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Living Up to the Monterrey Commitments: Raising Aid—and Ensuring Its Effectiveness

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THE INTERNATIONAL COMMUNITY FACES significant challenges in assisting developing countries. Aid continues to decline, and many heavily indebted poor countries face daunting problems in achieving sustainable debt levels. Net nonconcessional lending to developing countries is negative—that means developing countries are paying back more nonconcessional funds than they are borrowing. Questions about the effectiveness of aid, particularly to countries that receive large amounts of it, remain a central concern of development policy.

The past year has seen some signs of progress. Initial estimates indicate some rise in concessional flows. In the context of discussions surrounding the United Nations meeting in Monterrey, Mexico, the United States and the European Union agreed to expand their aid programs. If the increases promised in Monterrey are achieved, aid-to-income ratios for the industrial countries should rise over the next three years. Nevertheless, aid will remain below the levels required to meet the Millennium Development Goals, underlining the importance of efforts to increase aid resources. It must be emphasized that the effectiveness of aid depends critically on the quality of recipients' institutions and policies. Both increased resources and strong reform programs are necessary to meet the Millennium Development Goals.

The enhanced Heavily Indebted Poor Countries (HIPC) Initiative made further progress in providing debt relief. Debt relief committed under the HIPC Initiative and other mechanisms have reduced the outstanding debt stock of HIPCs by about $40 billion in net-present-value (NPV) terms—a two-thirds reduction for the 26 countries that have reached decision points. However, the deterioration in the economic environment and accompanying decline in commodity prices mean that several countries may require additional resources to reach sustainable debt levels.

Net disbursements of nonconcessional flows have been negative for the past five years, largely reflecting payments to bilateral export guarantee agencies under debt-restructuring agreements—disbursements of new nonconcessional loans from bilateral agencies have fallen only moderately. But as some countries will continue to owe substantial amortization payments on restructured debt, and several bilateral creditors have reduced their direct-lending operations with the rise in private finance to middle income countries, it is likely that net nonconcessional lending from official sources will continue to be negative over the next few years. In the same period, net nonconcessional flows from multilaterals are unlikely to expand greatly.

Aid helps foster growth and reduce poverty in a strong policy environment. However, the contribution to growth of additional aid does tend to decline as aid rises, in part due to administrative difficulties involved in absorbing large amounts of aid. While the decline in aid over the 1990s has reduced the number of countries receiving very large amounts of aid, some countries face an important challenge in absorbing large aid programs while maintaining aid effectiveness. Nevertheless, most countries that receive a lot of aid have not performed poorly (except for countries suffering from civil or external conflicts), and thus there is no reason to reduce aid flows to good performers to avoid their receiving "too much" aid. Recipients and donors can take steps to improve aid effectiveness, among them devoting more resources to budgetary support (where financial management is adequate), limiting the use of separate institutional arrangements to administer aid projects, and ensuring that civil society is involved in the design of aid programs.

The decline in official financing in 2002

Net disbursements from official sources (including grants) fell to an estimated $46 billion in 2002, down from $57 billion in 2001 (table 6.1). The drop reflects the sharp swings in multilateral lending resulting from the provision of rescue packages to crisis countries, rather than any retreat of official sources from lending to developing countries. The importance of the rescue packages can be seen in the breakdown of net lending from multilateral sources (table 6.2). IMF net disbursements were $19.5 billion in 2001 (compared with negative net lending over the previous two years) but fell to $14 billion in 2002. World Bank lending also fell sharply in 2002. While net lending by IDA rose by $0.6 billion, International Bank for Reconstruction and Development (IBRD) net lending turned negative, as a few countries pre-paid a portion of their IBRD loans.

In contrast to the early 1990s, when the World Bank was the largest source of multilateral finance for developing countries, the major regional development banks (the Inter-American Development Bank, the Asian Development Bank, the European Bank for Reconstruction and Development, and the African Development Bank) together provide about the same level of resources as the World Bank.

Further trends in aid and in nonconcessional official loans are detailed below.

Trends in official development assistance

Official development assistance (ODA) from countries belonging to the Development Assistance Committee (DAC) of the OECD fell to $52 billion in 2001, down $1 billion from the previous year (see table in box 6.1). This decline in part reflected the ap-

Table 6.1 Net official financing of developing countries, 1995–2002
(billions of dollars)

	1995	1996	1997	1998	1999	2000	2001	2002
Total	71.6	31.6	39.7	62.3	42.9	23.4	57.5	49.1
Grants	32.8	27.8	26.7	28.2	29.4	29.6	29.5	32.9
Net lending	38.8	3.8	13.0	34.1	13.5	−6.2	28.0	16.2
Multilateral[a]	28.2	14.0	19.9	37.4	15.7	0.9	35.7	21.3
Concessional	8.8	8.5	7.6	7.4	7.0	5.6	7.2	9.3
Nonconcessional	19.4	5.5	12.3	30.0	8.8	−4.7	28.5	12.0
Bilateral	10.5	−10.2	−6.9	−3.3	−2.3	−7.1	−7.7	−5.1
Concessional	5.5	2.7	0.0	2.5	5.1	1.3	1.5	1.8
Nonconcessional	5.0	−12.9	−6.9	−5.9	−7.3	−8.4	−9.3	−6.9

Note: Data on concessional resources differs from data on ODA due to differences in definitions and country coverage (see box 6.1).
a. Includes IMF.
Source: World Bank Debtor Reporting System.

Table 6.2 Net lending from multilateral sources, 1995–2002
(billions of dollars)

	1995	1996	1997	1998	1999	2000	2001	2002
Total	28.2	14.0	19.9	37.4	15.7	0.9	35.7	21.3
World Bank Group	6.3	7.3	9.2	8.7	8.8	7.8	7.5	1.5
IBRD	1.4	1.5	3.9	3.9	4.2	3.6	2.5	–4.1
IDA	4.9	5.7	5.3	4.8	4.5	4.3	5.0	5.6
Major regional development banks[a]	5.1	4.6	6.3	8.6	9.0	6.2	6.5	1.9
IMF	16.8	1.0	3.4	14.1	−2.2	−10.6	19.5	14.5
Other	0.0	1.1	0.9	5.9	0.1	−2.5	2.2	3.4

a. Inter-American Development Bank, Asian Development Bank, European Bank for Reconstruction and Development, and African Development Bank.
Source: World Bank Debtor Reporting System.

Box 6.1 Defining aid

The international forum for defining aid is the DAC of the OECD.[a] DAC members provided more than 95 percent of international aid in 2000. DAC compiles statistics on aid and other official flows on the basis of information provided to it by bilateral and multilateral agencies.[b]

DAC donors provide two categories of aid—official development assistance (ODA) and official aid (OA). The two forms are similar, except that only developing countries listed on Part I of the DAC "List of Aid Recipients" are eligible to receive ODA. Only ODA may be counted by DAC countries as part of their "aid effort," defined as the donor country's aid budget relative to its GNI.

ODA comprises loans or grants to developing countries and territories provided by donor governments and their agencies for the purpose of promoting economic development and welfare. If the assistance is provided in the form of a loan it must be extended on concessional financial terms, that is, with a grant element of 25 percent or more, calculated as the net present value of the future payment stream discounted at 10 percent.

Countries on Part II of the DAC list (which includes countries in Eastern and Central Europe, the Russian Federation, other independent republics of the former Soviet Union, and a number of high-income countries like French Polynesia, Israel, and New Caledonia) receive OA.

Aid flows to developing countries can be presented from two perspectives, the donors' or the recipients'. Aid *provided by* DAC donors, including ODA and OA, is reported in the table below, which shows bilateral disbursements of concessional financing to developing countries, plus concessional financing from bilateral donors to multilateral institutions (for example, the World Bank's International Development Association).

By contrast, table 6.1 reports disbursements of concessional finance *received by* developing countries from both bilateral and multilateral sources.

The two measures will not be the same mostly because data on concessional flows received do not include technical cooperation grants. Other differences arise because some high-income countries receive OA, and funds from bilateral donors to multilateral institutions do not match those institutions' disbursements to developing countries in any given year.

a. The members of DAC are Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Japan, Luxembourg, the Netherlands, New Zealand, Norway, Portugal, Spain, Sweden, Switzerland, United Kingdom, and United States.
b. These data are available on the OECD Web site, www.oecd.org.

OA and ODA reported by DAC donors, 1995–2001
(billions of dollars)

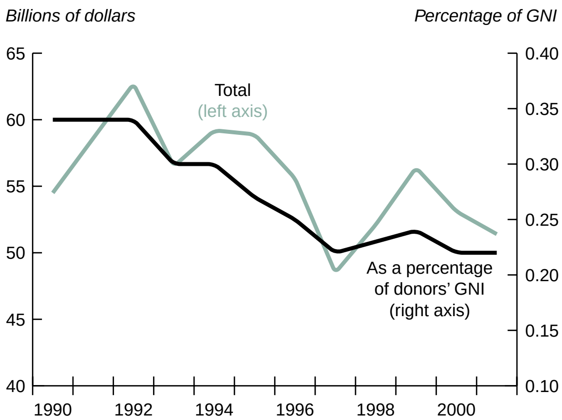
	1995	1996	1997	1998	1999	2000	2001
Total aid flows from DAC donors	68.1	61.3	53.8	58.1	62.9	60.6	57.9
Official aid	9.2	5.7	5.3	6.0	6.5	6.9	5.6
Official development assistance	58.9	55.6	48.5	52.1	56.4	53.7	52.3
Bilateral grants	36.2	36.5	31.3	32.5	33.9	33.0	33.4
of which: Technical cooperation	14.3	14.1	12.9	13.1	13.0	12.8	13.6
Debt forgiveness	3.7	3.4	3.1	3.0	2.3	2.0	2.3
Administrative costs	2.9	2.9	2.7	2.8	3.0	3.1	3.0
Net bilateral loans	4.4	2.6	1.1	2.7	4.0	3.0	1.6
Contributions to multilateral institutions	18.3	16.5	16.1	16.9	18.6	17.7	17.3
ODA as a percent of donors' GNI	0.27	0.25	0.22	0.23	0.24	0.22	0.22

Note: Official aid includes DAC aid to high-income countries, the Russian Federation, and Eastern Europe.
Source: OECD Development Assistance Committee.

preciation of the dollar, which reduces the dollar value of ODA recorded in other currencies. In constant prices, net ODA fell by about one percent in 2001. By any measure, aid levels have fallen over the past decade, from 0.34 percent of DAC members' GNI to 0.22 percent (figure 6.1). Note that these aid numbers are prepared on a different basis than the data on official flows shown in table 6.1.

Aid has fallen relative to economic activity in developing countries: the average ratio of aid to

Figure 6.1 Official development assistance, 1990–2001



Source: OECD Development Assistance Committee.

recipients' gross national income fell from more than 5 percent in the early 1990s to 3.4 percent in 2000. The early 1990s data reflected the peak in aid receipts, but average aid/income ratios in the years following those peaks were substantially lower than in the early 1980s. These trends in the average level of aid do not just reflect changes in outliers, or developments in middle-income countries that receive little aid. Looking at the median levels, aid has fallen relative to developing countries' expenditures, income, and investment since the late 1980s to early 1990s; similar (although less pronounced) trends can be seen if only low-income countries are considered (figures 6.2a and 6.2b).

It is useful to note that not all of the $52 billion in ODA in 2001 is recorded in developing countries' balance of payments. Of this amount, $14 billion was in the form of technical cooperation grants, for example the payment of consultants to advise developing country governments. While such grants can make an important contribution to development, these funds may be disbursed in the form of payments to industrial country residents, and thus not recorded in developing countries' statistics. Similarly, the DAC includes administrative costs related to managing their development agencies in net ODA. While aid could hardly be provided without such costs, again these funds are not used to finance imports to developing countries.[1] Finally, a portion of bilateral grants is devoted to debt forgiveness. While these funds do contribute to the balance of payments, they do so only by financing debt service payments, which may or may not have been paid in the absence of debt relief. Of course, debt relief provides a valuable long-term benefit by reducing the debt overhang, which can be an important constraint on growth. All in all, net ODA in the form of technical cooperation grants, administrative costs, and debt relief totaled $18.9 billion in 2001, or more than a third of the total.

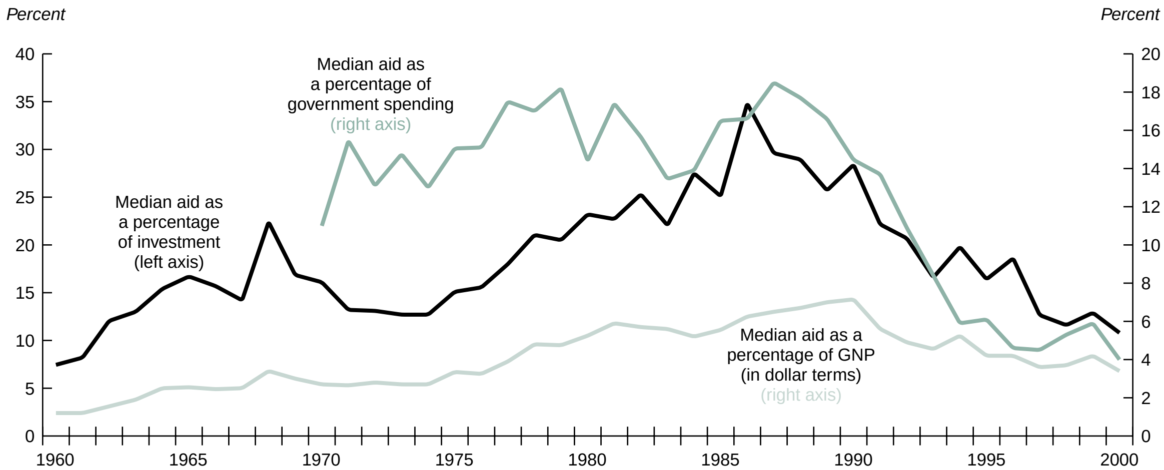
Grants from nongovernmental organizations (NGOs) show an opposite trend to the official aid data. Grants rose from more than $6 billion in 1995 to about $10 billion in 2001—an amount equal to more than one-sixth the size of official aid.[2] More than half of total grants came from NGOs in the United States, their contributions (to countries on the Part I DAC list) representing about 0.04 percent of GNI, or one-fourth the size of concessional aid flows from the United States, a greater share than any other DAC country (the DAC average is 12 percent). Only four DAC donors provide larger amounts of NGO grants in relation to GNI than does the United States. However, even including NGO grants, most DAC countries still provide a larger amount of aid relative to GNI than does the United States.

