

AFRICAN DEVELOPMENT BANK GROUP

**UPDATE ON THE IMPLEMENTATION AND FINANCING OF THE
HEAVILY INDEBTED POOR COUNTRIES (HIPC) INITIATIVE AND
THE MULTILATERAL DEBT RELIEF INITIATIVE (MDRI)**

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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).

As of end-March 2010, 22 of 33 RMCs potentially eligible for HIPC/MDRI debt relief assistance had reached the completion point and qualified for irrevocable HIPC debt relief and MDRI debt cancellation. Seven more countries were in the interim period and four had yet to reach their decision point.

Under the HIPC Initiative, the Bank Group has provided US\$2.6 billion (44% of the total US\$5.8 billion committed), in nominal terms, to 29 post-decision point RMCs. The resources committed to finance the Bank Group's share of HIPC debt relief are composed of: US\$414.3 million from internal resources, US\$575 million arrears clearance (through the PCCF and FSF) and US\$ 2.5 billion in donor contributions on behalf the Bank Group to the HIPC Trust Fund. In addition, resources in the amount of US\$1.8 billion are committed toward the cost of debt relief assistance to the Democratic Republic of Congo (DRC) through a special fund arrangement. Through these innovative and flexible approaches the Bank has demonstrated its strong support to the HIPC Initiative and facilitated debt relief eligibility for several RMCs constrained by arrears and unsustainable debt burdens.

Under the MDRI, the ADF has cancelled an estimated UA 4.5 billion of loan reflows for 22 HIPCs that have achieved completion point as of end-March 2010. Overall, the ADF will forego an estimated UA5.5 billion (in nominal terms) of credit reflows from the 33 potentially eligible HIPCs over the 2006-2054 MDRI period.

On the basis of modalities agreed with donors on MDRI compensation for lost reflows, the Fund has received donor commitments for 90% of the total MDRI cost for ADF-10 disbursement period (2006-2017), and 87% for ADF-11 disbursement period (2008-2020).

With 11 RMCs still remaining to benefit from full and irrevocable HIPC/MDRI debt relief, one of the key issues going forward is ensuring these countries accelerate progress towards the completion point. As countries take longer to reach their completion point, they risk exhausting their interim relief allocation and having to service their debts for the remainder of the interim period. In the fast changing global economic climate, lack of progress could also lead to worsening debt outlook and potential decline in creditor participation in debt relief programs.

Finally, as HIPC/MDRI wind down, donors and beneficiary countries are shifting their focus towards strengthening LICs debt management capacities. This has become even more important given recent changes adopted by the Bretton Woods Institutions on the application of the debt sustainability framework (DSF) and debt limit policy (concessionality framework) that allow for a more flexibility and country-differentiated approach, underpinned by strong debt management capacity. Accordingly, the Bank Group is enhancing its operational approaches as regards implementation of DSF, especially as regards increasing internal capacity and external coordination on debt sustainability analysis exercises and reviewing its non-concessional borrowing policy.

I. Introduction


1.1. The purpose of this paper is to present an update on the current status of the implementation and financing of the HIPC Initiative and MDRI. Following this introduction, the status of debt relief implementation including cost and financing arrangements is presented in Section II. Section III briefly discusses key issues and challenges, followed by conclusions in section IV.

II. Status of Implementation of the HIPC Initiative

2.1. Out of the 40 countries potentially eligible for debt relief assistance from HIPC Initiative and MDRI worldwide, 33 are regional member countries (RMCs) of the Bank Group. As of end-March 2010, a total of 29 RMCs had reached decision point under the enhanced HIPC Initiative. Twenty two of these RMCs have reached completion point; 7 countries are in interim period and 4 are yet to reach decision point. The countries that changed status during the reporting period (January 2009 – March 2010) are Burundi, Cote d’Ivoire, Central African Republic and Congo Republic.¹

2.2. All countries currently in the interim period are expected to reach completion point by end-2010 or early 2011, except for Guinea whose prospect for meeting completion point triggers remains uncertain due to the political situation and arrears-induced sanctions.

