional and financing framework for rural roads (provincial and communal roads), define promotional strategies for rural transport services and intermediate means of transport, and set out guidelines for the service levels of rural roads and the selection of appropriate interventions. The new strategy will emphasize the maintenance of rural roads through the Roads Maintenance Fund and the appropriate financing of this fund on a sustainable basis.

29. To achieve the NPV-of-debt-to-exports target of 150%, total relief from all of Madagascar's creditors would amount to USD 814.0 million in NPV terms. Under the decision taken, all creditors would provide a reduction of 39.5% in the NPV of their outstanding claims as of December 1999. The Executive Board is invited to approve IFAD's contribution to debt relief for Madagascar in the amount of SDR 6.4 million in 1999 NPV terms (tentatively SDR 9.1 million in nominal terms, spread over eight years).

30. Madagascar will reach the completion point under the enhanced Initiative framework when the following conditions have been met: (i) continued commitment to the financial and economic programme supported by an IMF PRGF arrangement, (ii) continued satisfactory implementation of key structural and social reforms, (iii) completion of a PRSP through a participatory process and a first annual implementation report of the strategy, and (iv) confirmation of the participation of the other creditors in the debt-relief operation.

31. **Malawi.** With an NPV of debt-to-exports ratio of 267% in 1999, Malawi's external debt situation is unsustainable, even after the full application of all traditional debt-relief mechanisms. The international community has declared Malawi eligible for debt relief under the enhanced framework of the Initiative in recognition of the substantial progress the country has made in implementing a comprehensive programme of macroeconomic, structural and social reforms and in achieving poverty reduction.

32. While there are many components in Malawi's pro-poor growth strategy, equitable access to land and credit is a crucial ingredient, as has been outlined in the Interim PRSP. The Government is considering significant land-policy reforms to address demographic pressure on land resources, inequality in access to land, tenure insecurity and deficient land administration. For over three years, the Presidential Land Commission carried out extensive consultations on these issues, and on this basis the Government has prepared a draft new land policy. It has already prepared a Strategic Action Plan for implementing the land-policy reform process and the modernization of the land administration system. The proposed land policy addresses the main challenges of tenure security (for all tenure regimes), land administration, land-market transactions, community participation and natural resource management. In particular, the proposed land policy would formalize customary tenure by defining all land in Malawi as customary land to be managed by traditional authorities according to custom, except for freehold titles and government land. Furthermore, in response to the growing assertion of individual property rights, family allocations within customary tenure will be converted into titles known as "customary estates". This land policy is consistent with the ongoing decentralization process since it significantly shifts the balance in the resolution of land issues from the Central Government to the districts and traditional authorities. The Government intends to have Cabinet approval of the draft new land policy and Parliamentary approval of the corresponding legislation and regulations before the end of 2001.



33. Access to credit, particularly by poor rural households, is a critical ingredient of rural-sector growth. The microcredit system in Malawi is composed of a number of disparate initiatives ranging from the provision of credit to specific occupational groups (e.g. tobacco farmers) to lending initiatives in specific geographical areas. Interest and recovery rates vary widely as well. There are currently around 20 microfinance institutions in Malawi, with a combined total of about 550 000 clients. Three institutions cover over 90% of these clients. As discussed in the Interim PRSP, the Ministry of Commerce has drawn up a microfinance policy, following widespread consultation and review. The policy aims to promote best practices among microfinance institutions in order to expand client outreach, promote sustainability, improve coordination and increase capacity. It also proposes a peer-regulatory structure for the industry and the establishment of a monitoring system that can track lending volumes, the number of clients and the areas covered with a view to improving coordination of microfinance activities. These elements are expected to spur an expansion in microcredit outreach, while ensuring the sustainability of the industry.

34. To achieve the NPV-of-debt-to-exports target of 150%, total relief from all of Malawi's creditors would amount to USD 643.0 million in NPV terms. Under the decision taken, all creditors would provide a reduction of 44% in the NPV of their outstanding claims as of December 1999. The Executive Board is invited to approve IFAD's contribution to debt relief for Malawi in the amount of SDR 8.3 million in 1999 NPV terms (tentatively SDR 12.2 million in nominal terms, spread over nine years).

35. Malawi will reach the completion point under the enhanced HIPC Initiative framework when the following conditions have been met: (i) continued commitment to the financial and economic programme supported by the ongoing IMF PRGF arrangement, (ii) continued satisfactory implementation of key structural and social reforms, (iii) completion of a PRSP through a participatory process and a first annual implementation report of the strategy, and (iv) confirmation of the participation of the other creditors in the debt-relief operation.

36. **Nicaragua.** With an NPV of debt-to-exports ratio of 540% in 1999, Nicaragua's external debt situation is unsustainable, even after the full application of all traditional debt-relief mechanisms. The international community has declared Nicaragua eligible for debt relief under the enhanced framework of the Initiative in recognition of the substantial progress the country has made in implementing a comprehensive programme of macroeconomic, structural and social reforms and in achieving poverty reduction.

37. The Government has recently issued a document that it has submitted as an Interim PRSP (A Strengthened Poverty-Reduction Strategy) and that sets out a strategy to address the main challenges faced by the country. The document is based on a sound analysis of Nicaragua's poverty and was prepared with the participation of civil society. It rests on four programmatic pillars: (i) sustaining broad-based growth and structural reform; (ii) raising the amounts and the quality of investment in human capital, particularly among the poor; (iii) improving the protection of vulnerable groups; and (iv) strengthening institutional capacity and good governance. There are also three cross-cutting themes relating to environmental sustainability, social equity and decentralization. The Government's poverty-reduction targets aim to achieve the International Development Goals of the Organisation for Economic Co-operation and Development/Development Assistance Committee (OECD/DAC) by the year 2015, as well as to improve the population coverage of safe water and sanitation substantially and to reduce child malnutrition and illiteracy in line with Nicaragua's specific conditions and needs. The authorities expect to complete the full PRSP soon, in consultation with donors and civil society, through the National Economic and Social Planning Council.

