The 14th meeting of Finance Ministers of Heavily Indebted Poor Countries (HIPCs) was held in Washington on 19 October 2007. The meeting was co-sponsored by the HIPC Capacity-Building Programme, the Commonwealth Secretariat and the Organisation Internationale de la Francophonie.

The meeting was held under the joint chairmanship of H. E. Ali M. Lamine ZEINE, Minister of Finance and Economy of NIGER; H.E Kwadwo BAAH WIREDU, Minister of Finance and Economic Planning of GHANA; and H.E. Maria dos Santos TEBUS TORRES, Deputy Prime Minister and Minister of Planning and Finance of SAO TOME AND PRINCIPE.

Representatives of 29 HIPCs took part, and made important recommendations to improve debt relief delivery, assure long-term debt sustainability, finance the Millennium Development Goals (MDGs), and continue to build their debt management capacity.

**Multilateral Debt Relief Initiative**

Ministers congratulated the international community on implementing the Multilateral Debt Relief Initiative (MDRI), and mobilising most of the financing needed for the relief:

- Emphasised their concern that the funding of IADB participation in the Initiative would considerably reduce concessional funding in Latin America, and therefore urged donors to begin negotiations immediately on a substantial replenishment of the FSO, as well as to provide higher levels of aid for poverty reduction in Latin America.
- Indicated that it would be desirable to extend the MDRI to cover the Asian Development Bank, Caribbean Development Bank and other sub-regional institutions.
- Reiterated their concern about the use of performance-based formulas (rather than financing needs for the MDGs) in allocating funds to decide how much of the debt relief would be genuinely additional, and urged regional development banks to tailor their performance formulas more closely to regional priorities and other donors to supply funds more on the basis of MDG needs and outcomes.

**HIPC Debt Relief**

Ministers indicated once again that stronger efforts should be made to accelerate progress to decision and completion points for remaining HIPCs. As delays appear to be due to problems maintaining an IMF track record, they urged the international community to link HIPC progress much more closely to PRSPs rather than PRGFs. They also urged equitable treatment on progress, in particular moving countries rapidly from EPCAs to PRGFs.

Ministers also noted that there has been little progress on increasing creditor participation in HIPC, and the continuing proliferation of lawsuits by rogue creditors and third parties. Ministers welcomed once more the legal technical assistance provided by Advocates for International Development (A4ID) and the Commonwealth Secretariat, as well as the proposed support by the AfDB, the proposed publication by the BWIs of “scorecards” of participation, and the reinforcement of the IDA Commercial Debt Reduction Facility.

Nevertheless, they urged the international community to go beyond such assistance by:

- Ensuring that the IFIs can provide relief even where rogue creditors do not allow participation to reach necessary thresholds.
- Establishing a small fund to relieve debts owed between severely indebted and low-income countries, which cannot afford to provide debt relief to one another.
- Intensifying efforts to convince Iraq, Libya and new EU members to participate.
- Agreeing codes of conduct for creditors not to sell debts on secondary markets, and for international lawyers not to represent rogue creditors and third parties.
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- Agreeing codes of conduct for creditors not to sell debts on secondary markets, and for international lawyers not to represent rogue creditors and third parties.

**Long-Term Debt Sustainability**

Ministers reiterated that they are determined to maintain their debt sustainability by maximising the concessionality of their new financing, and its effectiveness in promoting development. To this end, they also undertook to implement all the legal and institutional reforms necessary, and to conduct all the underlying analysis necessary, to ensure the adoption of their own borrowing ceilings and criteria for judging whether to accept offers of financing, in parliamentary discussions of their budgets.

However, they stressed that the attainment of the MDGs while maintaining debt sustainability will depend crucially on a dramatic increase in grants and concessional loans during the next 2-3 years, and their widespread extension to financing sectors such as infrastructure which are essential for growth. This is particularly true for Latin America.