Table 1: Countries’ Status under the HIPC Initiative (as of end-March 2010)

		Completion Point		Decision Point <i>and estimated time of completion point</i>		Pre-Decision Point		
	Benin	Mauritania	Chad	2010, Q4	Comoros (2010, Q3)			
	Burkina Faso	Mozambique	Côte d’Ivoire	2010, Q4	Eritrea (TBD)			
	Burundi	Niger	Congo-DRC	2010, Q3	Somalia (TBD)			
	Cameroon	Rwanda	Guinea	TBD	Sudan (TBD)			
	C.A. Rep	Sao Tomé &	Guinea-Bissau	2010, Q4				
	Congo Rep.	Principe	Liberia	2010, Q3				
	Ethiopia	Senegal	Togo	2010, Q4				
	Ghana	Sierra Leone						
	Gambia	Tanzania						
	Madagascar	Uganda						
	Malawi	Zambia						
	Mali							
			22		7		4	

¹ Board approval for Bank Group’s debt relief assistance to these countries was approved as follows: Cote d’Ivoire (decision point, March 2009), Burundi (completion point, April 2009), Central African Republic (completion point, Sept. 2009). Board approval for the Bank Group’s completion point debt relief assistance to Congo Republic is expected in April 2010.

III. Cost and Financing of Debt Relief under the HIPC Initiative and MDRI

HIPC Initiative Cost to the Bank Group and Financing Status

3.1. The overall cost of debt relief for the 40 HIPCs worldwide is estimated at US\$74 billion in end-2008 NPV terms, of which the costs to multilateral creditors account for 46 percent (US\$ 34 billion). The Bank Group's total commitment is estimated at US\$ 5.8 billion, in nominal terms. This represents 7% of the initiative's cost to all creditors and 16% of the cost to multilateral creditors. As of end-March 2010, the actual debt relief delivered to the 22 RMCs that have reached completion point and 7 RMCs in interim period stood at US\$ 1.5 billion and US\$ 1.1 billion in nominal terms, respectively (see Annex I).

3.2. The Bank Group mobilizes and disburses its share of HIPC debt relief to the 33 RMCs through the HIPC Trust Fund² (administered by the World Bank). Under previously agreed modalities, the Bank Group covers 15%-20% of the cost of each beneficiary country's debt relief from internal resources while the remaining 80-85% is to be covered by donor contributions, except in the case of the DRC, whose debt relief is financed through a different arrangement (see para 3.6). In addition, the Bank Group provides resources for arrears clearance to qualifying countries through its arrears clearance facility. Arrears clearance is a pre-requisite for HIPC debt relief eligibility, and resources provided for this purpose are counted as part of the Bank Group's contributions to total committed debt relief. Table 2 below shows the breakdown of HIPC financing by source.

Table 2: Debt Relief Financing by the Bank Group – 28 Post-Decision Point Countries
(US\$ millions, nominal, end-March 2010)

	Total Cost of Debt Relief ^{1/}	Source of Financing
	3,690.44	
Source of Financing		
Bank Group internal resources (HIPC Trust Fund)		414.30
Arrears clearance ^{2/}		575.41
Donor contributions (HIPC Trust Fund)		2,157.67
Investment income (HIPC Trust Fund)		14.33
Total	3,690.44	3,161.71

Note: 1/ Excludes cost of DRC's debt relief (presented in paragraph 3.6 and Table 3)

2/represents the cost of arrears clearances for Burundi (US\$ 26.3 million), Cote d'Ivoire, (US\$ 199.50 million) Central African Republic (US\$ 42.83 million), Congo republic (US\$ 41.86 million), Guinea Bissau (US\$ 9.54 million), Liberia (US\$ 238.08 million) and Togo (US\$ 17.30 million).

² On October 6, 2008 the Executive Directors of IBRD and IDA approved to amend resolutions No 96-9 and IDA 96-5 which established the HIPC Debt Relief Trust Fund, and changed the name of the HIPC Debt Initiative Trust Fund to the "Debt Relief Trust Fund (DRTF)". The amendment allows the DRTF to receive contributions from donors towards IDA's cost of arrears clearance and debt cancellation under the Multilateral Debt Relief Initiative (MDRI).

3.3. **Contributions to the HIPC Trust Fund:** Under agreed cost-sharing arrangements regarding internal resources and donor contributions,³ the Bank committed US\$320 million at the time of the original HIPC Framework in 1997. This amount was increased to US\$370 million following the introduction of the Enhanced HIPC Framework in May 2000.⁴ To maintain their net present value, the resources mobilized from internal sources 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.⁵ The interest income on these accounts is considered part of the Bank's contribution to the HIPC Trust Fund.

