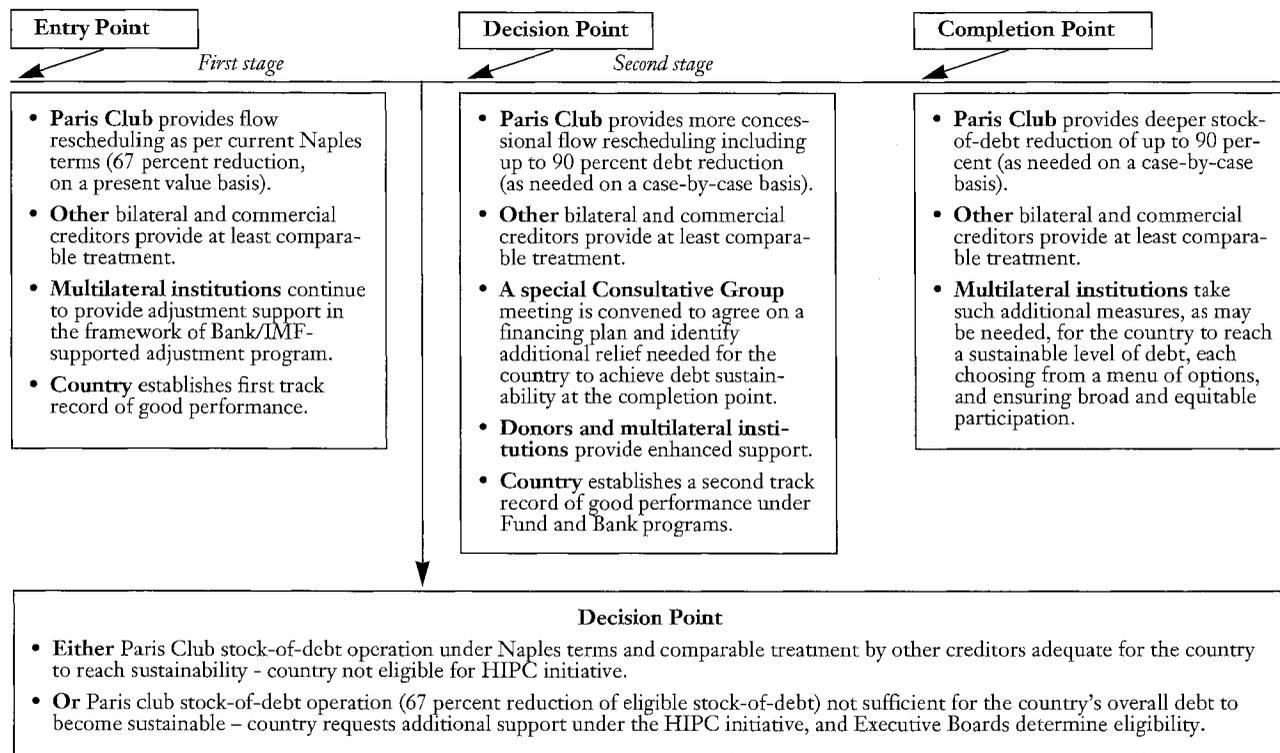


Annexes

Annex 1 Summary of the New IMF/World Bank HIPC Initiative



Source: *A Framework for Action to Resolve the Debt Problems of the Heavily Indebted Poor Countries: Report to the Managing Director of the IMF and the President of the World Bank to the Interim and Development Committees*, IMF/WB, 15 April 1996.

Annex 2 The Costs of the New IMF/WB Debt Initiative

In June 1996, the IMF and the World Bank estimated the total cost of the new debt initiative at \$5.6 billion. The distribution of further debt relief among bilateral and commercial creditors depends on how much additional relief these creditors are willing to provide. The following Table illustrates the various patterns of burden sharing based on different levels of additional debt reduction by other creditors.

Table A Burden Sharing Based on Varying Levels of Debt Reduction
(billions of US Dollars)

Type of Creditor	Amount of Debt Reduction (in NPV* terms)		
	67%	80%	90%
Total Cost	5.6	5.6	5.6
Bilateral	0.0	2.3	3.5
<i>of which:</i>			
Paris Club	0.0	1.9	2.9
Other Bilateral	0.0	0.4	0.6
Commercial	0.0	0.1	0.1
Multilateral	5.6	3.2	2.0
<i>of which:</i>			
World Bank	2.1	1.1	0.7
IMF	1.2	0.8	0.5
African Development Bank	1.2	0.7	0.4
Other Multilaterals	1.1	0.6	0.4

*NPV = Net Present Value

Three clear points emerge from this Table.

