

AFRICAN DEVELOPMENT BANK GROUP

**HIPC APPROVAL DOCUMENT FOR MAURITANIA:
DECISION POINT UNDER THE ENHANCED FRAMEWORK**

July 2000

HIPC APPROVAL DOCUMENT FOR MAURITANIA: Decision Point under the Enhanced Framework

1. INTRODUCTION

1.1 The Boards of Directors broadly endorsed the Bank Group's participation in the enhanced HIPC Initiative, in principle, on May 12, 2000. During this meeting, it was agreed that the Bank Group would consider qualifying countries on a case-by-case basis, subject to the availability of adequate financing. The Bank Group would provide its debt relief by releasing eligible countries from 80 percent of their annual debt service obligations until the total debt relief is delivered. Debt service delivery would commence at the decision point, with no more than 40 percent of HIPC assistance being provided between the decision and completion points. Whenever possible, total debt relief will be provided within 15 years.

1.2 On February 10, 2000, Mauritania reached its decision point and the Boards of the IMF and World Bank approved US\$ 622 million worth of debt relief in 1998 net present value (NPV) terms under the enhanced HIPC Initiative. This document invites the Boards to note the justifications for Mauritania's qualification for HIPC assistance, and approve the proposed plan to finance the Bank Group's share of Mauritania's costs. Section 2 of this document summarises details of Mauritania's qualification, while the total debt relief is disaggregated in Section 3 to illustrate how the Bank Group's share of the HIPC costs have been derived. The Bank Group's operations are reviewed in Section 4, with particular emphasis on activities related to the Poverty Reduction Strategy Papers (PRSPs). Section 5 presents details of the proposed delivery modality and illustrates the impact of HIPC debt relief on Mauritania's debt service profile. The proposed financing plan is presented in Section 6. Recommendations for Board consideration are contained in Section 7.

2. HIPC QUALIFICATION

Mauritania qualified for US\$622 million worth of debt relief assistance, equivalent to a 50 percent reduction in the country's outstanding stock of debt. HIPC assistance was approved under the fiscal criterion. Mauritania reached its decision point in February 2000, and is expected to reach its completion point in 2001 by fulfilling the following conditions:

- Consolidation of macroeconomic progress, as evidenced by progress under an IMF-supervised Poverty Reduction and Growth Facility (PRGF) programme;
- Satisfactory implementation of policy reforms articulated in the medium-term policy framework;
- Prepare full PRSP; and
- Implement PRSP for at least one year.

Copies of the relevant HIPC completion point documents are annexed to this report.

3. HIPC COSTS

Bilateral creditors will account for US\$261 million (42 percent) of Mauritania's debt relief, while multilateral creditors will deliver the remaining US\$361 million (58 percent). Since the Bank Group accounts for 20.2 percent of Mauritania's total multilateral obligations, its share of multilateral debt relief will be US\$73 million in 1999 NPV terms. In nominal terms, Bank Group assistance to Mauritania under the enhanced HIPC Initiative amounts to US\$105 million. Table 1 provides a breakdown of Mauritania's total debt relief.

Table 1. Breakdown of Mauritania's HIPC Costs

	US\$ million (1998 NPV)
Total HIPC Debt Relief	622
Bilateral Creditors	261
Multilateral Creditors	361
<i>of which:</i>	
<i>African Development Bank Group</i>	<i>73</i>
<i>World Bank</i>	<i>100</i>
<i>IMF</i>	<i>47</i>

4. BANK GROUP INVOLVEMENT IN THE PRSP

The PRSP for Mauritania was based on an existing poverty reduction programme; the Bank Group was, therefore, not involved in the preparation process. However, since the PRSP is consistent with the Bank Group's CSP in both process and orientation, Bank Group activities will reflect PRSP priorities.

