

AFRICAN DEVELOPMENT BANK



AFRICAN DEVELOPMENT FUND



**HIPC INITIATIVE: INFORMATION NOTE ON BANK GROUP
CONTRIBUTION TO UGANDA**

CONFIDENTIAL

AFRICAN DEVELOPMENT BANK
ADB/BD/IF/97/281

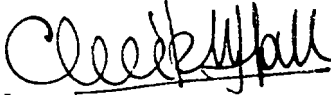
AFRICAN DEVELOPMENT FUND
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FOR INFORMATION

MEMORANDUM

TO : THE BOARDS OF DIRECTORS

FROM : Cheikh 1. FALL 
Secretary-General

SUBJECT : HIPC INITIATIVE: INFORMATION NOTE ON BANK GROUP
CONTRIBUTION TO UGANDA

Please find attached hereto the above-mentioned document.

Attch.:

c.c.: The President

*Questions on this document should be referred to:
Mr. E.C. ANUSIONWU, Division Chief, FSPR.1 - Extension 4182
Mr. A. MWABA, Senior Planning Economist, FSPR.1 - Extension 4715

HIPC INITIATIVE: INFORMATION NOTE
ON BANK GROUP CONTRIBUTION TO UGANDA

It will be recalled that, by Resolutions B/BD/97/08 and F/BD/97/02, the Boards of Directors of the Bank and the Fund, on 16 April 1997 and 23 April 1997, respectively, approved the resources and modalities for the Bank and the Fund's contribution to the HIPC Initiative. The Boards authorised the initial allocation of between UA 180-230 million over the period 1997-2003 as the Bank and the Fund's contribution to the Initiative, subject to regular review in light of the evolving costs of the HIPC Initiative and the Bank Group's financial position. The Boards also directed that the Bank and the Fund's assistance be delivered through the HIPC Trust Fund, administered by IDA, and that Management explore the possibility of mobilising additional resources to address any resulting financing gap.

2. The Initiative has entered its implementation stage and Uganda is the first country to qualify for assistance. Uganda reached its decision point in April 1997, following consultations with creditors and approval of assistance to the country under the HIPC Initiative by the Executive Boards of the World Bank and the IMF. The completion point was established for April 1998, with a target NPV debt/exports ratio of 202 percent. To achieve this target, multilateral creditors are expected to reduce their claims on Uganda by 21 percent in NPV terms, alongside a stock of debt reduction by the Paris Club.

3. The total cost of debt relief for Uganda is estimated at USD 338 million in 1996 NPV terms. Based on the fully proportional burden sharing approach adopted by the major creditors, the contribution by bilateral and commercial creditors is estimated at UA 67 million and that for multilateral creditors at about USD 271 million. The Bank Group's share is estimated at USD 21.6 million, in 1996 NPV terms. In order to complement the Bank Group's participation in the Initiative, a number of bilateral donors have made pledges and commitments to the HIPC Trust Fund. The Governments of Norway, The Netherlands and the United Kingdom have made country specific pledges of USD 4 million, USD 2 million and USD 10.5 million, respectively, which could be used towards meeting ADB share of the cost of debt relief for Uganda. This would leave a residual of USD 4.1 million to be contributed by the Bank. In that regard, the Bank has issued a promissory note for an

initial payment of UA 5 million into the Trust Fund. The initial contribution will serve two purposes: (i) to support the World Bank's simultaneous payment of USD 500 million to trigger the Trust Fund and also act as an incentive for donors to contribute to the Fund; and, (ii) to make a commitment for assistance to Uganda. The Bank's contribution to the Trust Fund will be governed by the HIPC Contribution Agreement entered into by the Bank and the IDA.

4. The Boards are invited to note the contribution of UA 5 million made by the Bank to the Trust Fund to: (i) help trigger the Trust Fund; and, (ii) to make a commitment for assistance to Uganda.

