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Challenges of re-indebtedness after the Heavily Indebted Poor Countries (HIPC) Initiative and
Multilateral Debt Relief Initiative (MDRI)

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Executive Summary

This document provides an update on the status of implementation, impact, and costs of the Heavily Indebted Poor Country (HIPC) Initiative and the Multilateral Debt Relief Initiative (MDRI).

The available Data about the Initiatives, shows that the debt relief provided to the recipient countries, has substantially alleviated the volume of the debt burdens. Through the continued use by the International Development Agency (IDA) and the International Monetary Fund (IMF) of the flexibility available in the framework governing the HIPC Initiative and the MDRI, significant progress has been achieved during 2010: A total of 40 countries were qualified as Potentially Eligible at the HIPC Initiative, whose of them, 36 have reached their decision-point, of which 32 have reached the completion-point (qualified for irrevocable debt relief) and 4 countries are now on the pre-decision point.

Assistance committed to the 36 HIPCs that have qualified for HIPC Initiative assistance ("post-decision-point" HIPCs) represents on average about 38 percent of these countries' 2009 GDP. Full delivery of debt relief to these countries will reduce their debt burden by over 80 percent.

Nonetheless, some issues require continued attention in order to implement the Initiatives fully.

Some of the countries that have reached the decision-point (completion-point + interim countries) and, particularly, a few of the pre-decision-point HIPC face especially difficult problems. The global financial crisis has had a significant impact on low-income countries (LIC) debt vulnerabilities. Recent debt sustainability analyses (DSA) indicate that external and fiscal financing requirements have increased. In addition, standard measures of a country's capacity to repay debt, GDP, exports, and fiscal revenue are expected to be permanently lower. On average, debt ratios are therefore expected to deteriorate in the near term, particularly for public debt.

However, complementary studies and data produced by the World Bank and IMF, concluded that the global crisis is not expected to result in systemic debt difficulties across LIC. They concluded that, the impact of the global crisis on debt problems touches all the economies, and there is no evident correlation between debt and income countries level. The share of LIC that face higher debt vulnerabilities is significant but has not increased with the crisis. These countries are rated as being either at high risk of external debt distress or in debt distress in their most recent Debt Sustainability Analysis (DSA). A few countries with more favourable risk ratings also have high total public debt.

It is expected that, debt ratios are returning to a downward trend by 2011–12, and risk rating downgrades have been rare in post-crisis. Critical assumptions to achieve this outcome are that: (i) the crisis has no permanent impact on long-term growth; (ii) the recovery will be relatively quick, consistent with the nature of the shock for LIC (mostly external demand) and the expected recovery in industrialized countries; and (iii), as the recovery firms up, LIC restore the policy space that many of them have used to mitigate the impact of the crisis, and continue to have access to adequate financing.

To face the issues, a list of recommendations was listed:

Consistent debt management strategy: The success of debt management strategy includes a consistent macroeconomic framework involving fiscal, monetary, exchange rate and capital account policies is in place. Achieving these goals involves a complex and dynamic process, including operational and theoretical issues.

Additional funds: Overcoming these challenges will require sustained domestic efforts and continued support from the international community. It needs the full participation of all creditors, particularly smaller multilateral, non-Paris Club bilateral official and private creditors, remains to be secured. Additional funds will be needed to provide debt relief to the few HIPCs having protracted arrears.

Strengthening debt management capacity – Tools and practices: This environment underscores the importance of strengthening debt management capacity, institutions, and practices. Governments and debt managers have adapted by pursuing alternative sources to meet their funding requirements and by structuring their programs to better reflect market demand. A Debt Management Facility (DMF) was implemented by WB during FY 10, 15 countries underwent the Debt Management Performance Assessment (DeMPA), and 5 adopted a reform plan and medium-term debt management, including training actions and the Debt Manager Practitioner Program was operationalized and launch the Debt Managers Network (Professional organization of the issuers and managers of state debt) www.publicdebt.net.org/public/links/index.html

Analysis of DeMPA results with linkages to institutional reform and capacity building, reveals that many developing countries are operating with rudimentary public debt management systems. There were only five aspects of the debt management process where half or more of the countries in the sample meet the minimum requirements for effective performance. Deficiencies were recorded in relation to debt records and reporting, operational risk management, cash flow forecasting and management, and the requirements for sound governance and strategy development.