Signs of progress

Despite the decline in the dollar value of ODA, the past year saw some progress toward increasing aid. The agreement reached at the International Conference on Financing for Development in Monterrey in March 2002 (the "Monterrey Consensus") reaffirmed the international community's commitment to increasing aid and making progress toward the Millennium Development Goals (see World Bank 2002a for an explanation of the Goals). The European Union (EU) announced plans that would increase its assistance to an average of 0.39 percent of national income by 2006, and some EU members envision further increases in aid. The U.S. administration announced that it would propose increases in its annual contribution by $5 billion for the Millennium Challenge Account and just below $2 billion for an AIDS initiative by 2006. And other DAC members announced plans to raise aid levels. If these pledges are realized, aid would rise to 0.26 percent of industrial countries' GNI, still well below the peak of 0.34 percent of GNI achieved during the 1990s.

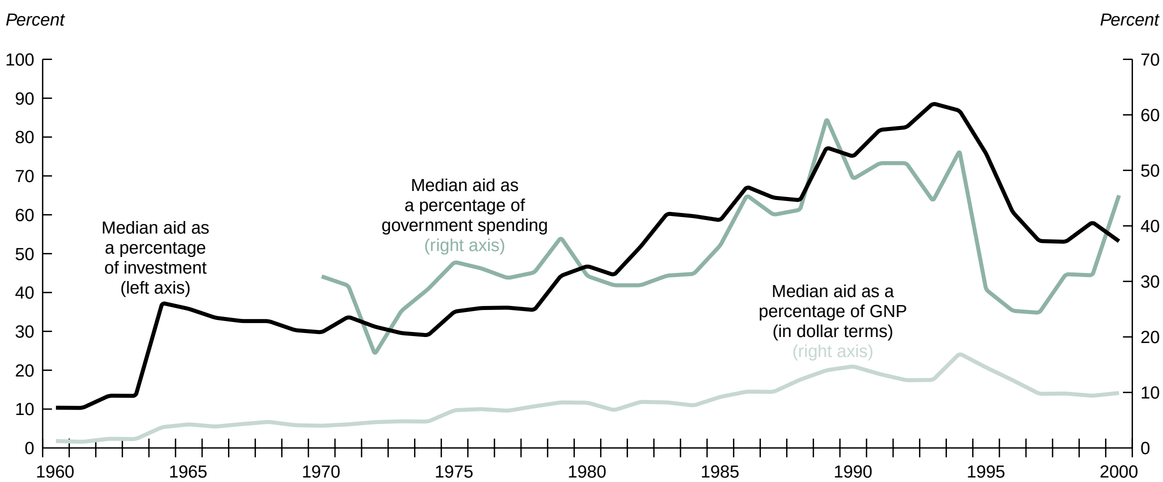
Donors underlined the importance of addressing the particular difficulties facing Sub-Saharan Africa. The G-8 summit held later in the year con-

Figure 6.2a Aid flows relative to scale of all developing economies, 1960–2000



Sources: OECD Development Assistance Committee; World Bank.

Figure 6.2b Aid flows relative to scale of all low-income economies, 1960–2000



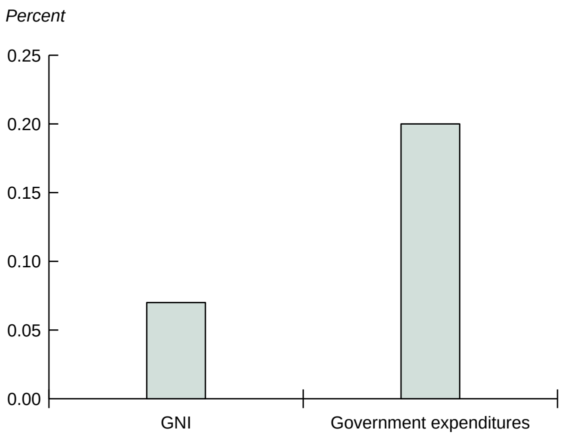
Sources: OECD Development Assistance Committee; World Bank.

cluded with an agreement that up to 50 percent of the additional funds announced at Monterrey would be targeted to Africa (G-8 Summit 2002). The United Kingdom plans to allocate £1 billion of its planned £4.6 billion foreign assistance budget for 2005–06 to Africa (DFID 2002).

The planned rise in aid expenditures should not place a severe financial burden on donors. The proposed increase in U.S. aid would raise U.S. aid flows in 2006 by just 0.06 percent of GNI and 0.2 percent of general government expenditures.[3] The European Union has said that each member will strive to attain ODA expenditures of a minimum of 0.33 percent of GNI by 2006; members already above that level will maintain or improve their aid levels so that the average aid-to-GNI ratio would equal 0.39 percent (OECD 2002). Of the 9 EU countries with aid levels less than 0.33 percent of GNI, the average increase would be 0.07 percent of GNI (figure 6.3). Each person in EU countries that would increase their ODA ratios would have to set aside about $30 of their average annual income of more than $19 thousand. The rise in ODA would average 0.2 percent of general government expenditures; in no country would it require an allocation of more than 0.5 percent of general government expenditures.

Several European countries are experiencing increased budget deficits with the slowdown in

Figure 6.3 Proposed aid increases by nine EU countries



Note: Proposed increases in aid by nine EU countries with aid levels less than 0.33 percent of GNI.
Sources: OECD; World Bank.

growth, and worries are surfacing over the need to contain fiscal pressures at some point. However, of the four EU countries with general government deficits in excess of 1 percent of GDP in 2001, France is already close to the ODA target (and had planned to expand ODA to 0.36 percent of GDP in 2002). In Germany, Italy, and Portugal, the rise in ODA would account for only 0.1 percent, 0.4 percent, and 0.2 percent of outlays. Moreover, the rise in ODA is committed for 2006, at which time cyclical conditions may well have improved.

In committing to an increase in resources, donors also have signaled the need for increased scrutiny of the effectiveness of aid. In the context of the thirteenth replenishment of the International Development Association (IDA13), they have asked IDA management to put in place a system for monitoring progress in development outcomes (see next section). Improving policies and strengthening institutions in developing countries are fundamental steps to increasing aid effectiveness.

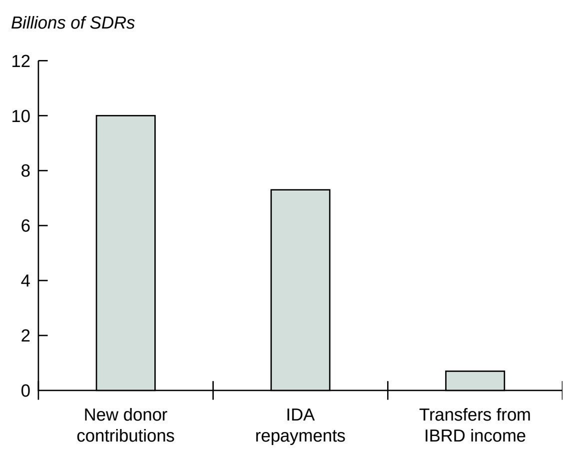
One sign of progress is new ideas aimed at raising aid effectiveness and leveraging more resources for aid. The United Kingdom has proposed an International Financing Facility designed to provide additional financing to help meet the Millennium Development Goals. Donors would make commitments to provide a flow of payments over time to the Facility. In turn, the Facility would issue bonds on the strength of these commitments, and allocate these funds through existing bilateral and multilateral institutions to countries pursuing strong policy programs. The goal is to raise aid levels immediately based on future commitments, and ensure that the increased aid is allocated to countries with strong policy programs.

The United States will channel increased assistance into a new Millennium Challenge Account to be managed by a new federal agency. Funds will be allocated—initially only to IDA-eligible countries—on the basis of several indicators, including judgments concerning governance, social sector expenditures and outcomes, and economic policy. Adjustments will be made to a country's rating to take account of other factors, but countries can qualify as better performers only if they demonstrate commitment in all three areas and score better than average on the corruption indicator.

Another positive step was the completion of negotiations over the replenishment of resources for the IDA in July 2002.[4] About SDR 18 billion in resources will be made available during the three year period, primarily from new donor contributions of SDR 10 billion, commitments against IDA's internal resources of SDR 7.3 billion, and transfers from IBRD net income (if available) of about SDR 0.7 billion (figure 6.4).

An expanded use of IDA grants was adopted to address the special difficulties facing some of the poorest and most vulnerable IDA-eligible countries. Grant funding will be expanded to fund HIV/AIDS

Figure 6.4 Sources of IDA resources



Source: World Bank 2002e.

programs, to assist with recovery from conflict and natural disasters, and to help countries threatened by extreme poverty and debt vulnerability.

The extent of reliance on grants (as opposed to low interest credits) was a major focus of the IDA13 negotiations. Grant funding provided to the poorest countries will increase the concessionality of IDA resources and reduce the risk of adding to the high debt burdens of many IDA borrowers. However, there is a potential for reduced effectiveness if access to grants, as opposed to loans that have to be repaid, erodes fiscal discipline. To mitigate this risk, grants will be subject to the same policies and procedures as IDA credits. The complementarity of the IDA grant program with the efforts of other donors that provide grant funding will need to be assured, and efforts will be required to support the future financing of IDA, which is largely dependent on repayments of earlier credits.[5]

Another key theme of the IDA negotiations was the importance of effective monitoring and evaluation systems, by both recipient countries and the World Bank, to assess progress in meeting poverty reduction targets and promoting development effectiveness. Donors asked IDA management to put in place a system to monitor progress in reaching development outcomes, as set out in the Poverty Reduction Strategy Papers, and to provide a clear indication of how IDA's programs promote the achievement of these outcomes. The Millennium Development Goals will provide a basic point of reference for measuring country progress. Donors also requested that over the course of IDA13, management report on selected input and output indicators in the areas of education, health, and private sector development.

Trade reform and agricultural subsidies

Pushing forward with trade reform in both industrial and developing countries would have a larger impact on improving welfare in developing countries than any of the proposed increases in aid contemplated by the major donors. Some progress has been made in ensuring greater coherence in industrial-country policies toward development. Recent initiatives by the European Union and the United States have increased the openness of their economies to exports from the poorest developing countries. The ministerial meeting of the WTO in November 2001 set the stage for a "development round" of trade talks to address the particular difficulties facing developing countries in the global trading system.

But greater progress is needed in the reform of the EU's Common Agricultural Policy and in U.S. agricultural subsidies, which have serious implications for the ability of the poorest developing countries to raise exports—and for the credibility of U.S. and European policies on trade and aid. High agricultural subsidies and the protection of labor-intensive manufactures continue to depress the potential for developing countries—especially their poorest citizens—to increase their incomes through trade. Industrial countries spend more than $300 billion a year in agricultural subsidies, more than six times the amount they spend on foreign aid. Gaining unrestricted access to industrial countries' markets could boost developing countries' incomes by up to 5 percent, calculated relative to the baseline income forecast in 2015 (World Bank 2002b). Recent proposals to substantially reduce agricultural subsidies provide hope for progress in this area.

The benefit to food importers among the poorest countries would be eroded by the rise in food prices induced by a fall in subsidies. Nevertheless, liberalization in sectors important to the poorer countries could have a significant impact. For example, removing subsidies in the cotton sector alone could lead in the short term to a 50 percent rise in price, boosting African cotton exporters' revenues by some $500 million. This rise would moderate over time, as production rose in response to high prices. Nevertheless, cotton prices would remain about 10 percent over current levels for the foreseeable future.

A strengthening of domestic policies and institutions in developing countries is required to take greater advantage of current trade arrangements, and to reap the maximum benefit of future reforms. Policy barriers to competition, weak infrastructure, and limited government services continue to act as severe impediments to growth in many developing economies (World Bank 2002b). Trade reform can only provide the opportunity for countries to prosper. Developing country governments have to establish the investment climate that enables private-sector firms to capitalize on these opportunities.

The HIPC Initiative

The HIPC Initiative[6] has made substantial progress in reducing the debt burden of the poorest developing countries. As of September 2002, six countries have received irrevocable debt relief under the Enhanced HIPC Initiative.[7] An additional 20 countries have begun to receive interim debt relief.[8] The relief committed so far, together with debt relief provided under traditional mechanisms (such as the Paris Club and additional bilateral debt forgiveness), has reduced the outstanding debt stock of HIPCs by about $40 billion in NPV terms. This amounts to a two-thirds reduction in the debt stock of the 26 countries that have reached decision points under the Enhanced framework. The 26 countries' average ratio of debt service to exports fell from 16.5 percent in 1998–99 to 10 percent in 2001, and debt service as a percentage of government revenues fell from 24 percent in 1998–99 to 15 percent in 2001. Social expenditures in these countries are expected to rise to 9 percent of GDP in 2002, up from 6 percent in 1999, in part financed by resources freed up by HIPC relief.

The HIPC Initiative process

The HIPC Initiative was launched in 1996 to reduce the debt burden of the world's poorest and most heavily indebted countries, in the context of economic and social reform aimed at reducing poverty. The Initiative marked the first time that debt relief was provided to poor countries on a comprehensive basis, including multilateral creditors. Assistance under the Initiative is provided in the context of a policy program aimed at increasing growth and reducing poverty.

Eligible countries are those who can receive highly concessional assistance from the multilateral institutions and face an unsustainable debt situation even after the full application of traditional debt relief mechanisms (such as Naples terms under the Paris Club). Forty-two countries, primarily from Sub-Saharan Africa, are potentially eligible to receive debt relief under the Initiative. The current framework, called the Enhanced HIPC Initiative, reflects a deepening and broadening of the debt relief provided following a major review of the program in 1999.

If a country's debt is found to be unsustainable according to the HIPC criteria—and if other conditions are met—the boards of the World Bank and IMF review and approve a commitment for HIPC relief. At that time, all creditors (multilateral, bilateral, and commercial) are expected to make commitments concerning the relief to be delivered when the HIPC process is completed. The country applying for relief and the World Bank and IMF also agree on a policy framework that includes specific actions (called completion-point triggers) to be completed before irrevocable debt relief is provided. In the interim, the World Bank, IMF, African Development Bank, and other multilateral and bilateral creditors and donors provide debt relief at their discretion, provided the country is meeting the conditions (such as maintaining a stable macroeconomic program) to which it agreed. Once a country has implemented the completion-point triggers, had an IMF Poverty Reduction and Growth Facility in place for at least six months, and had a World Bank Poverty Reduction Strategy Paper Program operating for at least one year, World Bank and IMF Boards meet to approve the provision of debt relief.

Obstacles to achieving and protecting debt sustainability

Despite the accomplishments of the HIPC Initiative, the deterioration in the global economic environment and the related decline in commodity prices have raised concerns about the ability of several HIPCs to reduce their debt burdens to sustainable levels. Of the 23 countries that reached a decision point before June 2001, 11 are estimated to have NPV of debt-to-exports ratios that are at least 15 percentage points higher than had been forecast in the debt-sustainability analysis done at the decision point (World Bank 2002c).