38. To achieve the NPV-of-debt-to-exports target of 150%, total relief from all of Nicaragua's creditors would amount to USD 3.3 billion in NPV terms. Under the decision taken, all creditors



would provide a reduction of 72.2% in the NPV of their outstanding claims as of December 1999. The Executive Board is invited to approve IFAD's contribution to debt relief for Nicaragua in the amount of SDR 6.5 million in 1999 NPV terms (tentatively SDR 14.4 million in nominal terms, spread over 30 years).

39. Nicaragua will reach the completion point under the enhanced Initiative framework when the following conditions have been met: (i) continued commitment to the financial and economic programme supported by an IMF PRGF arrangement, (ii) continued satisfactory implementation of key structural and social reforms, (iii) completion of a PRSP through a participatory process and a first annual implementation report of the strategy, and (iv) confirmation of the participation of the other creditors in the debt-relief operation.

40. **Niger.** With an NPV of debt-to-exports ratio of 322% in 1999, Niger's external debt situation is unsustainable, even after the full application of all traditional debt-relief mechanisms. The international community has declared Niger eligible for debt relief under the enhanced framework of the Initiative in recognition of the substantial progress the country has made in implementing a comprehensive programme of macroeconomic, structural and social reforms and in achieving poverty reduction.

41. The Government plans to limit the scope of public intervention in the rural sector to the provision of essential infrastructure, such as rural roads and access to water resources. It also plans to decentralize and restructure extension services and applied research within a context of user participation. The Government has already initiated a consultation process with farmers and other rural inhabitants for the preparation of a comprehensive rural development strategy focusing on the following:

- (a) productivity improvement through the adoption of cost-efficient and user-friendly technology;
- (b) promotion of agricultural and livestock exports (including non-traditional crops);
- (c) improvement in water management, especially through the promotion of small-scale, inexpensive and environmentally sustainable irrigation systems;
- (d) improvements in irrigation support services through the restructuring of the state-owned irrigation company and the transfer of irrigation systems to the private sector;
- (e) reduction in state interventions in the market for agricultural inputs and the promotion of the private-sector marketing of such products as seeds, fertilizers and pesticides;
- (f) development and adoption of a strategy for rural microfinance;
- (g) further strengthening of the legal framework for rural-sector development, including the adoption of a pastoral code; and
- (h) rehabilitation and expansion of the rural road network.

42. To achieve the NPV-of-debt-to-exports target of 150%, total relief from all of Niger's creditors would amount to USD 521.0 million in NPV terms. Under the decision taken, all creditors would provide a reduction of 53.5% in the NPV of their outstanding claims as of December 1999. The Executive Board is invited to approve IFAD's contribution to debt relief for Niger in the amount of SDR 6.3 million in 1999 NPV terms (tentatively SDR 9.1 million in nominal terms, spread over 11 years).

43. Niger will reach the completion point under the enhanced Initiative framework when the following conditions have been met: (i) continued commitment to the financial and economic programme supported by an IMF PRGF arrangement, (ii) continued satisfactory implementation of key structural and social reforms, (iii) completion of a PRSP through a participatory process and a first annual implementation report of the strategy, and (iv) confirmation of the participation of the other creditors in the debt-relief operation.



44. As of 31 January 2001, Niger had accumulated **SDR 127 503 in arrears** with IFAD. In view of the efforts made by the country to remain current with IFAD and the recurrent problem of accumulated arrears also vis-à-vis other creditors and based on the specific World Bank/IMF recommendation, the Executive Board is invited to approve the integration of the arrears in the NPV of debt relief according to the policy approved by the Seventy-First Session of the Executive Board in December 2000 (see document EB 2000/71/R.12 and Annex II for details).

45. **Rwanda.** With an NPV of debt-to-exports ratio of 634% in 1999, Rwanda's external debt situation is unsustainable, even after the full application of all traditional debt-relief mechanisms. The international community has declared Rwanda eligible for debt relief under the enhanced framework of the Initiative in recognition of the substantial progress the country has made in implementing a comprehensive programme of macroeconomic, structural and social reforms and in achieving poverty reduction.

46. With poverty concentrated in rural areas, the development of agriculture is crucial to poverty reduction in Rwanda in the medium term. Because of the scarce land resources, greater agricultural productivity is absolutely necessary to increase rural incomes and reduce poverty. The Government's strategy for agriculture seeks to raise productivity through more market orientation in the sector, underpinned by intensification in input use, diversification and specialization in agricultural production. Under the strategy, key actions are aimed at rehabilitation of productive infrastructure, including coffee and tea processing facilities; rebuilding of the agricultural extension and research system; liberalization of land, labour and the agricultural inputs and products markets; promotion of regional specialization in production; and support for associations of farmer groups as partners in the generation and dissemination of technologies and in improving input distribution and output marketing systems. A land law that ensures the security of land tenure and permits land markets to develop and a functioning small and rural credit system are important challenges for market-based agriculture in Rwanda.

47. The development of agricultural exports will contribute to a reduction in aid-dependency. The coffee and tea sectors can make an enormous contribution to poverty reduction and exports in the medium term. The privatization of tea and coffee processing and marketing facilities is ongoing, and legislation is being adopted to dismantle the state-controlled marketing and regulatory agencies and replace them with industry-based development organizations. The liberalization of the marketing and exportation of tea and coffee and the privatization of processing plants will help attract the private investments that are essential for these industries to reach full potential. The Government, through the Rwanda Investment Promotion Agency, will continue to promote alternative high-value smallholder crops.

