

AFRICAN DEVELOPMENT BANK



AFRICAN DEVELOPMENT FUND



**MADAGASCAR: HIPC APPROVAL DOCUMENT COMPLETION
POINT UNDER THE ENHANCED FRAMEWORK**

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ACRONYMS AND ABBREVIATIONS

ADB	African Development Bank
ADF	African Development Fund
CSP	Country Strategy Paper
CPA	Country Performance Assessment
DSA	Debt Sustainability Analysis
EPZ	Export Processing Zones
HIPCs	Heavily Indebted Poor Countries
IDA	International Development Association of the World Bank
IMF	International Monetary Fund
MDGs	Millennium Development Goals
NPV	Net Present Value
PRGF	Poverty Reduction and Growth Facility
PRSP	Poverty Reduction Strategy Paper

MADAGASCAR - HIPC APPROVAL DOCUMENT

COMPLETION POINT UNDER THE ENHANCED FRAMEWORK

I. INTRODUCTION

1.1 Madagascar reached its decision point in December 2000 and qualified for US\$ 814 million worth of total debt relief assistance in end 1999 NPV terms¹. On October 20, 2004, Madagascar became the 12th regional member country (RMC) to reach the Completion Point under the enhanced HIPC Initiative. As a result, the Boards of Directors of the IMF and the World Bank approved a total debt relief equivalent to US\$ 836 million in end-1999 NPV terms for the country, an increase of US\$ 22 million over the initial assistance estimated at the time of the Decision Point. This document presents the justification for Madagascar's qualification for the HIPC Completion Point assistance as well as the proposed plan to finance the Bank Group's share of the country's revised costs of debt relief.

1.2 Following this introduction, Section 2 summarizes details of the status of implementation of Madagascar's policy reform during the interim period and the progress it has made in meeting the Completion Point conditions. The total debt relief is disaggregated in Section 3 to illustrate the breakdown of HIPC costs to all creditors at the decision point and its revised figures at the completion point. Section 4 shows the HIPC debt relief assistance delivered by the Bank Group during the interim period. The Bank Group's operations are reviewed in Section 5, with particular reference to the progress made by the country in the implementation of its Poverty Reduction Strategy Paper (PRSP). Section 6 summarizes the sensitivity of Madagascar's debt sustainability to negative external shocks. Section 7 presents details of the proposed delivery modality. The indicative financing plan is presented in Section 8. Finally, recommendations for the Boards' consideration are contained in Section 9.

II. MADAGASCAR'S QUALIFICATION FOR THE COMPLETION POINT

2.1 In line with the enhanced HIPC framework arrangements at decision point, Madagascar had to fulfill the following four key conditions to reach the completion point:

- (i) Preparation of a full PRSP and its satisfactory implementation for at least one year;
- (ii) Maintenance of macroeconomic stability through satisfactory implementation of the IMF-supported PRGF program;
- (iii) Use of budgetary savings from HIPC interim relief in accordance with the criteria laid out at the decision point;
- (iv) Satisfactory implementation of policy reforms for improving governance and service delivery to the poor.

¹ Madagascar – HIPC Approval Document: Decision Point under the Enhanced Framework, ref. ADB/BD/WP/2001/10, dated 28 February 2001.

2.2 The government has broadly met all the nine main (9) triggers that were set at the decision point to monitor Madagascar's progress in meeting the completion point conditions under the enhanced HIPC framework. However, there was a delay in one trigger due to the 2002 political crisis and a small deviation in a second. The details of these triggers are presented below for ease of reference.

A. Poverty Reduction Strategy Paper (PRSP)

2.3 Madagascar prepared a fully participatory PRSP in July 2003 designed to: (i) restore the rule of law and establish good governance; (ii) encourage and promote broad-based growth; and (iii) encourage and promote individual security and welfare. Its preparation took longer than originally expected due to the political crisis in the country which paralyzed political and economic life during most of 2002. The PRSP and the joint IMF/World Bank assessment of the country strategy were presented to the Boards of IDA and the IMF in November 2003. The first Annual Progress Report on the implementation of the PRSP covering the period July 2003–June 2004, and its assessment by the Boards of the IMF and the World Bank in October 2004, concluded that significant progress had been made in the implementation of the PRSP.