The decline in commodity prices has played an important role in the higher-than-expected debt-to-export ratios. The average export price index of countries whose export revenues were lower than forecast fell by just under 5 percent from the decision point to the estimate for 2001.[9] These countries' exports are concentrated heavily in cotton, coffee, cashews, fish, and copper—commodities that fell steeply in price last year. The countries are slightly more dependent on the export of primary commodities, and have much greater volatility of exports, than other HIPCs. Domestic developments, including policy failures, also contributed to poorer-than-expected performance.

The current framework of the Initiative has the flexibility to respond to a deterioration of the outlook for debt sustainability after countries reach a decision point.[10] If a country's economic circumstances at the completion point have been fundamentally changed due to exogenous developments, then the country may benefit from additional debt relief beyond that envisioned at the decision point, which would reduce their debt-to-exports ratio to 150 percent at completion point.[11] This approach has already been applied in the case of Burkina Faso.

Other issues have slowed implementation of the HIPC Initiative. Some countries that have reached a decision point have encountered problems in the implementation of their macroeconomic programs, and some have taken longer than anticipated to prepare their Poverty Reduction Strategy Paper. World Bank and IMF staff continue to work with the authorities in these countries to develop strategies for moving ahead. In the meantime, the process of reaching the decision point for the remaining countries expected to require HIPC relief will be challenging. Most are affected by conflict[12] or have substantial arrears, both of which complicate the task of designing and implementing a viable reform package.

Challenges remain on the creditor side, as well. Overall, debt relief committed to the 26 HIPCs that have reached their decision points remains 12 percent below the total required. Twenty-four creditor countries that do not belong to the Paris Club have not yet expressed their intention to provide debt relief. Many commercial creditors remain unwilling to participate in the initiative. The claims of non-Paris club bilaterals and commercial creditors are less than 10 percent of the total debt burden, although their participation is important for the debt-sustainability prospects of some HIPCs—and key to the principle of equitable burden sharing. Some recent improvements are notable, however, including commitments to provide debt relief by Bulgaria, India, the Republic of Korea, and Libya.

There also remains the potential for disruption of the HIPC process by creditors bringing legal action for the collection of debts. In a survey of 28 HIPCs, 10 responded that they were facing litigation on credits.

Once they have benefited from debt relief, will HIPCs be able to maintain sustainable debt levels over the medium term? The forecasts done for debt-sustainability analyses generally show that HIPCs can achieve reasonable rates of growth while maintaining sustainable debt levels, assuming strong policy performance and the availability of sufficient resources on highly concessional terms.[13]

How reasonable are these export forecasts? A review of the export projections embodied in decision-point documents of early participants in the HIPC Initiative reveals that those projections turned out to be optimistic in two-third of the countries reviewed, but *pessimistic* in the other third. The countries whose exports were better than expected were those less affected by external shocks (World Bank 2002c).

The review also confirms an earlier finding that projected growth for decision-point HIPCs was significantly higher than would be expected on the basis of past export performance alone.[14] Average annual export growth for 26 HIPCs was projected at 7.5 percent in the decision-point documents, compared with the 4.7 percent achieved over the previous 30 years. However, HIPCs' growth may well accelerate after the decision point because of stronger policy performance and the liberating effects of eliminating debt overhang. In light of these uncertainties, countries are encouraged to develop alternative macroeconomic scenarios: an optimistic scenario based on effective implementation of policy reforms and a conservative scenario that would reflect the country's vulnerabilities and the uncertainties of the external environment. The staffs of the Bank and the Fund will be expected to base their own growth projections on a thorough analysis of the likely sources of growth, and to present their analyses explicitly in discussions with the authorities as well as in staff documents.

The importance of new financing

Key to the long-term debt sustainability of HIPCs is the availability of enough external financing on sufficiently concessional terms to support the countries' poverty reduction and growth strategies. Increases in grants from both bilateral and multilateral development partners will be required. The agreement under IDA13 to provide a proportion of IDA resources in the form of grants to particularly vulnerable low-income countries will be an important step forward in this regard. Although the effect on debt ratios of substituting grants for part of HIPCs' new borrowing would be small in the short term, its cumulative impact could be significant over the longer term. More concessional financing from the international community would help ensure that new external financing was consistent with the repayment capacity of vulnerable countries.

Several proposals have been made to modify the structure of the enhanced HIPC Initiative to increase its effectiveness. Those proposals include:

- Providing debt relief sufficient to finance the social expenditures required to meet the Millennium Development Goals
- Calculating debt relief on the basis of debt service, rather than on the stock of debt (for example, reducing debt service to no more than 2 percent of GDP)
- Extending debt relief to a broader range of poor countries, including Indonesia, Nigeria, Pakistan, and Zimbabwe
- Providing a contingency facility that would protect HIPCs from exogenous shocks for a period of time after the completion point.

These proposals are designed to increase resources to HIPCs and other poor countries, and to address important constraints on development. However, all of these proposals would involve additional costs, calling into question their feasibility when the existing initiatives are not yet fully funded. Some would better be accomplished through new flows—as grants or highly concessional loans—rather than through debt relief. New flows can be more easily tailored to a country's needs than can relief of debt-service payments. Moreover, it would be preferable to avoid continued reliance on debt relief, except where necessary to achieve debt sustainability. Repeated relief can reduce creditors' incentives to lend for good projects and debtors' incentives to repay loans.

One issue that is often lost in the debate over expanding the HIPC Initiative is the source of any new resources provided (box 6.2). Observers who might support the proposals outlined above if they were financed through higher aid allocations by DAC donors might feel very differently if the resources were to be generated by reducing concessional flows to poor countries not in the HIPC group. The HIPC Initiative is necessary to help desperately poor countries establish the sustainable levels of debt required for future economic growth. But once they meet their debt-sustainability targets, their eligibility for aid should be evaluated in tandem with other poor countries that have not built up excessive levels of debt.

The decline in official nonconcessional lending since the 1990s

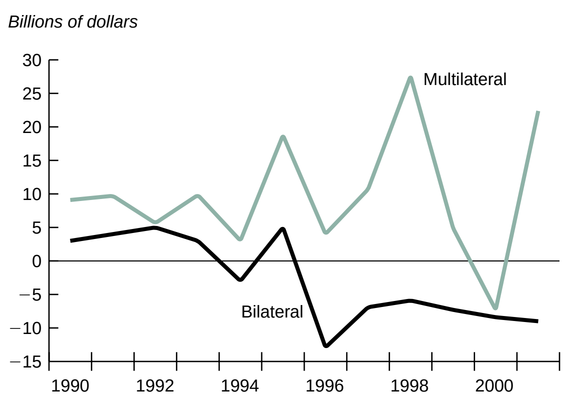
Net nonconcessional lending from official sources to developing countries dropped sharply over the 1990s, albeit with considerable variability from year to year (figure 6.5). The trend was dominated by the rescue packages provided for countries in crisis in the second half of the 1990s and by repayments under rescheduled export credits.

Bilateral lending

The sharp downward trend in nonconcessional lending through most of the 1990s was due to the dropoff of net lending from bilateral sources. In the early 1990s, developing countries netted between $3 billion and $5 billion each year in nonconcessional loans from bilateral sources, while net disbursements turned negative by the middle of the decade (see table 6.1). Some bilateral agencies have scaled down their loans to developing countries. And disbursements and repayments under the U.S. loan to Mexico introduce some volatility in the time series. But the major reason for the substantial negative net disbursements on nonconcessional loans from bilateral sources are repayments of guaranteed export credits. The following discussion reviews all three reasons.

The decline in direct bilateral loans. Net nonconcessional lending from bilateral creditors to developing countries during the 1980s and early 1990s consisted of direct loans from national export credit agencies, along with project lending from other agencies provided at interest rates too high to be counted as concessional. Over the 1990s

Figure 6.5 Net official nonconcessional lending, 1990–2001



Source: World Bank Debtor Reporting System.

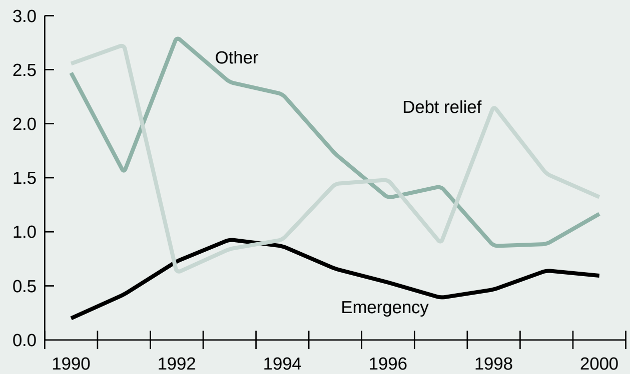
Box 6.2 Is debt relief to HIPCs additional?

One issue in evaluating the impact of the HIPC Initiative is whether the resources devoted to debt relief have been additional to other donor aid. That is, have HIPCs received more resources as a result of the Initiative, or have donors reduced other forms of aid to HIPCs as debt relief rose? It is impossible to answer this question conclusively by looking at the data, as we do not know how much aid HIPCs would have received in the absence of the Initiative.[a] Most countries in the HIPC Initiative reached a decision point in 2000, and it was not until 2001 that they received full interim relief. Hence, it is still too early to evalute additionality with confidence. Also, the data are relatively poor, as different donors account for debt relief in different ways, and the aggregate data may be affected by particular circumstances involving individual countries. Moreover, even in the extreme case that all of the resources devoted to the HIPC Initiative represented no additional net resources to these countries, the Initiative still could have an important impact through allocating more resources to debt relief in heavily indebted countries, and strengthening the link between aid and policy performance. Nevertheless, one important aspect of the Initiative remains the extent to which the HIPCs gain access to additional resources.

Net aid to HIPCs has increased since the start of the HIPC Initiative, from $14.9 billion in 1997 to $15.9 billion in 2001. The rise in aid flows went entirely to countries that had reached a decision or completion point under the Initiative, indicating progress in reform. The total for the other countries was flat over the period. The flow data may not reflect the full amount of resources provided to the HIPCs, as depending on the accounting provision used, the forgiveness of future amortization (for example, in the context of a reduction of the stock of debt) may not show up as aid in the current year. The detailed data on gross disbursements to HIPCs from bilateral donors reveal a leveling off of aid receipts in the late 1990s, after the more than one-third decline in aid to HIPCs during the first half of the 1990s (see figure at right). All in all, the available data indicate a modest rise in total aid resources to HIPCs during the period of the Initiative.

Bilateral flows to HIPC countries, 1990–2000

Gross disbursements (billions of dollars)



Source: OECD Development Assistance Committee.

Further econometric analysis is required to determine the additionality of HIPC resources and debt relief in general. Birdsall, Claessens, and Diwan (2002) find that in a regression explaining the level of net transfers from donors (a function of the level of debt, policy, poverty, population size, and debt relief), the coefficient on bilateral debt relief is close to zero for high-debt countries. This is consistent with the notion that debt relief provided does not raise the level of net transfers, and is hence not additional. However, their analysis was done before the provision of multilateral debt relief.

There is little reason to expect that the HIPC Initiative should result in a significant increase in aid resources, particularly during a period of aid austerity like the last few years. Nevertheless, the recent increase may indicate that donors are providing more aid to HIPCs as policies improve in the context of the Poverty Reduction Strategy Paper process. But any such reallocation is likely to take considerable time. One would want to see a very substantial shift in aid resources to HIPC countries only if the countries did achieve significant policy improvements, or aid was reallocated from less effective policy environments in countries with fewer poor people.

a. World Bank 2002c, box 1.

governments retreated from providing direct loans to support export activity, partly in recognition of the increasing willingness of private-sector sources to supply this finance and partly out of concern over the increasing debt difficulties of several middle-income countries. For example, the United Kingdom's Commonwealth Development Corporation was privatized, and its activities redirected toward equity financing. At the same time, export credit agencies reduced their activities in the heavily indebted poor countries (which has a numerically small impact on the overall figures, given the dominance of middle-income countries).

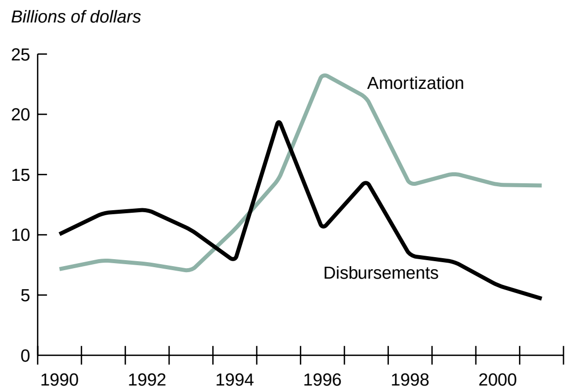
The U.S. loan to Mexico. A single operation, the U.S. loan to Mexico during the peso crisis of 1995, introduces some noise into the series under scrutiny here. Net nonconcessional loans from bilateral sources jump from −$2.7 billion in 1994 to $5.2 billion in 1995, before dropping again to −$12.9 billion in 1996. The $8 billion shift from 1994 to 1995 is more than explained by the rise in U.S. net lending to Mexico. In late 1996 repayments by Mexico resulted in net bilateral lending of −$8 billion to the country. Leaving Mexico aside, bilateral nonconcessional lending to developing countries was −$4.5 billion in 1995 and 1996.

Repayments to export credit agencies. The principal reason for the sharp decline in net nonconcessional lending during the late 1990s was the rise in debt service payments under Paris Club agreements that restructured loans guaranteed by bilateral export credit agencies. Several countries restructured their guaranteed export credits during the late 1980s or early 1990s, and payments made under these agreements are recorded as outflows to bilateral creditors. The timing and grace periods on these loans are such that large payments are still being made. For example, Argentina will continue to owe money on its debt restructurings of the 1980s until the middle years of this decade.

What seem to be large negative net disbursements from bilateral creditors misrepresent their contribution to developing countries' financial resources. The disbursement of funds supported by a guarantee is not counted as a bilateral loan (since the identity and often the existence of a guarantee is not reported), whereas once the export credit agency assumes the loan, the repayment is counted as amortization paid to the bilateral agency.

The importance of these three influences can be seen by looking at data on disbursements and amortization payments (figure 6.6). Gross disbursements of nonconcessional loans from bilateral sources exceeded $10 billion per year in the early 1990s, then shot up and fell with the loan to Mexico in 1995–96 before beginning a downwards trend to about $7 billion per year in the last two years. This decline reflects the falloff in direct loans from export credit agencies. However, amortization payments increased sharply beginning in 1994, as the grace periods expired on Paris Club restructurings. Since 1998 amortization payments have averaged about $15 billion per year—twice the level of the early 1990s. It is likely that net nonconcessional lending from bilateral sources will remain negative for several years to come, as amortization payments are scheduled to remain high until late in this decade.

