

**AFRICAN DEVELOPMENT BANK**



**AFRICAN DEVELOPMENT FUND**



**BURKINA FASO - HIPC APPROVAL DOCUMENT**  
**COMPLETION POINT UNDER THE ENHANCED FRAMEWORK \***

## **HIPC APPROVAL DOCUMENT FOR BURKINA FASO: Completion Point under the Enhanced Framework**

### **1. INTRODUCTION**

In April 2002, Burkina Faso reached its completion point and the Boards of the IMF and World Bank approved US\$169 million worth of debt relief in end 1999 NPV terms under the enhanced HIPC Framework. This document invites the Boards to note the justifications for Burkina Faso qualification for HIPC assistance, and approve the proposed plan to finance the balance of the Bank Group's share of Burkina Faso costs. This comes in addition to US\$ 229 million in 1999 NPV terms the country received when it reached its completion point under the original HIPC framework in July 2000. Furthermore an additional US\$129 million in end-2001 NPV terms of debt relief has been approved for Burkina Faso to mitigate the adverse effect on its debt ratios resulting from exogenous shocks to its exports. Section 2 of this document summarises details of Burkina Faso status of policy and reforms implementation during the interim period, while the total debt relief is disaggregated in Section 3 to illustrate the breakdown of HIPC costs to all creditors at the decision and completion points and justification for any change in total debt relief approved at the decision point. Section 4 shows the HIPC debt relief assistance delivered during the interim period. The Bank Group's operations are reviewed in Section 5, with particular emphasis on activities related to the progress made in the implementation of the Poverty Reduction Strategy Papers (PRSPs). Section 6 presents details of the proposed delivery modality. The proposed financing plan is presented in Section 7. Recommendations for the Boards' consideration are contained in Section 8.

### **2. HIPC QUALIFICATION**

#### **Policy and Reform requirements**

Burkina Faso reached its decision point in July 2000 and qualified for US\$424 million (1999 NPV terms) worth of debt relief assistance, equivalent to 48.5 percent reduction in the country's outstanding stock of debt at end-1999, after full use of traditional debt relief mechanisms. The country, has now reached its completion point in end- April 2002 by fulfilling the following conditions:

- Satisfactory implementation of the PRSP for at least one year;
- Maintenance of a stable macroeconomic position as evidenced by continued strong performance under a program supported by an arrangement under the PRGF;
- Implementation of the social and governance reforms monitored under the Initiative and outlined at the decision point.

A copy of the relevant HIPC completion point document is annexed to this report.

### 3. HIPC COSTS

#### 3.1 Breakdown of total HIPC Costs of US\$ 424 million and US\$ 128.6 million

Bilateral creditors will account for US\$ 67 million (16 percent) of Burkina Faso's debt relief, while multilateral creditors will deliver the remaining US\$357million (84 percent). The Bank Group's share of debt relief will amount to US\$69.5 million (in 1999 NPV terms) which is equivalent to 19 percent of multilateral creditors' assistance. Bilateral and multilateral creditors will account for exceptional topping-up debt relief of US\$ 16 million (13 percent) and US\$ 112 million (87 percent) respectively. The contribution of the Bank Group within the exceptional assistance represents 15 percent of the multilateral creditors' assistance. Table 1 provides a breakdown of the total HIPC costs of US\$ 424 million in 1999 NPV terms and US\$ 128.6 million in 2001 NPV terms. In nominal terms, Bank Group assistance under the enhanced HIPC initiative at completion point amounts to US\$125.74 million including US\$91.06 received in July 2000 (decision point).

**Table 1: Breakdown of total HIPC costs in NPV terms (in US\$ million)**

Creditors	Original Framework <sup>1</sup> (1 <sup>st</sup> completion point document) (1)	Enhanced Framework <sup>1</sup>			Total assistance under original and enhanced framework <sup>1</sup> (revised) (5)=(1)+(3)	Topping up at completion point <sup>2</sup> (6)
		Decision point document (2)	Revised (3)	Change (Additional assistance) (4)=(3)-(2)		
<b>Total creditors</b>	<b>229</b>	<b>169</b>	<b>195</b>	<b>26</b>	<b>424</b>	<b>128.6</b>
Bilateral Creditors	32	24	35	10.6	67	16.2
Multilateral Creditors	196	145	161	15.4	357	112.3
<i>of which:</i>						
IDA	91	71	79	8.1	170	60.8
IMF	22	20	22	2.3	44	13.7
<b>AfDB</b>	<b>41.0</b>	<b>27.2</b>	<b>28.5</b>	<b>1.3</b>	<b>69.5</b>	<b>17.2</b>
Others	43	28	31	3.7	75	20.6

Source: Enhanced HIPC completion point document, IMF/IDA, March 2002, pp36, table 7, pp. 37 table 8, and p. 41 table 12.