48. To achieve the NPV-of-debt-to-exports target of 150%, total relief from all of Rwanda's creditors would amount to USD 452.0 million in NPV terms. Under the decision taken, all creditors would provide a reduction of 71.3% in the NPV of their outstanding claims as of December 1999. The Executive Board is invited to approve IFAD's contribution to debt relief for Rwanda in the amount of SDR 8.5 million in 1999 NPV terms (tentatively SDR 15.8 million in nominal terms, spread over 20 years).

49. Rwanda will reach the completion point under the enhanced Initiative framework when the following conditions have been met: (i) continued satisfactory performance under the reform programmes supported by the International Development Association and IMF, (ii) continued satisfactory implementation of key structural and social reforms, (iii) completion of a PRSP through a participatory process and a first annual implementation report of the strategy, and (iv) confirmation of the participation of the other creditors in the debt-relief operation.



50. **Sao Tome and Principe.** With an NPV of debt-to-exports ratio of 861% in 1999, Sao Tome and Principe's external debt situation is unsustainable, even after the full application of all traditional debt-relief mechanisms. The international community has declared Sao Tome and Principe eligible for debt relief under the enhanced framework of the HIPC Initiative in recognition of the substantial progress the country has made in implementing a comprehensive programme of macroeconomic, structural and social reforms and in achieving poverty reduction.

51. The Government's rural development strategy has four main goals: (i) improving the living conditions of the rural population, (ii) increasing and diversifying agricultural production, (iii) developing food production for domestic consumption and (iv) promoting the preservation and rational management of natural resources. In the area of agricultural diversification, the Government will increase its efforts to assist farmers by promoting an environment for the development of new products, such as black pepper, coconut, oil palm, fragrances, food crops and edible fruits. With regard to the coffee industry, research is being conducted to define future development possibilities for the industry. Food-crop production will be encouraged through improved marketing and transport conditions and the development of product storage and packaging capacities, which should create the necessary conditions for a substantial export flow of crop products aimed particularly at markets in Luanda and Libreville. The lack of rural credit is being increasingly singled out as a major obstacle, and low payback rates have greatly reduced the significance of the rural savings and loan organizations (*caixas rurais*). However, improved income among farmers and the modernization of agriculture should raise the demand for credit, and the Government is addressing the issue.

52. The transformation from large, state-owned plantations to smallholder production and a few medium-sized agricultural enterprises has created a need for appropriate research and extension services. In this respect, the Government relies in large measure on major ongoing projects financed by donors to provide farm support in the form of inputs, materials, extension services and credit facilities to the 6 300 smallholders that have benefited from land distribution. The Government has proposed the creation of a single supply agency under private management.

53. Regarding livestock, the Government will encourage development based on small ruminants, poultry and pork farming and the development of cattle-raising oriented towards meat production. The Government will also seek to promote the development of private veterinary services. The management of fisheries resources will focus on two key areas: (i) improved control of the potential of fisheries and (ii) monitoring of industrial fisheries, particularly in light of the three-year fishing accord with the European Union, which became effective in June 1999. In addition, the Government intends to promote the development of artisanal fisheries by strengthening the production capacities of fishermen and of professional organizations, developing fishery products and promoting the creation of mutual savings and loan banks for fishermen and tradesmen. In the area of forestry preservation, the Government will carry out an inventory of the available wood resources, limit the areas to be opened for forestry exploitation, introduce a follow-up mechanism (the parcels to be monitored and measures to increase the number of trees and forests) and support private and public programmes for the development of nurseries and the replanting of cover for shade. Planting of secondary forests with appropriate species for the production of good-quality wood is also being encouraged.

54. To achieve the NPV-of-debt-to-exports target of 150%, total relief from all of Sao Tome and Principe's creditors would amount to USD 97.0 million in NPV terms. Under the decision taken, all creditors would provide a reduction of 83% in the NPV of their outstanding claims as of December 1999. The Executive Board is invited to approve IFAD's contribution to debt relief for Sao Tome and Principe in the amount of SDR 2.0 million in 1999 NPV terms (tentatively SDR 4.5 million in nominal terms, spread over 29 years).

55. Sao Tome and Principe will reach the completion point under the enhanced HIPC Initiative framework when the following conditions have been met: (i) continued commitment to the financial



and economic programme supported by the ongoing IMF PRGF arrangement, (ii) continued satisfactory implementation of key structural and social reforms, (iii) completion of a PRSP through a participatory process and a first annual implementation report of the strategy, and (iv) confirmation of the participation of the other creditors in the debt-relief operation.

56. **Zambia.** With an NPV of debt-to-exports ratio of 401% in 1999, Zambia's external debt situation is unsustainable, even after the full application of all traditional debt-relief mechanisms. The international community has declared Zambia eligible for debt relief under the enhanced framework of the Initiative in recognition of the substantial progress the country has made in implementing a comprehensive programme of macroeconomic, structural and social reforms and in achieving poverty reduction.

57. To achieve the NPV-of-debt-to-exports target of 150%, total relief from all of Zambia's creditors would amount to USD 2.5 billion in NPV terms. Under the decision taken, all creditors would provide a reduction of 62.6% in the NPV of their outstanding claims as of December 1999. The Executive Board is invited to approve IFAD's contribution to debt relief for Zambia in the amount of SDR 13.7 million in 1999 NPV terms (tentatively SDR 23.5 million in nominal terms, spread over 16 years).