Figure 6.6 Gross flows to and from bilateral creditors, 1990–2001



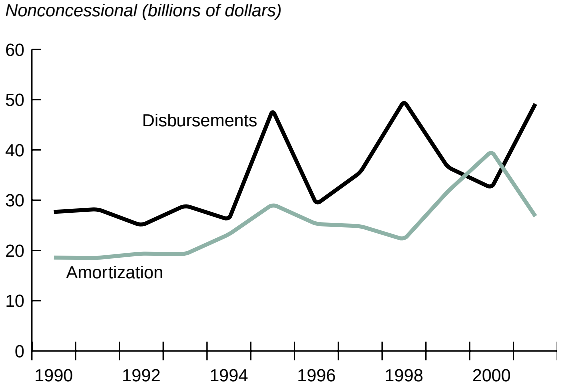
Source: World Bank Debtor Reporting System.

Multilateral lending

The sharp gyrations in nonconcessional lending from multilaterals in the second half of the 1990s were due largely to the rescue packages extended to countries affected by the crises in East Asia, the Russian Federation, and Latin America. Net nonconcessional lending from multilaterals was constant at about $10 billion per year from 1990 to 1995 and then shot up to a peak of $30 billion in 1998 with the rescue packages. The IMF accounted for the bulk of the increase. Net lending from the regional development banks also increased significantly. Net lending then plummeted in 2000 as rescue package disbursements declined and amortization began to rise, before shooting up again with the emergency financing extended to Argentina in 2001.

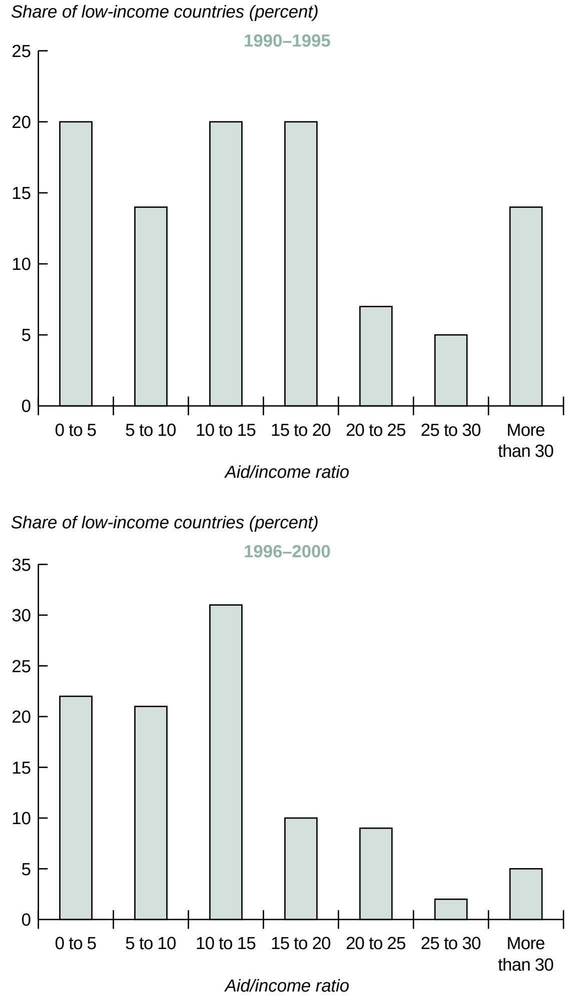
Note the rising trend in amortization payments since the early 1990s (figure 6.7). The increase toward the end of the decade reflected in part the short maturities on loans to the crisis countries. But higher amortization also resulted from the substantial gross disbursements of the early 1990s, which averaged $27 billion per year from 1990 to 1994, up from less than $20 billion a year in the last half of the 1980s. As the grace periods on these earlier disbursements expire, net lending will be further reduced unless future disbursements rise substantially. Given the large nonconcessional resources provided to middle-income countries in the early 1990s, and the emergency financing made available

Figure 6.7 Gross flows to and from multilateral creditors, 1990–2001



Source: World Bank Debtor Reporting System.

Figure 6.8 Aid/income ratios for low-income countries, 1990–1995 and 1996–2000



Sources: OECD Development Assistance Committee; World Bank.

in the second half of the decade, it can be expected that amortization payments will remain high over the next few years.

Are aid levels to some countries "too high"?

The expansion of aid during the 1980s led to concerns about whether aid levels in some countries were in some sense too large and whether this explained the lack of aid effectiveness in some countries (see World Bank 2002d for a discussion). In this section we review trends in large aid programs, and discuss one aspect of these concerns, the impact of aid on government institutions.

The number of poor countries that receive large levels of aid relative to their income fell with overall aid levels in the 1990s. Countries with aid/income ratios above 20 percent fell from just above one-quarter of all low-income countries in the early 1990s to 16 percent in the late 1990s (figure 6.8). Aid/income ratios were also smaller than in the 1980s, when about one-fifth of low-income countries received aid in excess of 20 percent of income.

On average, countries with high aid levels (more than 20 percent of income), most of which were in Africa, increased their per capita GDP by 1.3 percent per year from 1995 to 2000—lower than China and India, but greater than Africa as a whole and greater than the average for all low-income countries. Of the countries with aid/income levels greater than 10 percent, 20 had per capita income growth greater than 1 percent but 10 had zero or negative per capita growth. All but two of the countries that received large amounts of aid while recording zero or negative growth suffered from civil war or external conflicts.

These data indicate nothing about the impact of aid on growth in countries receiving large amounts of aid, as other factors affecting growth would have to be accounted for in analyzing this relationship. The relative success of those large aid recipients that maintained peace does show that some of the gloomier assessments of aid recipients' performance are unwarranted. Nevertheless, in most of these countries higher growth rates will be required to achieve the Millennium Development Goals.

The impact of large flows of aid on institutions

Aid can have favorable effects on the quality of governance and institutions. Low government revenues are sometimes a binding constraint on the development of well-functioning bureaucracies and legal systems. Aid can provide additional revenues for improved training and increased salaries for public employees—including police, judges, and tax collectors—with potentially beneficial impacts on the quality of public services and the incidence of bribe solicitation. Aid sometimes takes the form of technical assistance intended to strengthen the legal system, improve public financial management, or raise the quality of other public-sector services.

Aid can also improve the quality of governance through conditionality. IDA allocations are based in large part on the Bank's assessments of the quality of borrowers' policies and public-sector institutions. IDA's conditions for the receipt of credits can therefore increase borrowers' incentives to implement public-sector reforms.

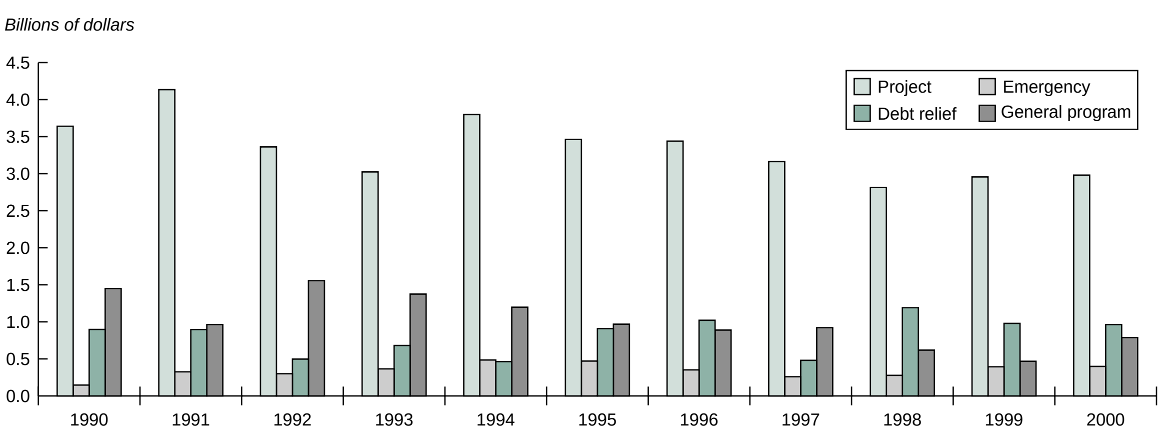
Despite these potential advantages, aid programs must be structured so as to avoid harmful impacts on governance; the potential for aid to undermine domestic institutions is a real issue.

Donors often impose special procedures, such as project administration units and accounting requirements that operate outside of the civil service. Separate administrative procedures are sometimes necessary to ensure that donor funds are appropriately used and key services provided in economies where government financial management is poor. And such units can enhance the efficiency of individual projects. But the extensive use of separate administrative units can erode the effectiveness of normal government institutions by bidding away the most competent personnel and reducing government control over sectoral expenditures.

Such concerns have led some donors to shift a portion of their aid from project to budget support, integrating that portion with the government's budget and reducing separate administrative requirements for projects. The success of channeling aid into budget support depends critically on the reliability of the government's financial management. For countries with aid programs that exceeded 10 percent of income, the share of project-related disbursements declined from 64 percent in 1990 to 58 percent by the end of the decade. This reflected a shift towards debt relief and emergency support, rather than a rise in budgetary support, which fell from $1.5 billion in 1990 to $0.8 billion in 2000 (figure 6.9). However, one can detect some rise in budget support over the past couple of years. Bilateral program disbursements rose from $618 million in 1998 to $788 million in 2000, and the share of IDA commitments to adjustment lending rose to 30 percent in fiscal 2002, up from 18 percent in 1998 and slightly higher than the average for the early years of the 1990s (figure 6.10).[15]

Heavy reliance on aid can reduce government's control of its fiscal policy if the timing of aid disbursements is uncertain. Using a simple time series model, Bulir and Hamman (2001) found that aid *commitments* explain only a negligible part of

Figure 6.9 Bilateral aid to large recipients by type of aid, 1990–2000



Note: Includes aid to countries where aid exceeded 10 percent of GNI in 1995–2000.
Source: OECD Development Assistance Committee.

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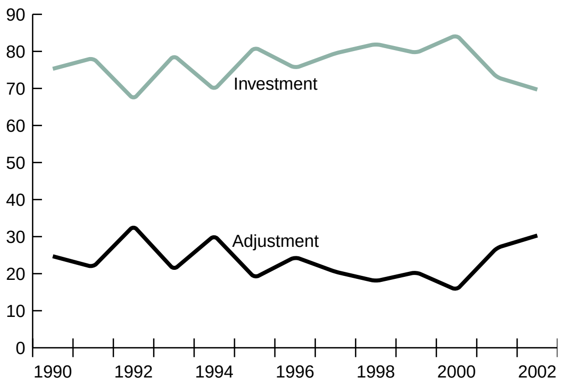
Figure 6.10 IDA commitments by type, 1990–2002

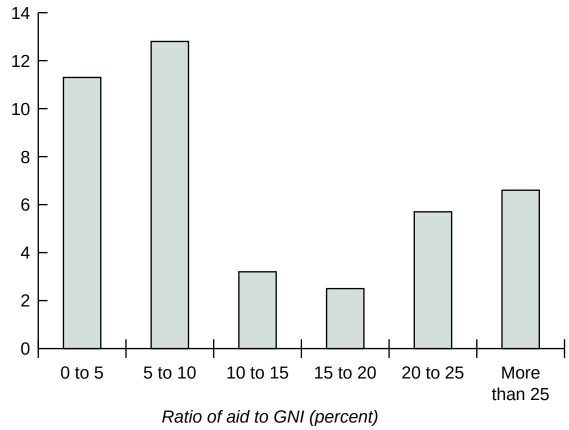
Shares of total (percent; sum to 100)



Source: World Bank.

Figure 6.11 Tax effort by aid recipients as measured by tax/GNP ratio

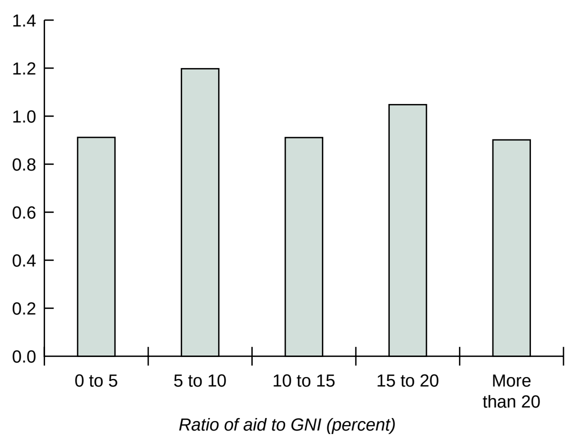
Percent



Sources: World Bank; Stotsky and Wolde Mariam 1997.

Figure 6.12 Tax effort by aid recipients

Stotsky and Wolde Mariam measure



Sources: World Bank; Stotsky and Wolde Mariam 1997.

actual disbursements and that short-term forecasts of aid disbursements are often excessively optimistic. The difficulties involved in uncertain aid disbursements emphasize the importance of efforts by both donors and recipients to introduce greater stability into aid programs.

Large aid programs may also affect the revenue side of government finances, although the empirical evidence shows little impact of aid on efforts to raise revenues. Several economists have found a negative relationship between aid levels and tax revenues (see Lensink 1992 for Africa, Pillai 1982 for Jordan, and Kahn and Hoshino 1992 for Asia). That increases in aid should be related to declines in tax revenues is not surprising, nor necessarily objectionable, since a rational government would use at least a portion of aid resources to reduce distortionary taxation. On the other hand, Devarajan and Swaroop (1998) found that for a sample of 18 African countries every dollar of aid led to a 90 cent rise in government spending, leaving little room for significant reductions in taxes.

Stotsky and Wolde Mariam (1997) constructed an indicator of tax effort—the difference between actual taxes versus predicted taxes based on the sectoral composition of output, the share of exports and imports in GDP, and per capita income. They found that aid levels do not have a statistically significant impact on tax effort. A simple comparison of aid levels and tax revenues shows some negative relationship (figure 6.11). But if the Stotsky and Wolde Mariam index of tax effort is used, the relationship disappears (figure 6.12). Countries with the lowest aid revenues (less than 5 percent of income) had the same tax effort as countries with the highest level of aid (more than 20 percent of income).

One dilemma that confronts donors and governments in designing effective aid programs is ensuring the quality of staff working on donor-funded projects without draining the most effective personnel from government. Donors often hire away the most highly skilled civil servants, often at salaries that are much higher than what they could earn from the government (Brautigam 2000; Dollar and Pritchett 1998).

These effects may be exacerbated, for a given level of aid, by donor fragmentation. In recipient nations where more donors are operating, salaries for qualified administrators are likely to be bid up further than in the case of a monopsonist donor, as donors compete for qualified staff. This effect is aggravated to the extent that each additional donor bears fixed administrative costs of administering a country aid program.

