

# **Review of Debt-Related Issues Under the Heavily Indebted Poor Countries (HIPC) Initiative and the Multilateral Debt Relief Initiative (MDRI)**

**Background Paper**

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## Executive Summary

This paper presents an update on the status of the implementation of the Heavily Indebted Poor Countries (HIPC) Initiative and the Multilateral Debt Relief Initiative (MDRI), focusing on current cost estimates and financing needs as well as the key challenges facing pre- and post-decision point countries.

As of end-July 2009, 21 of 33 RMCs potentially eligible for HIPC/MDRI debt relief assistance had reached their completion point and qualified for irrevocable HIPC debt relief and MDRI debt cancellation. Eight more countries were in the interim period and expected to reach their completion point before 2011, and four had yet to reach their decision point.

With internal resource contributions of US\$ 414.3 million, excluding contributions toward the cost of debt relief assistance to the Democratic Republic of Congo (DRC), the Bank Group has mobilized resources in excess of the US \$370 million originally committed. Through innovative and flexible approaches such as its arrears clearance operations and special funds for the DRC, the Bank has also demonstrated its strong support to the HIPC Initiative and facilitated eligibility for debt relief assistance for several RMCs constrained by arrears.

At the same time, the overall cost of debt relief under the HIPC Initiative has increased leading to a projected financing gap. Current estimates show a financing gap in donor contributions of approximately US\$ 331.72 million for four decision point countries, of which amount US\$ 316.42 million represents the remaining cost of debt relief to the DRC and US\$ 15.30 million represents the financing costs of three decision point RMCs. Additional financing gap of approximately US\$ 286.98 million for three pre-decision point countries (Comoros, Somalia and Sudan) is also projected.

Under the MDRI, the ADF has cancelled UA 4.5 billion of loan reflows from 21 countries that have reached their completion point and qualified for MDRI debt cancellation. This figure represents nearly 82 percent of the total estimated MDRI debt relief of UA 5.5 billion from the ADF. Additional cancellations amounting to UA 0.85 billion are expected to take place before 2011. The MDRI is financed through donor contributions based on a compensation framework to which donors and the Bank Group agreed in 2006. As of end-July 2009, 10 percent of donor commitments for the cancelled loan reflows had not been received for the ADF-10 disbursement period, and 13 percent of such commitments had not been received for the ADF-11 disbursement period. With several countries expected to reach their completion point by 2011, and in light of the rising cost of debt relief, it is critical that donor commitments are received fully and on time to facilitate a smooth transition for beneficiary countries and maintain the operational capacity and financial integrity of the ADF.

With 12 RMCs still remaining to benefit from full and irrevocable HIPC/MDRI debt relief, a key implementation challenge is the length of time countries are taking to reach their decision and/or completion points. The absence or delay of progress in RMCs reaching the decision point makes it difficult to estimate debt relief costs and mobilize the required financing. As countries take longer to reach their completion point or as they receive part or all of their debt relief through arrears clearance operations, they risk exhausting their interim relief allocation and having to service their debts for the remainder of the interim period.

Finally, while the HIPC and MDRI have helped participating RMCs to reduce their debt burdens significantly, thereby re-directing resources to poverty-reducing measures, many countries are experiencing a deteriorating debt situation and face the possibility of falling back into debt distress, primarily as a result of their vulnerability to export shocks and their high sensitivity to new terms of non-concessional financing. Furthermore, as the impact of the global financial and economic crisis continues to unfold, the risk of worsening debt ratios and a precipitous decline in the debt sustainability of these countries has also increased. This situation reinforces the need and the urgency to step up debt management assistance and coordination by all stakeholders, including the Bank Group, other development financing institutions, donors and partner countries, so as to ensure that post-HIPCs sustain the full benefits of debt relief and avoid falling back into unsustainable debt levels.

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## Abbreviations

ADB	African Development Bank
ADF	African Development Fund
ADF-10	Tenth General Replenishment of the African Development Fund
ADF-11	Eleventh General Replenishment of the African Development Fund
ADF-12	Twelfth General Replenishment of the African Development Fund
DRC	Democratic Republic of Congo
HIPC	Heavily Indebted Poor Countries
MDRI	Multilateral Debt Relief Initiative
RMCs	Regional Member Countries
UA	Unit of Account

# **REVIEW OF DEBT-RELATED ISSUES UNDER THE HEAVILY INDEBTED POOR COUNTRIES INITIATIVE AND THE MULTILATERAL DEBT RELIEF INITIATIVE**

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## **1. Introduction**

- 1.1 The purpose of this paper is to present an update on the status of the implementation of the Heavily Indebted Poor Countries (HIPC) Initiative and the Multilateral Debt Relief Initiative (MDRI), focusing on current cost estimates and financing needs as well as the key challenges facing pre- and post-decision point countries.
- 1.2 The overarching goal of the HIPC<sup>1</sup> Initiative and the MDRI is to reduce the debt burden of eligible countries so as to enable them to free up resources for poverty-reduction priorities. Though distinct, the two initiatives are linked at the operational level. The African Development Bank (ADB or the Bank) Group grants countries that qualify for debt relief under the HIPC an annual debt service reduction of up to 80 percent of debt obligations as they come due until the full amount of debt relief has been provided. The MDRI takes effect following the country's completion point under the HIPC Initiative. The Bank Group provides MDRI debt relief through a debt stock cancellation of the balance of African Development Fund (ADF or the Fund) loans disbursed before end-2004<sup>2</sup> and still outstanding as of the end of the month of the completion point date.
- 1.3 The mobilization of resources for debt relief assistance to the 33 regional member countries (RMCs) that participate in the HIPC Initiative is facilitated through the HIPC Trust Fund. Relief of debt owed to the Bank Group is financed by the ADB's internal resources and by donor contributions to the HIPC Trust Fund. Through its arrears clearance facility,<sup>3</sup> the Bank Group also provides resources for arrears clearance to qualifying countries. These resources are counted as part of the Bank Group's contributions to total committed debt relief. The MDRI is financed through donor contributions based on a compensation framework to which donors and the Bank Group agreed in 2006, whereby donors pledged to compensate the ADF for lost credit reflows on a dollar-for-dollar basis.
- 1.4 Following this introduction in Section 1, Section 2 of this paper discusses the present status of debt relief implementation and provides a cost and financing update. Key issues and challenges are discussed in Section 3 and conclusions follow in Section 4.

## **2. The Status of Implementation of the HIPC Initiative and the MDRI**

- 2.1 Of the 40<sup>4</sup> countries potentially eligible for debt relief assistance under the HIPC Initiative and the MDRI, 33 are RMCs of the Bank Group. As of end-July 2009, 29 (88 percent) of these 33 RMCs had reached their decision point under the HIPC Initiative. Of the 29, 21<sup>5</sup> had reached their completion point and qualified for irrevocable HIPC debt relief and MDRI debt

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<sup>1</sup> Since 1999, the enhanced HIPC Initiative framework has provided the operational basis for debt relief implementation under the HIPC Initiative. The enhanced framework differs from the original framework in that it aims to provide faster, broader and deeper debt relief. Specifically, key elements of the enhanced framework include: (i) the provision of more debt relief to a greater number of countries through a reduction in debt sustainability targets to a net present value debt-to-export ratio target of 150 percent and a net present value debt-to-revenue ratio target of 250 percent; (ii) faster debt relief through the introduction of flexibility in the qualifying period and the front-loading of debt relief; and (iii) closer linkage between debt relief and poverty reduction through the development of an appropriate framework for implementation and monitoring within the context of poverty reduction strategy papers.

<sup>2</sup> For the International Development Agency and the International Monetary Fund, eligible debt covers debt/credits disbursed and outstanding as of December 31, 2003 and December 31, 2004, respectively.

<sup>3</sup> During ADF-10, arrears clearance was provided through the Post-Conflict Country Facility. For ADF-11, the Post-Conflict Country Facility was merged with the Fragile States Facility.


<sup>4</sup> The reduction in the number of countries from 41 in previous years is due to the withdrawal of Nepal from the eligibility list.

<sup>5</sup> The Central African Republic reached its completion point in June 2009. Board approval for completion point assistance by the Bank Group is expected in September 2009.

cancellation. Eight RMCs are in the interim period and are expected to reach their completion point before 2011 and four RMCs have yet to reach the decision point.

- 2.2 The four RMCs that have yet to reach the decision point, namely, Comoros, Eritrea, Somalia and Sudan, are states that have an ongoing or recent history of civil and/or cross-border armed conflict and are experiencing governance challenges. Comoros has made some progress in recent years and there are strong indications that it might reach its decision point in the fourth quarter of 2009. Somalia and Sudan face the additional challenge of substantial arrears on external debt which must be cleared before they can qualify for debt relief eligibility.