B. Macroeconomic Performance in 2001-2004

2.4 The overall macroeconomic performance over the period from 2001 to 2003 was much affected by the impact of the 2002 political crisis, repeated fiscal slippages and adverse exogenous shocks. As a result, real GDP growth was 6 percent in 2001, but declined by about 13 percent in 2002, due to a major political crisis that brought economic activity to a near standstill for the first six months of the year. Rebounding from the 2002 economic downturn, real GDP grew by 9.8 percent in 2003. Inflation rose to 13.9 percent (on a year-on-year basis), before receding to -0.8 percent in 2003. The external current account deficit, including official grants, declined from 5.6 percent of GDP in 2000 to 1.3 percent in 2001, reflecting a strong export performance, notably in the export processing zones (EPZ) and the vanilla sector. Subsequently, the current account deficit increased to 6 percent of GDP, due to a sharp decline in EPZ activities and current transfers, following the 2002 political crisis.

2.5 Recent economic developments were marked by a sharp depreciation of the Malagasy Franc and two cyclones that hit the country in early 2004. The exchange rate, which depreciated by about 50 percent against the Euro in the first half of 2004, stabilized during the third quarter, as import demand weakened and the Government implemented necessary adjustment measures. In 2004, the Malagasy authorities started to address outstanding weakness of the tax system, including measures aimed at lowering tariff barriers, broadening the revenue base, and simplifying the tax system. Moreover, the tax exemptions granted in 2003 for non-capital goods were removed in July 2004. In addition, the tax department has reinforced its tax recovery efforts, mainly through the acceleration of the recovery of tax arrears and more systematic information sharing with the public procurement office.

2.6 The country made progress, albeit slowly, in implementing the envisaged structural reforms in the areas of budgetary management, tax administration, and privatization during 2001 to 2004. In particular, improvements have been made in public management towards better

controls and transparency; and the private sector environment has been made more business friendly through reforms of the investment code and the regulatory framework, although privatization proceeded more slowly than expected. Overall, performance under the PRGF arrangement through end-June 2004 has been broadly satisfactory, taking into account the impact of adverse exogenous shocks and corrective measures taken by the authorities.

C. Use of HIPC Interim Relief and Tracking of Poverty Reducing Spending

2.7 Budgetary savings from the interim debt service relief have been used broadly in line with the criteria set forth at the decision point. HIPC savings were used mainly to support improved service delivery in primary education, health and rural infrastructure, mainly rural roads and water. The shares allocated to education and health service were higher than expected, increasing from 41 percent in 2001 to 63.5 percent in 2004. The cumulative allocation to rural roads, infrastructure for drinking water and the safety nets to support communities over the interim period represented 28.4 percent of the savings from debt relief over the same period. Overall, on improved service delivery, most of the targets in education and health showed improvements in 2003 after the political crisis, and were met despite the lower than projected share of social spending in GDP.

2.8 Furthermore, a number of actions were undertaken by the Government to improve poverty reducing expenditure tracking mechanisms. First, the activities and programs financed with debt relief savings were identified in the budget by a special code to facilitate tracking of these expenditures. Second, three HIPC expenditure tracking assessments were undertaken in 2001, 2003, and 2004. These assessments show that the system of public financial management has improved, albeit slowly. The Government has also established a Poverty Monitoring System to track progress in implementing the PRSP.

D. Governance and Institutional Reforms

2.9 Progress was also made in the area of Governance and Institutional reforms with the objective of improving public financial monitoring and control. The government adopted several legislative texts between 2003 and 2004 to reflect the institutional changes. The General Inspectorate for Finances (IGF) was created in 2003, and staffing for a number of controlling institutions was improved.