Access to aid resources can enable governments to act more independently of domestic political groups—just as government-controlled natural resources (such as oil) can do.[16] In Western Europe, democracy and the concept of government accountability to its citizenry developed over centuries, in part in response to the sovereign's dependence on domestic interest groups for revenues (Brautigam 1992). The same process has been enormously compressed in the developing world.

The critical role of domestic accountability and the potential for aid to limit responsiveness to domestic political concerns underlines the importance of recent efforts by donors to emphasize participation of civil society in the formulation of aid programs. Consultation with civil society is a cornerstone of the World Bank's Comprehensive Development Framework and a requirement for Poverty Reduction Strategy Papers, a key input to donor support in most poor countries.

There is some controversy over whether access to large aid resources may also encourage corruption. Aid may be used for patronage purposes, by subsidizing employment in the public sector or in state-operated enterprises. As rents available to those controlling the government increase, resources devoted to obtaining political influence increase. As foreign aid expands, workers may face incentives to reallocate time from productive activity toward acquiring knowledge and skills useful for obtaining a share of aid revenues—a reallocation from productive to redistributive activities.

The available empirical work does not strongly support the view that high aid levels have contributed to a deterioration in the quality of institutions. Alesina and Weder (1999) found that for most tests there was no statistically significant relationship between the amount of aid received in a previous five-year period and the subjective corruption index from the International Country Risk Guide (ICRG), a commercial service providing information on political risks. They also found no consistent pattern of relationships between large changes in the corruption index and the previous amount of aid received. However, their analysis does not control for other determinants of corruption.

Knack (2001) found that countries with higher aid levels exhibit declining scores on the ICRG index over time, after controlling for the initial ICRG value, population growth, and per capita income growth.[17] In an extension of this work, the author updated these calculations, with consistent results.[18] A rise of about 27 percentage points in aid's share of GNI is associated with a one-point reduction in ICRG's bureaucratic quality scale, which ranges from zero to six. Results are similar when aid's share of government spending is substituted for aid as a share of national income. However, if the initial level of per capita income is included as an explanatory variable, then the coefficient on aid is no longer significant.[19] Based on this analysis, it is not possible to conclude that aid plays an independent role in reducing the quality of government administration.

By contrast, empirical work does support the view that a proliferation of donors or projects may tax government administrative capacity. Indices of "donor fragmentation" (one based on the number of donors providing significant amounts of aid, the other on the number of projects)[20] are significantly—and negatively—related to the change in bureaucratic quality in counries where aid levels exceeded 4 percent of national income. This finding holds when per capita income is included as an explanatory variable.

Ensuring effectiveness in large aid programs

Governments and donors confront significant issues in ensuring the effectiveness of large aid programs. However, this does not imply that aid to good performers should be reduced to avoid their receiving "too much" aid. Recipients and donors can take steps to ensure the effectiveness of large aid programs by taking the following steps:

- Reducing the administrative costs of aid by devoting more resources to budgetary support (where consistent with appropriate financial management)

- Limiting the use of separate institutional arrangements to administer aid projects
- Reducing the number of donors operating in individual sectors and improving donor coordination
- Ensuring that civil society is involved in aid programs and policies.

There is no evidence that countries that receive a lot of aid have performed poorly (aside from countries suffering from civil or external conflicts), and the empirical evidence that high aid levels exert an independent, negative impact on governance is unconvincing.

The challenge is for donors to deliver aid—and for recipients to manage their resources—in ways that promote aid effectiveness. The means to be used will depend greatly on the purpose for which the aid is intended and on domestic conditions; there is no "silver bullet" approach to aid management that guarantees effectiveness. Strong governments can ensure that aid is spent according to their own priorities and in ways that are consistent with effective administration. Weak governments can find their policymaking processes and institutional quality disrupted by large aid flows.

Annex: Debt Restructuring with Official Creditors

THIS ANNEX REVIEWS OFFICIAL DEBT rescheduling agreements concluded in 2002.

Rescheduling of intergovernmental loans and officially guaranteed private export credits take place under the aegis of the Paris Club. These agreements are concluded between the debtor government and representatives of creditor countries with export credit facilities. The terms of Paris Club rescheduling are recorded in an agreed minute. To make the debt relief effective, debtor countries must sign bilateral implementing agreements with each creditor. For a description of Paris Club procedures and principles, and details on agreements, see the Paris Club Web site (www.clubdeparis.org).

Developments in 2002

The Paris Club concluded multilateral rescheduling agreements with 10 countries in 2002, covering a total of about $20 billion (table 6A.1). All of these agreements, except the one with Jordan, were concluded with low-income countries. Two agreements (Ghana and Nicaragua) were on Cologne terms, three (Indonesia, Jordan, and Kyrgyz Republic) were on nonconcessional terms, one (the Democratic Republic of Congo) was on Naples terms, one (Côte d'Ivoire) was on Lyon terms, and three (Burkina Faso, Mauritania, and Tanzania) were comprehensive stock-of-debt agreements.

The stock-of-debt operations

Burkina Faso, Mauritania, and Tanzania reached exit stock-of-debt agreements with Paris Club creditors under the Enhanced HIPC Initiative, covering a total of $1.9 billion (table 6A.2). These agreements provided $937 million of NPV reduction in the stock of debt ($22.2 million for Burkina Faso, $188 million for Mauritania, and $737 million for Tanzania). Creditors also committed to grant additional debt relief, on a bilateral basis, to Burkina Faso and Mauritania.

Agreements with other countries

Congo, Democratic Republic

The agreement concluded with the Democratic Republic of Congo in September 2002 consolidated about $9 billion (including an immediate debt cancellation of about $4.6 billion), of which 16 percent relates to ODA loans and 84 percent to commercial credits. The agreement reduced arrears as of June 30, 2002 ($8.5 billion) and debt-service payments falling due from July 1, 2002 to June 30, 2005 ($0.5 billion) on loans contracted prior to June 30, 1983 (the cutoff date) by 67 percent in NPV terms (Naples terms). Creditors also agreed to top up the reduction rate to 90 percent (Cologne terms) when the Democratic Republic of Congo reaches the decision point under the Enhanced HIPC Initiative. On an exceptional basis, creditors agreed to capitalize all moratorium interest falling due until June 30, 2005, on the restructured debt. These amounts will be repaid in 16 semiannual installments beginning March 31, 2006, and ending September 30, 2013. Creditors also deferred all arrears as of June 30, 2002 (arrears will be repaid on a graduated schedule from March 31, 2003, to September 30, 2009) and 100 percent of debt-service payments falling due between July 1, 2002, and December 31, 2002, on post–cutoff date debt (to be repaid in six equal semi-annual installments

Table 6A.1 Paris Club agreements, January 1–December 31, 2002

Country	Signature date (2002)	Cutoff date	Amount (millions of dollars)	Concessionality (percent of NPV)	Start date of consolidation period	Length (months)
Burkina Faso	20 June	1 Jan. 1991	22	90	Debt stock rescheduling	n.a.
Congo, Dem. Rep. of	13 Sept.	30 June 1983	9,000	67	1 July 2002	36
Côte d'Ivoire	10 April	1 July 1983	2,300	80	1 April 2002	33
Ghana	16 May	20 June 1999	160	90	1 Feb. 2002	10
Indonesia	12 April	1 July 1997	5400	n.a.	1 April 2002	21
Jordan	11 July	1 Jan. 1989	1200	n.a.	1 Jan. 2002	72
Kyrgyz Republic	7 March	31 Aug. 2001	99	n.a.	6 Dec. 2001	36
Mauritania	8 July	31 Dec. 1984	188	90	Debt stock rescheduling	n.a.
Nicaragua	13 Dec.	1 Nov. 1988	579	90	1 Oct. 2002	36
Tanzania	17 Jan.	30 June 1986	973	90	Debt stock rescheduling	n.a.

n.a. Not applicable.
Sources: World Bank; Paris Club.

commencing on March 31, 2003, and ending on September 30, 2005).

Côte d'Ivoire

The April 2002 agreement with Côte d'Ivoire restructured an estimated $2.3 billion ($900 million on ODA loans and $1.4 billion of guaranteed commercial credits), of which $1.1 billion comprised principal and interest in arrears (including late interest) and $1.2 billion debt-service payments. The agreement included an immediate cancellation of about $911 million of Côte d'Ivoire's external debt. The agreement reduced arrears at March 31, 2002, and 100 percent of debt-service payments falling due between April 1, 2002, and December 31, 2004, on debts contracted before July 1, 1983 (the cutoff date), by 80 percent in NPV terms (Lyon terms). Creditors also agreed to increase the reduction rate to 90 percent (Cologne terms) after Côte d'Ivoire reaches its Decision Point under the Enhanced HIPC Initiative. In recognition of Côte d'Ivoire's particularly tough economic situation, Paris Club creditors agreed to capitalize 100 percent of moratorium interest falling due from April 1, 2002, to December 31, 2002, on the rescheduled debt. These amounts will be repaid on March 31, 2005. Creditors also deferred 100 percent of arrears on post–cutoff date debt (that is, loans contracted after July 1, 1983). These amounts were to be repaid beginning September 30, 2002, and ending March 31, 2003, but Côte d'Ivoire has not made any payments under its Paris Club agreement since September.

Ghana

The Paris Club creditors concluded an interim debt-relief agreement in May 2002 that provides an immediate cancellation of $90 million of Ghana's external debt. This agreement consolidates a total of $160 million, of which $100 million represents debt-service payments owed to commercial creditors, on debt contracted prior to June 20, 1999 (the cutoff date). It reduced all debt-service payments due to Paris Club creditors falling due between February 1, 2002, and November 30, 2002, by 90 percent in NPV terms (Cologne terms).

Indonesia

In April 2002, the Paris Club creditors restructured about $5.4 billion of Indonesia's debt service ($2.3 billion of ODA loans and $3.1 billion of commercial loans with export credit guarantees). The agreement covered 100 percent of principal falling due between April 1, 2002, and December 31, 2003, and 100 percent of interest payments falling due between April 1, 2002, and December 31, 2002, on all debts contracted before July 1, 1997 (the cutoff date). ODA debt was rescheduled over 20 years, including a 10-year grace period, with 20 equal semi-annual payments beginning on December 1, 2013, and ending on June 1, 2023. A guaranteed commercial loan was rescheduled over 18 years, including a 5-year grace period, with 26 semi-annual payments commencing on December 1, 2008, and ending on June 1, 2021. The progressive repayment schedule for commercial debt will rise from 2 percent of the amount rescheduled at the outset of the repayment period to 6.53 percent by the time of the final installment. Creditors indicated their willingness to consider the rescheduling of an estimated $730 million in interest payments falling due in 2003, depending on the country's need for finance (as identified by the IMF). The agreement also contained a swap clause under which, on a voluntary and bilateral basis, creditors or their appropriate institutions may swap all ODA debts, and up to 20 percent of the amount outstanding on their non-ODA debts as of March 31, 2000, or up to SDR 30 million, whichever is higher.

Jordan

Paris Club creditors reached an exit arrangement with Jordan to restructure approximately $1.2 billion ($270 million in ODA loans and $930 million in commercial loans with export credit guarantee) that addresses graduation from Paris Club rescheduling. The agreement would cover 100 percent of principal and interest falling due between January 1, 2002, and June 30, 2004; 90 percent of principal and interest falling due between July 1, 2004, and December 31, 2005; 80 percent of principal and interest falling due in 2006; and 70 percent of principal and interest falling due in 2007 on all debts contracted before the cutoff date (January 1, 1989), including debt service payments due on all previous agreements concluded with the Paris Club. Repayment of the rescheduled amounts will be made as follows: ODA loans will be repaid in 20 equal semi-annual payments beginning on June 30, 2014, and ending on December 31, 2023, at an interest rate as favorable as the concessional rates applying to those loans. Guaranteed commercial credits will be repaid in 30 semi-annual installments on a graduated schedule rising from 0.53 percent of the total amount rescheduled at the time of the initial payment in June 2007, to 7.65 percent by the time of the final payment in December 31, 2021, at the appropriate market interest rates.

Kyrgyz Republic

The Paris Club signed its first agreement with Kyrgyz Republic in March 2002; the cutoff date was set at August 31, 2001. The agreement restructured $99 million of principal and interest (including $23 million ODA loans) falling due from December 6, 2001 to December 5, 2004. ODA loans are to be repaid within 20 years (including 10 years of grace), at an interest rate as favorable as those applying to concessional loans. Commercial credits were to be repaid in 20 years (including a 5-year grace period), at the appropriate market interest rates. A portion of the moratorium interest on rescheduled debt would be capitalized—up to 50 percent in 2002, 60 percent in 2003, and 70 percent in 2004. These amounts will be repaid in 4 equal semi-annual payments from December 6, 2006, to June 6, 2008. Creditors also committed in principle to consider a stock-of-debt treatment, subject to successful implementation of the IMF program until December 2004.

Nicaragua

In December 2002, Paris Club creditors concluded an interim debt-relief agreement with Nicaragua covering about $579 million (of which $560 million represents pre–cutoff date commercial credits falling due from October 1, 2002, to September 30, 2005), including the immediate cancellation of about $405 million. All debt-service payments falling due between October 1, 2002, and September 30, 2005 will be reduced by 90 percent in NPV terms. The agreement was concluded under Cologne terms: repayment of the rescheduled amount will be made over 40 years, including a 16-year grace period, for ODA credits, and over 23 years, including 6 years of grace, for guaranteed commercial credits.

Other developments in 2002

On March 8, 2002, the Paris Club creditors arranged their second meeting with representatives of the private creditors coordinated by the Institute of International Finance, the Emerging Market Creditors Association, and the Emerging Market Traders Association. They discussed the most important agreements concluded in 2001, and exchanged views on sovereign debt restructuring and the outlook for several countries, including Argentina, Côte d'Ivoire, Ecuador, Indonesia, and Nigeria. Private creditors welcomed the successful launch of the Paris Club Web site, which represents a key step in the Paris Club's program to improve transparency. Both groups of creditors found the exchange of views and information useful and agreed to hold regular meetings at least annually.