Ministers noted a rapid increase in offers of poor quality less concessional tied export credit loans by some OECD governments, and urged the international community to reach an early agreement on “responsible lending” for all low-income (not just post-HIPC) countries, which goes beyond concessionality to take account of effectiveness and value for money in producing development results, to avoid expensive or poor quality lending.

Ministers urged that low-income countries should themselves be given voice to express their views on what is the level of debt which is sustainable, by having a major input of views into MDB resource allocation assessments of their policies, and by doing the initial calculations of debt sustainability for themselves rather than leaving them to the BWIs.
Ministers strongly urged that the Bretton Woods Institutions should set clearer guidelines for domestic debt and private sector external debt, to avoid these types of debt provoking renewed debt crises. They underlined that they are committed to avoiding excessive domestic borrowing which could destabilise domestic financial markets, and to assisting the private sector to minimise its borrowing costs and risks. They have already conducted such analysis and would be happy to input strongly into such discussions.

Ministers urged the IMF to publish transparent guidelines on how the results of debt sustainability analysis are used to set borrowing limits and minimum concessionally levels in IMF programmes, and to demonstrate more flexibility in allowing countries to borrow at grant elements between 35% and 50% if this is essential to financing the MDGs.

Financing the Millennium Development Goals

Aid Quantity
Ministers expressed disappointment that the international community is not delivering on the promises made in 2005 to increase aid flows. They noted that many countries have seen little or no increase in aid - in particular, this is true for good-performing but 'under-aided' countries, and fragile states. They urged all G8 and EU members to publish 3-year plans which will reach their pledges and reallocate aid to under-aided countries by 2010.

Ministers urged the international community to scale up innovative financing mechanisms by widening the International Financing Facility beyond the IFFI pilot, and increasing the number of countries utilising an airline ticket tax to fund development. However, they reiterated the need to ensure that such financing was entirely additional to normal funds from national budgets and allow countries to provide more than 0.7% of their GNI in aid.

Anti-Shock Financing
Ministers reiterated that they continue to require large-scale financing against exogenous shocks. Accordingly they recommended that funding for the UN CERF should be dramatically expanded to guarantee a sufficient revolving fund to combat multiple emergencies. They also urged the international community to provide more viable solutions to exogenous economic shocks through a grants-based high-access and rapidly disbursing anti-shock facility.

Aid Effectiveness
Ministers reiterated their determination to meet all the aid effectiveness targets assigned to them under the Paris Declaration, especially those relating to managing for results. They urged donors (whether individually or collectively) to be more ambitious in the build-up to the Accra High-Level Forum in 2008, which will review progress on the Paris Declaration. They urged them to adopt effectiveness targets to untie aid, reduce conditionality, transform technical assistance into genuine capacity-building support, and increase budget support and anti-shock financing.

While noting that the survey on the Paris Declaration had promoted a much deeper dialogue on aid effectiveness, they regretted that (as stated by the OECD) the survey had considerably overstated progress. They urged the OECD to tighten the definitions for the 2008 survey and ensure more developing country leadership of findings.

Ministers underlined their determination to design their own aid strategies to encourage maximum alignment by donors, and to hold donors and creditors accountable for compliance with these strategies. They also emphasised that in order to ensure such mutual accountability they will require extensive building of their analytical and monitoring capacity at the national, regional and international levels.

Debt Strategy Capacity-Building
Ministers stressed that for the past ten years they have been building their capacity to design and implement debt strategies, with the support of the HIPC Debt Strategy and Analysis Capacity-Building Programme, to which they are also providing large amounts of their own cofinancing. The programme has resulted in major improvements in their capacity, expressed through improved legal and institutional frameworks, as well as successful negotiation of external debt reduction, enhanced domestic debt management and mobilisation of better quality new external financing.

Ministers welcomed the recent focus by the Bretton Woods Institutions on debt strategy issues through the Low Income Countries Debt Sustainability Framework (DSF), the IMF initiative to help countries design Medium-Term Debt Strategies, and the World Bank’s Debt Management Performance Assessment tool (DeMPA).