**Table 1: Countries' Status Under the Heavily Indebted Poor Countries (HIPC) Initiative**  
(End-July 2009)

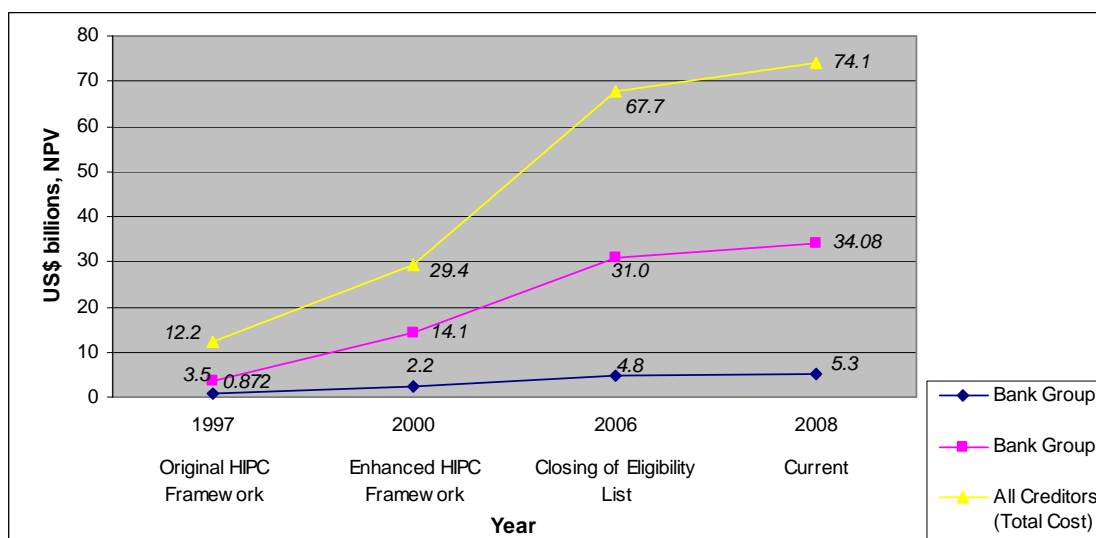


Completion Point		Decision Point <i>and estimated time of completion point</i>		Pre-Decision Point
Benin	Mauritania	Chad	2011, Q4	Comoros (2009, Q4)
Burkina Faso	Mozambique	Côte d'Ivoire	2011, Q4	Eritrea
Burundi	Niger	D.Rep. Congo	2009, Q4	Somalia
Cameroon	Rwanda	Congo Rep.	2009, Q4	Sudan
C.A. Rep	Sao Tomé &	Guinea	2010, Q1	
Ethiopia	Principe	Guinea-Bissau	2010, Q1	
Ghana	Senegal	Liberia	2009, Q4	
Gambia	Sierra Leone	Togo	2010, Q4	
Madagascar	Tanzania			
Malawi	Uganda			
Mali	Zambia			
<b>21</b>		<b>8</b>		<b>4</b>

### Cost of the HIPC Initiative

- 2.3 The overall cost of debt relief for the 40 countries potentially eligible for HIPC assistance is currently estimated at US\$ 74 billion (in end-2008 net present value terms), of which the costs to multilateral creditors account for 46 percent (US\$ 34 billion). At an estimated US\$ 5.3 billion, the Bank Group's share represents 7 percent of the initiative's cost to all creditors and 16 percent of the cost to multilateral creditors.
- 2.4 Analysis of the evolution of costs over time (Figure 1) shows that overall cost estimates of the HIPC Initiative have grown substantially, from US\$ 12.2 billion in 1997 under the original framework to US\$ 28.2 billion following the introduction of the enhanced framework in 2000 and US\$ 63.2 billion in 2006 at the time of the closure of the list of countries potentially eligible for HIPC debt relief. While the cost to the Bank Group has remained consistent in relative terms (7 percent of total costs throughout), the cost in absolute terms has increased fourfold between 1997 and 2008.
- 2.5 Increases in cost estimates over time occur for various reasons, such as the inclusion of new countries into the eligibility list; higher costs associated with broader and deeper relief under the enhanced framework; the upward revision of costs between the decision and completion points (topping-up) due to unforeseen events that alter the assumptions that underlay the debt sustainability analysis conducted at the decision point; and the taking of more time than expected to reach the decision point, which can lead to the accumulation of arrears and/or higher debt stock.

**Figure 1: Costs of the HIPC Initiative Over Time**  
(US\$ billions, net present value)



**Financing: The Bank Group's Contributions to the HIPC Initiative**

2.6 The mobilization and disbursement of resources for debt relief assistance under the HIPC Initiative is facilitated primarily through the HIPC Trust Fund. In addition, the Bank Group provides resources for arrears clearance—a pre-requisite for debt relief eligibility—to qualifying countries through its arrears clearance facility. Resources provided for arrears clearance are counted as part of the Bank Group's contributions to total committed debt relief. The financing of debt relief to the Democratic Republic of Congo (DRC) is handled separately, as discussed in paragraph 2.10. Table 2 summarizes the expected costs and other aspects of the Bank Group's debt relief assistance. Detailed figures are provided in Annex I and Annex II.

**Table 2: Cost, Status and Distribution of Debt Relief Financing by the Bank Group**  
(US\$ millions, nominal, end-July 2009)

	Total Estimated Cost	Total Resources Mobilized	Additional Resources Required
21 Completion Point RMCs	2935.53	2275.04	0.00 <sup>1/</sup>
7 Decision Point RMCs	754.91	615.47	115.78
Democratic Republic of Congo	1804.87	1488.80	316.07
4 Pre-Decision Point RMCs	298.75	11.77	286.98
Unallocated Funds			-112.25
<b>Total</b>	<b>5,794.06</b>	<b>4,391.08</b>	<b>606.99</b>

**Note:** 1/ The full amount of required resources has been mobilized for countries that have reached the completion point. The difference between the estimated cost and the amount of mobilized resources will be compensated by interest income over the life of the debt relief for each country.

- 2.7 **Contributions to the HIPC Trust Fund:** The Bank Group finances its participation in the HIPC Initiative through contributions from internal sources as well as through donor contributions to the HIPC Trust Fund. To maintain their net present value, the resources mobilized from internal sources (i.e. the ADF, the ADB and the Nigeria Trust Fund windows) are managed in separate Bank Group accounts from the time of their allocation until the time that they are effectively transferred to the HIPC Trust Fund.<sup>6</sup> The interest income on these accounts is considered part of the Bank's contribution to the HIPC Trust Fund. Under agreed cost-sharing arrangements regarding internal resources and donor contributions,<sup>7</sup> the Bank committed US\$ 320 million at the time of the original HIPC framework (1997). Following the introduction of the enhanced HIPC framework in May 2000, this amount was increased to US\$ 370 million. Internally, the resource mobilization burden was originally divided between ADB and ADF windows as follows: US\$ 246 million (65 percent) from ADF loan/grant cancellation and credit reflows and US\$ 124 million (35 percent) from ADB net income allocation.<sup>8</sup> Although not included in the 2000 financing arrangement, the Nigeria Trust Fund has contributed US\$ 10.3 million to the HIPC Initiative.
- 2.8 As of end-July 2009, total contributions from the Bank Group's internal resources, including interest income but excluding arrears clearances, had reached US\$ 414.3 million, well over the Bank's initial commitment of US\$ 370 million. Of the total amount mobilized from internal resources, US\$ 368.56 million had been provided to countries that had reached the completion point (Table 3) and US\$ 45.76 million remains to be allocated to countries that have yet to reach their completion point (see paragraphs 2.13-2.17 and Table 6). A detailed update on the source and status of financing of each beneficiary country is presented in Annex II.

**Table 3: Cost and Source of Financing of Debt Relief Granted to Completion Point RMCs**

(US\$ millions, nominal, end-July 2009)

	Total Cost of Debt Relief	Source of Financing
	2,935.53	
<b>Source of Financing</b>		
Bank Group internal resources		368.56
Arrears clearance <sup>1/</sup>		69.13
Donor contributions (HIPC Trust Fund)		1,823.02
Investment income (HIPC Trust Fund)		14.33
<b>Total</b>	<b>2,935.53</b>	<b>2,275.04</b>

**Note:** <sup>1/</sup> represents the cost of arrears clearances for Burundi (US\$ 26.3 million) and the Central African Republic (US\$ 42.83 million).

<sup>6</sup> See African Development Bank. 2002. *Creation of Separate Accounts for Bank and Fund Internal Resource Contributions to the HIPC Initiative Pending their Transfer to the HIPC Trust Fund*. Resolution B/BD/2002/04 – F/BD/2002/02.

<sup>7</sup> Under original and enhanced HIPC arrangements, the Bank Group would provide 15-20 percent of debt relief financing from internal sources while the remainder would be financed by donor contributions.

<sup>8</sup> More specifically, US\$ 124 million was provided from ADB net income allocation of 5 percent annually and US\$ 246 million was composed of 25 percent of ADF loan and grant cancellation and 15 percent of the Fund's annual net reflows (loan repayments) from January 1, 1997, to December 31, 2003, with further extension of 5 percent ADB net income allocation from 2003-2007. See African Development Bank. 2000. *A Proposal for ADB Participation in the HIPC Initiative under the Enhanced Framework*. ADB/BD/WP/2000/60.



- 2.9 **Contributions to debt relief through arrears clearance:** In addition to the financing modality described above, the Bank Group has provided US \$575.41 million in arrears clearances toward the debt relief costs of seven RMCs: Burundi, Côte D'Ivoire, the Central African Republic, Congo, Guinea-Bissau, Liberia, and Togo (see Table 4).<sup>9</sup> The Bank Group's contributions to debt relief through arrears clearance is recorded in HIPC terms when the country reaches the completion point and qualifies for irrevocable debt relief.