Table 6A.2 Multilateral debt-relief agreements with official creditors, January 1980–December 2002

Country and date of agreement	Contract cutoff date	Consolidation period for current maturities: Start date	Consolidation period for current maturities: Length (months)	Consolidation includes: Arrears	Consolidation includes: Previously rescheduled debt	Share of debt consolidated (percent)	Amount consolidated (millions of dollars)	Repayment terms[a]: Maturity (years/months)	Repayment terms[a]: Grace (years/months)
Albania*									
1 Dec. 93	30 Sept. 93	Arrears as of 30 Sept. 93		y		100	109	9/3	2/9
Algeria									
1 June 94	30 Sept. 93	1 June 94	12			100	5,345	14/6	3/0
21 July 95	30 Sept. 93	1 July 95	36			100	7,320	13/0	1/6
Angola									
20 July 89	31 Dec. 86	1 July 89	15	y		100	446	9/6	6/0
Argentina									
16 Jan. 85	10 Dec. 83	1 Jan. 85	12	y		90	2,040	9/6	5/0
20 May 87	10 Dec. 83	1 May 87	14	y		100	1,260	9/5	4/11
21 Dec. 89	10 Dec. 83	1 Jan. 90	15	y	y	100	2,400	9/4	5/10
19 Sept. 91	10 Dec. 83	1 Oct. 91	9	y	y	100	1,476	9/9	6/3
21 July 92	10 Dec. 83	1 July 92	33		y	100	2,700	13/8	1/2
Benin									
22 June 89	31 Mar. 89	1 June 89	13	y		100	193	Menu	Menu
18 Dec. 91	31 Mar. 89	1 Jan. 92	19	y		100	152	Menu	Menu
27 June 93	31 Mar. 89	1 Aug. 93	29		y	100	25	Menu	Menu
24 Oct. 96	31 Mar. 89	24 Oct. 96	Stock		y	100	209		Menu
24 Oct. 00	31 Mar. 89	interim relief			y	100	7	Menu	Menu
Bolivia									
18 July 86	31 Dec. 85	1 July 86	12	y		100	449	9/6	5/0
14 Nov. 88	31 Dec. 85	1 Oct. 88	15	y	y	100	226	9/5	5/1
15 Mar. 90	31 Dec. 85	1 Jan. 90	24		y	100	276	Menu	Menu
24 Jan. 92	31 Dec. 85	1 Jan. 92	18		y	100	65	Menu	Menu
24 Mar. 95[b]	31 Dec. 85	1 Jan. 95	36		y	100	482	Menu	Menu
14 Dec. 95	31 Dec. 85	31 Dec. 95	Stock		y	100	881	Menu	Menu
30 Oct. 98	31 Dec. 85	1 Nov. 98	Stock		y	100	561	Menu	Menu
10 July 01	31 Dec. 85	1 Nov. 98	Stock		y	100	685	Menu	Menu
Bosnia and Herzegovina									
30 Oct. 98	2 Dec. 82	1 July 98	10			100	589	Menu	Menu
07 July 00	2 Dec. 82	12 July 00	12			100	9	Menu	Menu
Brazil									
23 Nov. 83	31 Mar. 83	1 Aug. 83	17	y		85	2,337	9/0	5/0
21 Jan. 87	31 Mar. 83	1 Jan. 85	30			100	4,178	5/6	3/0
29 July 88	31 Mar. 83	1 Aug. 88	20	y		100	4,992	9/6	5/0
26 Feb. 92	31 Mar. 83	1 Jan. 92	20	y		100	10,500	13/4	1/10
Bulgaria									
17 Apr. 91	1 Jan. 91	1 Apr. 91	12	y		100	640	10/0	6/6
14 Dec. 92	1 Jan. 91	1 Dec. 92	5	y		100	251	9/10	6/4
13 Apr. 94	1 Jan. 91	1 Apr. 94	13	y		100	200	9/5	5/11
Burkina Faso									
15 Mar. 91	1 Jan. 91	1 Mar. 91	15	y		100	71	Menu	Menu
7 May 93	1 Jan. 91	1 Apr. 93	33	y		100	36	Menu	Menu
20 June 96	1 Jan. 91	20 June 96	Stock		y	100	64	Menu	Menu
24 Oct. 00	1 Jan. 91	interim relief	30		y	100	249	Menu	Menu
20 June 02	1 Jan. 91	1 June 02	Stock		y	100	22	Menu	Menu

(Table continues on next page)

Table 6A.2 Multilateral debt-relief agreements with official creditors, January 1980–December 2002 *(continued)*

Country and date of agreement	Contract cutoff date	Consolidation period for current maturities: Start date	Consolidation period for current maturities: Length (months)	Consolidation includes: Arrears	Consolidation includes: Previously rescheduled debt	Share of debt consolidated (percent)	Amount consolidated (millions of dollars)	Repayment terms[a]: Maturity (years/months)	Repayment terms[a]: Grace (years/months)
Cambodia									
26 Jan. 95	31 Dec. 85	1 Jan. 95	30	y	y	100	249	Menu	Menu
Cameroon									
24 May 89	31 Dec. 88	1 Apr. 89	12	y		100	535	9/6	6/0
23 Jan. 92	31 Dec. 88	1 Jan. 92	9	y		100	1,080	19/5, 14/8	9/11, 8/2
24 Mar. 94	31 Dec. 88	1 Apr. 94	18	y	y	100	1,259	Menu	Menu
16 Nov. 95	31 Dec. 88	1 Oct. 95	12		y	100	1,129	Menu	Menu
24 Oct. 97	31 Dec. 88	1 Oct. 97	36	y		100	1,270	Menu	Menu
24 Jan. 01	31 Dec. 88	1 Jan. 01	35	y		100	1,300	Menu	Menu
Central African Republic									
12 June 81	1 Jan. 81	1 Jan. 81	12	y		85	72	8/6	4/0
9 July 83	1 Jan. 83	1 Jan. 83	12	y		90	13	9/6	5/0
22 Nov. 85	1 Jan. 83	1 July 85	18		y	90	14	9/3	4/9
14 Dec. 88	1 Jan. 83	1 Jan. 89	18		y	100	28	Menu	Menu
15 June 90	1 Jan. 83	1 Jan. 90	12	y	y	100	4	Menu	Menu
12 Apr. 94	1 Jan. 83	1 Apr. 94	12	y	y	100	32	Menu	Menu
25 Sept. 98	1 Jan. 83	1 Sept. 98	34	y	y	100	23	Menu	Menu
Chad									
24 Oct. 89	30 June 89	1 Oct. 89	15	y		100	24	Menu	Menu
28 Feb. 95	30 June 89	1 Apr. 95	12	y		100	24	Menu	Menu
14 June 96	30 June 89	1 Jan. 96	32	y	y	100	12	Menu	Menu
13 June 01	30 June 89	1 May 01	24	y	y	100	15	Menu	Menu
Chile									
17 July 85	1 Jan. 85	1 July 85	18			65	146	6/3	2/9
2 Apr. 87	1 Jan. 85	15 Apr. 87	21			85	157	6/2	2/7
Congo, Democratic Republic of									
9 July 81	1 Jan. 79	1 Jan. 81	24			90	500	9/6	4/0
20 Dec. 83	30 June 83	1 Jan. 84	12	y	y	95	1,497	10/6	5/0
18 Sept. 85	30 June 83	1 Jan. 85	15		y	95	408	9/5	4/11
15 May 86	30 June 83	1 Apr. 86	12		y	100	429	9/6	4/0
18 May 87	30 June 83	1 Apr. 87	13	y	y	100	671	14/6	6/0
23 June 89	30 June 83	1 June 89	13	y	y	100	1,530	Menu	Menu
13 Sept. 02	30 June 83	1 July 02	36	y	y	100	9,000	Menu	Menu
Congo, Republic of									
18 July 86	1 Jan. 86	1 Aug. 86	20	y		95	756	9/2	3/8
13 Sept. 90[c]	1 Jan. 86	1 Sept. 90	21	y	y	100	1,052	14/3	5/9
30 June 94[c]	1 Jan. 86	1 July 94	11	y	y	100	1,175	19/7, 14/7	10/1, 5/1
16 July 96	1 Jan. 86	30 June 96	36	y	y	100	1,758	Menu	Menu
Costa Rica									
11 Jan. 83	1 July 82	1 July 82	18	y		85	136	8/3	3/9
22 Apr. 85	1 July 82	1 Jan. 85	15	y		90	166	9/5	4/11
26 May 89	1 July 82	1 Apr. 89	14	y	y	100	182	9/5	4/11
17 July 91	1 July 82	1 July 91	9	y	y	100	139	9/7	5/1
22 June 93	1 July 82	Arrears as of 31 June 93		y		100	58	6/6	2/0

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Table 6A.2 Multilateral debt-relief agreements with official creditors, January 1980–December 2002 *(continued)*

Country and date of agreement	Contract cutoff date	Consolidation period for current maturities: Start date	Consolidation period for current maturities: Length (*months*)	Consolidation includes: Arrears	Consolidation includes: Previously rescheduled debt	Share of debt consolidated (*percent*)	Amount consolidated (*millions of dollars*)	Repayment terms[a]: Maturity (*years/months*)	Repayment terms[a]: Grace (*years/months*)
Côte d'Ivoire									
4 May 84	1 July 83	1 Dec. 83	13			100	230	8/6	4/0
25 June 85	1 July 83	1 Jan. 85	12			100	213	8/6	4/0
27 June 86	1 July 83	1 Jan. 86	36			Var.	370	8/7	4/1
18 Dec. 87	1 July 83	1 Jan. 88	16	y	y	100	567	9/4	5/10
18 Dec. 89	1 July 83	1 Jan. 90	16	y	y	100	934	13/4	5/10
20 Nov. 91	1 July 83	1 Oct. 91	12	y	y	100	806	14/6	8/0
22 Mar. 94	1 July 83	1 Mar. 94	37	y	y	100	1,849	Menu	Menu
24 Apr. 98	1 July 83	1 Apr. 98	36	y	y	100	1,402	Menu	Menu
10 Apr. 02	1 July 83	1 Apr. 02	33	y	y	100	2,300	Menu	Menu
Croatia									
21 Mar. 95	2 Dec. 82	1 Jan. 95	12	y	y	100	861	13/7	2/1
Cuba									
1 Mar. 83	1 Sept. 82	1 Sept. 82	16			100	426		
19 July 84	1 Sept. 82	1 Jan. 84	12			100	204	9/0	5/6
18 July 85	1 Sept. 82	1 Jan. 85	12			100	156	9/0	5/6
16 July 86	1 Sept. 82	1 Jan. 86	12		y	100	..	9/6	5/6
Djibouti									
25 May 00		31 Oct. 99	24	y		100	17	10/0	6/0
Dominican Republic									
21 May 85	30 June 84	1 Jan. 85	15	y		90	290	9/5	4/11
22 Nov. 91	30 June 84	1 Oct. 91	18	y	y	100	850	14/3	7/9
Ecuador									
28 July 83	1 Jan. 83	1 June 83	12			85	142	7/6	3/0
24 Apr. 85	1 Jan. 83	1 Jan. 85	36	y		Var.	450	7/6	3/0
20 Jan. 88	1 Jan. 83	1 Jan. 88	14	y		100	438	9/5	4/11
24 Oct. 89	1 Jan. 83	1 Nov. 89	14	y	y	100	397	9/5	5/11
20 Jan. 92	1 Jan. 83	1 Jan. 92	12	y	y	100	339	19/5, 14/6	9/11, 8/0
27 June 94	1 Jan. 83	1 July 94	6	y	y	100	293	19/9, 14/9	10/3, 8/3
15 Sept. 00	1 Jan. 83	1 May 00	12	y	y	100	887	19/9, 17/9	10/3, 8/3
Egypt, Arab Rep. of									
22 May 87	31 Oct. 86	1 Jan. 87	18	y		100	6,350	9/3	4/9
25 May 91	31 Oct. 86	Balances: 30 June 91		y		100	27,864	Menu	Menu
El Salvador									
17 Sept. 90[c]	1 Sept. 90	1 Sept. 90	13	y		100	135	19/6, 14/6	10/0, 8/0
Equatorial Guinea									
22 July 85	1 July 84	1 Jan. 85	18	y		100	38	9/0	4/6
1 Mar. 89	1 July 84	Arrears as of 31 Dec. 88		y	y	100	10	Menu	Menu
2 Apr. 92*	1 July 84	1 Jan. 92	12	y	y	100	32	Menu	Menu
15 Dec. 94*	1 July 84		21	y	y	100	51	Menu	Menu
Ethiopia									
16 Dec. 92	31 Dec. 89	1 Dec. 92	35	y		100	441	Menu	Menu
24 Jan. 97	31 Dec. 89	1 Jan. 97	34	y		100	184	Menu	Menu
5 Apr. 01	31 Dec. 89	1 Mar. 01	36	y	y	100	430	Menu	Menu

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Table 6A.2 Multilateral debt-relief agreements with official creditors, January 1980–December 2002 *(continued)*

Country and date of agreement	Contract cutoff date	Consolidation period for current maturities: Start date	Consolidation period for current maturities: Length *(months)*	Consolidation includes: Arrears	Consolidation includes: Previously rescheduled debt	Share of debt consolidated *(percent)*	Amount consolidated *(millions of dollars)*	Repayment terms[a]: Maturity *(years/ months)*	Repayment terms[a]: Grace *(years/ months)*
Gabon									
21 Jan. 87	1 July 86	21 Sept. 86	15			100	387	9/5	3/11
21 Mar. 88	1 July 86	1 Jan. 88	12			100	326	9/6	5/0
19 Sept. 89	1 July 86	1 Sept. 89	16	y		100	545	10/0	4/0
24 Oct. 91[d]	1 July 86	1 Oct. 91	15	y	y	100	498	8/0	2/0
15 Apr. 94	1 July 86	1 Apr. 94	12	y	y	100	1,360	14/6	2/0
12 Dec. 95	1 July 86	1 Dec. 95	36	y	y	100	1,030	13/6	1/0
15 Dec. 00	1 July 86	1 Oct. 00	24	y	y	100	687	12/0	3/0
Gambia, The									
19 Sept. 86	1 July 86	1 Oct. 86	12	y		100	17	9/6	5/0
Georgia									
6 Mar. 01	1 Nov. 99	1 Jan. 01	24			100	58	20/0, 20/0	10/0, 3/0
Ghana									
29 Mar. 96	1 Jan. 93	Arrears as of 1 July 95				100	93	4/5	1/0
10 Dec. 01	1 Jan. 93	1 June 01	8	y	y	100	199	Menu	Menu
16 May 02	20 June 99	1 Feb. 02	10			100	160	Menu	Menu
Guatemala									
25 Mar. 93	1 Jan. 91	Arrears as of 31 Mar. 93				100	440	19/6, 14/6	10/0, 8/0
Guinea									
18 Apr. 86	1 Jan. 86	1 Jan. 86	14	y		95	196	9/4	4/11
12 Apr. 89	1 Jan. 86	1 Jan. 89	12	y	y	100	123	Menu	Menu
18 Nov. 92	1 Jan. 86	Arrears as of 31 Dec. 92		y	y	100	203	Menu	Menu
25 Jan. 95	1 Jan. 86	1 Jan. 95	12	y	y	100	156	Menu	Menu
26 Feb. 97	1 Jan. 86	1 Jan. 97	36	y	y	100	123	Menu	Menu
15 May 01	1 Jan. 86	1 Dec. 00	40	y	y	100	151	Menu	Menu
Guinea-Bissau									
27 Oct. 87	31 Dec. 86	1 July 87	18	y		100	25	19/3	9/9
26 Oct. 89	31 Dec. 86	1 Oct. 89	15	y	y	100	21	Menu	Menu
23 Feb. 95	31 Dec. 86	1 Jan. 95	36	y	y	100	195	Menu	Menu
26 Jan. 01	31 Dec. 86	1 Dec. 00	40	y	y	100	141	Menu	Menu
Guyana									
23 May 89	31 Dec. 88	1 Jan. 89	14	y		100	195	19/5	9/11
12 Sept. 90	31 Dec. 88	1 Sept. 90	35	y	y	100	123	Menu	Menu
6 May 93	31 Dec. 88	1 Aug. 93	17	y	y	100	39	Menu	Menu
23 May 96	31 Dec. 88	23 May 96	Stock	y	y	100	793	Menu	Menu
25 June 99	31 Dec. 88	23 May 99	Stock	y	y	100	240	Menu	Menu
Haiti									
30 May 95	1 Oct. 93	31 Mar. 95	12	y		100	117	Menu	Menu
Honduras									
14 Sept. 90[c]	1 June 90	1 Sept. 90	11	y		100	280	19/7, 14/7	8/1, 8/1
26 Oct. 92	1 June 90	1 Oct. 92	34	y	y	100	180	Menu	Menu
29 Feb. 96	1 June 90	30 Jan. 95	12	y	y		112	Menu	Menu
13 Apr. 99	1 June 90	1 Apr. 99	36	y	y	100	411	Menu	Menu
Indonesia*									
28 Sept. 98	1 July 97	1 Aug. 98	20			100	4,176	11/0	3/0
13 April 00	1 July 97	1 Apr. 00	24			100	5,440	14/8	3/3
12 April 02	1 July 97	1 Apr. 02	21			100	5,400	20/0, 18/0	10/0, 5/0