Ongoing data-basis: Data available for doing the monitoring is not enough and non actual for taking policies and to prevent risks in useful time. The annual reporting exercise on the delivery of debt relief captured 97.5% of the total cost of HIPC & MDRI, with 14 institutions providing data. However, the lack of reporting and engagement by a large number of institutions that have committed to support HIPC is of concern.

New economic policies and negotiable capacities: In which concerns the policies, alternatives were assessed, namely: The possibility to convert loans in grants; the adoption of Discretionary fiscal stimulus to support commodities exports prices, reduce fiscal incentives and revise the financing terms.

Finally, participants are urged to consider how best to improve implementation of the HIPC initiative; how to better align concessional lending modalities; how to collaborate in advancing the debt management agenda; and lastly, how to enhance the forum's about HIPC and MDRI initiatives effectiveness.

1. Introduction

The purpose of this paper is to present the status of the implementation of the Heavily Indebted Poor Countries (HIPC) Initiative and the Multilateral Debt Relief Initiative (MDRI), focusing on:

- (i) the review of the progress implementation and global impact of debt relief, including the challenges for pre-decision countries ;
- (ii) the current cost estimates and financing needs;
- (iii) the key issues as result of the impact of economic and financial crisis on debt sustainability.

For the interpretation of this document it is recommended to review the HIPC terms, definitions and concepts, eligibility criteria to access funds, structure, steps and key elements or triggers, burden-sharing among creditors and Delivery of Assistance, the Treatment of Arrears, Calculations of overall assistance, Debt Sustainability Analysis (DSA) and DSA process, Data needed by a HIPC country compiler, etc¹.

2. Context and overview of the Initiatives

The overarching goal of the HIPC Initiative and the MDRI **“is to reduce the debt burden of eligible countries so as to enable them to free up resources for poverty-reduction priorities”**. Though distinct, the two initiatives are linked at the operational level.

In 1996, the World Bank (WB) and the IMF launched the HIPC Initiative to create a framework in which all creditors, can provide debt relief to the poorest and most heavily indebted countries to ensure debt sustainability, and thereby reduce the constraints on economic growth and poverty reduction.

Created in 2005, the aim of the MDRI is to reduce further the debt of eligible Low-Income Countries (LIC) and provide additional resources to help them reach the Millennium Development Goals (MDG). Under the MDRI, three multilateral institutions—the International Development Association (IDA), the IMF and the African Development Fund (AfDF)—provide 100 percent debt relief on eligible debts to qualifying countries at the time they reach the HIPC Initiative completion point (CP).

Following a comprehensive review², the initiative was enhanced in September 1999. Specifically, key elements of the enhanced framework include: (i) the provision of more debt relief to a greater number of countries through a reduction in debt sustainability targets to a net present value debt-to-export ratio target of 150 percent and a net present value debt-to-revenue ratio target of 250 percent; (ii) faster debt relief through the introduction of

¹ Definitions and concepts concerning Extern Debt Terms, are available in: Glossary of External Debt Terms IMF, External Debt Statistics : Guide for compilers and Users (2003) IMF, Washington DC – Appendix V – Heavily Indebted Poor Countries (HIPC) Initiative and Debt Sustainability Analysis

² See HIPC Initiative and Debt Sustainability Analysis (DSA): The stages and conditionality's to accede HIPC and MDRI funds – (Pre-decision-Point > Decision Point > Completion Point).

flexibility in the qualifying period; and (iii) closer linkage between debt relief and poverty reduction and MDG.

The recent economic evolution and the global financial crisis, had a substantial impact on LIC: The external demand slowdown, leading to a contraction in export growth, increases in the external financing needs, with a drop in foreign direct investment (FDI) inflows and remittances. Economic growth has decreased sharply and external and fiscal borrowing requirements have increase substantially. Two important issues on the debt management are in the agenda:

- How the debt sustainability outlook for LIC been affected by the crises ? and
- Which will be the adequate policies and instruments for mitigating the impact ?

In this context, participants are urged to consider how best to improve implementation of the HIPC initiative; how to better align concessional lending modalities; how to collaborate in advancing the debt management agenda; and lastly, how to enhance the forum´s about HIPC and MDRI initiatives effectiveness.