<sup>1</sup> in end-1999 NPV terms

<sup>2</sup> in end-2001 NPV terms

### **3.2 Explanation of change in total debt relief at Decision and Completion Points**

The Boards of the World Bank and the IMF decided in September 2001 that in exceptional cases where exogenous factors caused fundamental changes in a country's economic circumstances thereby adversely affecting its debt sustainability, HIPC assistance could be topped up at completion point for such countries. In the case of Burkina Faso the adverse exogenous factors, namely, a decline in the volume of cotton production (due to the impact of white fly pest) and price shocks to cotton and gold exports, reduced Burkina Faso's export revenues. Thus the country became eligible for such exceptional assistance, which has increased the cost of debt relief to the Bank by US\$18.5 million. Of this amount US\$1.3 million, is due to the upward revision of debt relief under the enhanced framework (based on revised data) and the rest, US\$17.2 million, accounted for by the topping up HIPC debt relief arrangement.

## **4. ASSISTANCE DELIVERED DURING THE INTERIM PERIOD**

Bank Group debt relief to Burkina Faso during the interim period July 2000 to April 2002 amounted to US\$13.81 million (in 1999 NPV terms) equivalent to US\$14.30 million in nominal terms. This interim relief period lasted for 21 months instead of the scheduled three years.

## **5. BANK GROUP INVOLVEMENT IN THE PRSP PROCESS**

The Bank Group, through the "Projet d'appui aux dimensions sociales de l'ajustement, PAIDSA" (Support Project to the Social Dimensions of Adjustment), has contributed to financing the participative process and to improving the information system on poverty. This support along with reinforcement of the dialogue on poverty-related issues, have assisted, since 1999, in accelerating preparation of the framework paper on the poverty alleviation strategy; a validation seminar for the document was organized by the ADF. The Bank financed these activities during 1997-1999 by a grant of US\$ 200,000. The dialogue with the Government continued throughout the implementation phase up to the first annual progress reports on the utilization of HIPC resources by means of advisory/support missions. The 1991-2001 CSP was prepared in line with the PRSP, and reflects the Bank Group's priorities in agriculture and rural infrastructure. In 2001, the Bank Group financed the Poverty Alleviation Strategy Support Programme (PASRP) (UA 23.09 millions) and the Good Governance Support Project (UA 2.35 millions) in support of the DCSLP.

## **6. PROPOSED DELIVERY MODALITY**

6.1 As Burkina Faso has reached its completion point, it is proposed that the Bank Group makes a commitment to provide irrevocable debt relief of US\$ 69.5 million in 1999 NPV terms and US\$17.2 million in 2001 NPV terms with effect from April 2002. The Bank Group's debt relief would be provided by releasing Burkina Faso from up to 80 percent of its debt service obligations to the Bank Group each year, until the entire amount of US\$125.74 million is delivered. Total debt relief will be delivered by end 2020

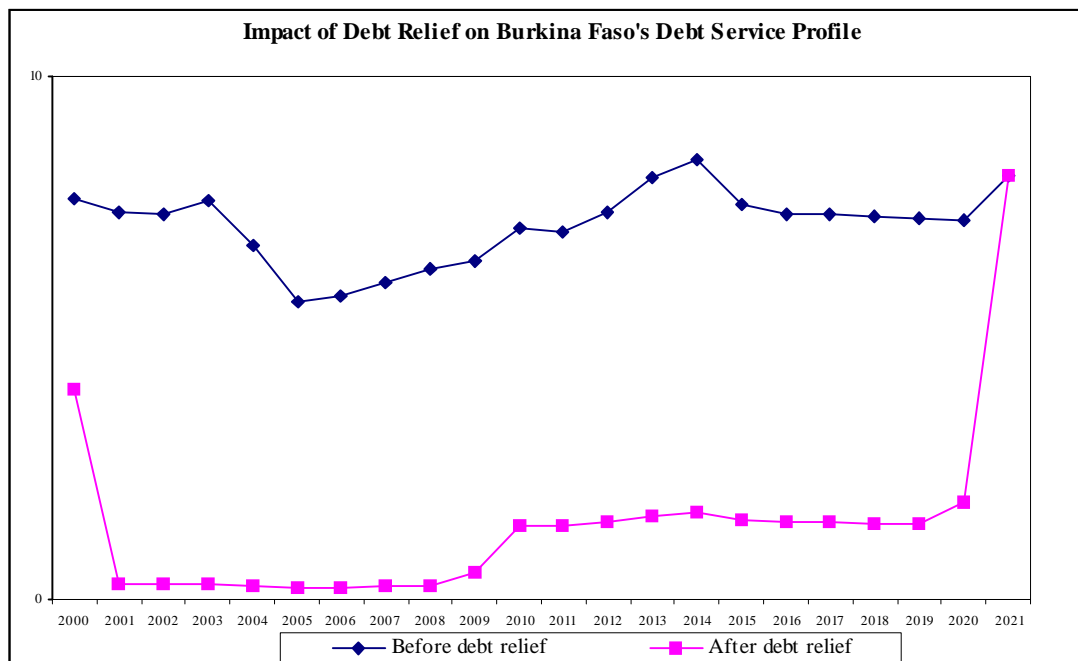
## Legal Aspects of Debt Relief Operation