58. Zambia will reach the completion point under the enhanced Initiative framework when the following conditions have been met: (i) continued commitment to the financial and economic programme supported by the ongoing IMF PRGF arrangement, (ii) continued satisfactory implementation of key structural and social reforms, (iii) completion of a PRSP through a participatory process and a first annual implementation report of the strategy, and (iv) confirmation of the participation of the other creditors in the debt-relief operation.

### **C. Consolidated Cost Estimates of the HIPC Debt Initiative for IFAD**

59. The total NPV of debt relief submitted for Executive Board approval at its Seventy-Second Session in April 2001 amounts to SDR 65.7 million (USD 85.0 million) for the 12 new country cases (see Table 3 for details). Together with the earlier 11 decisions of the Executive Board, IFAD will have committed a total of SDR 135.8 million (USD 176.3 million) of NPV in debt relief.

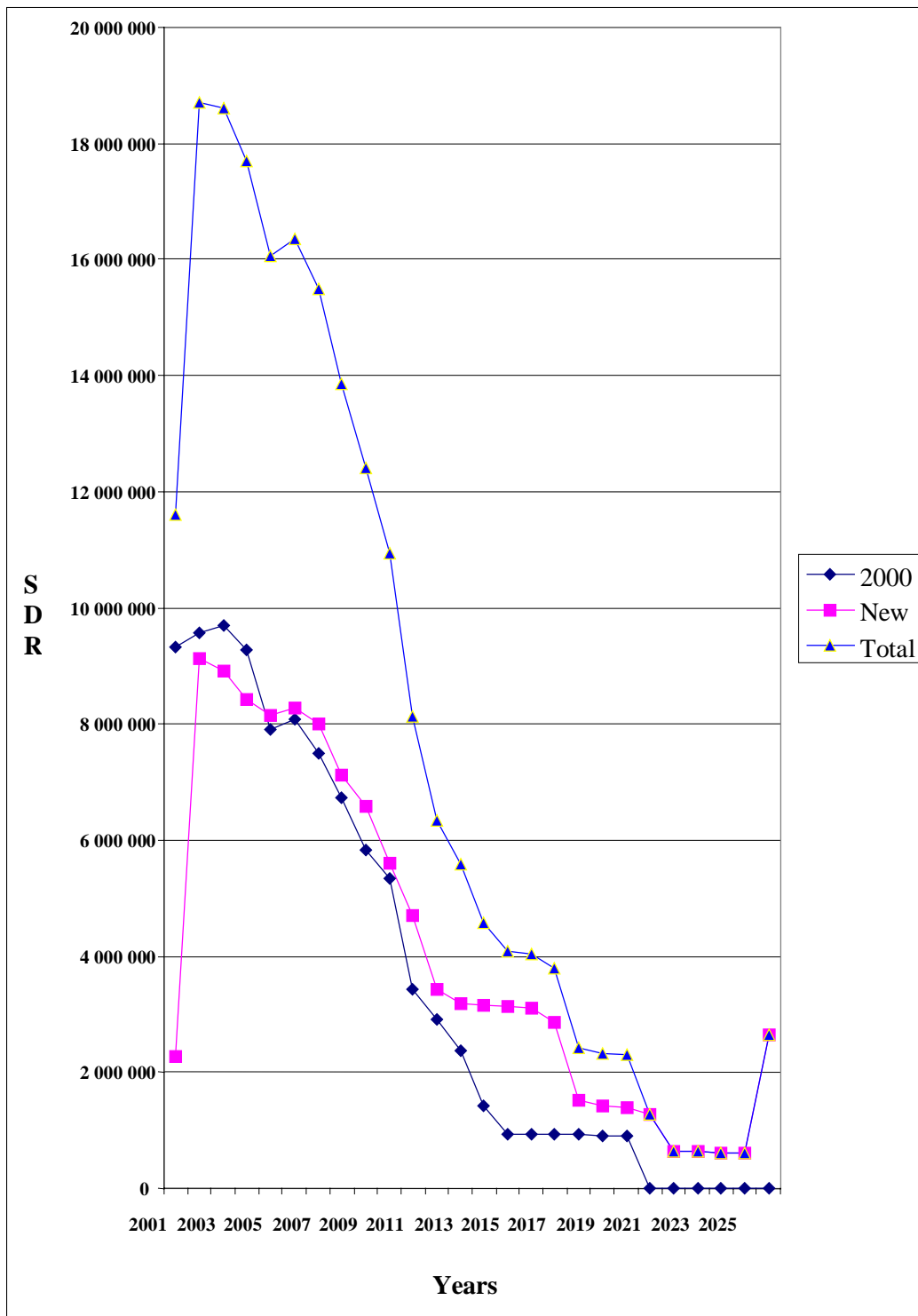
60. Excluding the SDR 7.3 million (USD 9.4 million) of debt relief already provided, the future nominal cost to IFAD of this relief is tentatively estimated at SDR 202.0 million (USD 262.0 million), which is to be spread over time periods ranging from two years for Cameroon to 29 and 30 years for Sao Tome and Principe and Nicaragua, respectively. Against a total debt-service requirement for all approved country cases of SDR 634.5 million (USD 823.5 million), IFAD's SDR 209.3 million in debt-service relief will provide about 33% of this relief. The NPV of the same outstanding debt will be reduced by about 47% (with NPV relief ranging from 18% for Honduras to 83% for Sao Tome and Principe).