2.10 The Government has updated the existing legal, regulatory, and institutional framework. A monitoring system to track budgetary execution in six ministries (health, basic education, public works, rural development, justice, and forestry and water) has been put in place. The monitoring results are discussed with the development partners on a regular basis. The treasury accounting system was modernized and strengthened. The main objective is to ensure that government accounts are produced in a timely manner in accordance with statutory requirements. This paves the way for the National Audit Court to submit audited accounts to Parliament and initiate parliamentary approval on the basis of the annual budgetary execution law (Loi de règlement). Finally, a public and transparent information system on granting of licenses (beneficiary list, geographical zone, and the amount of fees) in the mining, forestry, and fishing sectors has been implemented.

E. Improved Service Delivery

2.11 Improving human capital is the third pillar of the PRSP. In education, the numerical target was not met, but satisfactory progress was broadly achieved. As a result, 3,427 teachers were recruited, against the target of recruiting at least 3,500 new teachers. Out of the recruited ones, 89 percent were deployed to remote rural areas. Overall, the main indicators within the education sector have improved and shown positive results between 2003 and 2004. The net enrollment rate in primary education increased, for example, from 67 percent in 2000/2001 to 84 percent in 2003/2004. Madagascar's main challenge lies with increasing enrollments and improving the efficiency of the education system and public expenditures.

2.12 Within the health sector, government has established a generic supply system of district pharmacies and set up an agency to manage drug distribution. In 2003 most of the public health indicators have improved over the past periods. Between 2000 and 2003, accessibility to basic health services (57 percent for less than 5 km) improved slightly with the construction of 109 new health facilities, the increase in non-salary budget allocation to the districts, from 27.7 percent in 2000 to 37.8 percent in 2003, and the expansion of the private non-profit sector activities in rural areas in social marketing of basic health products. Many public health indicators, including MDGs, have improved over the interim period. As an illustration, the immunization rate increased from 70.9 percent in 2000 to 85.1 percent in 2003. The main challenge is to improve access to basic facilities for the majority of the rural population, and thereby help improve health outcomes. To consolidate and strengthen the recent progress in the health sector, the Government is focusing on improving the performance of existing hospitals prior to further expansion of hospital network, and improving access to health services in rural areas.

2.13 A copy of the relevant HIPC completion point document prepared by the Bretton Woods Institutions (BWIs), with more details on the justification, is attached as Annex VI to this report for ease of reference.

III. HIPC COSTS AND REVISION OF THE HIPC ASSISTANCE

Breakdown of Total HIPC Costs at Decision and Completion Points among Creditors

3.1 After full use of traditional debt relief mechanisms² and based on additional information received from creditors and official confirmation of new debt obligations during the debt sustainability review process, the end-1999 NPV of debt increased from US\$ 2,058 million to US\$2,080 million, an increase of US\$ 22 million over the initial NPV of debt owed by Madagascar. As a result, the associated assistance under the enhanced HIPC framework was revised upward from US\$ 814 million to US\$ 836 million in NPV terms.

² Traditional debt relief mechanisms refer to the successive Paris Club agreements on the level of debt cancellation for the poorest and most indebted countries since 1988: Toronto (1988), London (1991), Naples (1994), Lyon (1996) and Cologne (1999) terms. In practice, though, traditional debt relief mechanisms is restricted to the Naples terms, which refers to the 67 percent NPV deductions of pre-cut-off date debt by official bilateral and commercial creditors..

3.2 Of the total revised HIPC debt relief of US\$ 836 million, multilateral creditors will account for US\$ 362 million (43.30 percent) of Madagascar's debt relief, while bilateral and commercial creditors will deliver the remaining balance of US\$ 474 million (56.70 percent). The Bank Group's share of the debt relief is also revised upwards slightly from US\$ 59.10 million to US\$ 60.06 million (in end-1999 NPV terms) which is equivalent to about 16.6 percent of the multilateral creditor's assistance, and about 7.2 percent of total assistance from all creditors. Table 1 below shows a breakdown of the total costs in NPV terms, among the bilateral and multilateral creditors.