3. Review of the implementation and Impacts of the HIPC/MDRI Initiatives

3.1 Progress in the implementation and impact of debt relief under HIPC/MDRI

To date, a total of 40 countries were qualified as Potentially Eligible at the HIPC Initiative, whose of them, 36 have reached their decision point (Eligible countries), of which 32 have reached the completion point and 4 countries are now on the pre-decision point.

List of Heavily Indebted Countries – December 2010

(32) Post-Completion-Point HIPC's ³		
Afghanistan	Ghana	Nicaragua
Benin	Guinea-Bissau	Niger
Bolivia	Guyana	Rwanda
Burkina Faso	Haiti	São Tomé and Príncipe
Burundi	Honduras	Senegal
Cameroon	Liberia	Sierra Leone
Central African Republic	Madagascar	Tanzania
Congo Democratic Republic	Malawi	Togo
Congo Republic	Mali	Uganda
Ethiopia	Mauritania	Zambia
Gambia	Mozambique	
(4) Decision-Point – Interim HIPC's ⁴		
Comores	Chad	
Côte d'Ivoire	Guinea	
(4) Pre-decision-Point ⁵		
Eritrea	Somalia	
Kyrgyz Republic	Sudan	

The results verified from July 2009 to December 2010, confirm the pertinence of the HIPC initiative. Qualitative changes happened in the eligible countries in which concerns the

³ Countries that have qualified for irrevocable debt relief under the HIPC Initiative

⁴ Countries that have qualified for assistance under the HIPC Initiative (i.e. reached decision point) but have not yet reached the completion-point

⁵ Countries that are potentially eligible of the HIPC Initiative or MDRI

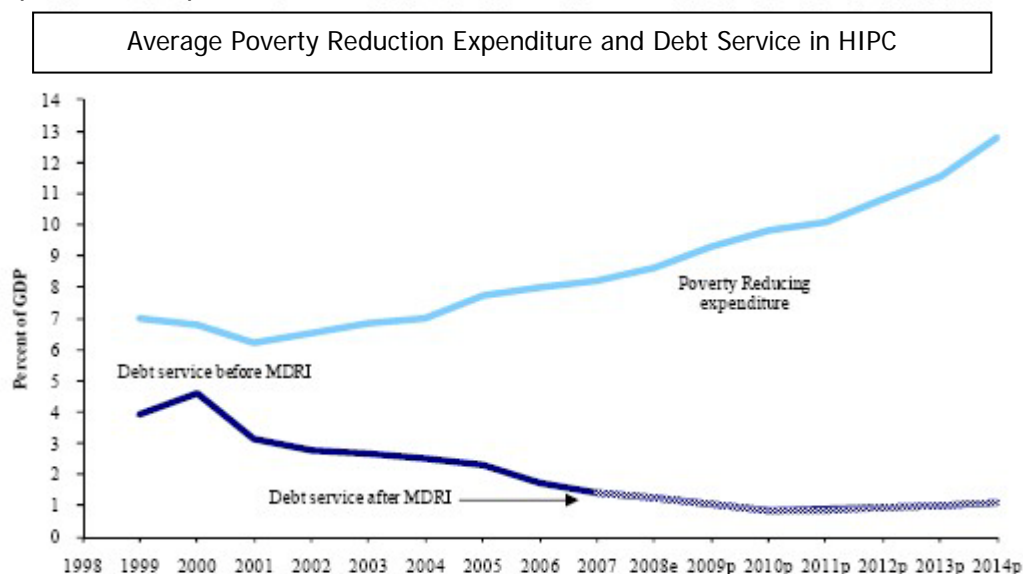
satisfaction of the criteria and the triggers of the process to achieve the decision-point: overall progress in macroeconomic performance, particularly in the social areas, that would eventually translate into durable growth, debt sustainability and poverty reduction.

Summary of Debt Service and Poverty Reducing Expenditure 2001-2014
(In million of US dollars)

Indicators	2001	2005	2010(P)	2014(p)
Debt service				
- Paid / Due after Enhanced HIPC and MDRI	3.266	4.173	1.881	2.611
- Debt Service savings from MDRI			1.323	616
Poverty Reducing Expenditures	6.504	15.109	35.379	28.309
Average Ratios (In percent)				
- Debt service/Exports	13,0	9,7	3,3	4,2
- Debt Service / GDP	3,1	2,3	0,8	1,1
- Poverty-Reducing expenditure /Government Revenue	44,5	48,2	56,2	73,5
- Poverty-Reducing Expenditure / GDP	6,2	7,8	9,7	13,0

Source : HIPC country documents and WB and IMF staff estimates. Data by year, from 2001 to 2014, presented in – Status of Implementation – September 2010 – IDA and IMF – Table 1 – Pag. 53

A report produced by IDA and IMF⁶, confirms that debt relief provided under the Initiatives has substantially alleviated debt burdens in recipient countries. Overall assistance to the 36 post-decision-point HIPC, represents about 38% of these countries' 2009 Gross Domestic Product (GDP). With this assistance, together Multilateral and Bilateral and Commercial creditors, it is expected to reduce the debt burden for these countries by over 80% relative to pre-decision-point levels.