However, Ministers expressed strong concerns about these initiatives, as follows:
- the DSF analysis needs to be led by country technical officials, and approved by their policymakers, rather than constructed largely by the BWIs.
- include much more analysis of financing options including benchmarks for domestic debt, the impact of improving aid effectiveness, private sector debt, contingent liabilities and sub-national debt, to make it more useful for HIPC debt management.
- start from a baseline of the genuine level of creditor participation in HIPC.

the MTDS support needs to be made fully relevant to HIPCs by:
- emphasising risks related to debt sustainability, aid volatility and poor effectiveness, and to exogenous shocks, rather than to interest and exchange rates
- choosing financing sources and instruments which maximise development progress
- analysing of restructuring existing domestic debt and of the potential effects of domestic debt policy on financial markets
- identifying pathways for gradually returning to non-concessional borrowing

the DeMPA needs to be considerably refined, by:
- assessing the quality of debt strategies based on debt sustainability, the quality and concessionality of new financing, domestic debt market development, analysis of macro and aid risks
- testing the tool fully with developing country governments to ensure ownership
- implementing the tool via country self-assessments conducted through the CBP regional partners

Overall, Ministers underlined that capacity-building support should be based on their self-assessments of needs, and be executed with the CBP implementing partners. They urged the BWIs to build on CBP achievements rather than duplicating efforts. They also urged caution in moving forward with a new partnership for capacity building on debt management, unless the partnership would mobilise large-scale additional funds. Finally, they urged that any such initiative should be jointly governed by the beneficiary developing countries, donors and capacity-building assistance providers.
The workshop responded to regional HIPCs’ demand, because although external public debt has become much more sustainable due to cancellations under HIPC and MDRI, several countries have seen sustained increases in domestic public debt, which can be a major risk in future, necessitating detailed analysis of its origin and behaviour.

The aim of the workshop was to reinforce the capacity of government officials from Latin American HIPCs (and Paraguay) in analysing domestic and total debt strategies and establishing permanent teams capable of regularly updating such analysis, with minimal external assistance. Such strategies will help governments design and implement policies for restructuring existing debt and issuing new debt, to ensure long-term sustainability.

NEW METHODOLOGY
The workshop used the HIPC CBP’s updated Domestic Debt Strategy Analysis methodology, including a comprehensive Domestic Debt Analysis Template, which allows consolidated analysis of short- and long-term debt issuance needs (or “supply”) for budget financing and monetary policy implementation, and financial and private sector “demand” for government paper, using 20-year scenarios for fiscal, monetary and financial sector development policy. After undertaking such sectoral analysis, users of the template can assess whether demand will exceed supply or vice versa, and the impact of this balance on prospects for domestic debt interest rates and maturities.

The methodology was applied in three stages, based on using the Domestic Debt Template and the Debt Pro© software. The first stage was country presentations on their domestic debt situation and macroeconomic prospects. The second was the construction of 20-year sectoral projections by sectoral working groups. The third was working in national teams to analyse domestic and total debt sustainability and write a report.

WORKSHOP RESULTS
The main results of the workshop were national domestic debt strategy reports, analysis of long-term fiscal, monetary and financial sector development prospects, recommendations for improvement in institutional coordination to manage domestic debt, and - in Paraguay’s case - a domestic debt database in Debt Pro® format.

The Domestic Debt Template proved to be a very useful tool. During the workshop, it was easily adapted further to the characteristics of the participating countries’ economies, and the adaptations will be fed back into further improvements in overall CBP methodology.

Though the analysis of domestic and total debt sustainability took account of the indicators defined by DRI (23% debt service/budget revenue and 88% PV/budget revenue), 1 countries indicated the need to update the DRI analysis in order to define even clearer debt sustainability thresholds for domestic and total debt. Each national team analysed recent developments in fiscal, monetary and financial sector development, and domestic debt issuance, for their country, as well as three scenarios (baseline, optimistic and pessimistic) for future developments.