3.4. As of end-March 2010, total contributions from the Bank Group's internal resources, including interest income but excluding arrears clearances, had reached US\$ 414.3 million (Table 2). Of this amount, US\$ 368.56 million had been provided to countries that had reached the completion point and US\$ 33.99 million is planned to be allocated for decision point countries. The remaining balance of US\$ 11.77 million and any additional interest that may accrue in coming years will be provided to pre-decision countries on first-come first-served basis as they reach the completion point. A detailed update on the source and status of financing of each beneficiary country is presented in Annex II.

3.5. **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.⁶ 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.

3.6. **Special Debt Relief Financing Arrangement for the DRC:** In 2002, the Bank Group established a special arrangement to finance its share of DRC's US\$ 1.8 billion (in nominal terms) debt relief. This was done at a time when no dedicated facility (e.g. such as the PCCF and FSF) was available to support countries clear their arrears. Accordingly, the Bank Group 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 2002⁷. 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.

3.7. As shown in Table 3, as of end-March 2010, actual and expected contributions toward DRC's debt relief represent a total of US\$ 1,804.87 million, i.e., US\$ 1,262.04 through the interest recycling mechanism and US\$ 542.83 in donor contributions.

³ 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.

⁴ 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.

⁵ 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.

⁶ 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.

⁷ 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 3: DRC Debt Relief Financing Status
(US\$ millions, nominal, end-March 2010)

	ADB DRC Special Account	Donor Contributions to DRC HIPC Trust Fund Account	Total
<i>Financing committed</i>	1,262.04	542.83	1,804.87
Resources Currently Mobilized	752.23	226.35	978.58
Resources Expected	509.81	316.48	826.29
Balance			

Notes: Resources mobilized under DRC Special Account include UA 66 million from 2009 ADB net income allocation, subject to approval by the Board.

Continued Resource Mobilization Efforts

3.8. 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, as the overall cost of the HIPC Initiative has increased over time, continued support is needed to ensure sufficient resources are secured to meet the financing requirements of RMCs that have yet to reach their completion and/or decision points:

- **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, with unallocated balance of US\$ 45.76 million, the Bank Group has sufficient internal resources to cover its share of financing 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.
- **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)⁸ is approximately US\$ 298 million in nominal terms.⁹ 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. As was the case for other HIPCs, the Bank Group will mobilize required arrears clearance and debt relief support for these countries in coordination with other MDBs and bilateral donors as each country approaches its decision point.
- **Potential New Entrant:** 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. Several measures would have to be put in place if Zimbabwe were to become eligible for HIPC Initiative and MDRI debt relief assistance including (i) its reclassification as an ADF-only country (Zimbabwe is currently a blend country)¹⁰ and clearance of its arrears, which stood at US\$ 463 million at end-March 2010. 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.

⁸ There are no estimates of the potential cost of debt relief to Eritrea at the present time.

⁹ Cost projections for pre-decision point countries are indicative estimates based on preliminary data

¹⁰ To qualify for debt relief assistance from the HIPC and MDRI, countries must be ADF-only countries.

MDRI Costs and Financing Status

3.9. The estimated cost of MDRI debt relief (lost credit reflows) to the ADF¹¹ 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. As per agreement with ADF Donors, 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.

3.10. As of end-March 2010, ADF had cancelled eligible ADF debts worth UA 4.5 billion (in nominal terms) to the 21 countries that have reached completion point and qualified for irrevocable debt relief assistance and MDRI debt cancellation. An additional UA 6.6 million will be provided to Congo Republic upon the Bank Group's Board approval in April 2010.

3.11. The revised MDRI cost projections for qualifying RMCs during the periods of ADF-10 (2006-07) and ADF-11 (2008-2010) are UA 66 million and UA 146 million, respectively. Annual cost estimates are provided in Annex III.

Table 4: MDRI - Estimated Costs for the 33 Beneficiary RMCs
(UA million in nominal terms)

	ADF-10 (2006-07)	ADF-11 (2008-10)	ADF-12 (2011-13)	ADF-13 (2014-16)	ADF-14 (2017-19)	ADF-15 (2020-54)	Total Relief (2006-2054)
22 Completion Point RMCs	66.5	143.71	240.27	298.61	342.52	3394.06	4,485.67
7 Decision Point RMCs		2.4	54.8	67.4	72.6	646.06	843.26
4 Pre-decision RMCs			8.7	24.51	29.16	161.97	224.34
TOTAL	66.5	146.11	303.77	390.52	444.28	4202.09	5,553.27
	1.20%	2.63%	5.47%	7.03%	8.00%	75.67%	100.00%

MDRI Financing and Donor Commitments

3.12. As it may be recalled, Donors have pledged to compensate the ADF on a “dollar-for-dollar” basis for foregone credit reflows.¹² ADF Deputies have also 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.¹³

¹¹ 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.