**Table 4: Arrears Clearance Financing Applied Toward Debt Relief**  
(US\$ millions, nominal, end-July 2009)

	Amount Applied to Debt Relief
Burundi	26.30
Côte D'Ivoire	199.50
Central African Republic	42.83
Congo Republic	41.86
Guinea-Bissau	9.54
Liberia	238.08
Togo	17.30
<b>TOTAL</b>	<b>575.41</b>

**Note:** *The Post-Conflict Country Facility had a three-tier financing structure under which the ADF/ADB, the donors and the beneficiary country were to finance one-third of the costs of arrears clearance each. This arrangement proved difficult to implement. A 2-tier financing structure between the Fragile States Facility and the beneficiary country was therefore approved for ADF-11. Donor contributions are channeled through the Fragile States Facility as part of the overall replenishment.*

- 2.10 **Special debt relief financing arrangement for the DRC:** To finance its share of debt relief to the DRC, estimated at US\$ 1.8 billion in nominal terms (US\$ 905.09 million in 2002 net present value), the Bank Group has committed to mobilizing US\$ 1,262 million through a special funds account and US\$ 542.8 million from donor contributions through the HIPC Trust Fund. The DRC Special Account, which is handled separately from DRC's HIPC Trust Fund account, operates through a partial payment-partial consolidation or interest recycling mechanism approved by the Board of Directors in 2002<sup>10</sup>. Under this arrangement, the Bank Group makes an annual allocation of net income equal to the amount of interest received on DRC's consolidated loans. The DRC Special Account then provides debt relief to DRC in the following year. Overall, the Special Account is expected to generate US\$ 1.26 billion over the course of DRC's debt relief period (2003–2024).
- 2.11 As shown in Table 5, as of end-July 2009, actual and expected contributions toward DRC's debt relief represent a total of US\$ 1,488.8 million, i.e., US\$ 1,262.04 through the interest recycling mechanism and US\$ 226.35 in donor contributions. The projected financing gap (US\$ 316.48 million) represents the share of resources that are to be provided by donors to DRC's HIPC Trust Fund account as agreed with the HIPC Trust Fund when DRC reached its decision point.

<sup>9</sup> Comoros has received UA 15.21 million in arrears clearance but is not included in this analysis as it has not yet reached the decision point. It should also be noted that the amount of resources provided through arrears clearance operations that is counted toward debt relief may be less than the entire amount of resources provided under the arrears clearance operation. In these cases, there is in effect an "over delivery" of debt relief.

<sup>10</sup> See African Development Bank. 2002. *Mechanism for Clearing the Arrears of the Democratic Republic of Congo*. Resolution F/BD/2002/15. *Additional Information on the Arrears Clearance Mechanism for the Democratic Republic of Congo (DRC)*. ADB/BD/WP/2002/52/Add.1 and ADF/BD/WP/2002/58/Add.1.

**Table 5: DRC Debt Relief Financing Status***(US\$ millions, nominal, end-July 2009)*

	<b>ADB DRC Special Account</b>	<b>Donor Contributions to DRC HIPC Trust Fund Account</b>	<b>Total</b>
<i>Financing committed</i>	1,262.04	542.83	1,804.87
Resources Currently Mobilized	651.08	226.35	877.43
Resources Expected	610.96		610.96
<b>Balance</b>		<b>-316.48</b>	<b>-316.48</b>

**Financing Gap**

- 2.12 From the foregoing, it is clear that the Bank Group and its donors have made significant progress in mobilizing resources from internal and external sources as per their commitment to the HIPC Initiative. However, the overall cost of the HIPC Initiative has increased substantially over time and at present, resources are not sufficient to meet the financing requirements of RMCs that have yet to reach their completion and/or decision points.
- 2.13 **Decision Point RMCs:** The Bank Group's share of debt relief has been fully provided to Congo Republic, Côte D'Ivoire, Liberia and Togo through arrears clearance operations. Furthermore, the unallocated balance of the Bank Group's contributions from internal sources (US\$ 45.76 million) are sufficient to cover its share of financing costs for Chad, Guinea and Guinea-Bissau (in total US\$ 33.99 million), provided that no major upward revision of costs (i.e. topping-up) will be required for any of these countries when they reach their completion points. However, according to agreed-upon burden-sharing arrangements, there is currently a shortfall of US\$ 15.3 million in donor contributions for these countries. There is also a US\$ 316.48 million financing gap for the DRC, as discussed in paragraph 2.11. Table 6 breaks down the financing status of each decision point country excluding the DRC.

**Table 6: Cost and Financing Status of Decision Point RMCs***(US\$ millions, nominal, end-July 2009)*

	<b>Cost</b>	<b>Current/Available Financing</b>			<b>Additional Financing Required at Completion Point</b>		<b>Total Financing</b>
		<i>Arrears clearance</i>	<i>Donor contributions (HIPC Trust Fund)</i>	Total current financing	Internal resources	Donor contributions	
Chad	55.29		16.54	16.54	7.9	26.55	50.99
Congo	41.86	41.86		41.86			41.86
Côte D'Ivoire	199.5	199.50		199.50			199.50
Guinea	107.85		41.84	41.84	15.37	44.89	102.10
Guinea-Bissau <sup>1/</sup>	95.05	9.54	50.82	60.38	10.72	10.35	81.45
Liberia	238.08	238.08		238.08			238.08
Togo	17.28	17.30		17.30			17.30
<b>Total</b>	<b>754.91</b>	<b>506.28</b>	<b>109.20</b>	<b>615.49</b>	<b>33.99</b>	<b>81.79</b>	<b>731.27</b>
<b>Resources Available<sup>2/</sup></b>				<b>615.46</b>	<b>45.76</b>	<b>66.49</b>	<b>112.25</b>
<b>Balance<sup>3/</sup></b>					<b>11.77</b>	<b>-15.30</b>	

**Notes:** 1/ Guinea-Bissau's arrears clearance operation was financed through donor contributions before the introduction of the Post-Conflict Country Facility;

2/ represents amounts currently unallocated for a specific country;

3/ financing gap and related issues are discussed in paragraphs 2.12-2.18

- 2.14 **Pre-decision point RMCs:** The estimated cost of the Bank Group's share of debt relief for three pre-decision point countries (Comoros, Somalia and Sudan) is approximately US\$ 298 million in nominal terms. There are no estimates of the potential cost of debt relief to Eritrea at the present time. Based on the financing projection discussed in the preceding paragraph, which assumes that no topping-up for any decision point country will be required, the Bank Group can make approximately US\$ 12 million from internal resources available to these four countries. This brings the total projected financing gap for pre-decision point countries to US\$ 287 million in nominal terms (Table 7). These cost projections for the four RMCs that have yet to reach the decision point are indicative estimates based on preliminary data.<sup>11</sup> Actual costs could increase as each country reaches its decision point and revised estimates become available, especially for Sudan and Somalia, which have sizable arrears.<sup>12</sup>

**Table 7: Cost Estimates and Financing Projections for Pre-Decision Point Countries**  
(US\$ millions, nominal, end-July 2009)

	Cost	Financing		
		Internal Resources	Donor Contributions	Total Financing
Comoros	25.20	3.78		25.20
Eritrea	NA			NA
Somalia	63.02			63.02
Sudan	210.53			210.53
<b>Total</b>	<b>298.75</b>	<b>3.78</b>		<b>298.75</b>
<b>Resources Available</b>		<b>11.77</b>		<b>11.77</b>
<b>Balance</b>		<b>7.99</b>		<b>-286.98</b>

**Note:** UA 15.21 million has already been provided to clear Comoros' arrears.

- 2.15 In summary, the projected cost of debt relief yet to be delivered by the Bank Group and for which there is a financing gap is approximately US\$ 15.30 million for decision point countries, US\$ 286.98 million for pre-decision point countries, and US\$ 316.48 million for the DRC. The total gap is US\$ 606.99 million.

### **Closing the Financing Gap**

- 2.16 With the internal resource contributions of US\$ 414.3 million, excluding contributions to the cost of DRC's debt relief, the Bank Group has mobilized resources in excess of the US\$ 370 million amount committed under the financing framework discussed in paragraph 2.6. Through innovative and flexible approaches such as its arrears clearance operations and the DRC's Special Account, the Bank has also demonstrated its strong support for the HIPC Initiative and facilitated debt relief assistance eligibility for several RMCs constrained by arrears.
- 2.17 As discussed above, for three decision point countries (Chad, Guinea and Guinea-Bissau) and potentially a fourth (Comoros), the arrears of which have already been cleared and which is expected to reach the decision point in the fourth quarter of 2009, a financing shortfall of US\$ 36.7 million in donor contributions is projected after currently available resources are applied, and provided that none of these countries require topping-up. In the case of the DRC, the entire balance of resources yet to be mobilized (US\$ 316.48 million) represents the amount to be financed through donor contributions as agreed with the HIPC Trust Fund when the DRC reached its decision point.

<sup>11</sup> Two caveats should be noted here: (i) technically, the Bank Group makes a firm commitment to provide debt relief only when a beneficiary country reaches the decision point; and (ii) the actual cost of debt relief to these countries is computed after mechanisms for arrears clearance are taken into account and after updated data is provided by the World Bank and the International Monetary Fund.

<sup>12</sup> A recent update by the World Bank indicates that the total cost of the five pre-decision point HIPCs (four of which are RMCs) potentially eligible for debt relief is over US\$ 16.6 billion (end-2008 net present value), with a greater proportion of the burden falling on bilateral creditors. Mobilizing additional resources to finance the debt relief of all pre-decision point countries is expected to be challenging, given that the cost of debt relief to Eritrea, Somalia and Sudan was not included in the original financing framework and the fact that Sudan and Somalia have substantial arrears.