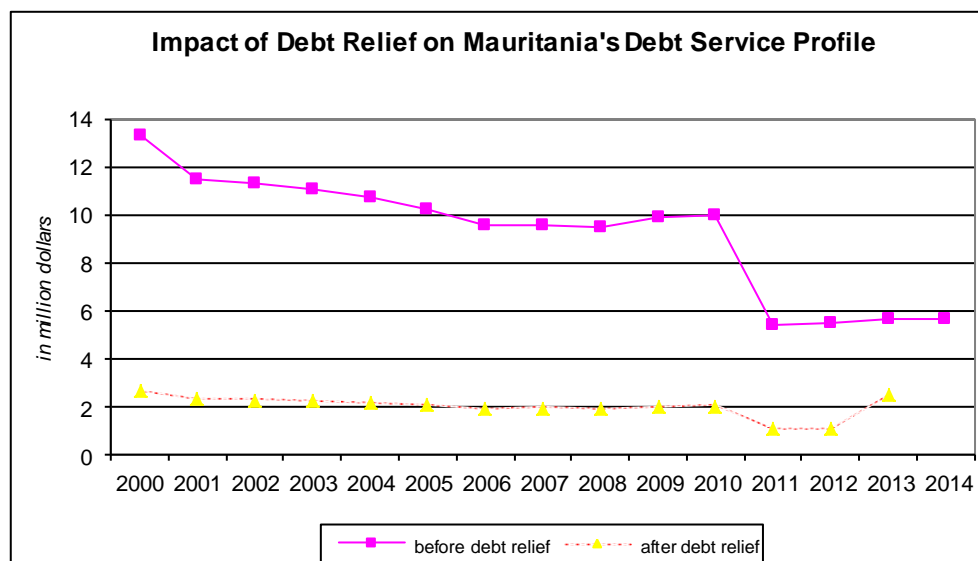
5. PROPOSED DELIVERY MODALITY

5.1 As Mauritania has reached its decision point, it is proposed that the Bank Group makes a commitment to provide interim debt relief between the decision and completion points, with effect from February 2000. Interim relief will not exceed 40 percent of the total NPV debt relief, and is expected to be delivered between 2000 and 2003. The Bank Group's debt relief would be provided by releasing Mauritania from 80 percent of its debt service obligations to the Bank Group each year, until the entire amount of US\$73 million is delivered. The conditions that would trigger Mauritania's floating completion point are outlined in Section 2. When the completion point is reached, the Bank Group will enter into an irrevocable debt relief commitment. Total debt relief will be delivered by end 2013. Chart A illustrates the impact of Bank Group debt relief on Mauritania's debt service profile over the delivery period. As is customary, the annual debt relief disbursement schedule will be annexed to the Debt Relief Agreement between the Bank Group and the government of Mauritania.

Legal Aspects of Debt Relief Operation

5.2 Debt relief for Mauritania is to be provided, under the enhanced framework of the HIPC Debt 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 Mauritania, a HIPC Trust Fund Grant Agreement between the Bank Group, the International Development Association (IDA) and the government of Mauritania; and the Contribution Agreement between the Bank Group and the 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 Mauritania's Bank Group Debt Service Profile
(in million US dollars)