¹² “Implementation Modalities of the MDRI- ADF/BD/WP2006/31 of 05/04/2006, and “Update on the Implementation of the MDRI – ADB/BD/IF2006/230-ADF/BD/IF2006/200 of 1/09/2006.

¹³ Unqualified commitments are counted for 100 percent in the Advanced Commitment Capacity while qualified commitments are counted for 85 percent.

3.13. For ADF-10 disbursement period (2006-2017), donor commitments have been received for 90% (UA 986 million) of the total MDRI cost (UA1,092 million), of which 71% are unqualified and 19% qualified. 10% of the cost (UA 105 million) is not yet covered. The structural gap has been substantially reduced from 0.6% to 0.1% (UA0.9 million).¹⁴

3.14. For ADF-11 disbursement period (2008-2020), donor commitments have been received for 87% (UA1,289 million) of the total MDRI cost (UA1,473 million), of which 62% are unqualified and 25% are qualified. 12% (UA180 million) of the cost is not covered by either qualified or unqualified commitments and the structural gap stands at 0.3% (UA3.9 million).

Table5: Details of Donor Commitments Received
(UA million, as of end-March 2010)

	ADF-10 Disbursement Period (2006-2017)		ADF-11 Disbursement Period (2008-2020)	
	UA million	%	UA million	%
Unqualified commitments	773.5	71%	914.1	62%
Qualified commitment	212.6	19%	374.8	25%
Sub total	986.2	90%	1,288.9	87%
Costs not yet covered	104.6	10%	180.3	12%
Structural gap	0.9	0.1%	3.9	0.3%
Total MDRI cost	1,091.7	100.00%	1,473.1	100.00%

Payment and Encashment

3.15. As per debt relief implementation modalities agreed by Deputies, the annual payment schedule for compensatory financing for ADF-11 has been set at January 15 and the encashment schedule (for payment through deposit or promissory notes) at the third week of February over the course the MDRI period starting in 2007 (i.e. 2007 to 2054).

3.16. As of end-March 2010, all payments due for the 2006-2009 period and 81% of payments due for 2010 have been received. Donors are urged to take the necessary measures to unqualify their commitments or deposit their instrument of commitment.

IV. Key Implementation Challenges and Opportunities

4.1. Several RMCs are making good progress towards meeting their completion point targets (DRC, Liberia and Togo). However, there still remain a number of countries that have experienced slippage or delay in meeting their completion point triggers during the reporting period (e.g. Chad, Guinea and Guinea Bissau). For some interim period countries and all four pre-decision point countries, the main challenges are related to poor governance, political instability, security concerns and costly or protracted arrears. The Bank Group has granted multiple extensions of interim debt relief to DRC (until December 2010), Guinea and Guinea-Bissau (until January 2011). DRC is now on track to meet the completion point triggers following the resolution of the issue of non-concessional borrowing in late 2009. Guinea and Guinea-Bissau have had difficulty maintaining macroeconomic stability in the face of ongoing post-conflict economic and political challenges. Comoros has already cleared its arrears to the Bank Group and is making progress toward reaching its decision point, possibly in mid 2010.

¹⁴ Austria has agreed, on a voluntary basis, to use the credit generated by the accelerated encashment of its ADF-11 subscription to cover a portion of the MDRI structural gap.

4.2. 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. These concerns are further heightened in the context of the financial and economic crisis and the potential worsening of debt ratios of some of these countries on the one hand, and ever rising demand on donor finances.

Looking Ahead: Debt Sustainability and Debt Management Capacity

4.3. 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.¹⁵ Debt sustainability analysis exercises performed under the Debt Sustainability Framework (DSF) for several countries also show that compared to non-HIPCs, post-completion point countries have a better debt outlook – even as more than half of these countries show moderate or high risk of debt distress.

4.4. As the HIPC/MDRI debt relief initiatives wind down and countries continue to weigh options for long-term development financing in the context of scarce concessional resources, a strong debt management capacity has become central to the debate on debt sustainability. The two main drivers of debt distress for post-HIPC/MDRI countries are their vulnerability to export shocks and their high sensitivity to new terms of financing. For some countries, the situation has been further aggravated in the context of the global economic crisis with declines in gross domestic product, exports and reductions in remittance flows, foreign direct investment and trade. Though the full impact on the long-term debt sustainability prospects of individual countries remains to be seen¹⁶, in the short to medium term these effects could worsen debt ratios and curtail governments' ability to maintain prudent risk levels.