- 2.18 Insofar as Somalia and Sudan are concerned, the first step is to ensure that sufficient resources are allocated to their arrears clearance needs. At end-June 2009, Sudan and Somalia's arrears to the Bank Group stood at US\$ 233.83 million and US\$ 77 million and their estimated HIPC debt relief at US\$ 211 million and US\$ 63 million, respectively.<sup>13</sup> Hence, if Somalia and Sudan were to be programmed for arrears clearance under the Twelfth General Replenishment of the African Development Fund (ADF-12) and if they were to reach the decision point within the same period, it is possible that the entire amount of their debt relief could be provided through arrears clearance. However, given the uncertainty of the timing and of actual debt relief costs for pre-decision point countries, it might be prudent to make case-by-case financing arrangements as each country, as well as Eritrea, reaches its decision point. The Bank will continue to devote its best efforts to mobilizing internal resources as part of its annual net income allocation exercise and engaging with donors and the HIPC Trust Fund to mobilize the required additional resources from external sources.

### ***MDRI Cost Estimates***

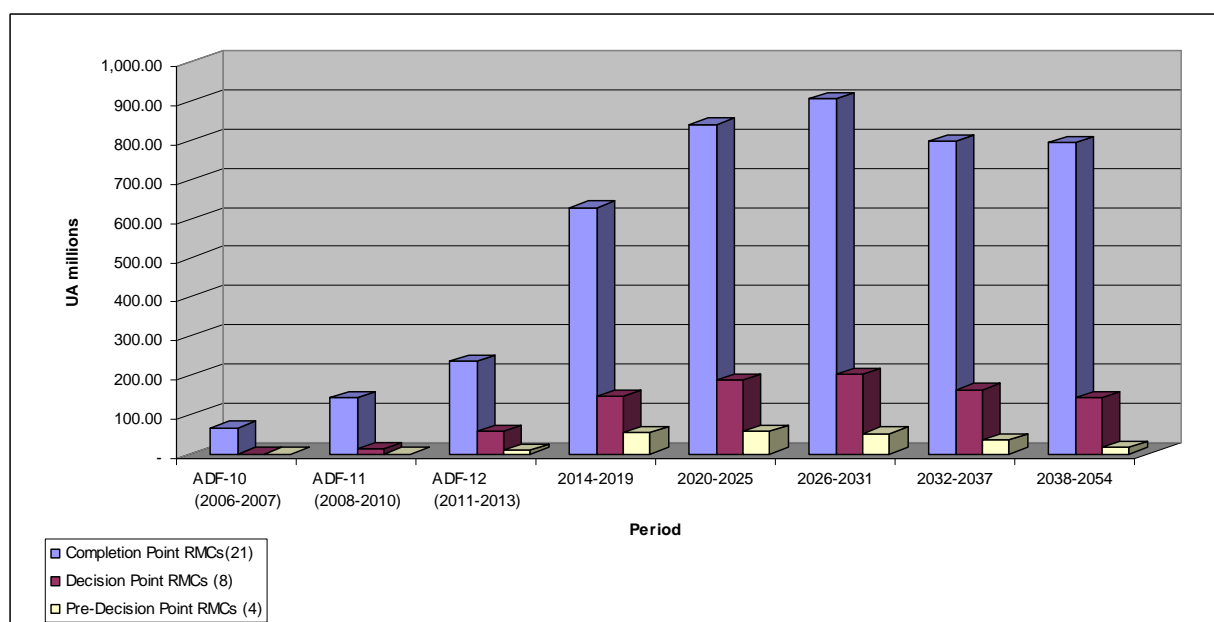
- 2.19 The estimated cost of MDRI debt relief (lost credit reflows) to the ADF<sup>14</sup> for the 33 potentially eligible RMCs is currently UA 5.5 billion for the 2008-2054 period. While under the MDRI, eligible countries' debts are irrevocably cancelled at the completion point, donor compensations are paid on a pay-as-you-go basis as maturities fall due.
- 2.20 Donors have agreed that MDRI costs should be adjusted periodically to account for changes in the actual and estimated costs to the ADF of debt forgiveness. MDRI cost estimates are adjusted at the start of each ADF replenishment cycle so as to account for (i) exchange rate-induced excesses or shortfalls that materialized over the previous replenishment period; (ii) the time at which beneficiary countries reached their completion point; (iii) the replenishment-specific exchange rates used to determine donor contributions in national currencies; and (iv) the future amount of HIPC debt relief.
- 2.21 MDRI cost projections for qualifying RMCs during the Tenth General Replenishment of the African Development Fund (ADF-10, 2006-2007), the Eleventh General Replenishment (ADF-11, 2008-2010) and the Twelfth General Replenishment (ADF-12, 2011-2013) are UA 66.5 million, UA 156 million and UA 304 million, respectively. As shown in Figure 2, the bulk of MDRI costs (73 percent) will be incurred over a period of 25 years beginning in 2014. The cost-period projections presented in Figure 2 are grouped to coincide with the 3-year ADF cycle up to 2013 and two-cycle aggregates thereafter. Annual cost estimates are provided in Annex III.

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<sup>13</sup> Using the July 2009 exchange rate of 1 UA = US\$ 1.55223

<sup>14</sup> Based on debt outstanding and disbursed as of the cut-off date of December 31, 2004 and the implementation date of January 1, 2006, for 33 eligible beneficiary countries.

**Figure 2: MDRI Cost Estimates for Beneficiary RMCs**  
(UA millions, end-July 2009)



### **MDRI Financing and Donor Commitments**

- 2.22 As of end-July 2009, ADF had cancelled UA 4.5 billion of loan reflows from the 21 countries that had reached the completion point and qualified for irrevocable HIPC debt relief and MDRI debt cancellation. This figure represents nearly 82 percent of total ADF MDRI debt relief. Additional cancellations amounting to UA 0.85 billion are expected to take place by 2011 as projected for the eight RMCs expected to reach the completion point by that time.
- 2.23 ADF Deputies may recall that donors have pledged to compensate the ADF on a “dollar-for-dollar” basis for foregone credit reflows. The actual costs and final amount of donor contributions for debt relief assistance under the MDRI depends on market exchange rates, the time at which each beneficiary country reaches its completion point and the future amount of HIPC debt relief. ADF Deputies have agreed that compensation for loans cancelled under the MDRI should be included in the cash flow stream that supports ADF’s Advanced Commitment Capacity in order to neutralize the impact of the MDRI on the Fund’s commitment capacity.<sup>15</sup> In effect, full compensation during the relevant ADF disbursement period, backed by firm (unqualified) commitments, preserves the level of the Advanced Commitment Capacity. Conversely, shortfalls in compensation of lost reflows by donors impair the Advanced Commitment Capacity and thus ADF’s ability to approve new projects in ADF countries.
- 2.24 The Fund has fully received both commitments and payments for MDRI compensation due for the 2006-2008 period. As of 31 July 2009, all State Participants except four (China, Italy, Saudi Arabia and the United States) had paid their 2009 MDRI contributions. The contributions of both China and Italy remain qualified for 2009, while the United States’ contribution, which is funded through ADF-10 and ADF-11 accelerated encashment, is still partially qualified for 2009 and is expected to be fully financed by January 2010. Saudi Arabia has recently agreed with the Fund on a 1-year accelerated ADF-11 encashment to finance its MDRI contribution for the 2008-2014 period.

<sup>15</sup> Unqualified commitments are counted for 100 percent in the Advanced Commitment Capacity while qualified commitments are counted for 85 percent.

- 2.25 ADF loan reflows underlying the Advanced Commitment Capacity of both ADF-10 and ADF-11 and which have been cancelled through the MDRI are still not fully backed by donor commitments and payments. Table 8 shows that 90 percent of the cancelled loan reflows for the ADF-10 disbursement period (2006-2017) have been covered by commitments (22 percent of the cancelled reflows are still qualified) while 10 percent remain uncovered. Similarly, 87 percent of the cancelled loan reflows for the ADF-11 disbursement period (2008-2020) have been covered by commitments (29 percent of the cancelled reflows are still qualified), while 13 percent remain uncovered by donors.
- 2.26 Furthermore, although the MDRI structural gap has been substantially reduced from 0.6 percent to 0.1 percent (UA 0.9 million) for the ADF-10 disbursement cycle and to 0.3 percent for the ADF-11 disbursement cycle (UA 3.9 million),<sup>16</sup> this gap remains a concern as pledges and commitments made by donors need to be enough to fully compensate the ADF for debts already cancelled and fulfill the dollar-for-dollar compensation to which donors agreed.