61. The table and graph in Annex IV show details on the impact of the projected nominal debt relief over time. Based on the optimistic assumption that the cases approved in 2000 and 2001 will reach the completion point in 2001 and 2002, respectively, the highest cost to be borne by IFAD in any given year amounts to SDR 18.7 million (USD 24.3 million) in 2002-03. With the average IFAD loan amount at about USD 15.0 million, the impact on the new lending programme of these estimated reduced reflows to the Fund represents about 1.6 projects in the peak year 2002 if all of IFAD's debt relief is funded from internal resources only.





Graph 2: Nominal Cost to IFAD





#### D. Recommendation

62. It is recommended that the Executive Board approve the proposed contribution to the reduction of the debt to IFAD of:

- (a) **Cameroon**, for an amount of SDR 2 248 826 in June 1999 NPV terms;
- (b) **The Gambia**, for an amount of SDR 1 825 239 in December 1999 NPV terms;
- (c) **Guinea**, for an amount of SDR 5 109 475 in December 1999 NPV terms;
- (d) **Guinea-Bissau**, for an amount of SDR 3 072 889 in December 1999 NPV terms (with the integration of about SDR 633 000 in **arrears** subject to the conditions set by the Executive Board in its basic policy on the matter);
- (e) **Guyana**, for an amount of SDR 1 519 881 in December 1998 NPV terms, inclusive of the relief already provided under the original Debt Initiative framework;
- (f) **Madagascar**, for an amount of SDR 6 445 794 in December 1999 NPV terms;
- (g) **Malawi**, for an amount of SDR 8 336 720 in December 1999 NPV terms;
- (h) **Nicaragua**, for an amount of SDR 6 526 368 in December 1999 NPV terms;
- (i) **Niger**, for an amount of SDR 6 290 469 in December 1999 NPV terms (with the integration of SDR 127 503 in **arrears** subject to the conditions set by the Executive Board in its basic policy on the matter);
- (j) **Rwanda**, for an amount of SDR 8 553 229 in December 1999 NPV terms;
- (k) **Sao Tome and Principe**, for an amount of SDR 2 040 474 in December 1999 NPV terms; and
- (l) **Zambia**, for an amount of SDR 13 729 323 in December 1999 NPV terms.

63. The relief will be provided according to the terms of the following resolution:

**RESOLVED:** that the Fund, upon declaration at the completion points by the World Bank and the International Monetary Fund that Cameroon, The Gambia, Guinea, Guyana, Madagascar, Malawi, Nicaragua, Rwanda, Sao Tome and Principe, and Zambia have satisfied the conditions for debt relief under the Debt Initiative for Heavily Indebted Poor Countries, shall reduce the value of the debt to IFAD for Cameroon, The Gambia, Guinea, Guyana, Madagascar, Malawi, Nicaragua, Rwanda, Sao Tome and Principe, and Zambia **through the forgiving of their respective semi-annual debt-service obligations to IFAD (principal and service-charge/interest payments) as these fall due after the respective completion points** and up to the aggregate SDR net present values listed in Table 4.



For Guinea-Bissau and Niger, debt relief will be provided, upon the decision of the Executive Board and after finalization of the legal documentation, **through the integration of their arrears to IFAD into the debt relief and through forgiving their respective semi-annual debt-service obligations to IFAD (principal and service-charge/interest payments) as these fall due** and up to the aggregate SDR net present values listed in Table 4.

**Table 4: Decisions Requested of the Executive Board**

Country	NPV of Debt Relief Requested from the Board in SDR
<b>Benin</b>	
<b>Bolivia</b>	
<b>Burkina Faso</b>	
<b>Cameroon</b>	2 248 826
<b>Côte d'Ivoire</b> (original Initiative)	
<b>Gambia, The</b>	1 825 239
<b>Guinea</b>	5 109 475
<b>Guinea-Bissau</b>	3 072 889 (inclusive of arrears)
<b>Guyana</b>	1 519 881
<b>Honduras</b>	
<b>Madagascar</b>	6 445 794
<b>Malawi</b>	8 336 720
<b>Mali</b>	
<b>Mauritania</b>	
<b>Mozambique</b>	
<b>Nicaragua</b>	6 526 368
<b>Niger</b>	6 290 469 (inclusive of arrears)
<b>Rwanda</b>	8 553 229
<b>Sao Tome and Principe</b>	2 040 474
<b>Senegal</b>	
<b>Tanzania, United Rep. Of</b>	
<b>Uganda</b>	
<b>Zambia</b>	13 729 323
<b>Total</b>	<b>65 698 687</b>



## **PARAMETERS OF THE POLICY FRAMEWORK FOR THE ENHANCED HIPC DEBT INITIATIVE**

### **1. Deeper Debt Relief:**

- by lowering the NPV debt-to-exports target from 200-250% to 150%;
- by lowering the NPV debt-to-fiscal-revenues target from 280% to 250%;
- by lowering the qualifying thresholds from 40% to 30% of the exports-to-GDP ratio and from 20% to 15% of the revenues-to-GDP ratio; and
- by calculating debt relief based on actual data at the decision point rather than on projections for the completion point.

### **2. Faster Debt Relief:**

- by providing interim relief between the decision and completion points;
- by introducing floating completion points, thereby permitting strong performers to reach the completion point earlier; and
- by front-loading the delivery of debt relief, subject to the debt-service profile due to creditors.

### **3. Stronger Link to Poverty Reduction:**

- through the requirement of a poverty-reduction strategy paper; and
- by making decisions on the basis of interim PRSPs, in order to accelerate access to debt relief without compromising either the quality of the participatory process, or the results of the countries' poverty-reduction strategy efforts.

### **4. Results:**

- greater margin of safety for the achievement of debt sustainability;
- more freeing-up of resources earlier for an enhanced focus on poverty reduction;
- stronger impact on poverty eradication;
- expansion of eligibility to 41 HIPCs; and
- increase in overall costs.