4.5. To respond to this challenge, the Bank Group is proactively engaged in exploring opportunities to enhance its role in debt management capacity-building efforts, both internally and externally with the view to better supporting RMCs. It is, for example, in the process of finalizing plans to become a donor to the Debt Management Facility (DMF), a multidonor trust fund created to scale up capacity building with regards to debt management. The DMF provides advisory and technical support to LICs on a wide range of debt management issues including development of debt management strategies, monitoring, knowledge dissemination, and training.

4.6. Given the importance of a collective response to debt re-accumulation issues, the Bank Group is also reviewing its non-concessional borrowing policy in close collaboration with the IMF and the World Bank, following recent changes adopted by these institutions with respect to some aspects of the application of the DSF and guidelines on external debt limits. In both cases, the Bretton Woods Institutions have adopted more flexible approaches

¹⁵ World Bank estimates show that the debt burdens for post-completion point countries (at end-2008), on aggregate, has been reduced by 80 percent compared to their decision point levels. International Development Association. 2009. *Heavily Indebted Poor Countries (HIPC) and Multilateral Debt Relief Initiative (MDRI) Status of Implementation Report*.

¹⁶ 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.

with the view to taking into account the diversity of client countries in terms of their debt vulnerabilities and their capacity to manage prudent levels borrowing.

4.7. The Bank Group is also scaling up cooperation with its partners by providing systematic inputs into the DSF by participating increasingly in DSA missions with Bretton Woods Institutions, by collaborating systematically on HIPC/MDRI and issues related to non-concessional borrowing, and by participating in regular meetings on debt issues with other international financial institutions.

V. Conclusions

5.1. 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. Through innovative and flexible approaches the Bank has demonstrated its strong support to the HIPC Initiative and the MDRI, and has facilitated debt relief eligibility for several RMCs constrained by unsustainable debt burdens and arrears.

- The Bank Group has contributed US\$ 414.12 million from internal resources, facilitated seven arrears clearance operations worth US\$ 575 million and created a special facility to clear DRC's arrears and finance a US\$ 1.8 billion debt relief operation. Donors for their part have contributed over US\$ 2.6 billion towards the Bank Group's cost of debt relief under the HIPC Initiative.
- Under the MDRI, the ADF has cancelled eligible debts of 22 completion point countries amounting to UA 4.5 billion.
- Donors have met their MDRI payment obligation for the 2006-2009 period. However, 19% of payments due for the 2010 period remain either qualified or not received. Donors are urged to take the necessary measures to unqualify their commitments or deposit their instrument of commitment.

5.2. The cost of HIPC Initiative and MDRI could rise if interim and pre-decision point countries do not make sufficient and timely progress. The Bank, its regional member countries, other creditors and donors should continue mobilizing their best and collective efforts to ensure acceleration of progress of these countries towards HIPC decision or completion point.

Annex I: Status of Debt relief Implementation

(US millions, End-March 2010)