- (1) It is clearly in the interest of multilateral creditors to press for additional debt reduction by other creditors since it reduces their burden to provide debt reduction and relief. This is the main reason why the multilaterals use the preferred creditor argument to shift the focus of debate from an exclusive concentration on multilateral debt reduction to a more generalised argument involving total debt reduction. In doing so, they take insufficient account of what other creditors have already done.
- (2) Commercial creditors have very little to contribute to the new debt initiative. The inclusion of commercial creditors in the provision of further

debt reductions would result in extreme complications, and heavily-indebted poor countries would be significantly better off if these creditors were excluded from the plan entirely. The effort involved would not be commensurate with the outcome achieved.

- (3) Bilateral creditors (and mainly the OECD governments) must decide how much more they are willing to pay for additional debt reduction. These decisions will be determined by their own increasingly limited budgets as well as how much of the burden they want their multilateral instrumentalities to bear from their internal resources. Within the multilateral system, the capacity exists to bear the full cost of \$5.6 billion (and even more if necessary) without the occurrence of any financial disruptions and market reactions.

The June 1996 IMF/WB paper is remiss in omitting to show exactly what the percentage NPV debt reduction contribution of the multilaterals, relative to other creditors, would be for each of the three options mentioned in Table A. The aggregate numbers suggest that it would be significantly less than the notional 67% provided under the Naples Terms by bilateral creditors. While this figure can be misleading (because Naples Terms are not applied to the entire outstanding stock of bilateral debt), what must be considered is that bilateral creditors have tolerated arrears which, if eventually forgiven, would imply a reduction higher than 67% NPV.

Annex 3

Table B Sub-Saharan Africa's Outstanding Multilateral Debt: 1980-94
(millions of US Dollars)

Country	1980	1985	1990	1994
Angola	13.2	27.6	58.5	158.8
Benin	120.0	240.7	554.7	856.4
Botswana	84.3	225.2	391.7	501.6
Burkina Faso	156.3	282.2	565.0	926.6
Burundi	94.8	261.2	702.8	937.0
Cameroon	480.5	708.2	1414.3	1663.9
Cape Verde	17.2	54.6	87.0	123.9
C.A.R.	76.9	162.5	492.3	631.8
Chad	88.3	101.4	350.4	632.8
Comoros	21.2	69.1	113.9	142.2
Congo	140.0	342.4	580.5	717.3
Côte d'Ivoire	588.2	1871.6	3019.5	3694.9
Djibouti	2.3	39.1	89.6	128.0
Equatorial Guinea	18.8	27.2	73.2	119.6
Ethiopia	419.1	672.6	1243.8	2196.3
Gabon	54.8	93.8	449.6	543.6
Gambia	57.1	118.3	248.2	331.2
Ghana	384.0	1227.9	2583.2	3370.5
Guinea	164.8	288.1	729.6	1375.5
Guinea Bissau	30.4	105.7	274.4	369.0
Kenya	884.1	1840.1	2968.6	3158.3
Lesotho	46.5	147.7	306.0	452.1
Liberia	219.8	550.0	755.4	768.8
Madagascar	269.3	658.2	1377.3	1682.3
Malawi	299.0	650.5	1191.3	1699.3
Mali	212.1	498.4	978.2	1362.0
Mauritania	186.0	381.3	725.5	916.2
Mauritius	179.4	352.4	322.6	260.0
Mozambique	0.0	77.4	502.3	1265.9
Niger	158.7	351.7	784.5	887.6
Nigeria	570.5	1430.9	3733.2	4806.3
Rwanda	104.3	242.2	542.3	762.2
Sao Tome	10.6	21.5	76.4	166.6
Senegal	402.7	848.4	1677.6	2075.0
Seychelles	4.5	19.2	46.7	58.2
Sierra Leone	121.3	224.3	290.0	475.5
Somalia	177.0	564.3	912.9	937.8
Sudan	1065.0	1700.0	2678.9	3016.3
Swaziland	67.5	114.6	119.9	118.3
Tanzania	736.1	1166.7	2135.6	2855.2
Togo	151.3	369.4	650.5	763.1
Uganda	170.8	805.8	1571.5	2410.8
Zaire	695.0	1410.2	2449.5	2803.5
Zambia	844.1	1523.4	2366.5	2793.3
Zimbabwe	3.2	532.8	644.3	1864.9
Total	10591.1	23400.8	43829.7	57780.0

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