Sources: HIPC documents; and IMF staff estimates.

1/ Prior to 2009, figures represent debt service paid, and thereafter, projected debt service.

For detailed country data, refer to Appendix Table 2.

Concomitant with progress under the Initiatives, HIPCs have been able to increase their poverty-reducing expenditure. For the 36 post-decision-point countries, poverty-reducing expenditure increased between 2001 and 2009 by more than 3% of GDP, while debt service payments declined by a similar amount. Despite the economic crisis, the share of poverty reducing expenditure in HIPCs has increased from 44% of revenues in 2001 to 54% in 2009

⁶ HIPC and MDRI – Status of Implementation – September 2010

and this share, in 2010, is expected to increase to 57%, almost 10% of these countries' GDP.

Post-Decision-Point HIPC Debt Stock at Different Debt Relief Stages
(In billions of US\$ dollars, in the end-2009 NPV⁷ terms)

Stages	Completion-Poi	Interim Country	Total Decision-point
Before traditional debt relief	121,4	20,5	141,9
After traditional debt relief	98,8	19,2	118,0
	(-23%)	(-7%)	(-20%)
After HIPC Initiative debt relief	44,5	14,0	58,5
After additional bilateral debt relief	36,7	14,0	50,7
After MDRI	10	11,1	21,1

Source: IDA and IMF staff estimates

3.2 Challenges for interim and pre-decision-point countries

IMF and IDA⁸ studies (April 2010), identified that "Some post-completion-point countries (seven) remain vulnerable to debt-related problems, as being at a high risk of debt distress, of which five were already assessed last year and two are in risk to exit the Initiative (Afghanistan and the Democratic Republic of the Congo⁹). Are included in this group the countries classified as weak policy performers, for which the DSA thresholds are lower than the corresponding HIPC Initiative benchmarks (e.g., 100 percent vs. 150 percent for the external debt-to-exports ratio). Such vulnerabilities can be explained by a narrow export base or a weak policy and institutional capacity. Recent IMF-WB paper, sustained that the implementation of a combination of options (institutional reforms, stronger fiscal positions, better financing terms) could reduce debt vulnerabilities significantly over the medium term in all LIC.

DSA Analysis April 2010	Debt distress	High risk of debt distress
HIPC countries		
- Pre-decision	Comores, Eritrea, Somalia, Sudan	
- Post-decision	DRC, Guinea, Guinea-Bissau, Liberia, Togo	Côte-d'Ivoire
- Post Completion-Point		Afghanistan, Burkina Faso, Burundi, Gambia, Haiti, São Tomé and Príncipe
NON HIPC countries	Myanmar, Zimbabwe	Djibouti Grenada, Lao PDR, Maldives, St Lucia, St. Vincent and the Grenadines, Tajikistan, Tonga, Yemen, Republic of

Notwithstanding the positive contribution from debt relief, HIPC have made uneven progress toward achieving the MDG. Only a few HIPC are expected to meet their MDG. Progress is especially poor for the eradication of extreme poverty and hunger, and the improvement in maternal health.

⁷ The (NV) *nominal value* of debt is the amount that the debtor owes to creditors at a moment in time; the (NPV) *net present value of the external debt* is the discounted sum of all future debt service (principal and interest) at a specific market rate of interest (called the discount rate). In debt-reorganization discussions, the present value concept is used to measure, in a consistent manner, the burden sharing of debt reduction among creditors.

⁸ "Preserving Debt Sustainability in Low-Income Countries in the wake of the global crisis" – April 2010

⁹ Because of a public guarantee on concessional borrowing to finance large infrastructure projects.

Nineteen of the 40 HIPC were considered to be in fragile situations. However, they are in a position to use resources more effectively than in the past and achieve better development outcomes through shifts in expenditures, increases in domestic revenue, and better service delivery.