Apart from Nicaragua, all countries’ ratios were below the reference levels suggested by DRI. Nevertheless, several countries showed long-term increasing trends in some indicators which provide early warning signs, and had unsustainable debt levels in their pessimistic scenarios.

Nicaragua’s Compensation Payment Bonds (Bonos de Pago por Indemnización - BPI) issued to compensate past expropriations, which represent a large part of its domestic debt, produced growing and unsustainable debt in all scenarios.

The Paraguay team particularly valued the workshop, leading its Finance Ministry to explore the possibility of establishing a cooperation programme with CEMLA to fulfil its needs for capacity-building in debt management and analysis.

CHALLENGES FOR MAINTAINING SUSTAINABILITY
The challenges for maintaining domestic debt sustainability include:

- the limited expected access of Latin American HIPCs to concessional external funding over the medium term (increasing the need for domestic financing);
- public investment financing policies and their effects on the wider economy (especially liquidity and monetary policy);
- the speed of future financial sector development and capacity to absorb government debt;
- the extension of maturities to avoid bunching of maturities (based on economic stability and confidence in public sector management; and
- generating higher levels of budget revenue to increase debt servicing capacity and avoid undermining fiscal stability.

CAPACITY-BUILDING NEEDS
The participants underlined the following additional capacity-building needs:

- Improving their ability to conduct overall domestic debt analysis, especially relating to monetary and financial sector policy.
- Construction of domestic debt databases and design of debt issuance strategies.
- Training new personnel in debt management and analysis.
- The use of models and templates for long-term macroeconomic and debt forecasts.
- Integration of the methodology with the Bretton Woods Institutions’ DSF framework.
- Inclusion of analysis of the relative risk of domestic and external debt.

1 For more details of these thresholds and how they are calculated, see HIPC CBP publication 5, Key Issues for Analysing Domestic Debt Sustainability.
MFE MI REGION EXPERIENCE OF THE DSF

Having benefited from HIPC and MDRI debt relief, MEFMI member states still face the challenge to constantly monitor their public indebtedness and make the correct decisions regarding new borrowings. The IMF/World Bank Debt Sustainability Framework for Low Income Countries (DSF-LIC) methodology and related templates are designed to help officials to analyse the public debt situation objectively, and assist officials in preparing appropriate policy advice for any new financing requirements.

MEFMI has been working on introducing the DSF to its low-income members intensively during 2007:

• In January, two MEFMI staff and two trainee fellows participated in the LIC-DSF regional workshop organised by WAIFEM, to familiarise them with the DSF methodology in readiness for a MEFMI regional workshop.
• MEFMI held the regional workshop during 2 to 10 July in Namibia in collaboration with the World Bank, IMF and DRI.
• MEFMI also conducted the Zambia DSA update workshop in July, during which the country debt strategy team used the DSF template to conduct some simulations. The DSF results were compared with those obtained using the HIPC CBP methodology.
• MEFMI and its member states played leading roles in discussions with the BWIs on HICPs' experiences of the DSF at the CBP inter-regional workshop in London on September 4 (see article in Newsletter 32) and at the Ministerial Meeting in Washington on October 19 (see article on page 2).

This article aims to summarise these experiences and suggest possible next steps in improving the DSF for the benefit of MEFMI member states.

1. MEFMI Regional Workshop Lessons

This workshop was designed as an introduction to the DSF methodology, providing training on the templates, the preparation of DSF input data on debt, new borrowing and economic variables, the design of new financing and macroeconomic scenarios, and the usefulness of the DSF as one input into national debt strategies. It targeted middle-to-senior level officials from Ministries of Finance and Central Banks responsible for middle office (analysis) functions, from ten MEFMI member countries (Kenya, Lesotho, Malawi, Mozambique, Rwanda, Uganda, Swaziland, Tanzania, Zambia and Zimbabwe).