**Table 8: Status of MDRI Donor Commitments**

(UA millions, as of end-July 2009)

	ADF-10 Disbursement Period (2006-2017)		ADF-11 Disbursement Period (2008-2020)	
	Amount	%	Amount	%
Unqualified Commitments	743.9	68	863.0	59
Qualified Commitments	239.5	22	423.1	29
<b>Sub-total</b>	<b>983.3</b>	<b>90</b>	<b>1,286.1</b>	<b>87</b>
Costs Not Yet Covered	107.5	10	183.1	12
Structural Gap	0.9	0.08	3.9	0.3
<b>Total MDRI Cost</b>	<b>1,091.7</b>	<b>100</b>	<b>1,473.1</b>	<b>100</b>

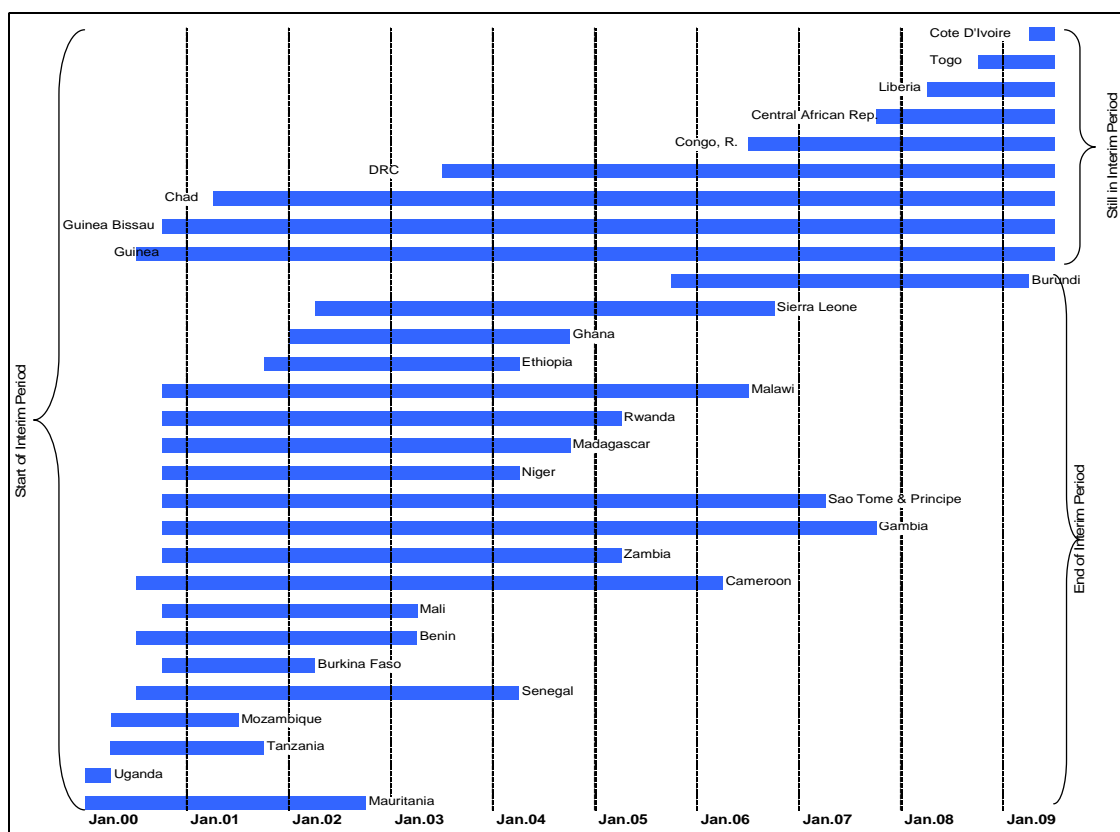
- 2.27 Some donors have made advanced payments or have accelerated the encashment of their ADF contributions to cover their MDRI commitments while countries such as Kuwait and South Africa have paid their commitments for the full 2006-2009 period. Annex IV details the status of donor payments as of end-July 2009.
- 2.28 With several countries expected to reach the completion point by 2011 and the cost of debt relief rising in the context of the growing demand for resources in the current economic climate, it is critical that donors fully compensate the ADF in an expeditious manner so as to facilitate a smooth transition for beneficiary countries and maintain the operational capacity and financial integrity of the Fund.

### 3. Key Issues and Implementation Challenges

- 3.1 Several RMCs have not been able to reach the decision and/or completion point within the initially anticipated timeframe (approximately 3 years) and at the originally estimated cost. For instance, four of nine decision point countries shown in Figure 3 have been in the interim period for 6 or more years (Chad, Guinea and Guinea-Bissau for 8 years and the DRC for 6 years). Most of the RMCs currently in the interim period or at the pre-decision point are experiencing challenges such as costly or protracted arrears, security concerns, political instability and poor governance. All four countries currently in the pre-decision point phase have been hampered from making much progress to reach the decision point due to political and security challenges. Somalia and Sudan also face the additional obstacle of substantial protracted arrears that must be cleared before they can qualify for debt relief assistance. Comoros has already cleared its arrears to the Bank Group and is making progress toward reaching its decision point, possibly in the fourth quarter of 2009.

<sup>16</sup> Austria substantially increased its contribution to ADF-10 (burden share of 1.65 percent) compared to ADF-9 (burden share of 0.98 percent) and therefore indicated during the MDRI implementation that it could not use normalized burden share as its fair contribution to financing the initiative. However, in 2009, Austria offered to use the credit generated by the accelerated encashment of its ADF-11 subscription to substantially reduce the MDRI structural gap. This allows the gap to be financed until 2014.

**Figure 3: Duration of Interim Debt Relief Period by Post-Decision Point RMC (n=29)**



3.2 While the World Bank and the International Monetary Fund have introduced some flexibility with regards to the preparation and implementation of poverty reduction strategies and the assessment of progress toward completion point triggers so as to help countries reach the completion point without violating the core principles of the HIPC Initiative, progress has not been as expeditious as expected. For instance, despite having their interim assistance extended through December 2008, the DRC, Guinea and Guinea-Bissau are still behind schedule. Accordingly, further extensions were granted to the DRC (until December 2010) and Guinea-Bissau (until January 2011). Guinea-Bissau and Chad have had difficulty maintaining macroeconomic stability in the face of ongoing post-conflict economic and political challenges, while issues related to non-concessional borrowing are delaying progress for the DRC. As countries take longer to reach the completion point, they risk exhausting their interim relief allocation and having to service their debts for the remainder of the interim period (e.g., Chad and Guinea). This situation also applies to countries that may have received part or all of their debt relief through arrears clearance operations (e.g., Côte D'Ivoire, Liberia and Togo).

3.3 The absence or delay of progress in reaching the decision point makes it difficult to produce precise estimates of debt relief costs and financing needs as these depend on countries' debt levels, estimates of their exports and revenues at the decision point and discount and exchange rates, all of which are unpredictable. Furthermore, given the inclusion after 2006 of four countries not identified in the original HIPC Initiative and MDRI financing frameworks (Eritrea, Liberia, Somalia and Sudan), the overall level of resources required to fully finance debt relief assistance to the remaining countries and the estimated costs to all creditors, including the Bank Group, have increased substantially.

### **Potential New Entrant**

- 3.4 Preliminary discussions are underway to assess Zimbabwe's eligibility for debt relief assistance under the HIPC Initiative. This eligibility is a pre-condition for the clearance of Zimbabwe's arrears and the Bank Group's reengagement with the country. Currently Zimbabwe is neither on the list of countries identified as eligible under the original HIPC Initiative framework nor among those countries grandfathered during the 2006 ring-fencing exercise. Several measures would therefore have to be put in place if Zimbabwe were to become eligible for HIPC Initiative and MDRI debt relief assistance. These would include its reclassification as an ADF-only country (Zimbabwe is currently a blend country)<sup>17</sup> and clearance of its arrears, which stood at US\$ 462.61<sup>18</sup> million at end-June 2009. Should Zimbabwe qualify for HIPC Initiative and MDRI assistance, it would also be necessary to mobilize additional resources to finance the cost of debt relief beyond what would be provided through arrears clearance.

### **Debt Sustainability and Debt Management Capacity**

- 3.5 The HIPC Initiative and the MDRI have helped participating RMCs reduce their debt burden significantly, enabling them to direct resources to poverty-reducing activities and improve their debt outlook. Debt stock and debt services projections for the 29 RMCs that have received HIPC Initiative assistance have declined markedly.<sup>19</sup> Debt sustainability analysis exercises performed under the Debt Sustainability Framework for several countries also show that compared to non-HIPCs, post-completion point countries have a better debt outlook. This can be attributed to their lower debt levels and stronger institutions and policies as measured by Country Policy and Institutional Assessment ratings.
- 3.6 Challenges remain, however, with several countries experiencing a deteriorating debt situation and facing the risk of falling back into debt distress. Debt sustainability analyses conducted for the 29 RMCs that have benefited from HIPC and MDRI debt relief show that more than half have a high (27 percent) or moderate (25 percent) risk of debt distress. The two main drivers of debt distress for these countries are their vulnerability to export shocks and their high sensitivity to new terms of financing. While this vulnerability existed before the financial crisis, the immediate effects of the crisis on the economic fundamentals of post-HIPCs are already being felt with sharp declines in gross domestic product and in exports and reductions in remittance flows, foreign direct investment and trade. The full impact of the financial and economic crisis on the long-term debt sustainability prospects of individual countries remains to be seen<sup>20</sup>, but together these effects could worsen debt ratios and curtail governments' ability to maintain prudent risk levels while pursuing financing options in order to meet their development needs.
- 3.7 Furthermore, even prior to the onset of the financial crisis, many post-completion point countries that had achieved improved credit worthiness and fiscal space as a result of debt relief had started exploring non-concessional borrowing from capital markets or non-traditional donors to finance national development programs for which sufficient concessional resources are not available. This financing gap is becoming all the more acute as a result of the financial crisis and HIPCs are facing very critical decisions regarding the raising of the resources, concessional or not, that they need to implement the right level of countercyclical measures for their economies while managing the sustainability of their long-term debt.