Looking ahead, post-completion-point HIPC, like other LIC, should continue to balance carefully the use of borrowing to meet their development needs with the imperative of preserving debt sustainability. On this issue, IMF and WB maintain a close dialogue with countries, to evaluate the appropriateness of new borrowing terms with respect to the expected economic and financial returns of public investments and debt-related vulnerabilities. They provide technical assistance to enhance debt management capacity, with the creation of the Debt Management Facility (DMF) for LIC.

4. The HIPC Initiative and the MDRI: Cost and Creditor Participation

4.1 Cost of debt relief under the HIPC Initiative

The Data source used in this paper is referred to end- 2009 with updates July- 2010. Cost estimates for HIPC Initiative are based on debt data presented on Status of Implementation – 14 September 2010 – IDA and IMF

The total cost of HIPC Initiative is estimated at US\$76.4 billion in end-2009 present value (PV) terms, an increase of US\$4,3 billion compared to last year. The cost increase reflects data revisions for the four new HIPC completion point cases and the new interim country and changes in PV terms. A rate of 71% of the cost (US\$54.3 billion) represents irrevocable debt relief to the 30 post-completion-point countries.

HIPC Initiative: Costs by Main Creditor and Country Group
(In billions of US, in the end-2009 PV)

	Post-Completion- Point HIPCs (30)	Interim HIPCs (6)	Total Post-Decision- Point HIPCs (36)	Pre-Decision- Point HIPCs (4)	Total (40)
	(I)	(II)	(III) = (I) + (II)	(IV)	(V) = (III) + (IV)
Multilateral creditors:	27.0	2.0	29.0	5.3	34.3
IDA	12.5	1.0	13.5	1.5	15.0
IMF	4.5	0.1	4.6	1.9	6.5
AfDB Group	4.6	0.5	5.1	0.4	5.5
InDB	1.8	0.0	1.8	0.0	1.8
Other	3.6	0.3	3.9	1.5	5.4
Bilateral and commercial creditors:	27.3	3.3	30.6	11.6	42.2
Paris Club	20.1	1.9	22.1	5.7	27.8
Other Official Bilateral	4.7	0.3	5.0	4.8	9.9
Commercial	2.4	1.1	3.5	1.0	4.5
Total Costs:	54.3	5.3	59.5	16.9	76.4
Memorandum Items					
Total Costs from Previous Report 1/	37.4	18.4	55.9	16.2	72.1
Total Change in Costs (percent)	45.1	-71.3	6.6	4.2	6.0
- due to New Cases 2/	38.5	-72.5	2.6	-0.9	1.8
- due to Data Revisions	6.6	1.0	4.0	5.1	4.2

Sources: Country authorities, and World Bank and IMF staff estimates.

1/ Total costs as reported in Table 2 of "HIPC Initiative and MDRI: Status of Implementation, September 2009", discounted to end-2009 terms.

2/ Since August 2009, Afghanistan, the Democratic Republic of the Congo, Liberia and the Republic of the Congo reached completion point; Comoros reached the decision point;

The estimated cost for the six interim countries amounts to US\$5.3 billion. The estimated cost of HIPC Initiative debt relief to the creditors of the remaining four pre-decision-point HIPC is estimated at US\$16.9 billion¹⁰.

Multilateral (45%) and Paris Club (36%) creditors contribute with the largest shares of the total cost of the HIPC Initiative. Among multilateral creditors, the heaviest burdens are borne by IDA (20%), the IMF (9%) and the AfDB Group (7%).

The share of total cost borne by multilateral creditors is higher for post-completion-point countries (50%) than for interim countries (38%) or pre-decision-point countries (31%). Bilateral creditors account for over half of the total cost of the HIPC Initiative, most of which is borne by Paris Club Creditors (36%). Non-Paris Club official creditors and commercial creditors account for 13% and 6%, respectively. While Paris Club creditors' costs are mostly for debt relief to post-completion point countries, more than half of the estimated cost of HIPC relief by non-Paris Club and commercial creditors will be for pre-decision-point countries.