Table 6A.2 Multilateral debt-relief agreements with official creditors, January 1980–December 2002 *(continued)*

Country and date of agreement	Contract cutoff date	Consolidation period for current maturities: Start date	Consolidation period for current maturities: Length *(months)*	Consolidation includes: Arrears	Consolidation includes: Previously rescheduled debt	Share of debt consolidated *(percent)*	Amount consolidated *(millions of dollars)*	Repayment terms[a]: Maturity *(years/months)*	Repayment terms[a]: Grace *(years/months)*
Jamaica									
16 July 84	1 Oct. 83	1 Jan. 84	15	y		100	105	8/5	3/11
19 July 85	1 Oct. 83	1 Apr. 85	12			100	62	9/6	4/0
5 Mar. 87	1 Oct. 83	1 Jan. 87	15	y		100	124	9/5	4/11
24 Oct. 88	1 Oct. 83	1 June 88	18		y	100	147	9/3	4/9
26 Apr. 90	1 Oct. 83	1 Dec. 89	18		y	100	179	9/3	4/9
19 July 91[c]	1 Oct. 83	1 June 91	13		y	100	127	19/6, 14/6	8/9, 6/0
25 Jan. 93[c]	1 Oct. 83	1 Oct. 92	36		y	100	291	18/6, 13/6	9/0, 5/0
Jordan									
19 July 89	1 Jan. 89	1 July 89	18	y		100	587	9/3	4/9
28 Feb. 92	1 Jan. 89	1 Jan. 92	18	y		100	771	19/5, 14/3	9/11, 7/9
28 June 94[c]	1 Jan. 89	1 July 94	35	y	y	100	1,147	18/7, 16/7	9/1, 2/1
23 May 97[c]	1 Jan. 89	1 June 97	21	y	y	100	400	19/2, 14/6	9/8, 2/8
20 May 99	1 Jan. 89	1 Apr. 99	36	y	y	100	821	20/0, 18/0	10/0, 3/0
11 July 02	1 Jan. 89	1 Jan. 02	72		y	100	1,200	9/5, 14/6	
Kenya									
19 Jan. 94	31 Dec. 91	Arrears as of 31 Dec. 93		y		100	535	7/9	1/3
15 Nov. 00	31 Dec. 91	1 July 00	12	y		100	302	20/0, 14/6	10/0, 3/0
Kyrgyz Republic									
7 Mar. 02	31 Aug. 01	6 Dec. 01	36			100	99	20/0, 20/0	10/0, 5/0
Liberia									
19 Dec. 80	1 Jan. 80	1 July 80	18			90	35	7/9	3/3
16 Dec. 81	1 Jan. 80	1 Jan. 82	18			90	25	7/11	3/3
22 Dec. 83	1 Jan. 83	1 July 83	12			90	17	8/6	4/0
17 Dec. 84	1 Jan. 83	1 July 84	12			90	17	9/6	5/0
Macedonia, FYR									
17 July 95	2 Dec. 82	1 July 95	12	y	y	100	288	14/7	3/1
Madagascar									
30 Apr. 81	1 Jan. 81	1 Jan. 81	18	y		85	140	8/3	3/9
13 July 82	1 Jan. 82	1 July 82	12	y		85	107	8/3	3/9
23 Mar. 84	1 July 83	1 July 83	18		y	95	89	10/3	4/9
22 May 85	1 July 83	1 Jan. 85	15		y	100	128	10/5	4/11
23 Oct. 86	1 July 83	1 Apr. 86	21		y	100	212	9/2	4/8
28 Oct. 88	1 July 83	1 Apr. 88	21	y	y	100	254	Menu	Menu
10 July 90	1 July 83	1 June 90	13	y	y	100	139	Menu	Menu
26 Mar. 97	1 July 83	1 Jan. 97	35	y	y	100	1,247	Menu	Menu
4 Sep. 00	1 July 83	1 Jan. 00	12	y	y	100	34	Menu	Menu
7 Mar. 01	1 July 83	1 Dec. 00	38	y	y	100	254	Menu	Menu
Malawi									
22 Sept. 82	1 Jan. 82	1 July 82	12			85	25	8/0	3/6
27 Oct. 83	1 Jan. 82	1 July 83	12			85	26	8/0	3/6
22 Apr. 88	1 Jan. 82	1 Apr. 88	14	y	y	100	27	19/5	9/11
25 Jan. 01	1 Jan. 97	1 Dec. 00	36	y	y	100	68	Menu	Menu
Mali									
27 Oct. 88	1 Jan. 88	1 July 88	16	y		100	63	Menu	Menu
22 Nov. 89	1 Jan. 88	1 Nov. 89	26		y	100	44	Menu	Menu
29 Oct. 92	1 Jan. 88	1 Oct. 92	35	y	y	100	20	Menu	Menu
20 May 96	1 Jan. 88	20 May 96	Stock	y	y	100	33	Menu	Menu
25 Oct. 00	1 Jan. 88	interim relief	12		y	100	4	Menu	Menu

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Table 6A.2 Multilateral debt-relief agreements with official creditors, January 1980–December 2002 *(continued)*

Country and date of agreement	Contract cutoff date	Consolidation period for current maturities: Start date	Consolidation period for current maturities: Length *(months)*	Consolidation includes: Arrears	Consolidation includes: Previously rescheduled debt	Share of debt consolidated *(percent)*	Amount consolidated *(millions of dollars)*	Repayment terms[a]: Maturity *(years/ months)*	Repayment terms[a]: Grace *(years/ months)*
Mauritania									
27 Apr. 85	31 Dec. 84	1 Jan. 85	15	y		90	68	8/3	3/9
16 May 86	31 Dec. 84	1 Apr. 86	12			95	27	8/6	4/0
15 June 87	31 Dec. 84	1 Apr. 87	14			95	90	14/5	5/0
19 June 89	31 Dec. 84	1 June 89	12	y	y	100	52	Menu	Menu
25 Jan. 93	31 Dec. 84	1 Jan. 93	24	y	y	100	218	Menu	Menu
28 June 95	31 Dec. 84	1 Jan. 95	36	y	y	100	66	Menu	Menu
16 Mar. 00	31 Dec. 84	1 July 99	36	y	y	100	100	Menu	Menu
8 July 02	31 Dec. 84	1 July 02	Stock		y	100	188	Menu	Menu
Mexico									
22 June 83*	20 Dec. 82	1 July 83	6	y		90	1,199	5/6	3/0
7 Sept. 86	31 Dec. 85	22 Sept. 86	18			100	1,912	8/3	3/9
30 May 89	31 Dec. 85	1 June 89	36			100	2,400	9/7	6/1
Morocco									
25 Oct. 83	1 May 83	1 Sept. 83	16	y		85	1,152	7/3	3/9
17 Sept. 85	1 May 83	1 Sept. 85	18	y		90	1,124	8/3	3/9
6 Mar. 87	1 May 83	1 Mar. 87	16		y	100	1,008	9/3	4/9
26 Oct. 88	1 May 83	1 July 88	18		y	100	969	9/3	4/9
11 Sept. 90[c]	1 May 83	1 Jan. 90	15		y	100	1,390	19/5, 14/5	9/11, 7/11
27 Feb. 92[c]	1 May 83	1 Feb. 92	11	y	y	100	1,303	19/5, 14/7	9/11, 8/1
Mozambique									
25 Oct. 84	1 Feb. 84	1 July 84	12	y		95	283	10/6	5/0
16 June 87	1 Feb. 84	1 June 87	19	y		100	361	19/3	9/9
14 June 90	1 Feb. 84	1 July 90	30	y	y	100	719	Menu	Menu
23 Mar. 93	1 Feb. 84	1 Jan. 94	24		y	100	440	Menu	Menu
21 Nov. 96	1 Feb. 84	1 Nov. 96	36	y	y	100	664	Menu	Menu
9 July 99	1 Feb. 84	1 July 99	Stock	y	y	100	1,860	Menu	Menu
15 Mar. 00	1 Feb. 84	deferral	12	y	y	100	36	Menu	Menu
20 Nov. 00	1 Feb. 84	1 Sept. 01	Stock	y	y	100	2,234	Menu	Menu
Nicaragua									
17 Dec. 91	1 Nov. 88	1 Jan. 92	15	y	y	100	722	Menu	Menu
21 Mar. 95	1 Nov. 88	1 Apr. 95	27	y	y	100	783	Menu	Menu
22 Apr. 98	1 Nov. 88	1 Mar. 98	36	y	y	100	214	Menu	Menu
13 Dec. 02	1 Nov. 88	1 Oct. 02	36		y	100	579	Menu	Menu
Niger									
14 Nov. 83	1 July 83	1 Oct. 83	12			90	36	8/6	4/6
30 Nov. 84	1 July 83	1 Oct. 84	14			90	26	9/5	4/11
21 Nov. 85	1 July 83	1 Dec. 85	12			90	38	9/6	5/0
20 Nov. 86	1 July 83	3 Dec. 86	12			100	34	9/6	5/0
21 Apr. 88	1 July 83	5 Dec. 87	13			100	37	19/6	10/0
16 Dec. 88	1 July 83	1 Jan. 89	12			100	48	Menu	Menu
18 Sept. 90	1 July 83	1 Sept. 90	28	y	y	100	116	Menu	Menu
4 Mar. 94	1 July 83	1 Jan. 94	15	y	y	100	160	Menu	Menu
19 Mar. 96	1 July 83	1 Dec. 96	31	y	y	100	128	Menu	Menu
25 Jan. 01	1 July 83	1 Dec. 00	36	y	y	100	115	Menu	Menu
Nigeria									
16 Dec. 86	1 Oct. 85	1 Oct. 86	15	y		100	6,251	6/6	2/0
3 Mar. 89	1 Oct. 85	1 Jan. 89	16	y		100	5,600	9/4	4/10
18 Jan. 91[c]	1 Oct. 85	1 Jan. 91	15	y		100	3,300	19/5, 14/5	9/11, 7/11
12 Dec. 00	1 Oct. 85	1 Jan. 00	12	y		100	23,100	19/5, 14/5	9/11, 7/11

Table 6A.2 Multilateral debt-relief agreements with official creditors, January 1980–December 2002 *(continued)*

Country and date of agreement	Contract cutoff date	Consolidation period for current maturities: Start date	Consolidation period for current maturities: Length (months)	Consolidation includes: Arrears	Consolidation includes: Previously rescheduled debt	Share of debt consolidated (percent)	Amount consolidated (millions of dollars)	Repayment terms[a]: Maturity (years/months)	Repayment terms[a]: Grace (years/months)
Pakistan									
14 Jan. 81*	1 July 80	15 Jan. 81	18			90	263	Variable	Variable
30 Jan. 99	30 Sept. 97	1 Jan. 99	24	y	y	100	3,250	20/0, 18/0	10/0, 3/0
23 Jan. 01	30 Sept. 97	1 Dec. 00	10	y	y	100	3,250	20/0, 18/0	10/0, 3/0
14 Dec. 01	30 Sept. 97	30 Nov. 01	stock	y	y	100	12,500	38/0, 23/0	15/0, 5/0
Panama									
19 Sept. 85	31 Dec. 84	15 Sept. 85	16			50	19	7/4	2/10
14 Nov. 90[e]	31 Dec. 84	1 Nov. 90	17	y	y	100	200	9/4	4/10
Peru									
26 July 83	1 Jan. 83	1 May 83	12			90	466	7/6	3/0
5 June 84	1 Jan. 83	1 May 84	15			90	704	8/5	4/11
17 Sept. 91[c]	1 Jan. 83	1 Oct. 91	15	y	y	100	5,910	19/5, 14/5	9/11, 7/11
4 May 93[c]	1 Jan. 83	1 Jan. 93	39		y	100	1,527	18/5, 13/5	8/11, 6/11
20 July 96	1 Jan. 83	30 Apr. 96	Stock				6,724	17/0, 19/3	0/6, 2/0
Philippines									
21 Dec. 84	1 Apr. 84	1 Jan. 85	18	y		100	757	9/3	4/9
22 Jan. 87	1 Apr. 84	1 Jan. 87	18			100	862	9/3	4/9
26 May 89	1 Apr. 84	1 June 89	25	y		100	1,850	9/0	5/6
20 June 91[c]	1 Apr. 84	1 July 91	14		y	100	1,096	19/5, 14/5	9/11, 7/11
19 July 94[d]	1 Apr. 84	1 Aug. 94	17	y	y	100	586	19/4, 14/4	9/10, 7/10
Poland									
27 Apr. 81*	1 Jan. 80	1 May 81	8	y		90	2,110	7/6	4/0
15 July 85*	1 Jan. 84	1 Jan. 82	36	y		100	10,930	10/6	5/0
19 Nov. 85*	1 Jan. 84	1 Jan. 86	12			100	1,400	9/2	4/8
16 Dec. 87*	1 Jan. 84	1 Jan. 88	12	y	y	100	9,027	9/0	4/6
16 Feb. 90	1 Jan. 84	1 Jan. 90	15	y	y	100	10,400	13/9	8/3
21 Apr. 91	1 Jan. 84	Balances: 30 Mar. 91		y	y	100	29,871	Menu	Menu
Romania									
9 July 82	1 Jan. 82	1 Jan. 82	12	y		80	234	6/0	3/0
18 May 83	1 Jan. 82	1 Jan. 83	12			60	736	6/0	3/0
Russian Federation									
2 Apr. 93[f]	1 Jan. 91	1 Jan. 93	12	y		100	14,363	10/0	6/0
2 June 94	1 Jan. 91	1 Jan. 94	12			100	7,100	15/2	2/9
3 June 95	1 Jan. 91	1 Jan. 95	12			100	6,400	15/4	2/10
15 Apr. 96	1 Jan. 91	1 Jan. 96	Stock			100	40,200	21/5	2/11
1 Aug. 99	1 Jan. 91	1 July 99	18	y	y	100	8,040	Variable	Variable
Rwanda									
21 July 98	31 Dec. 94	1 July 98	35			100	64	Menu	Menu
São Tomé and Principe									
16 May 00	1 Apr. 99	31 Mar. 00	37	y		100	28	Menu	Menu