6. PROPOSED FINANCING ARRANGEMENTS

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

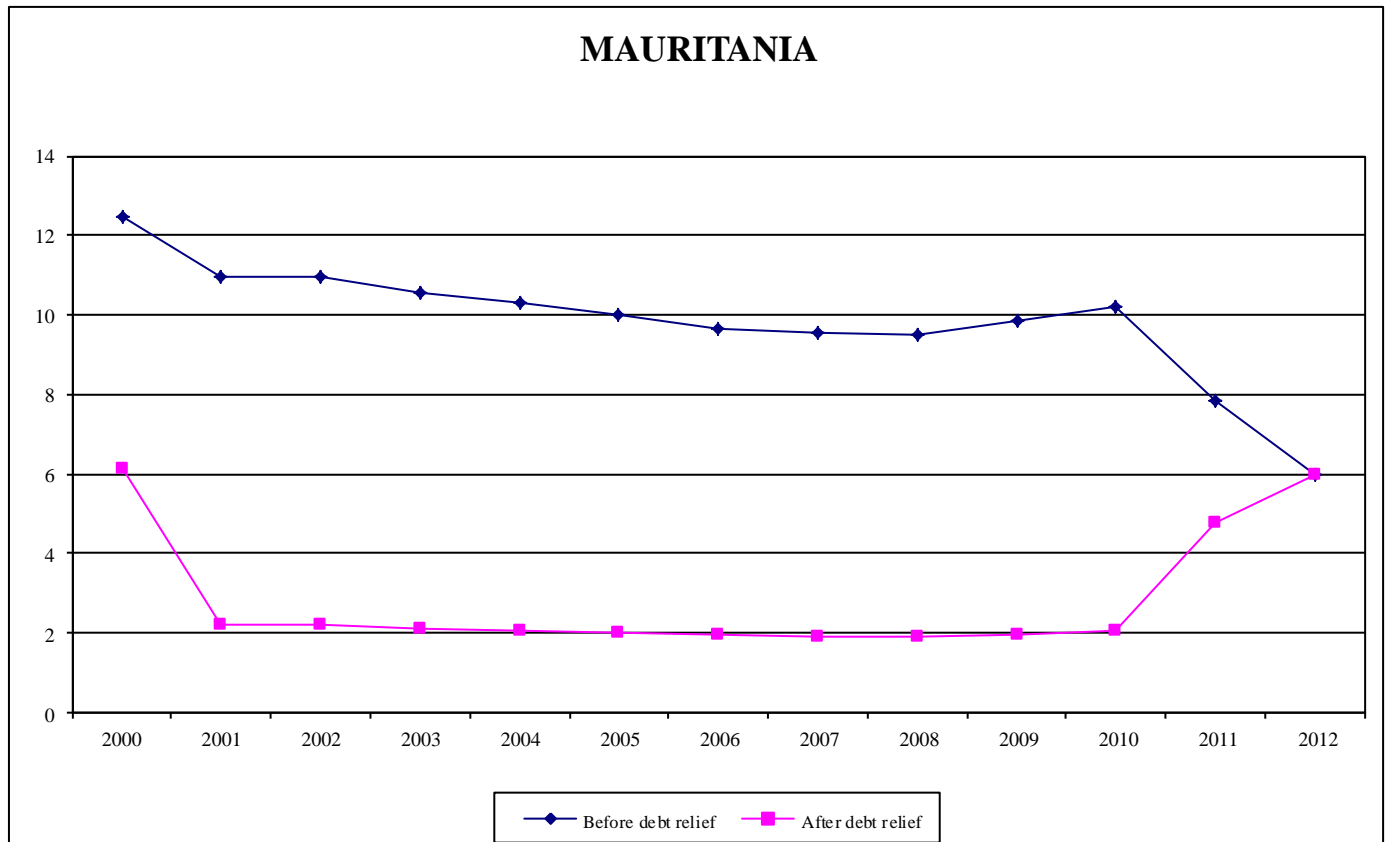
	<i>US\$ end 1998 NPV</i>
Internal Resources	14.55
European Commission pledge	29.10
Balance with HIPC Trust Fund	29.10
TOTAL	72.75

7. RECOMMENDATIONS

The Boards are invited to:

1. Note the justifications for Mauritania's qualification for HIPC assistance at its decision 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 6.

**Impact of Debt Relief on Mauritania's Bank Group Debt Service Profile
(in million US dollars)**



African Development Bank

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

Decision Point Date		TOTAL ADB	TOTAL Debt Relief
27 Feb. 2000	2000	4.013877	6.370945
	2001	5.949318	8.783151
	2002	5.713448	8.775014
	2003	5.276833	8.453208
	2004	5.062837	8.261759
	2005	4.840196	8.019840
	2006	4.597481	7.728926
	2007	4.356958	7.643734
	2008	4.143647	7.607060
	2009	3.926178	7.874544
	2010	3.710787	8.152820
	2011	1.775307	3.023363
		53.366867	90.694364

Summary

Total Nominal Relief	US\$ 90.694364 mn
of which ADB	US\$ 53.366867 mn
of which ADF	US\$ 37.327494 mn
Total NPV Relief	US\$ 72.800000 mn
Duration	12 years

African Development Fund

HIPC Debt Relief Schedule

 (in US\$ millions)

Mauritania

Decision Point Date		TOTAL ADF	TOTAL Debt Relief
27 Feb. 2000	2000	2.357068	6.370945
	2001	2.833833	8.783151
	2002	3.061566	8.775014
	2003	3.176374	8.453208
	2004	3.198922	8.261759
	2005	3.179644	8.019840
	2006	3.131445	7.728926
	2007	3.286775	7.643734
	2008	3.463412	7.607060
	2009	3.948366	7.874544
	2010	4.442033	8.152820
	2011	1.248056	3.023363
		37.327494	90.694364

Summary

Total Nominal Relief	US\$ 90.694364 mn
of which ADB	US\$ 53.366867 mn
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IMF/ World Bank HIPC Documents for MAURITANIA

<http://www.imf.org/external/NP/hipc/pdf/Mauritad.pdf>