HIPC Initiative: Cost estimates to Multilateral Creditors and
Status of their commitments and delivery to Post-Completion-Point
(Status as of mid-July 2010 – In millions of US dollars, in end-2009 terms)

Creditors	N° CP debtor	HIPC Assistance Costs		HIPC Assistance delivered	
		Value	%	Value	%
IDA	30	12.499	46,3	6.659	53
IMF	30	4.483	16,6	3.323	74
A f DB	24	4.558	16,9	2.599	57
Interamerican Dev. Bank	5	1.753	6,5	884	50
European Investment Bank	25	994	3,7	696	70
Others		2.524	10,0	1.248	49
Total		26.811	100	15.409	57

4.2 Cost of debt relief under the MDRI

Data tables from the Status of Implementation- IDA and IMF – September 2010, shows that the MDRI total cost (Principal and Foregone Interest) to the four participating multilateral creditors is estimated at US\$30.3 billion in end-2009 PV terms. 64% of the total estimated MDRI costs will be borne by IDA, with the share of the IMF and AfDF amounting to 14% each, and of the IaDB to 8%. Out of the total cost, US\$26.7 billion (88% of the total) has already been delivered to the 30 post-completion-point countries.

¹⁰ If a country's debt burden indicators deteriorate substantially due to exogenous factors that fundamentally affect the country's economic circumstances, it may receive additional HIPC assistance (topping-up) at completion point. Countries that have received topping-up assistance include Burkina Faso, Ethiopia, Malawi, Niger, Rwanda, and São Tomé and Príncipe.

MDRI Nominal Costs by Creditor and Country Group
(In billions of US\$)

	Assistance in Nominal Terms 2/			Assistance in end-2009 PV Terms
	Principal	Foregone Interest	Total	Principal and Foregone Interest
Post-Completion-Point HIPCs 1/	41.1	4.6	45.8	26.7
IDA	28.0	2.7	30.7	16.9
IMF 3/	3.4	0.0	3.4	3.7
AfDF	6.5	0.9	7.3	3.5
IaDB	3.3	1.0	4.4	2.6
Interim and Pre-Decision-Point HIPCs 2/	6.0	0.5	6.5	3.6
IDA	4.2	0.3	4.5	2.5
IMF 3/	0.6	0.0	0.6	0.5
AfDF	1.3	0.2	1.4	0.7
IaDB	0.0	0.0	0.0	0.0
All HIPCs	47.2	5.1	52.3	30.3
IDA	32.2	3.1	35.2	19.4
IMF 3/	3.9	0.0	3.9	4.2
AfDF	7.8	1.0	8.8	4.2
IaDB	3.3	1.0	4.4	2.6
Non-HIPCs 4/	0.2	0.2	0.2	0.2

Sources: Country authorities, and World Bank, IMF, AfDB and IaDB staff estimates.

1/ These countries have qualified for MDRI relief. Figures are based on actual disbursements and commitments.

2/ Estimates are preliminary and subject to various assumptions, including the timing of HIPC decision and completion points and where applicable of arrears clearance

MDRI Assistance In nominal terms (In billion US\$)

Costs	Principal		Foregone interest		Total (Principal + Foregone Interest)	
	Value	%	Value	%	Value	%
	Post Completion Point	41,1	87	4,6	90	45,8
Interim	6,0	13	0,5	10	6,5	12
Total	47,1	100	5,1	100	52,3	100