## INTEGRATING ARREARS IN THE NPV OF DEBT RELIEF

1. The Executive Board at its Seventy-First Session (document EB 2000/71/R.12) approved the general policy principle<sup>1</sup> of incorporating arrears **accrued before IFAD's decision point** into the front-loaded debt-relief modality for countries:

- that have been declared eligible for debt relief under the HIPC Debt Initiative;
- that have accrued arrears with IFAD;
- that have made **demonstrated, concrete** efforts to settle these arrears and/or to adhere to the agreed arrears settlement plan, if any; and
- whose debt-servicing capacity in the short term is assessed by the World Bank and IMF as objectively inadequate to service debt and settle the arrears.

2. IFAD's contribution to the debt relief in such country cases will therefore be structured as follows:

- at the **decision point**: immediate integration of the eligible arrears<sup>2</sup> into the NPV of debt relief to be provided to the country by IFAD under the Debt Initiative;
- during the **interim period**:
  - (a) the government will remain current on its loan-service obligations as the norm<sup>3</sup>, and
  - (b) IFAD will first (and upon government request) support the government in developing the PRSP and subsequently support the implementation of the poverty-reduction strategy with programme assistance, **including the immediate reactivation of the country portfolio**. IFAD's 'arrears integration' and scope for relief of debt-service requirements during the interim period will directly depend on the quality of the collaboration between the government and IFAD for the PRSP process; and
- at the **completion point**: on condition of a successful interim period, 100% of debt-service relief until the NPV relief target has been reached.

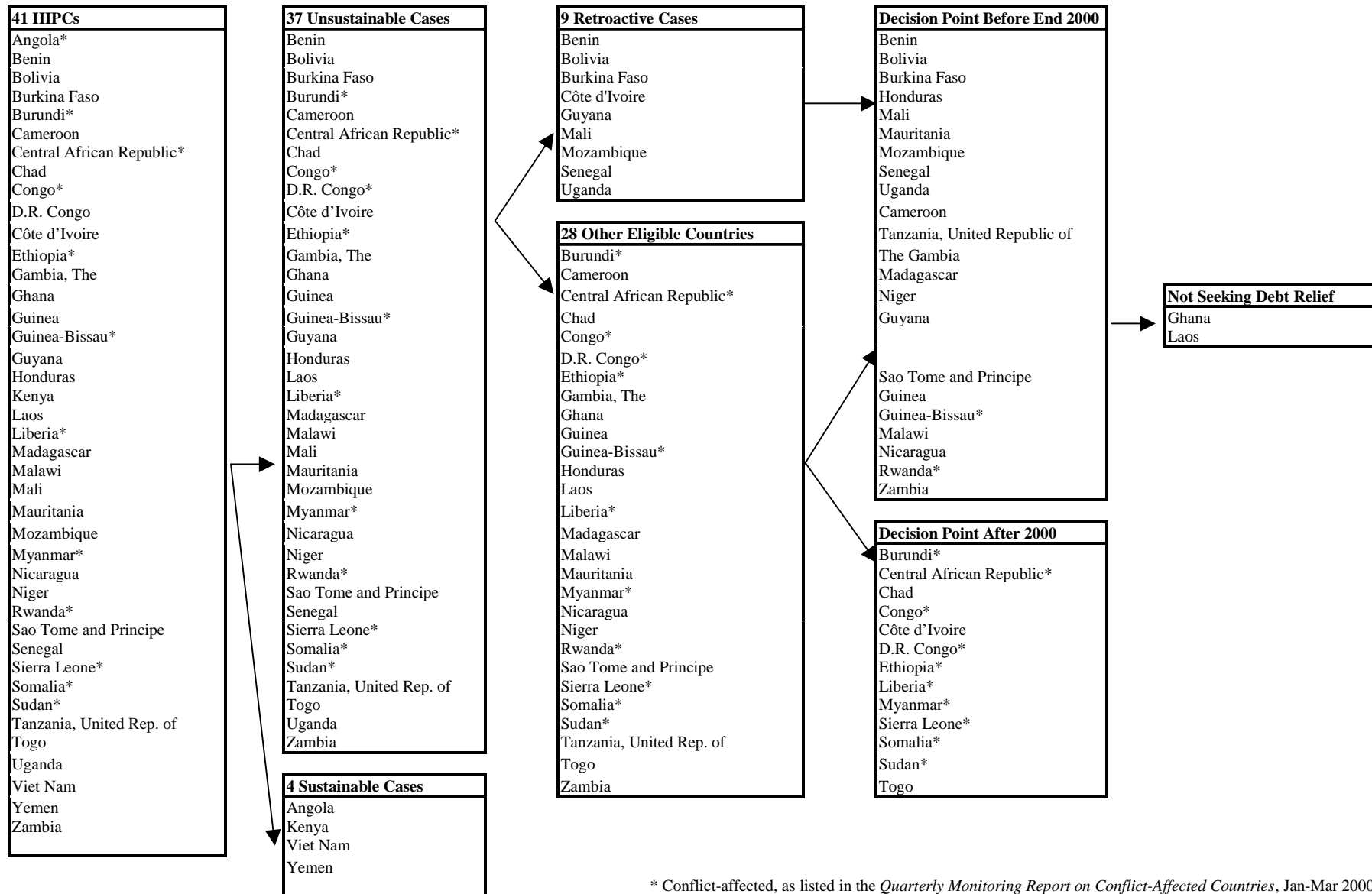
---

<sup>1</sup> Also applicable to other similarly deserving cases of HIPCs listed in IFAD's periodic report to the Executive Board on arrears.