Table 1. Breakdown of Madagascar's HIPC Debt Relief Costs
(US\$ million)

Creditors	Decision Point Debt Relief (end-1999 NPV)	Completion Point Debt Relief (end-1999 NPV)	Percentage of total debt relief from multilateral creditors	Percentage of total debt relief from all creditors
1- Bilateral Creditors	457	474	-	56.70
2- Multilateral Creditors	357	362	100.0	43.30
<i>of which:</i>				<i>o/w</i>
Bank Group	59.1	60.1	16.6	7.2
World Bank	252	256		
(IDA)			70.7	30.6
IMF	22	19	5.2	2.3
Other	23.9	27		
Multilaterals			7.5	3.2
Total HIPC Debt Relief	814	836	-	100

Source: Bank Group HIPC database
IMF/IDA, "Madagascar: Enhanced HIPC Completion Point Document, October 2004, P.4, table 8, P.35, unless otherwise stated.

Total External Debt at Decision Point and at end-2003

3.3 Based on Madagascar's reconciled debt data, the country's stock of disbursed and outstanding external debt increased from US\$3,950 million at end-1999 to US\$4,843 million at end-2003. After assuming full delivery of the revised HIPC debt relief and traditional debt relief mechanisms, the NPV of external debt would be reduced to US\$ 2,079 million equivalent to 194 percent of exports as compared with the 133 percent ratio projected at decision point. However, the NPV of external debt could be further reduced to US\$1,467 million, equivalent to 137 percent of exports, after additional bilateral debt relief.

3.4 The net increase in the value of the external debt is the result of several factors, including (i) changes in the discount rates and exchange rates used for the calculation of the NPV of external debt; and (ii) a reduction in exports relative to that predicted at the time of the decision point.³ Madagascar also does not meet the conditions for topping-up as the NPV of debt/exports ratio, including additional bilateral assistance, is reduced to 137 percent below the 150 percent HIPC threshold.

³ IMF/IDA, "Madagascar: Completion Point Document for the Enhanced Heavily Indebted Poor Countries (HIPC) Initiative", October 2004; See Box 2, page 22 in Annex V.

IV. ASSISTANCE DELIVERED DURING THE INTERIM PERIOD

4.1 The total amount of interim assistance extended to Madagascar by the creditors through December 2003 amounted to approximately US\$ 256 million, of which the Bank Group provided US\$ 25.16 million in nominal terms, equivalent to US\$ 23.64 million in end-1999 NPV. As a result, the 40-percent ceiling on AfDB total interim debt relief committed at Decision Point, in NPV terms, was reached. Due to the slippage by Madagascar to reach the completion point by December 2003, and as interim resources had been exhausted, the country was to pay its full debt service for the ten-month period from January 2004 to the completion point date in October 2004.⁴

V. BANK GROUP INVOLVEMENT IN THE PRSP PROCESS

5.1 The Bank Group actively contributed in the preparation of Madagascar's PRSP. Under the third structural adjustment loan, which was approved in 2000, the Bank Group provided institutional support for the formulation of the PRSP. This support was critical in strengthening the participatory approach and improving the quality of the proposed PRSP. As well in 2001, the main finding and recommendations of the Bank-financed study on the Government's management of public finances in a decentralized framework were also used as inputs to the PRSP process. As a result, the final PRSP, which was validated in July 2003, aimed at accelerating growth and to reducing poverty in the country in line with the major thrusts of the Millennium Development Goals (MDGs). Specific key objectives include reducing by half the impact of poverty, in particular through a strong real GDP growth rate of 8 to 10 percent per annum from its 5.2% recorded in 1999-2001, and increasing the investment rate to 20 percent GDP per annum from 15.2% in the same benchmark period. To achieve these objectives, the strategic orientations of the PRSP mainly focus on three key pillars: (i) restoration of the rule of law and the establishment of good governance; (ii) encouragement and promotion of broad-based growth; and (iii) encouragement and promotion of individual security and social welfare (see para 2.3 for additional information on the progress made in the implementation of this PRSP).