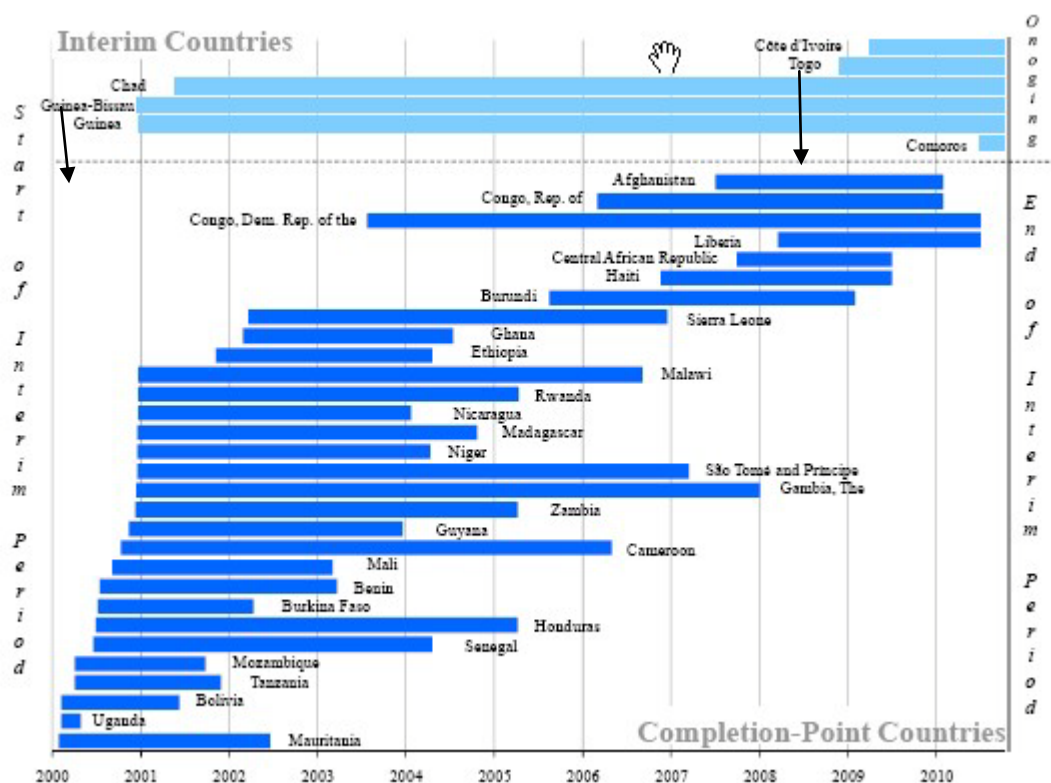
5. Key Issues and Remaining Implementation Challenges

5.1 Potential new entrant and Taking Remaining Countries through the HIPC Initiative Process

While substantial progress has been made toward completing the HIPC Initiative, some implementation issues continue to require attention. These include: (i) taking the remaining

HIPCs to the completion point; (ii) ensuring full participation of all creditors; (iii) addressing the issue of litigating creditors; and (iv) ensuring full financing of the Initiatives.

Next graphic, shows the duration of the period in years to reach the completion point.



The reduction of the period experimented by the countries to reach the CP depends of the capacity to achieve the triggers: technical ratios concerning macroeconomic performance, economic policies and other challenges related with peace and stability, improving governance and delivery basic services.

5.2 Debt Sustainability and Debt Management

The global financial crisis has had significant impact LIC debt vulnerabilities. Recent debt sustainability analyses (DSA) indicate that external and fiscal financing requirements have increased. In addition, standard measures of a country's capacity to repay debt. GDP, exports, commodity prices, fiscal revenue and donors financing capacities, are expected to be permanently lower. On average, debt ratios are therefore expected to deteriorate in the near term, particularly for public debt. (See 1.2.3 DSA Analysis- IFM and WB – April 2010).

According DSA analysis,

"The global crisis is not expected to result in systemic debt difficulties across LICs. Debt ratios are expected to return to a downward trend by 2011–12, and risk rating downgrades have been rare in post-crisis DSAs. Critical assumptions to achieve this outcome are that: (i) the crisis has no permanent impact on long-term growth; (ii) the recovery will be relatively quick, consistent with the nature of the shock for LICs (mostly external demand) and the expected recovery in industrialized countries; and (iii), as the recovery firms up, LICs restore the policy space that many of them have used to mitigate the impact of the crisis, and continue to have access to adequate financing".

The share of LICs that face higher debt vulnerabilities is significant but has not increased with the crisis¹. These countries are rated as being either at high risk of external debt distress or in debt distress in their most recent DSAs. A few countries with more favorable risk ratings also have high total public debt."

Cont....

Sustained implementation of a combination of measures, involving debtors and creditors, should reduce debt vulnerabilities significantly in all these countries over the medium term:

- *In about half of these countries—including all those in debt distress— debt vulnerabilities are expected to be reduced substantially through HIPC/MDRI relief (or will require similar treatment).*
- *In the other half:*
 - *Options to address debt vulnerabilities include fiscal consolidation and efforts to improve institutions and policies (particularly in the economic and debt management areas) on the debtor side, and more concessional financing terms on the creditor side;*
 - *Sustained implementation of a combination of these options should be sufficient to reduce debt vulnerabilities substantially over the medium term in all these countries.*
 - *Nevertheless, the need for debt relief in isolated cases at some point in the future cannot be excluded, given the hazard of large negative shocks. The effectiveness of traditional debt relief mechanisms would hinge on the participation of all creditors, as the share of Paris Club debt in total debt is relatively limited in these countries."*

The current global financial and economic crisis is a challenge for debt managers. The borrowing environment for sovereigns' debts has become increasingly complex and debt portfolios and financing alternatives more complicated. The success of debt management strategy includes a consistent macroeconomic framework involving fiscal, monetary, exchange rate and capital account policies is in place. Achieving these goals involves a complex and dynamic process, including operational and theoretical issues.