<sup>2</sup> Calculated at 'present value', in accordance with IFAD's policy on arrears-settlement packages (see document GC 21/L.7). Arrears exceeding the level of debt relief to be provided under the Initiative will be subject to IFAD's normal policy of arrears settlement. It should be noted that arrears incurred before the cut-off point of eligible debt will not be included in the debt stock to be relieved, as this would unduly inflate the country's debt stock to be treated by the Initiative.

<sup>3</sup> As the norm, IFAD will expect 100% debt service during the interim period. However, based on the World Bank/IMF assessment of an individual country's debt-servicing capacity during this period, IFAD may request the Executive Board to consider lower debt-servicing requirements, for example 50% or, for instance in the case of Guinea-Bissau, 0% of the debt-servicing requirement during the interim period.

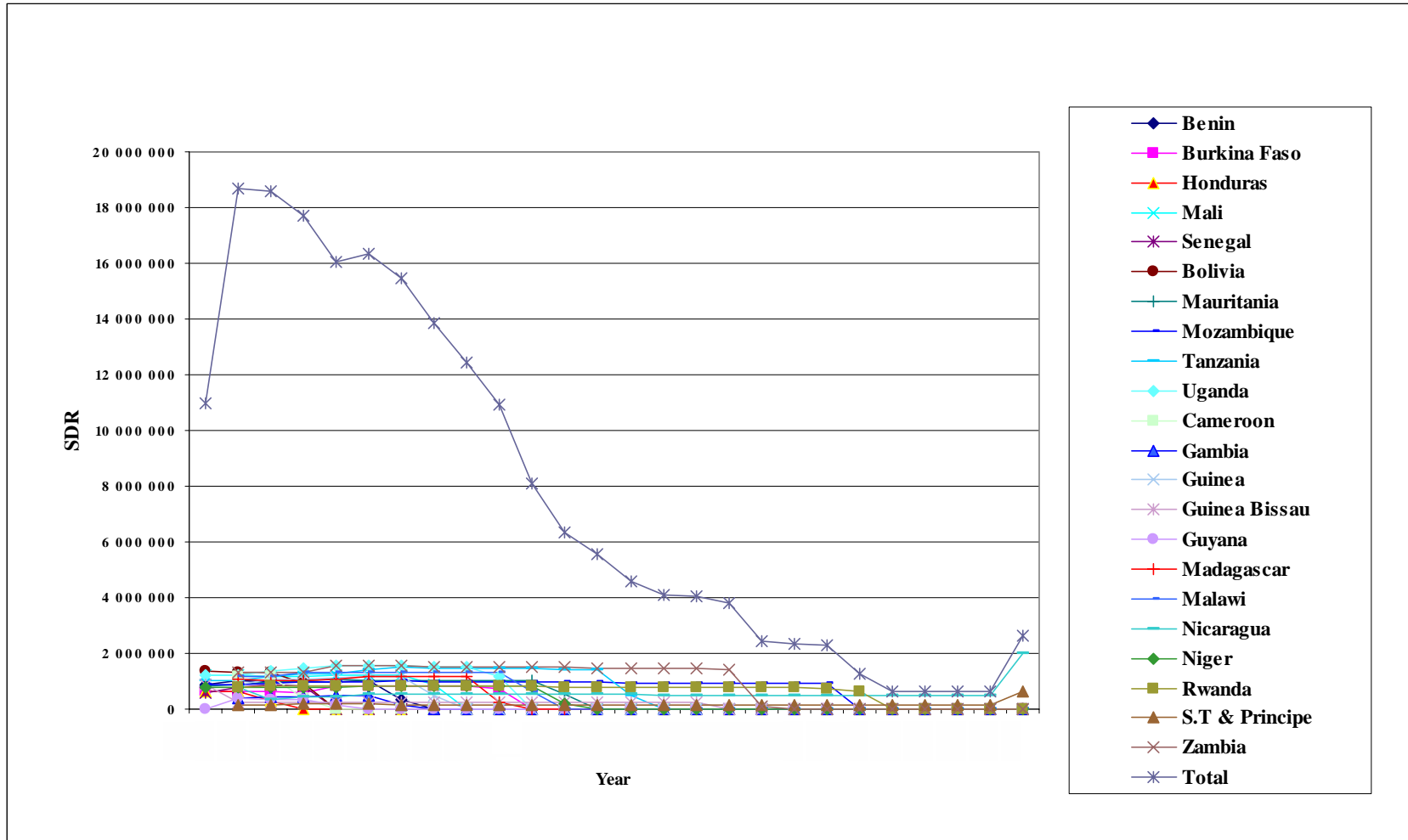
## LIST OF HIPC DEBT INITIATIVE COUNTRIES



\* Conflict-affected, as listed in the *Quarterly Monitoring Report on Conflict-Affected Countries*, Jan-Mar 2000.