(Table continues on next page)

Table 6A.2 Multilateral debt-relief agreements with official creditors, January 1980–December 2002 *(continued)*

Country and date of agreement	Contract cutoff date	Consolidation period for current maturities: Start date	Consolidation period for current maturities: Length *(months)*	Consolidation includes: Arrears	Consolidation includes: Previously rescheduled debt	Share of debt consolidated *(percent)*	Amount consolidated *(millions of dollars)*	Repayment terms[a]: Maturity *(years/ months)*	Repayment terms[a]: Grace *(years/ months)*
Senegal									
13 Oct. 81	1 July 81	1 July 81	12			85	75	8/6	4/0
29 Nov. 82	1 July 81	1 July 82	12			85	74	8/9	4/3
21 Dec. 83	1 Jan. 83	1 July 83	12			90	72	8/6	4/0
18 Jan. 85	1 Jan. 83	1 Jan. 85	18	y		95	122	8/3	3/9
21 Nov. 86	1 Jan. 83	1 July 86	16			100	65	9/4	4/10
17 Nov. 87	1 Jan. 83	1 Nov. 87	12			100	79	15/6	6/0
24 Jan. 89	1 Jan. 83	1 Nov. 88	14		y	100	143	Menu	Menu
12 Feb. 90	1 Jan. 83	1 Jan. 90	12	y	y	100	107	Menu	Menu
21 June 91	1 Jan. 83	1 July 91	12	y	y	100	114	Menu	Menu
3 Mar. 94	1 Jan. 83	1 Jan. 94	15	y	y	100	237	Menu	Menu
20 Apr. 95	1 Jan. 83	1 Apr. 95	29		y	100	169	Menu	Menu
17 June 98	1 Jan. 83	17 June 98	Stock	y	y	100	428	Menu	Menu
24 Oct. 00	1 Jan. 83		interim relief	y	y	100	21	Menu	Menu
Sierra Leone									
8 Nov. 80	1 July 79	1 July 79	30	y		90	37	9/6	4/0
8 Feb. 84	1 July 83	1 Jan. 84	12	y	y	90	25	10/0	5/0
19 Nov. 86	1 July 83	1 July 86	16	y	y	100	86	9/4	4/10
20 Nov. 92	1 July 83	1 Nov. 92	16	y	y	100	164	Menu	Menu
20 July 94	1 July 83	1 Aug. 94	17	y	y	100	42	Menu	Menu
25 Apr. 96	1 July 83	1 Jan. 96	24	y	y	100	39	Menu	Menu
16 Oct. 01	1 July 83	1 Oct. 01	36	y	y	100	180	Menu	Menu
Somalia									
6 Mar. 85	1 Oct. 84	1 Jan. 85	12	y		95	127	9/6	5/0
22 July 87	1 Oct. 84	1 Jan. 87	24	y	y	100	153	19/0	9/6
Sudan									
18 Mar. 82	1 July 81	1 July 81	18	y	y	90	203	9/6	4/6
4 Feb. 83	1 Jan. 83	1 Jan. 83	12		y	100	518	15/0	5/6
2 May 84	1 Jan. 84	1 Jan. 84	12		y	100	249	15/6	6/0
Tanzania									
18 Sept. 86	30 June 86	1 Oct. 86	12	y		100	1,046	9/6	5/0
13 Dec. 88	30 June 86	1 Jan. 89	6	y	y	100	377	Menu	Menu
16 Mar. 90	30 June 86	1 Jan. 90	12	y	y	100	199	Menu	Menu
21 Jan. 92	30 June 86	1 Jan. 92	30	y	y	100	691	Menu	Menu
21 Jan. 97	30 June 86	1 Dec. 96	36	y	y	100	1,608	Menu	Menu
14 Apr. 00	30 June 86	31 Mar. 00	36	y	y	100	714	Menu	Menu
17 Jan. 02	30 June 86	1 Nov. 02	Stock		y	100	973	Menu	Menu
Togo									
20 Feb. 81	1 July 80	1 Jan. 81	24			85	232	8/6	4/0
12 Apr. 83	1 Jan. 83	1 Jan. 83	12	y	y	90	300	9/6	5/0
6 June 84	1 Jan. 83	1 Jan. 84	16		y	95	75	9/4	4/10
24 June 85	1 Jan. 83	1 May 85	12			95	27	10/6	5/0
22 Mar. 88	1 Jan. 83	1 Jan. 88	15	y	y	100	139	15/5	7/11
20 June 89	1 Jan. 83	16 Apr. 89	14		y	100	76	Menu	Menu
9 July 90	1 Jan. 83	1 July 90	24		y	100	88	Menu	Menu
19 June 92[d]	1 Jan. 83	1 July 92	24		y	100	52	Menu	Menu
23 Feb. 95	1 Jan. 83	1 Feb. 95	33	y	y	100	237	Menu	Menu
Trinidad and Tobago									
25 Jan. 89	1 Sept. 88	1 Jan. 89	14	y		100	209	9/5	4/11
27 Apr. 90	1 Sept. 88	1 Mar. 90	13			100	110	8/4	3/10

Table 6A.2 Multilateral debt-relief agreements with official creditors, January 1980–December 2002 *(continued)*

Country and date of agreement	Contract cutoff date	Consolidation period for current maturities: Start date	Consolidation period for current maturities: Length *(months)*	Consolidation includes: Arrears	Consolidation includes: Previously rescheduled debt	Share of debt consolidated *(percent)*	Amount consolidated *(millions of dollars)*	Repayment terms[a]: Maturity *(years/ months)*	Repayment terms[a]: Grace *(years/ months)*
Turkey									
23 July 80*	30 June 80	1 July 80	36	y	y	90	3,000	9/0	4/6
Uganda									
18 Nov. 81	1 July 81	1 July 81	12	y		90	30	9/0	4/6
1 Dec. 82	1 July 81	1 July 82	12			90	19	9/0	4/6
19 June 87	1 July 81	1 July 87	12	y	y	100	170	14/6	6/0
26 Jan. 89	1 July 81	1 Jan. 89	18	y	y	100	89	Menu	Menu
17 June 92	1 July 81	1 July 92	17	y	y	100	39	Menu	Menu
20 Feb. 95	1 July 81	1 Feb. 95	Stock	y	y	100	110	Menu	Menu
24 Apr. 98	1 July 81	1 Apr. 98	Stock		y	100	148	Menu	Menu
12 Sept. 00	1 July 81	1 Sept. 00	Stock		y	100	150	Menu	Menu
Ukraine									
13 July 01	31 Dec. 98	19 Dec. 00	22	y	y	100	580	12/0	3/0
Vietnam									
14 Dec. 93	1 Jan. 90	Arrears as of 31 Dec. 93		y		100	791	Menu	Menu
Yemen, Rep. of									
24 Sept. 96	1 Jan. 93	1 Sept. 96	10	y		100	113	Menu	Menu
20 Nov. 97	1 Jan. 93	1 Nov. 97	36	y		100	1,444	Menu	Menu
14 June 01	1 Jan. 93	31 Dec. 00	Stock	y		100	420	Menu	Menu
Yugoslavia, Fed. Rep. (Serbia/ Montenegro)									
22 May 84*	2 Dec. 82	1 Jan. 84	12			100	500	6/6	4/0
24 May 85*	2 Dec. 82	1 Jan. 85	16			90	812	8/4	3/10
13 May 86*	2 Dec. 82	16 May 86	23			85	901	8/6	4/0
13 July 88*	2 Dec. 82	1 Apr. 88	15		y	100	1,291	9/5	5/11
16 Nov. 01	1 Apr. 88	20 Dec. 00	Stock		y	100	4,500	Menu	Menu
Zambia									
16 May 83	1 Jan. 83	1 Jan. 83	12	y		90	375	9/6	5/0
20 July 84	1 Jan. 83	1 Jan. 84	12	y	y	100	253	9/6	5/0
4 Mar. 86	1 Jan. 83	1 Jan. 86	12	y	y	100	371	9/6	5/0
12 July 90	1 Jan. 83	1 July 90	18	y	y	100	963	Menu	Menu
23 July 92	1 Jan. 83	1 July 92	33	y	y	100	917	Menu	Menu
27 Feb. 96	1 Jan. 83	1 Jan. 96	36	y	y	100	566	Menu	Menu
16 Apr. 99	1 Jan. 83	1 Apr. 99	36	y	y	100	1,060	Menu	Menu

a. Maturity is measured here from the end of the consolidation period to the date of the final amortization payment; the grace period is the time between the end of the consolidation period and the date of the first amortization payment. The secretariat of the Paris Club measures grace and maturity from the midpoint of the consolidation period. "Menu" terms refer to the options agreed to at the 1988 Toronto economic summit meeting.
b. The agreement signed in March 1995 covered a 36-month period, but a new agreement signed in December 1995 covers the stock of debt, starting 12 months after the beginning of the consolidation period of the previous agreement.
c. Agreement with a Paris Club–designated lower-middle-income country with heavy official debt. These agreements also allow for debt conversions, subject to the limit for each creditor country (for non-ODA debt) of US$10 million or 10 percent of the debt outstanding as of the beginning of the consolidation period, whichever is higher. Where two sets of figures for repayment terms (maturity and grace) are given, the first set represents official development assistance (ODA) debt and the second non-ODA debt.
d. Agreement was canceled.
e. Agreement was implemented in 1991 because of the agreement's conditionality on an IMF program, which took place in 1991.
f. Agreement follows the deferral signed in January 1992 by the former Soviet republics.
* The rescheduling was concluded outside of formal Paris Club auspices.
Note: The figures in this table are commitment values (amounts of agreed debt relief). They correspond to the disbursement figures (minus debt forgiveness, when applicable) for debt restructuring shown in the country tables of volume 2. All agreements shown in this table were negotiated through the Paris Club, except those indicated with an asterisk.
Sources: World Bank Debtor Reporting System; IMF data.

Notes

1. Note that a portion of bilaterals' contributions to multilateral agencies (second to the last line in the box table) also is devoted to administrative expenses rather than loans to developing countries.

2. These data cover grants to Part I and Part II countries (excluding an estimate for grants to Israel, which is not a developing country) and include only grants provided from the NGOs' own resources. Funds received from donor governments and channeled through NGOs are included under the statistics on aid.

3. We use general government expenditures to maintain a common definition across OECD countries.

4. This discussion is based on World Bank 2002e.

5. As an initial step, SDR 100 million was set aside to compensate for the loss of future repayments due to the use of grants rather than loans.

6. This section is based on World Bank 2002c.

7. The countries that have reached completion points are Bolivia, Burkina Faso, Mauritania, Mozambique, Tanzania, and Uganda.

8. These countries are Benin, Cameroon, Chad, Ethiopia, the Gambia, Ghana, Guinea, Guinea-Bissau, Guyana, Honduras, Madagascar, Malawi, Mali, Nicaragua, Niger, Rwanda, Sao Tome and Principe, Senegal, Sierra Leone, and Zambia.

9. In contrast, the export price index fell by 1.1 percent in other HIPCs that have reaced a decision point but not yet reached a completion point.

10. See World Bank 2001c. Of the six countries that have already reached their completion points, all except Uganda are in little danger of having their debt-to-export ratios go above the sustainability thresholds defined in the Initiative. Uganda has been adversely affected by the collapse of coffee prices, which has presented considerable challenges to Uganda's ability to achieve sustainable debt levels.

11. The additional assistance, if granted, would be based upon a full account of all debt relief provided by creditors, including additional debt forgiveness beyond HIPC relief provided or committed by official bilateral and commercial creditors. See World Bank 2001c.

12. For an in-depth analysis of the challenges facing postconflict countries, see World Bank 2001a.

13. Note that under the enhanced HIPC Initiative, eligibility for and the amount of debt relief are determined on the basis of actual information. Forecasts play no role.

14. World Bank 2001b.

15. Note that a portion of the IDA commitments included under investment loans is for projects that resemble budget support, as disbursements can be made against a wide variety of expenditures within the sector rather than being limited to specific investments.

16. Islam and Montenegro (2002) find that a higher ratio of primary exports relative to total exports is associated with poorer institutional quality, which they speculate may reflect the association between opportunities for rent seeking and institutional quality. Lane and Tornell (1996) show that resource-rich countries tend to have lower growth rates than resource-poor countries because of competition for rents among powerful elites (although it is hard to demonstrate empirically the link between resource endowments and growth rates).

17. The quality of governance may be influenced by numerous other factors such as religious or legal traditions, or colonial heritage. A convenient implication of using the *change* in the ICRG index from 1982 to 1995 as the dependent variable is that factors such as these, which do not vary over very long periods of time, are unlikely to matter much.

18. The equation is: change in bureaucratic quality = 3.96–0.86 initial bureaucratic quality–1.30 population growth + 1.14 GDP growth − 0.04 aid/GNI. R-squared is 0.53.

19. The equation is: change in bureaucratic quality = 1.4–1.04 initial bureaucratic quality + 0.6 initial GDP per capita − 0.21 population growth + 1.51 GDP growth–0.0 aid/GNI–3.43 aid fragmentation.

20. The first is a Herfindahl index calculated by summing the squared share of aid over all donor agencies. The index is then subtracted from one. The second is from counts of projects and programs provided by the Development Gateway's Accessible Information on Development Activities data base.

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