This environment underscores the importance of strengthening debt management capacity, institutions, and practices. Governments and debt managers have adapted by pursuing alternative sources to meet their funding requirements and by structuring their programs to better reflect market demand. A Debt Management Facility (DMF) was implemented by WB during FY 2010, 15 countries underwent the Debt Management Performance Assessment (DeMPA), and 5 adopted a reform plan and medium-term debt management, including training actions and the Debt Manager Practitioner Program was operationalized and launch the Debt Managers Network (Professional organization of the issuers and managers of state debt) www.publicdebt.net.org/public/links/index.html

Analysis of DeMPA results with linkages to institutional reform and capacity building, reveals that many developing countries are operating with rudimentary public debt management systems. There were only five aspects of the debt management process where half or more of the countries in the sample meet the minimum requirements for effective performance. Deficiencies were recorded in relation to debt records and reporting, operational risk management, cash flow forecasting and management, and the requirements for sound governance and strategy development.

Data available for doing the monitoring is not enough and non actual for taking policies and to prevent risks in useful time. The annual reporting exercise on the delivery of debt relief captured 97.5% of the total cost of HIPC & MDRI, with 14 institutions providing data. However, the lack of reporting and engagement by a large number of institutions that have committed to support HIPC is of concern.

The WB new Open Data access policy, reflects the institution's ongoing effort to increase access to information. The intention is to promote the use of data to illuminate development trends, issues and problems. A new web site—www.data.worldbank.org—offers free access to more than 2,000 financial, business, health, economic, and human development statistics for over 200 economies, most of which had previously been available only to subscribers.

In which concerns the policies, alternatives were assessed, namely: The possibility to convert loans in grants; the adoption of Discretionary fiscal stimulus to support commodities exports prices, reduce fiscal incentives and revise the financing terms.

6. Conclusions

Very significant progress has been achieved in implementing the HIPC Initiative and the MDRI. With 36 of 40 eligible countries having reached the decision point at end July-2010 and 32 of them having reached the completion point (December 2010), the HIPC Initiative has provided sizeable debt relief to most HIPC. A number of the remaining interim HIPC are also well placed to progress towards completion point in the period ahead, and benefit from irrevocable debt relief under the Initiatives.

Nonetheless, some issues require continued attention to implement the Initiatives in full. Some pre-decision-point countries are still affected by severe political problems, while, in some of the long-standing interim countries, early progress has stalled. To reach the completion point, they will need to further strengthen their policies and institutions, and require continued support from the international community. It is also important for all creditors to provide their full share of HIPC Initiative debt relief, and for donors to ensure that the IDA and IMF have adequate resources to provide their share of debt relief under the Initiatives to all qualifying countries.

A main focus should continue to be to assist LIC in reducing debt vulnerabilities. While the global economic and financial crisis has led to a deterioration in debt ratios, it is not expected to result in systemic debt difficulties across LIC. That says, that it is necessary continue to closely monitor debt vulnerabilities in LIC, including through regular DSA, and assist LIC in managing their external debts, including through the provision of training and technical assistance.

The public debt management is a global issue not only the LIC and includes medium income and developed countries. So that, donor countries are coming under pressure to reduce their aid commitments.

Reports from the forum's debt initiatives identified particular issues from the recipient countries side:

- External communication: Greater effort is required to publicize the achievements of HIPC/MDRI, the benefits of debt relief, and the significance of forward-looking initiatives. The WB, the IMF and its partners have established mechanisms to prevent the re-accumulation of unsustainable levels of debt in client countries;
- Litigation by funds: Some HIPC risk losing to vulture funds the very gains they have achieved through debt relief. This threat is taken seriously by Multilateral Development Banks, who agreed to actively collaborate on possible solutions; and

- Synergies between the WB Debt Reduction Facility (DRF) and the AfDB's African Legal Support Facility should be exploited to overcome the remaining commercial litigation cases currently in the pipeline of the DRF in a more cost-effective manner.