5.2 The Bank Group's strategy for Madagascar under ADF-IX, which covered the 2002-2004 period, was designed to support the Government's poverty reduction programs within the framework of the approved PRSP. The three main priority areas of intervention were: (i) the transport sector; (ii) support to institutional capacity building; and (iii) the fight against the HIV/AIDS pandemic and the communicable diseases (i.e malaria, tuberculosis, and other sexually transmitted diseases). To support the implementation of its strategy, the Bank Group approved a total of UA 69.90 million for the following new projects: (i) the Structural Adjustment Loan IV (UA 25 million), (ii) the Road Project in the Toliary Province (UA 31.15 million Loan and UA 1.89 million grant); (iii) the institutional capacity building project for good governance (UA 5.86 million in grant); and (iv) the Project to fight the HIV/AIDS pandemic (UA 6 million grant).

⁴ It is important to underscore that after the approval by the Boards of Directors of the Completion point Document, Madagascar will be credited for debt relief equivalent to the share of the full payments made of its debt obligations paid over January 2004 up till when the Boards' approval becomes effective.

5.3 Over the same ADF-IX period, and in line with the guidance of the Bank's Strategic Plan for 2003-2007 for ADF-RMCs only, the Bank Group operations are targeted at a limited number of three critical areas, namely: (i) improving agricultural productivity; (ii) enhancing access to public services, education and health facilities; and (iii) rehabilitation of infrastructure damaged by cyclones. Other sub-areas to be addressed by the Bank Group assistance strategy include: institutional development, rural development, employment creation, and cricket control.

VI SENSITIVITY ANALYSIS AND LONG-TERM DEBT SUSTAINABILITY

6.1 An assessment of Madagascar's debt sustainability was undertaken by examining its sensitivity under the following three potential adverse scenarios: (i) lower GDP growth; (ii) lower prices of its main export commodities; and (iii) the mix of lower grants and higher loans.

6.2 Concerning the **first scenario**, the projections made show that failure to implement structural reforms could result in lower GDP growth in Madagascar. In this scenario, GDP growth is assumed to be 4 percent in the medium term on average, a substantial shock relative to the base case assumption of 6 percent. The volume of exports and imports would grow at approximately the same rate as GDP, i.e., at 4 percent. Although the profile of most measures of the debt burden would continue to trend downward, the reduction in the debt burden is more limited. By the end of the projection period, the ratios of NPV of debt-to-GDP and to-exports would be higher on average by about 10 and 15 percentage points, respectively, relative to the baseline scenario.

6.3 The **second scenario** indicates that despite the increasing share of EPZs in Madagascar's exports in recent years, the country remains highly vulnerable to declines in the prices of commodities, particularly that of vanilla and shellfish, that account for a little over 20 percent of nominal exports over 2002 to 2003. Assuming a sharp fall in 2005 of the price of these commodities, the impact on the debt to export ratio will be significant such that the ratio remains higher than in the base case and higher than the HIPC thresholds until after 2010. This points to the need for development of appropriate macroeconomic and export policy responses to these potential shocks.

6.4 The **third scenario** assumes a change in the mix of external assistance with lower grants that are replaced by increased borrowing. As in the baseline scenario, external financing is assumed to be about 6 per cent of GDP on average. The share of grants was reduced by 1 percentage point of GDP in favor of loans relative to the baseline scenario. Borrowing (on even highly concessional terms) in order to maintain a reasonable level of international reserves (three months of imports) would almost double the debt burden measured in terms of the NPV of debt as a share of exports and GDP. The debt service ratios would also be significantly higher and continue to increase even by the end of 2023. These represented a little over 20 per cent of nominal exports over 2002 to 2003.