6.2 Debt relief for Burkina Faso is to be provided, under the enhanced framework of the HIPC Debt Relief Initiative, through the mechanism of debt service relief, in accordance with the terms described in the preceding paragraphs. These terms will be implemented by:

- a Debt Relief Agreement between the Bank Group and the government of Burkina Faso;
- a HIPC Trust Fund Grant Agreement between the Bank Group, the International Development Association (IDA) and the government of Burkina Faso; and
- a Contribution Agreement between the Bank and the International Development Association (IDA).

The provision of debt relief, as described, is consistent with the rules of the African Development Bank and the African Development Fund.

**Chart A. Impact of Debt Relief on Burkina Faso's Bank Group Debt Service Profile**  
(in million US dollars)



## 7. PROPOSED FINANCING ARRANGEMENTS

The Bank Group's share of debt relief will be financed as follows:

*Million US\$, in 1999/2001 NPV terms*

Internal Resources	<b>17.34<sup>1</sup></b>
European Commission pledge	<b>34.68</b>
Balance with HIPC Trust Fund	<b>34.68</b>
<b>TOTAL</b>	<b>86.70</b>

## 8. RECOMMENDATIONS

The Boards are invited to:

1. Note the justifications for Burkina Faso's qualification for HIPC assistance at its completion point, under the enhanced framework; and
2. Approve the plan to finance the Bank Group's share of HIPC debt relief, in accordance with the arrangements presented in Section 7.

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<sup>1</sup> Under original framework, the Bank Group had transferred UA 4.81 million (equivalent to US\$ 6.09 million as shown in the grant agreement) to the HIPC Trust Fund as its share of the debt relief to Burkina Faso. An additional US\$11.25 million is therefore required.

## Annex

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**HIPC Debt Relief Schedule**  
(in US\$ millions)

**Burkina Faso**

Completion Point Date April 2002	TOTAL ADB	TOTAL Debt Relief (ADB/ADF)
2000	1.317329	3.637844
2001	2.482111	7.101858
2002	2.287767	7.074651
2003	2.093424	7.321599
2004	0.973899	6.487199
2005	-	5.451079
2006	-	5.584632
2007	-	5.807488
2008	-	6.056540
2009	-	5.947086
2010	-	5.667077
2011	-	5.633352
2012	-	5.918307
2013	-	6.457670
2014	-	6.734772
2015	-	6.024289
2016	-	5.903055
2017	-	5.879758
2018	-	5.860860
2019	-	5.822609
2020	-	5.364542
	<b>9.154531</b>	<b>125.736267</b>

**Summary**

Total Nominal Relief		US\$ 125.736267 mn
<i>of which</i>		
<b>ADB</b>		<b>US\$ 9.154531 mn</b>
<b>ADF</b>		<b>US\$ 116.581736 mn</b>
Total NPV Relief		US\$ 86.70 mn
<i>of which</i>		
<i>in end-1999</i>		US\$ 69.50 mn
<i>in end-2001</i>		US\$ 17.20 mn
Duration		21 years

## Annex

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**AFRICAN DEVELOPMENT FUND****HIPC Debt Relief Schedule***(in US\$ millions)***Burkina Faso**

Completion Point Date April 2002	<b>TOTAL ADF</b>	<b>TOTAL Debt Relief (ADB/ADF)</b>
2000	2.320515	3.637844
2001	4.619746	7.101858
2002	4.786883	7.074651
2003	5.228175	7.321599
2004	5.513300	6.487199
2005	5.451079	5.451079
2006	5.584632	5.584632
2007	5.807488	5.807488
2008	6.056540	6.056540
2009	5.947086	5.947086
2010	5.667077	5.667077
2011	5.633352	5.633352
2012	5.918307	5.918307
2013	6.457670	6.457670
2014	6.734772	6.734772
2015	6.024289	6.024289
2016	5.903055	5.903055
2017	5.879758	5.879758
2018	5.860860	5.860860
2019	5.822609	5.822609
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	<b>116.581736</b>	<b>125.736267</b>

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**IMF/ World Bank HIPC  
Document for Burkina Faso**