	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 DATE1
	DEC. POINT	COMPL. POINT	DEC. POINT	COMPL. POINT		COST TERMS	NPV TERMS		NPV TERMS	NOM. TERMS	NPV TERMS (%)	NOM. TERMS (%)	
Completion Point													
Benin	Jul-00	Mar-03	Oct-00	Jul-03	Dec-98	37.57	46.50	Apr-09	37.57	46.50	100.0%	100.0%	Irrevocable
Burkina Faso	Jun-00	Apr-02	Oct-00	Jul-02	Dec-99	86.70	125.74	Oct-20	50.06	60.47	57.7%	48.1%	Irrevocable
Burundi	Aug-05	Jan-09	Nov-05	Apr-09	Dec-04	150.18	241.65	Apr-35	49.73	51.79	33.1%	21.4%	Irrevocable
Cameroon	Oct-00	May-06	Nov-00	Jul-06	Jun-99	78.84	100.51	Apr-11	74.07	93.07	93.9%	92.6%	Irrevocable
Central African Rep.	Sep-07	Jun-09	Dec-07	Sep-09	Dec-06	85.38	97.57	Jul-20	56.55	56.88	66.2%	58.3%	Irrevocable
Congo Republic	Mar-06	Q4 2009	Nov-06	...	Dec-04	41.86	41.86	...	41.86	41.86	100.0%	100.0%	n.a
Ethiopia	Nov-01	Apr-04	Feb-02	Oct-04	Jun-01	339.46	461.39	Sep-21	187.57	222.27	55.3%	48.2%	Irrevocable
Gambia	Dec-00	Dec-07	Feb-01	Mar-08	Dec-99	15.82	22.77	Jul-13	9.69	11.91	61.2%	52.3%	Irrevocable
Ghana	Feb-02	Jul-04	May-02	Dec-04	Dec-00	130.93	160.15	Jan-13	118.11	138.29	90.2%	86.4%	Irrevocable
Madagascar	Dec-00	Oct-04	Feb-01	Mar-05	Dec-99	60.06	80.40	Mar-13	45.15	55.06	75.2%	68.5%	Irrevocable
Malawi	Dec-00	Aug-06	Jan-01	Nov-06	Dec-99	139.31	212.83	Jul-23	48.01	58.32	34.5%	27.4%	Irrevocable
Mali	Sep-00	Mar-03	Nov-00	Jul-03	Dec-98	69.72	86.42	Jul-10	65.13	79.48	93.4%	92.0%	Irrevocable
Mauritania	Feb-00	Jun-02	Jul-00	Jul-02	Dec-98	72.80	90.69	Apr-11	65.62	79.52	90.1%	87.7%	Irrevocable
Mozambique	Apr-00	Sep-01	Oct-00	Feb-02	Dec-98	141.95	148.97	Sep-10	20.23	25.95	14.2%	17.4%	Irrevocable
Niger	Dec-00	Apr-04	Mar-01	Oct-04	Dec-99	50.01	86.26	Jul-24	20.09	25.15	40.2%	29.2%	Irrevocable
Rwanda	Dec-00	Apr-05	Jan-01	Jul-05	Dec-99	116.10	222.29	Oct-31	42.33	52.98	36.5%	23.8%	Irrevocable
Sao Tome & Principe	Dec-00	Mar-07	Apr-01	Jun-07	Dec-99	43.43	88.36	Sep-32	11.39	15.94	26.2%	18.0%	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	16.48	20.83	37.9%	22.7%	Irrevocable
Tanzania	Apr-00	Nov-01	Jul-00	Feb-02	Jun-99	124.90	190.75	Jul-17	73.38	92.81	58.7%	48.7%	Irrevocable
Uganda	Feb-00	May-00	Jan-00	Sep-00	Jun-99	81.30	100.65	Mar-12	49.48	62.40	60.9%	62.0%	Irrevocable
Zambia	Nov-00	Apr-05	Jan-01	Jul-05	Dec-99	146.10	214.50	Jul-25	104.32	119.60	71.4%	55.8%	Irrevocable
						2112.7	2977.4	...	1243.6	1476.5			
Decision Point													
Chad	May-01	Q4 2010	Jul-01	...	Dec-00	36.90	55.29	Apr-16	14.68	16.54	39.8	29.9	Mar-06
Cote D'Ivoire	Mar-09	Q4 2010	Apr-09	...	Dec-07	199.5	199.5	...	199.5	199.5	100.0	100.0	n.a
Democratic Rep. Cong	Jul-03	Q3 2010	Jun-04	...	Dec-02	905.09	1804.87	Sep-24	542.03	592.35	58.9	32.8	Dec-10
Guinea	Dec-00	TBD	Apr-01	...	Dec-99	75.30	107.85	Mar-16	37.65	43.10	50.0	40.0	Dec-08
Guinea-Bissau	Dec-00	Q4 2010	Dec-00	...	Dec-99	60.37	95.05	Jan-18	33.10	38.40	54.8	40.4	Jan-11
Liberia	Mar-08	Q3 2010	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
	...	...			...	1532.52	2517.93	...	1082.32	1145.25	...	...	...
						3645.2	5495.3	...	2325.9	2621.7	...	...	...
Pre-decision Point													
Comoros	Q3 2010	TBD			...	18.80	25.20	...	...	...	...	...	...
Eritrea	TBD	TBD			...	...	...	...	...	...	...	...	...
Somalia	TBD	TBD			...	159.50	210.53	...	...	...	...	...	...
Sudan	TBD	TBD			...	53.10	63.02	...	...	...	...	...	...
	...	...			...	231.4	298.8	...	...	...	...	...	...
	...	...			...	3876.6	5794.1	...	2325.9	2621.7	...	...	...