6.5 Overall, the sensitivity analysis shows that it is critical that sound macroeconomic policies are maintained and that structural reforms are implemented. The authorities are committed to maintaining macroeconomic stability and the BWIs' staff assessments indicate that the foundations are in place to this end. These complementary assessments also underscore that obtaining full debt relief would be critical for further progress for 2005 and beyond. To that end,

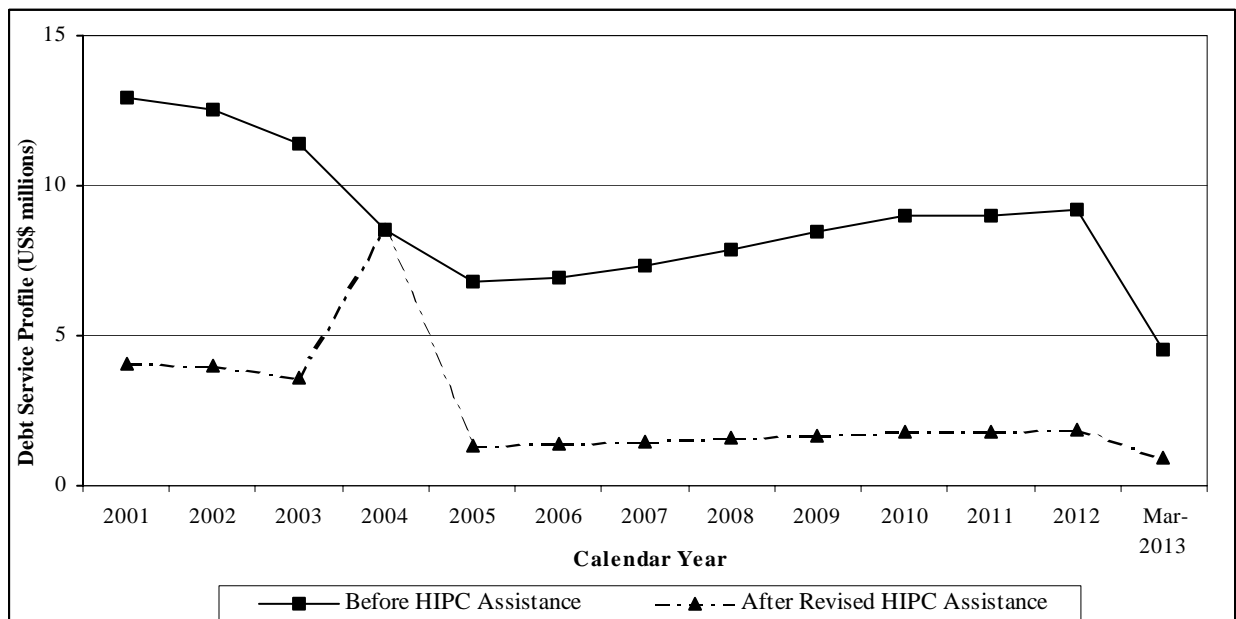
the Government of Madagascar remains committed to maintain prudent financial management and to focus on capacity building of institutions that are needed to sustain a growing market economy and ensure an equitable distribution of the opportunities and resources that can bring about economic expansion.

VII. PROPOSED DELIVERY MODALITY

7.1 At the decision point, the Boards of Directors of the IMF and the World Bank approved the proposal that the debt relief assistance to Madagascar be geared towards smoothing the time profile of Madagascar's debt service to the BWIs and the other multilateral creditors. For the Bank Group, the bulk of the debt relief would be provided between 2000-2011 when debt service obligations are the highest, until the required NPV of debt reduction is achieved in 2011.

7.2 As Madagascar reached the completion point in October 2004, it is proposed that the Bank Group makes a commitment to provide irrevocable debt relief of about US\$ 60.06 million in end-1999 NPV terms equivalent to US\$ 80.40 million in nominal terms, with effect from December 2001, as per the debt relief schedule. The debt relief would be provided by releasing Madagascar from up to 80 percent of its debt service obligations to the Bank Group each year, until the entire amount is delivered. The total debt relief would be delivered by March 2013.

Chart 1: Impact of Debt Relief on Madagascar's Bank Group Debt Service Profile



Source: See Annex V attached.