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<sup>17</sup> To qualify for debt relief assistance from the HIPC and MDRI, countries must be ADF-only countries.

<sup>18</sup> Using the July 2009 exchange rate of 1 UA = US\$ 1.55223

<sup>19</sup> World Bank estimates show that the debt burdens for post-completion point countries (at end-2007), on aggregate, has been reduced by 75 percent compared to their decision point levels. International Development Association. 2008. *Heavily Indebted Poor Countries (HIPC) and Multilateral Debt Relief Initiative (MDRI) Status of Implementation Report*. IDA/SecM2008-0561.

<sup>20</sup> The impact of the financial crisis and the economic downturn on the debt sustainability of post-HIPCs will depend on the duration of the crisis and the initial macroeconomic conditions of each country. As the debt sustainability analysis model is forward-looking and assumes different levels of shocks over a 20-year period, a short-lived crisis is not expected to have a significant effect on debt sustainability while a protracted crisis could lead to deeper and more lasting negative effects.



- 3.8 The increased financing needs of post-HIPCs, due both to the ongoing crisis and to their vulnerability to deteriorating debt situations, coupled with these countries' often weak debt management capacity, underscores the need for accelerated and coordinated debt management assistance that will allow these countries to reap and sustain the full benefits of debt relief and avoid falling back into debt distress. Beyond HIPC and MDRI, the international community's main focus will be to enhance debt management efforts. Coordinated and sustained engagement will be necessary to help countries develop strong and sustainable debt strategies and debt management instruments, especially in the wake of the financial crisis and given the increasing diversification and complexity of financing products available to low-income countries from non-traditional donors.
- 3.9 The Bank Group is engaged in discussions with its partners to play a more active role in debt management capacity-building efforts and is enhancing its own internal debt management capacity so as to be able to better support RMCs in this regard. These debt sustainability and debt management capacity issues are discussed in more detail in the ADF-11 Mid-Term Review paper "Update on ADF Activities in Support of Debt Sustainability".

## **4. Conclusions**

- 4.1 Deputies are invited to consider this report and specifically:
- Take note of the currently estimated financing gaps in donor contributions of US\$ 15.3 million for three decision point countries (Chad, Guinea and Guinea-Bissau) and US\$ 316.48 million for the DRC, and consider pledging additional resources through the HIPC Trust Fund to fill these gaps;
  - Take note of the currently estimated financing gap of US\$ 286.98 million for three pre-decision point countries (Comoros, Somalia and Sudan);
  - Take note of donor commitment gaps of 10 percent for ADF-10 and 13 percent for ADF-11, recalling their pledge for full and timely compensation of the ADF for lost loan reflows under the MDRI, and take action as necessary to cover this gap, and;
  - Take note of the level of qualified commitments and adopt the measures necessary to expeditiously unqualify these commitments under their respective legislative frameworks.

## Annex I: Status of Debt Relief Implementation

(US\$ millions, End-July 2009)

	APPROVAL DATE		BANK GROUP APPROVAL DATE		CUT-OFF DATE	DEBT RELIEF COMMITTED		LAST DATE OF DEBT RELIEF	RELIEF DELIVERED		RELIEF DELIVERED/TOTAL COMMITTED		40 PERCENT CEILING / INTERIM LIMIT DATE <sup>1</sup>
	DEC. POINT	COMPL. POINT	DEC. POINT	COMPL. POINT		COST NPV TERMS	COST NOM. TERMS		NPV TERMS	NOM. TERMS	NPV TERMS (%)	NOM. TERMS (%)	
<b>Completion Point</b>													
Benin	Jul-00	Mar-03	Oct-00	Jul-03	Dec-98	37.57	46.50	Apr-09	37.49	46.37	99.8	99.7	Irrevocable
Burkina Faso	Jun-00	Apr-02	Oct-00	Jul-02	Dec-99	86.70	125.74	Oct-20	46.39	55.05	53.5	43.8	Irrevocable
Burundi	Aug-05	Jan-09	Nov-05	Apr-09	Dec-04	150.18	241.65	Apr-35	48.13	49.90	32.1	20.6	Irrevocable
Cameroon	Oct-00	May-06	Nov-00	Jul-06	Jun-99	78.84	100.51	Apr-11	65.21	79.75	82.7	79.3	Irrevocable
Central African Rep.	Sep-07	Jun-09	Dec-07	Sep-09	Dec-06	85.38	97.57	Jul-20	47.74	47.92	55.9	49.1	Irrevocable
Ethiopia	Nov-01	Apr-04	Feb-02	Oct-04	Jun-01	339.46	461.39	Sep-21	178.26	209.04	52.5	45.3	Irrevocable
Gambia	Dec-00	Dec-07	Feb-01	Mar-08	Dec-99	15.82	22.77	Jul-13	8.84	10.58	55.9	46.5	Irrevocable
Ghana	Feb-02	Jul-04	May-02	Dec-04	Dec-00	130.93	160.15	Jan-13	111.25	128.55	85.0	80.3	Irrevocable
Madagascar	Dec-00	Oct-04	Feb-01	Mar-05	Dec-99	60.06	80.40	Mar-13	42.75	51.35	71.2	63.9	Irrevocable
Malawi	Dec-00	Aug-06	Jan-01	Nov-06	Dec-99	139.31	212.83	Jul-23	44.05	52.73	31.6	24.8	Irrevocable
Mali	Sep-00	Mar-03	Nov-00	Jul-03	Dec-98	69.72	86.42	Jul-10	61.62	74.32	88.4	86.0	Irrevocable
Mauritania	Feb-00	Jun-02	Jul-00	Jul-02	Dec-98	72.80	90.69	Apr-11	62.03	74.03	85.2	81.6	Irrevocable
Mozambique	Apr-00	Sep-01	Oct-00	Feb-02	Dec-98	141.95	148.97	Sep-10	18.57	23.31	13.1	15.6	Irrevocable
Niger	Dec-00	Apr-04	Mar-01	Oct-04	Dec-99	50.01	86.26	Jul-24	18.83	23.27	37.7	27.0	Irrevocable
Rwanda	Dec-00	Apr-05	Jan-01	Jul-05	Dec-99	116.10	222.29	Oct-31	39.53	48.85	34.0	22.0	Irrevocable
Sao Tome & Principe	Dec-00	Mar-07	Apr-01	Jun-07	Dec-99	43.43	88.36	Sep-32	10.68	14.47	24.6	16.4	Irrevocable
Senegal	Jun-00	Apr-04	Oct-00	Oct-04	Dec-98	56.80	65.42	May-06	56.80	65.42	100.0	100.0	Irrevocable
Sierra Leone	Mar-02	Dec-06	Jun-02	May-07	Dec-00	43.43	91.70	Jul-29	15.48	19.27	35.7	21.0	Irrevocable
Tanzania	Apr-00	Nov-01	Jul-00	Feb-02	Jun-99	124.90	190.75	Jul-17	69.72	87.08	55.8	45.7	Irrevocable
Uganda	Feb-00	May-00	Jan-00	Sep-00	Jun-99	81.30	100.65	Mar-12	47.00	58.59	57.8	58.2	Irrevocable
Zambia	Nov-00	Apr-05	Jan-01	Jul-05	Dec-99	146.10	214.50	Jul-25	101.23	115.14	69.3	53.7	Irrevocable
						<b>2070.8</b>	<b>2935.5</b>	<b>...</b>	<b>1131.6</b>	<b>1335.0</b>			
<b>Decision Point</b>													
Chad	May-01	Q4 2011	Jul-01	...	Dec-00	36.90	55.29	Apr-16	14.68	16.54	39.8	29.9	Mar-06
Congo Republic	Mar-06	Q4 2009	Nov-06	...	Dec-04	41.86	41.86	...	41.86	41.86	100.0	100.0	n.a
Cote D'Ivoire	Mar-09	Q4 2011	Apr-09	...	Dec-07	199.5	199.5	...	199.5	199.5	100.0	100.0	n.a
Democratic Rep. Cong	Jul-03	Q4 2009	Jun-04	...	Dec-02	905.09	1804.87	Sep-24	533.03	592.35	65.4	32.8	Dec-10
Guinea	Dec-00	Q1 2010	Apr-01	...	Dec-99	75.30	107.85	Mar-16	37.65	43.10	50.0	40.0	Dec-08
Guinea-Bissau	Dec-00	Q1 2010	Dec-00	...	Dec-99	60.37	95.05	Jan-18	33.10	38.40	54.8	40.4	Jan-11
Liberia	Mar-08	Q4 2009	Jul-08	...	Jun-07	238.08	238.08	...	238.08	238.08	100.0	100.0	n.a
Togo	Nov-08	Q4 2010	Feb-09	...	Dec-07	17.28	17.28	...	17.28	17.28	100.0	100.0	n.a
	...	...			...	<b>1574.38</b>	<b>2559.79</b>	...	<b>1115.18</b>	<b>1187.11</b>	...	...	...
						<b>3645.2</b>	<b>5495.3</b>	...	<b>2246.8</b>	<b>2522.1</b>	...	...	...
<b>Pre-decision Point</b>													
Comoros	Q4 2009	TBD			...	18.80	25.20	...	...	...	...	...	...
Eritrea	TBD	TBD			...	...	...	...	...	...	...	...	...
Somalia	TBD	TBD			...	159.50	210.53	...	...	...	...	...	...
Sudan	TBD	TBD			...	53.10	63.02	...	...	...	...	...	...
	...	...			...	<b>231.4</b>	<b>298.8</b>	...	...	...	...	...	...
	...	...			...	<b>3876.6</b>	<b>5794.1</b>	...	<b>2246.8</b>	<b>2522.1</b>	...	...	...