### Annual Nominal Costs to IFAD



**Annual Nominal Costs to IFAD (continued)**

	Benin	Burkina Faso	Honduras	Mali	Senegal	Bolivia	Mauritania	Mozambique	Tanzania, United Rep. of	Uganda
2001	884 213	619 928	624 103	1 207 580	607 022	1 355 107	840 888	898 863	1 047 135	1 233 297
2002	1 007 406	615 678	611 195	1 198 717	788 962	1 328 019	854 424	892 387	1 040 525	1 224 898
2003	999 879	611 429	292 521	1 189 854	854 969	1 300 932	979 043	908 681	1 167 450	1 381 535
2004	992 352	607 179	0	1 180 991	822 362	942 301	1 015 319	956 417	1 292 372	1 469 896
2005	984 824	828 036	0	1 218 547	0	0	1 051 106	980 911	1 283 091	1 557 149
2006	1 018 770	832 936	0	1 230 038	0	0	1 043 290	973 503	1 429 373	1 545 619
2007	356 346	837 715	0	1 220 671	0	0	1 035 473	1 002 836	1 491 017	1 546 668
2008	0	831 611	0	856 903	0	0	1 027 657	995 153	1 480 026	1 535 044
2009	0	825 507	0	0	0	0	1 019 841	987 469	1 469 034	1 523 419
2010	0	733 204	0	0	0	0	1 012 025	979 786	1 458 043	1 152 730
2011	0	0	0	0	0	0	1 004 208	972 102	1 447 052	0
2012	0	0	0	0	0	0	516 875	964 418	1 436 060	0
2013	0	0	0	0	0	0	0	956 735	1 425 069	0
2014	0	0	0	0	0	0	0	949 051	466 156	0
2015	0	0	0	0	0	0	0	941 367	0	0
2016	0	0	0	0	0	0	0	933 684	0	0
2017	0	0	0	0	0	0	0	926 000	0	0
2018	0	0	0	0	0	0	0	918 317	0	0
2019	0	0	0	0	0	0	0	910 633	0	0
2020	0	0	0	0	0	0	0	902 949	0	0
2021	0	0	0	0	0	0	0	0	0	0
2022	0	0	0	0	0	0	0	0	0	0
2023	0	0	0	0	0	0	0	0	0	0
2024	0	0	0	0	0	0	0	0	0	0
2025	0	0	0	0	0	0	0	0	0	0
2026	0	0	0	0	0	0	0	0	0	0
<b>Total</b>	<b>6 243 790</b>	<b>7 343 223</b>	<b>1 527 819</b>	<b>9 303 302</b>	<b>3 073 314</b>	<b>4 926 359</b>	<b>11 400 148</b>	<b>18 951 262</b>	<b>17 932 401</b>	<b>14 170 254</b>





**Annual Nominal Costs to IFAD (continued)**

	Cameroon	Gambia, The	Guinea	Guinea-Bissau	Guyana	Madagascar	Malawi	Nicaragua	Niger	Rwanda	Sao Tome and Principe	Zambia	Total
2001				890 824	0				786 398				10 995 357
2002	1 183 602	390 560	899 247	255 844	374 264	1 054 763	1 155 096	768 215	791 381	776 793	154 504	1 333 330	18 699 809
2003	1 148 649	450 243	1 063 091	253 904	361 684	1 047 167	1 147 008	357 890	785 616	825 790	153 424	1 323 895	18 604 654
2004	381 667	446 932	1 055 408	251 964	349 104	1 039 571	1 338 512	461 125	779 852	819 653	174 254	1 314 460	17 691 689
2005	0	472 439	1 101 752	250 025	151 134	1 087 608	1 328 423	457 742	774 088	813 516	172 954	1 540 094	16 053 437
2006	0	468 911	1 147 488	248 085	0	1 155 073	1 318 335	546 923	836 515	824 822	171 654	1 557 058	16 348 393
2007	0	169 382	1 163 793	246 145	0	1 182 332	1 308 247	542 844	830 239	835 932	170 354	1 545 645	15 485 637
2008	0	0	491 142	244 205	0	1 173 481	1 314 427	538 765	823 962	829 533	169 054	1 534 232	13 845 195
2009	0	0	0	242 265	0	1 164 631	1 320 425	534 686	817 685	823 134	167 754	1 522 820	12 418 672
2010	0	0	0	240 325	0	220 397	1 310 092	530 607	811 409	816 736	166 454	1 511 407	10 943 214
2011	0	0	0	238 386	0	0	648 172	526 529	805 132	810 337	165 154	1 499 994	8 117 065
2012	0	0	0	236 446	0	0	0	522 450	212 662	803 939	163 854	1 488 582	6 345 286
2013	0	0	0	234 506	0	0	0	518 371	0	797 540	162 554	1 477 169	5 571 944
2014	0	0	0	232 566	0	0	0	514 292	0	791 141	161 254	1 465 756	4 580 217
2015	0	0	0	230 626	0	0	0	510 214	0	784 743	159 954	1 454 343	4 081 248
2016	0	0	0	228 687	0	0	0	506 135	0	778 344	158 654	1 442 931	4 048 434
2017	0	0	0	10 816	0	0	0	502 056	0	771 945	157 354	1 431 518	3 799 690
2018	0	0	0	0	0	0	0	497 977	0	765 547	156 055	92 279	2 430 174
2019	0	0	0	0	0	0	0	493 898	0	759 148	154 755	0	2 318 434
2020	0	0	0	0	0	0	0	489 820	0	752 749	153 455	0	2 298 973
2021	0	0	0	0	0	0	0	485 741	0	625 651	152 155	0	1 263 546
2022	0	0	0	0	0	0	0	481 662	0	0	150 855	0	632 517
2023	0	0	0	0	0	0	0	477 583	0	0	149 555	0	627 138
2024	0	0	0	0	0	0	0	473 505	0	0	148 255	0	621 759
2025	0	0	0	0	0	0	0	469 426	0	0	146 955	0	616 381
2026	0	0	0	0	0	0	0	1 986 224	0	0	648 776	0	2 635 000
<b>Total</b>	<b>2 713 918</b>	<b>2 398 467</b>	<b>6 921 920</b>	<b>4 535 619</b>	<b>1 236 186</b>	<b>9 125 023</b>	<b>12 188 736</b>	<b>14 194 679</b>	<b>9 054 939</b>	<b>15 806 991</b>	<b>4 490 000</b>	<b>23 535 513</b>	<b>201 073 864</b>