7.3 The impact of debt relief on Madagascar's debt service profile is illustrated in Chart 1 above. The country's debt service profile before and after HIPC assistance is shown in Annex V. The provision of debt relief, as described, is consistent with the rules and regulations of the African Development Bank, the African Development Fund and the Nigeria Trust Fund.

Legal Aspects of Debt Relief Operations

7.4 Debt relief for Madagascar is to be provided, under the enhanced HIPC framework, in accordance with the terms described in the preceding paragraphs. These terms will be implemented by:

- (i) A Revised Debt Relief Agreement between the Bank Group and the Government of Madagascar;
- (ii) A Contribution Agreement between the Bank Group and the IDA, and
- (iii) A HIPC Trust Fund Grant Agreement between the Bank Group, the International Development Association (IDA) and the Government of Madagascar.

VIII. INDICATIVE FINANCING ARRANGEMENTS

8.1 The Bank Group's share of debt relief will be financed as shown in Table 2 below.

Table 2: Indicative Financing Arrangements

(US\$ million, 1999 NPV terms)

Sources of Financing	Total Contribution	Percent of total (%)
Internal Resources	12.02	20
European Commission pledge	24.02	40
HIPC Trust Fund	24.02	40
TOTAL	60.06	100

IX. RECOMMENDATIONS

9.1 The Boards of Executive Directors are invited to:

- Note the justifications for Madagascar's qualification for HIPC assistance at its completion point, under the enhanced HIPC framework; and
- Approve the Completion Point proposal for Madagascar as well as the proposed revision of the HIPC assistance from US\$59.10 million to US\$ 60.06 million in end-1999 NPV terms according to the financial arrangements presented in Section 8.

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HIPC Debt Relief Schedule Revised
(US\$ million)

MADAGASCAR

Completion Point Date	Calendar Year	TOTAL ADB	TOTAL (ADB/ADF/NTF)
October 2004	2001	5.354639	8.834068
	2002	4.936976	8.550877
	2003	3.918776	7.773084
	2004*	-	-
	2005	0.109777	5.444518
	2006	-	5.551439
	2007	-	5.849381
	2008	-	6.271289
	2009	-	6.784332
	2010	-	7.224039
	2011	-	7.203002
	2012	-	7.366969
	2013	-	3.551802
		14.320167	80.404800

Summary

Total Nominal Relief	US\$ 80.404800 mn
<i>of which</i>	
ADB	US\$ 14.320167 mn
ADF	US\$ 65.626257 mn
NTF	US\$ 0.458376 mn
Total NPV Relief	US\$ 60.061101 mn
Duration	13 years

* Debt relief assistance to Madagascar was suspended in 2004

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HIPC Debt Relief Schedule Revised
(US\$ million)

MADAGASCAR

Completion Point Date October 2004	Calendar Year	TOTAL ADF	TOTAL (ADB/ADF/NTF)
	2001	3.234280	8.834068
	2002	3.489872	8.550877
	2003	3.844860	7.773084
	2004*	-	-
	2005	5.324261	5.444518
	2006	5.541252	5.551439
	2007	5.839487	5.849381
	2008	6.261682	6.271289
	2009	6.775024	6.784332
	2010	7.215024	7.224039
	2011	7.194281	7.203002
	2012	7.358538	7.366969
	2013	3.547695	3.551802
		65.626257	80.404800

Summary

Total Nominal Relief	US\$ 80.404800 mn
<i>of which</i>	
ADB	US\$ 14.320167 mn
ADF	US\$ 65.626257 mn
NTF	US\$ 0.458376 mn
Total NPV Relief	US\$ 60.061101 mn
Duration	13 years

* Debt relief assistance to Madagascar was suspended in 2004

NIGERIA TRUST FUND
HIPC Debt Relief Schedule Revised
(US\$ million)