Annex II : HIPC Debt Relief Financing Status (US\$ millions, End-March 2010)

	Bank Group Contribution to HIPC Trust Fund				Donor Contribution to	Arrears Clearance	TOTAL Debt Relief Financed
	ADB	ADF	NTF	Bank Group	HTF HIPC TF (Excluding AfDB & Arrears Clearance)	Total applied to debt relief	
Bank Group Commitment (a)							
ADF (Loan/Grant cancellation/Net reflows)		246,000,000		246,000,000			
ADB (Net Income allocation)	124,000,000		-				124,000,000
Total	124,000,000	246,000,000	-	370,000,000			
Contributions made to HIPC TF (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			
Total	160,066,446	243,137,308	11,116,584	414,320,339	2,172,739,573		2,587,059,912
<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>			
Disbursements and estimated costs (d)							
Actual disbursements to date (Completion Point RMCs)							
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
Congo Rep. (Q4-2009)	-	-	-	-	-	41,860,000	41,860,000
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
Sub-total	100,901,693	267,196,813	891,434	368,989,940	1,837,485,458	110,990,000	2,317,465,398
Estimated costs for decision point RMCs							
Chad (Q4-2010)	-	7,904,762	-	7,904,762	43,090,000		50,994,762
Cote d'Ivoire (Q4-2010)				-		199,500,000	199,500,000
Guinea (TBD)	11,226,457	3,664,147	413,348	15,303,952	86,730,000		102,033,952
Guinea Bissau (Q4-2010)	318,076	10,286,020	117,047	10,721,142	61,193,139	9,540,000	81,454,281
Liberia (Q3-2010)				-	-	238,080,000	238,080,000
Togo (Q4-2010)				-	-	17,300,000	17,300,000
Sub-total	11,544,533	21,854,929	530,395	33,929,856	191,013,139	464,420,000	689,362,995
Dem. Rep. of Congo (Q3-2010)**	-	-	-	-	542,061,083		542,061,083
Estimated costs for pre-decision point RMCs							
Comoros (Q3-2010)		3,780,000		3,780,000	21,420,000		25,200,000
Eritrea				-	-		(63,020,000)
Somalia				-	-		(210,530,000)
Sudan				-	-		-
Sub-total	-	3,780,000	-	3,780,000	21,420,000	-	(273,550,000)
Total cost (actual and estimated)	112,446,226	292,831,742	1,421,829	406,699,797	2,591,979,680	575,410,000	
Balance***	47,620,220	(49,694,433)	9,694,756	7,620,542	(340,948,107)	575,410,000	

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 Estimate for 33 Beneficiary RMCs
(UA millions, End-March 2010)

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020-2054	Grand Total
Completion point countries																
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
Congo Rep.	-	-	-	-	0.16	0.32	0.32	0.32	0.32	0.31	0.31	0.31	0.31	0.31	3.58	6.57
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
Sub-total	29.93	36.57	41.60	47.43	54.68	69.18	78.45	92.64	99.78	99.71	99.13	103.33	117.77	121.42	3394.06	4485.67
Decision point countries																
Chad	-	-	-	-	-	2.43	4.76	6.87	6.91	7.00	7.10	7.29	7.73	7.73	153.16	210.98
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	-	-	-	-	1.16	1.15	1.15	1.15	1.43	1.42	1.42	1.41	1.40	1.39	86.28	99.35
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
Sub-total				0.0	8.3	13.7	19.3	21.9	22.5	22.5	22.5	23.5	24.3	24.8	640.8	844.0
Pre-Decision point countries																
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
Sub-total							1.07	7.63	7.58	7.54	9.39	9.52	9.85	9.79	161.97	224.34
Total	29.93	36.57	41.60	47.43	63.00	82.89	98.80	122.14	129.84	129.72	131.01	136.36	151.88	156.06	4196.79	5553.99

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-March 2010)