## Annex II: HIPC Debt Relief Financing Status

(US\$ millions, End-July 2009)

	Bank Group Contribution to HIPC Trust Fund				Donor Contribution to HTF	Arrears Clearance	TOTAL Debt Relief Financed
	ADB	ADF	NTF	Bank Group	HIPC TF (Excluding AfDB & Arrears Clearance)	Total applied to debt relief	
<b>Bank Group Commitment (a)</b>							
ADF (Loan/Grant cancellation/Net reflows)		246,000,000		246,000,000			
ADB (Net Income allocation)	124,000,000		-	124,000,000			
<b>Total</b>	<b>124,000,000</b>	<b>246,000,000</b>	<b>-</b>	<b>370,000,000</b>			
<b>Contributions made to HIPC TF (b)</b>							
Loan/Grant cancellation/Net reflows		237,193,999		237,193,999	-		237,193,999
Net Income allocation	155,490,025		10,397,659	165,887,684	-		165,887,684
Donors				-	2,172,739,573		2,172,739,573
Investment income	4,576,421	5,943,309	718,925	11,238,655			
<b>Total</b>	<b>160,066,446</b>	<b>243,137,308</b>	<b>11,116,584</b>	<b>414,320,339</b>	<b>2,172,739,573</b>		<b>2,587,059,912</b>
<i>Difference (c = b-a)</i>	<i>36,066,446</i>	<i>(2,862,692)</i>	<i>11,116,584</i>	<i>44,320,339</i>			
<b>Disbursements and estimated costs (d)</b>							
<b>Actual disbursements to date (Completion Point RMCs)</b>							
Benin	-	6,342,707	-	6,342,707	35,942,005		42,284,712
Burkina Faso	973,585	15,081,901	-	16,055,486	76,414,969		92,470,455
Burundi	-	24,733,039	75,316	24,808,355	95,396,333	26,300,000	146,504,688
Cameroon	13,224,991	1,036,365	-	14,261,356	80,814,351		95,075,707
Central African Rep.	-	7,052,413	-	7,052,413	39,560,000	42,830,000	89,442,413
Ethiopia	20,276,734	35,428,642	-	55,705,376	315,665,360		371,370,736
Gambia	212,378	2,752,778	178,629	3,143,785	17,814,785		20,958,570
Ghana	13,731,340	8,421,875	38,568	22,191,783	125,753,738		147,945,521
Madagascar	2,363,300	8,021,765	71,400	10,456,465	59,253,302		69,709,767
Malawi	2,076,808	15,292,234	-	17,369,042	127,518,389		144,887,431
Mali	88,129	11,890,628	-	11,978,757	65,578,874		77,557,631
Mauritania	9,912,223	6,153,745	-	16,065,968	64,264,095		80,330,063
Mozambique	5,012,846	48,518,679	-	53,531,525	90,757,404		144,288,929
Niger	-	8,725,410	-	8,725,410	49,440,499		58,165,909
Rwanda	17,893	14,290,846	527,521	14,836,260	104,124,244		118,960,504
Sao Tome & Principe	-	8,463,397	-	8,463,397	47,959,251		56,422,648
Senegal	8,454,996	1,619,294	-	10,074,290	56,870,941		66,945,231
Sierra Leone	-	8,564,240	-	8,564,240	48,530,691		57,094,931
Tanzania	1,460,000	13,600,000	-	15,060,000	123,143,407		138,203,407
Uganda	7,843,300	10,674,400	-	18,517,700	66,564,269		85,081,969
Zambia	15,253,171	10,532,456	-	25,785,627	146,118,551		171,904,178
<b>Sub-total</b>	<b>100,901,693</b>	<b>267,196,813</b>	<b>891,434</b>	<b>368,989,940</b>	<b>1,837,485,458</b>	<b>69,130,000</b>	<b>2,275,605,398</b>
<b>Estimated costs for decision point RMCs</b>							
Chad (Q4-2011)	-	7,904,762	-	7,904,762	43,090,000		50,994,762
Congo Rep. (Q4-2009)	-	-	-	-	-	41,860,000	41,860,000
Cote d'Ivoire (Q4-2011)	-	-	-	-	-	199,500,000	199,500,000
Guinea (Q1-2010)	11,226,457	3,664,147	413,348	15,303,952	86,730,000		102,033,952
Guinea Bissau (Q1-2010)	318,076	10,286,020	117,047	10,721,142	61,193,139	9,540,000	81,454,281
Liberia (Q4-2009)	-	-	-	-	-	238,080,000	238,080,000
Togo (Q4-2010)	-	-	-	-	-	17,300,000	17,300,000
<b>Sub-total</b>	<b>11,544,533</b>	<b>21,854,929</b>	<b>530,395</b>	<b>33,929,856</b>	<b>191,013,139</b>	<b>506,280,000</b>	<b>731,222,995</b>
Dem. Rep. of Congo (Q4-2009)**	-	-	-	-	542,061,083		542,061,083
<b>Estimated costs for pre-decision point RMCs</b>							
Comoros	-	3,780,000	-	3,780,000	21,420,000		25,200,000
Eritrea	-	-	-	-	-		(63,020,000)
Somalia	-	-	-	-	-		(210,530,000)
Sudan	-	-	-	-	-		-
<b>Sub-total</b>	<b>-</b>	<b>3,780,000</b>	<b>-</b>	<b>3,780,000</b>	<b>21,420,000</b>	<b>-</b>	<b>(273,550,000)</b>
<b>Total cost (actual and estimated)</b>	<b>112,446,226</b>	<b>292,831,742</b>	<b>1,421,829</b>	<b>406,699,797</b>	<b>2,591,979,680</b>		
<b>Balance***</b>	<b>47,620,220</b>	<b>(49,694,433)</b>	<b>9,694,756</b>	<b>7,620,542</b>	<b>(340,948,107)</b>	<b>-</b>	<b>(606,877,565)</b>

### Notes

\*The difference between the amount originally committed and actual contribution to the TF account was due to exchange rate movements.

\*\* The financing of debt relief for DRC by the Bank Group is handled separately.

\*\*\* HTF balance of US\$ 340 million includes unallocated contribution of US\$78 million available for DRC.

### Annex III: MDRI Cost Estimates for 33 Beneficiary RMCs

(UA millions End-July 2009)