MADAGASCAR

Completion Point Date October 2004	Calendar Year	TOTAL NTF	TOTAL (ADB/ADF/NTF)
	2001	0.245149	8.834068
	2002	0.124029	8.550877
	2003	0.009448	7.773084
	2004*	-	-
	2005	0.010480	5.444518
	2006	0.010187	5.551439
	2007	0.009894	5.849381
	2008	0.009607	6.271289
	2009	0.009308	6.784332
	2010	0.009014	7.224039
	2011	0.008721	7.203002
	2012	0.008431	7.366969
	2013	0.004107	3.551802
		0.458376	80.404800

Summary

Total Nominal Relief	US\$ 80.404800 mn
<i>of which</i>	
ADB	US\$ 14.320167 mn
ADF	US\$ 65.626257 mn
NTF	US\$ 0.458376 mn
Total NPV Relief	US\$ 60.061101 mn
Duration	13 years

* Debt relief assistance to Madagascar was suspended in 2004

AFRICAN DEVELOPMENT BANK GROUP

Summary of HIPC Debt Relief Schedule Revised
(US\$ million)

MADAGASCAR

Completion Point
Date
October 2004

Calendar year	Debt Relief Approved at Decision Point	Revised Debt Relief at Completion Point
2001- 2003*	25.158028	25.158028
2004	6.827059	-
2005	5.444518	5.444518
2006	5.551439	5.551439
2007	5.849381	5.849381
2008	6.271289	6.271289
2009	6.784332	6.784332
2010	7.224039	7.224039
2011	6.121987	7.203002
2012	0	7.366969
2013	0	3.551802
TOTAL	75.232073	80.404800

* Cumulative of the total debt relief provided during the interim period

Note: Total debt relief in nominal terms is now estimated at US\$ 80.40 million as compared to US\$ 75.23 million as estimated at decision point. The increase is due to extension of the period of delivery in order to take account of the period (2004) for which no debt relief was provided because of suspension of debt relief as Madagascar had not yet reached its completion point as scheduled and had already benefited from 40% of debt relief in NPV terms during the interim period. Debt relief resumes at the completion point in October 2004 and ends in March 2013.

**Madagascar: HIPC Debt Relief Assistance Impact on Debt Service Profile
(US\$ million)**

Year	Debt Service before Debt Relief				Debt Relief Assistance				Debt Service after Debt Relief			
	ADB	ADF	NTF	TOTAL	ADB	ADF	NTF	TOTAL	ADB	ADF	NTF	TOTAL
2001	7.840	4.735	0.359	12.934	5.355	3.234	0.245	8.834	2.485	1.501	0.114	4.100
2002	7.228	5.110	0.182	12.519	4.937	3.490	0.124	8.551	2.291	1.620	0.058	3.968
2003	5.737	5.629	0.014	11.381	3.919	3.845	0.009	7.773	1.819	1.784	0.004	3.607
2004	2.388	6.132	0.013	8.534	-	-	-	-	2.388	6.132	0.013	8.534
2005	0.137	6.655	0.013	6.806	0.110	5.324	0.010	5.445	0.027	1.331	0.003	1.361
2006	-	6.927	0.013	6.939	-	5.541	0.010	5.551	-	1.385	0.003	1.388
2007	-	7.299	0.012	7.312	-	5.839	0.010	5.849	-	1.460	0.002	1.462
2008	-	7.827	0.012	7.839	-	6.262	0.010	6.271	-	1.565	0.002	1.568
2009	-	8.469	0.012	8.480	-	6.775	0.009	6.784	-	1.694	0.002	1.696
2010	-	9.019	0.011	9.030	-	7.215	0.009	7.224	-	1.804	0.002	1.806
2011	-	8.993	0.011	9.004	-	7.194	0.009	7.203	-	1.799	0.002	1.801
2012	-	9.198	0.011	9.209	-	7.359	0.008	7.367	-	1.840	0.002	1.842
Mar- 2013	-	4.508	0.005	4.513	-	3.548	0.004	3.552	-	0.960	0.001	0.961
Total	23.331	90.501	0.668	114.499	14.320	65.626	0.458	80.405	9.011	24.874	0.209	34.094

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