MDRI PARTICIPANTS	PAYMENTS 2006-2007		Advanced Payments Received in 2006	PAYMENTS 2008		Advanced/ Excess Payments Received in 2008	PAYMENTS 2009		Advanced/ Excess Payments Received in 2009	PAYMENTS 2010			Advanced/ Excess Payments Received in 2009	TOTAL Payments due (2006-2010)	TOTAL Payments Received (2006-2010)
	Contributions Due	Contributions Paid		Contribution Due	Contribution Paid		Contribution Due	Contribution Paid		Contribution Due	Qualified or not covered by IOC *	Contribution Paid			
1 AUSTRIA ⁷	1,399,574	1,399,574		176,283	176,283		986,823	986,823	693,168	1,219,017		1,219,017		2,562,681	4,474,866
2 BELGIUM	1,827,081	1,827,081		230,130	230,130		1,288,253	1,288,253		1,591,371		1,591,371		3,345,463	4,936,834
3 CANADA ^{1,5}	5,304,148	5,304,148		4,212,400	4,212,400		4,793,374	4,793,374	81,354,088	-	-	-		14,309,922	95,664,010
4 CHINA	1,935,425	1,935,425		243,776	243,776		1,364,645	-		1,685,737	(1,685,737)	-		5,229,583	3,543,846
5 DENMARK	1,282,231	1,282,231		161,503	161,503	904,086	904,086	904,086		1,116,811		1,116,811		3,464,631	3,464,631
6 FINLAND ⁵	1,768,049	1,768,049		222,694	222,694		1,246,631	-		1,539,955		1,539,955		4,777,329	4,777,329
7 FRANCE	10,844,035	10,844,035		1,365,860	1,365,860		7,646,001	7,646,001		9,445,058		9,445,058		29,300,953	29,300,953
8 GERMANY	7,791,028	7,791,028		981,318	981,318		5,493,362	5,493,362		6,785,916		6,785,916		21,051,624	21,051,624
9 INDIA	205,121	205,121		25,836	25,836		144,628	144,628		178,658		178,658		554,243	554,243
10 ITALY ¹	4,714,798	4,714,798		1,992,892	1,992,892		7,261,457	-	4,057,690	7,261,457	(3,203,766)	4,057,690		21,230,603	18,026,837
11 JAPAN ^{1,5}	7,875,922	7,875,922		992,011	992,011	12,413,077	5,553,219	5,553,219		6,859,858		6,859,858		21,281,010	21,281,010
12 KOREA ^{1,5}	749,653	749,653		597,012	597,012		679,352	679,352		933,955	(933,955)	-		2,959,973	2,026,017
13 KUWAIT ⁴	196,843	196,843	12,806,130	24,793	24,793		138,792	138,792		171,448		171,448		531,876	13,002,972
14 THE NETHERLANDS	3,889,708	3,889,708		489,928	489,928		2,742,587	2,742,587		3,387,901		3,387,901		10,510,124	10,510,124
15 NORWAY	4,172,596	4,172,596		525,559	525,559		2,942,048	2,942,048		3,634,294	-	3,634,294		11,274,497	11,274,497
16 PORTUGAL	666,210	666,210		83,912	83,912		469,736	469,736		580,263		580,263		1,800,121	1,800,121
17 SAUDI ARABIA ⁶	354,904	354,904		44,702	-		250,239	-		309,119		309,119	2,037,674	958,964	2,996,638
18 SOUTH AFRICA ³	138,986	138,986	9,423,376	-	-		-	-		-	-	-		138,986	9,562,362
19 SPAIN ^{1,5}	11,598,360	11,598,360		10,358,333	10,358,333		10,358,333	-	5,565,768	4,116,567		-		36,431,592	37,880,793
20 SWEDEN	4,714,798	4,714,798		593,852	593,852		3,324,348	3,324,348		4,106,547		4,106,547		12,739,545	12,739,545
21 SWITZERLAND ²	3,025,989	3,070,017		381,138	381,138		2,133,589	2,133,589	223,134	2,635,610		2,635,610	5,373,471	8,176,326	13,816,958
22 UNITED KINGDOM ^{1,5}	8,840,246	8,840,246		6,233,182	6,233,182		6,244,012	6,244,012		8,902,230		8,902,230		30,219,671	30,219,671
23 USA ⁶	9,987,010	9,987,010		1,257,913	1,257,913		7,041,722	7,041,722		8,698,596	(4,382,622)	4,315,974		26,985,242	22,602,620
TOTAL	93,282,716	93,326,745	22,229,506	31,195,030	31,150,328	13,317,163	73,007,236	52,525,933	91,893,847	75,160,366	(10,206,081)	60,837,718	7,411,144	269,834,961	375,508,503

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 uses the accelerated ADF encashment to settle its MDRI contribution.

7 State participant uses the accelerated ADF encashment to reduce the structural gap of the MDRI.