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020-2054	Grand Total
<b>Completion point countries</b>																
Benin	1.31	1.35	1.74	3.70	5.94	6.51	6.91	7.18	7.38	7.34	7.38	7.43	7.65	7.60	162.37	241.79
Burkina Faso	1.37	1.43	1.61	2.08	2.55	2.57	2.94	3.22	3.48	3.90	3.94	3.99	4.29	4.35	183.16	224.87
Burundi	-	-	-	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	10.48	10.48
Cameroon	0.56	0.89	1.01	1.13	1.25	2.27	3.00	2.99	2.97	2.96	2.94	2.93	3.33	3.75	119.25	151.23
Central African Rep.	-	-	-	0.46	0.93	0.92	0.99	0.98	0.97	0.96	0.96	0.95	3.10	3.71	53.62	68.54
Ethiopia	3.78	4.02	4.34	4.69	4.34	5.16	5.71	5.72	5.99	5.96	5.93	6.18	6.54	7.36	424.43	500.16
Gambia	-	-	1.05	1.09	1.21	1.22	1.34	2.29	3.54	3.67	3.65	3.70	3.82	3.79	77.26	107.64
Ghana	3.78	3.97	4.03	4.22	4.23	4.49	4.81	9.30	9.88	9.10	9.05	9.10	9.41	9.84	229.25	324.46
Madagascar	1.83	1.90	1.98	2.40	2.39	2.49	2.52	5.32	7.92	7.87	7.83	7.78	8.29	8.32	177.43	246.27
Malawi	0.04	1.34	1.43	1.46	1.53	1.63	1.77	1.93	2.00	1.85	1.70	1.72	1.74	1.78	163.20	185.12
Mali	2.92	2.91	3.09	3.40	5.80	10.38	10.83	11.69	11.78	11.71	11.64	11.57	12.20	12.19	246.90	369.02
Mauritania	0.44	1.28	1.37	1.59	1.65	3.86	5.04	5.21	5.23	5.20	5.17	5.46	5.50	5.59	121.39	173.98
Mozambique	2.21	2.57	2.94	3.08	3.75	6.69	6.80	7.52	7.86	8.59	8.50	9.38	10.26	10.30	276.34	366.79
Niger	1.20	1.21	1.23	1.47	1.48	1.48	1.53	1.56	2.00	1.98	1.97	1.94	1.93	2.36	103.75	127.09
Rwanda	1.00	1.04	1.11	1.18	1.14	1.17	1.21	1.23	1.22	1.22	1.21	1.20	1.24	1.35	54.60	71.11
Sao Tome & Princ.	-	0.13	0.25	0.25	0.24	0.27	0.28	0.28	0.29	0.30	0.30	0.30	0.30	0.30	19.56	23.05
Senegal	2.91	4.45	5.36	5.47	5.89	6.46	6.78	6.94	7.02	6.98	6.94	7.10	7.34	7.56	185.50	272.67
Sierra Leone	-	1.13	1.05	1.08	1.11	1.28	1.41	1.55	1.69	1.68	1.67	1.66	1.72	1.77	79.35	98.16
Tanzania	2.55	2.57	3.43	3.83	3.95	4.23	4.54	5.11	5.27	5.24	5.22	7.52	14.97	15.22	326.60	410.22
Uganda	2.45	2.70	2.71	2.95	2.94	3.33	7.26	9.51	10.20	10.14	10.09	10.15	10.70	10.78	249.96	345.87
Zambia	1.59	1.70	1.88	1.90	2.20	2.44	2.47	2.78	2.76	2.75	2.73	2.94	3.14	3.19	126.07	160.56
<b>Sub-total</b>	<b>29.93</b>	<b>36.57</b>	<b>41.60</b>	<b>47.43</b>	<b>54.52</b>	<b>68.85</b>	<b>78.13</b>	<b>92.33</b>	<b>99.46</b>	<b>99.39</b>	<b>98.82</b>	<b>103.02</b>	<b>117.46</b>	<b>121.11</b>	<b>3390.47</b>	<b>4479.10</b>
<b>Decision point countries</b>																
Chad	-	-	-	-	-	2.43	4.76	6.87	6.91	7.00	7.10	7.29	7.73	7.73	153.16	210.98
Congo Rep.	-	-	-	-	0.31	0.30	0.30	0.30	0.30	0.30	0.30	0.29	0.29	0.29	3.41	6.40
Côte D'Ivoire	-	-	-	-	-	2.73	3.24	3.44	3.62	3.60	3.59	3.96	4.02	4.61	161.77	194.56
Dem Rep Congo	-	-	-	1.13	1.16	1.15	1.15	1.15	1.43	1.42	1.42	1.41	1.40	1.39	86.28	100.48
Guinea	-	-	-	-	5.87	6.06	6.28	6.24	6.37	6.33	6.30	6.60	6.75	6.71	131.12	194.63
Guinea-Bissau	-	-	-	-	0.72	0.79	0.79	0.79	0.78	0.78	0.78	0.84	0.84	0.84	45.07	53.02
Liberia	-	-	-	-	0.57	0.56	0.56	0.56	0.55	0.55	0.55	0.54	0.54	0.54	7.17	12.68
Togo	-	-	-	-	-	-	2.49	2.82	2.80	2.79	2.77	2.88	2.98	3.04	56.20	78.76
<b>Sub-total</b>				<b>1.1</b>	<b>8.6</b>	<b>14.0</b>	<b>19.6</b>	<b>22.2</b>	<b>22.8</b>	<b>22.8</b>	<b>22.8</b>	<b>23.8</b>	<b>24.5</b>	<b>25.1</b>	<b>644.2</b>	<b>851.5</b>
<b>Pre-Decision point countries</b>																
Comoros	-	-	-	-	-	-	1.07	1.07	1.06	1.05	1.05	1.04	1.03	1.03	13.85	22.25
Eritrea	-	-	-	-	-	-	-	0.65	0.64	0.64	0.64	0.83	1.21	1.20	35.71	41.51
Somalia	-	-	-	-	-	-	-	0.00	0.00	0.00	1.90	1.88	1.87	1.86	21.96	29.48
Sudan	-	-	-	-	-	-	-	5.92	5.88	5.84	5.81	5.77	5.73	5.70	90.46	131.10
<b>Sub-total</b>							<b>1.07</b>	<b>7.63</b>	<b>7.58</b>	<b>7.54</b>	<b>7.54</b>	<b>9.52</b>	<b>9.85</b>	<b>9.79</b>	<b>161.97</b>	<b>224.34</b>
<b>Total</b>	<b>29.93</b>	<b>36.57</b>	<b>41.60</b>	<b>48.56</b>	<b>63.14</b>	<b>82.87</b>	<b>98.78</b>	<b>122.12</b>	<b>129.82</b>	<b>129.70</b>	<b>131.00</b>	<b>136.35</b>	<b>151.86</b>	<b>156.04</b>	<b>4196.62</b>	<b>5554.95</b>

Notes: Applied debt outstanding and disbursed (DOD), as at end-December 2004

(\*) Refers to 33 eligible RMCs comprising: 21 post-CP RMCs; 8 post-DP RMCs and 4 pre-DP RMCs

## Annex IV: Status of MDRI Donor Payments

(UA millions End-July 2009)

MDRI PARTICIPANTS	Total Contributions Due for 2006-2007	Total Contributions Paid for 2006-2007	Advanced Payments Received in 2006	PAYMENTS 2008			Advanced/ Excess Payments Received in 2008	PAYMENTS 2009			Advanced/ Excess Payments Received in 2009	TOTAL Payments due (2006-2009)	TOTAL Payments Received (2006-2009)
				Contribution Due	Qualified or not covered by IOC *	Contribution Paid		Contribution Due	Qualified or not covered by IOC *	Contribution Paid			
1 AUSTRIA	1,399,574	1,399,574		176,283		176,283		986,823		986,823		2,562,681	2,562,681
2 BELGIUM	1,827,081	1,827,081		230,130		230,130		1,288,253		1,288,253		3,345,463	3,345,463
3 CANADA <sup>1,5</sup>	5,304,148	5,304,148		4,212,400		4,212,400		4,793,374		4,793,374	61,137,026	14,309,922	75,446,949
4 CHINA	1,935,425	1,935,425		243,776		243,776		1,364,645	1,364,645	-		3,543,846	2,179,201
5 DENMARK	1,282,231	1,282,231		161,503		161,503	904,086	904,086		904,086		2,347,820	2,347,820
6 FINLAND <sup>6</sup>	1,768,049	1,768,049		222,694		222,694		1,246,631		-		3,237,374	1,990,744
7 FRANCE	10,844,035	10,844,035		1,365,860		1,365,860		7,646,001		7,646,001		19,855,896	19,855,896
8 GERMANY	7,791,028	7,791,028		981,318		981,318		5,493,362		5,493,362		14,265,708	14,265,708
9 INDIA	205,121	205,121		25,836		25,836		144,628		144,628		375,585	375,585
10 ITALY <sup>1</sup>	4,714,798	4,714,798		1,992,892		1,992,892		7,261,457	7,261,457	-		13,969,147	6,707,690
11 JAPAN <sup>1,5</sup>	7,875,922	7,875,922		992,011		992,011	12,413,077	5,553,219		5,553,219		14,421,153	21,281,010
12 KOREA <sup>1,5</sup>	749,653	749,653		597,012		597,012		679,352	-	679,352		2,026,017	2,026,017
13 KUWAIT <sup>4</sup>	196,843	196,843	12,806,130	24,793		24,793		138,792		138,792		360,428	13,002,972
14 THE NETHERLANDS	3,889,708	3,889,708		489,928		489,928		2,742,587		2,742,587		7,122,223	7,122,223
15 NORWAY	4,172,596	4,172,596		525,559		525,559		2,942,048		2,942,048		7,640,203	7,640,203
16 PORTUGAL	666,210	666,210		83,912		83,912		469,736		469,736		1,219,858	1,219,859
17 SAUDI ARABIA	354,904	354,904		44,702	44,702	-		250,239	250,239	-		649,845	354,904
18 SOUTH AFRICA <sup>3</sup>	138,986	138,986	9,423,376	-		-		-		-		138,986	9,562,362
19 SPAIN <sup>1</sup>	11,598,360	11,598,360		10,358,333		10,358,333		10,358,333		-		32,315,025	21,956,693
20 SWEDEN	4,714,798	4,714,798		593,852		593,852		3,324,348		3,324,348		8,632,998	8,632,998
21 SWITZERLAND <sup>2,5</sup>	3,025,989	3,070,017		381,138	-	381,138		2,133,589	-	2,133,589	2,858,743	5,540,717	8,443,488
22 UNITED KINGDOM <sup>1,5</sup>	8,840,246	8,840,246		6,233,182		6,233,182		6,244,012		6,244,012		21,317,441	21,317,441
23 USA	9,987,010	9,987,010		1,257,913		1,257,913		7,041,722	1,208,129	5,833,593		18,286,645	17,078,516
<b>TOTAL</b>	<b>93,282,716</b>	<b>93,326,745</b>	<b>22,229,506</b>	<b>31,195,030</b>	<b>44,702</b>	<b>31,150,328</b>	<b>13,317,163</b>	<b>73,007,236</b>	<b>10,084,469</b>	<b>51,317,804</b>	<b>63,995,770</b>	<b>197,484,982</b>	<b>268,716,424</b>

### NOTES

- \* A State Participant who has deposited a Instrument of Commitment (IOC) will inform the Fund of the status of its commitment not later than 30 days after the scheduled payment date.
- 1 Alternative payment and/or encashment schedule agreed with the donor.
- 2 Switzerland delayed the encashment of its 2007 contribution in 2008 and paid a compensatory interest of UA 44,028.15.
- 3 South Africa has made a 1-year accelerated encashment in 2006 to pay its full contribution/encashment for its contribution to the MDRI (2006-2054).
- 4 Kuwait has paid its full commitment for the period 2006-2054.
- 5 State Participant has selected an advanced payment schedule for its 2008-2010 contribution.
- 6 State participant has not yet paid its 2009 contribution.