As such, it provided several important initial lessons:

• Participants need a full training guide explaining the data necessary for inputting into the framework, and the dissemination of detailed data prerequisites, so that they can arrive at workshops with the correct data.
• This is especially true of debt data, where there is no problem with availability of relevant data, but automatic reports could be created from CS-DRMS and DMFAS to download data for the DSF, and domestic debt data to be prepared in advance could be specified more carefully, including for example requirements on contingent liabilities.
• Data on private sector debt could be more problematic, though some countries could draw for example on FPC CBP programme survey results and other national data.
• Efficient use of the framework templates requires detailed prior work on the validation of debt data, and the design of detailed new external and domestic financing, and macroeconomic projections, all of which is normally done in the context of national debt strategy workshops under the HIPC CBP, but was not done in the workshop.
• Only some parts of the fiscal sustainability template were explained: as a result, countries were unable to analyse fiscal sustainability satisfactorily. Future training should emphasise and spend more time on this as the primary template of interest to MEFMI member countries.
• Much more time should be spent interpreting and understanding country-specific results of the DSF, rather than pre-prepared case studies, so that they can produce policy recommendations and use the results for their own national debt strategies.

At the end of the workshop, participants indicated that in order to have comprehensive debt strategies they would need to combine the DSF methodology with the HIPC-CBP methodology. The HIPC-CBP methodology would be used in order to prepare much more detailed forecasts of alternative external and domestic borrowing options, and comprehensive alternative macroeconomic scenarios, which would make countries feel much more confident of the reliability of results and recommendations than the generalised overall assumptions about financing and the stress tests undertaken in the DSF template. However, they were confident that they could easily use the DSF methodology during national workshops, and to conduct tripartite DSF exercises with BWI missions.

2. Zambia National Workshop Lessons

This was the first occasion on which the DSF had been used in a MEFMI national workshop, and the experience reinforced the lessons of the regional workshop. In particular, it found that at a country level considerable preparatory work will be needed in making sure the debt database is up to date and validated, and that PV projections are done using the correct exchange and discount rates before the baseline debt data is downloaded into the DSF. Thereafter successful use of the DSF will require a country team comprising three groups namely: macro specialists who would meet prior to the DSF exercise to carry out necessary projections using existing models; new financing specialists who will go through the process of analyzing various new borrowing options available to the country (probably subdivided into external and domestic specialists if both types of financing are significant for the country); and debt data specialists who will validate not only the external debt data but also domestic and private sector debt data.

3. Future Plans

As a result of all these experiences, MEFMI intends to proceed rapidly, in cooperation with its HIPC CBP partners, with the improvement and adaptation of the DSF to meet its member states' needs and with training measures to ensure its full utilisation in its member states. The steps to achieve this in 2008, funded by the HIPC CBP, will include attachments of MEFMI region experts to the Bretton Woods Institutions to develop training materials and adapt the tool to member states needs, regional training for Trainers workshop on analysing Long-Term Debt Sustainability using combined HIPC CBP and DSF methodology, and national workshops for Angola, Malawi, Mozambique, Rwanda, Tanzania and Uganda.
Each of the presentations included extensive discussion of national experiences, and was followed by practical work for each country team to apply lessons to their own country. By the end of the first week, countries had designed detailed alternative macroeconomic forecasts and projected external and domestic financing strategies, using the HIPC CBP methodology. During the second week participants used the DSF templates and other tools supplied by Pôle-Dette and DRI to design a draft document containing a public debt policy.

The workshop produced very interesting findings for the strategies of each country, as well as general lessons on the need for the Franc zone to benefit from higher levels of grants if it is to finance the MDGs without compromising debt sustainability; to place more stress on the regional convergence criteria on total debt (70% debt/GDP and 15% debt service/budget revenue) in assessing sustainability; and to begin thinking about a long-term pathway away from aid dependence and back to market-based financing.

The participants’ evaluation of the workshop revealed that its aims had been clear and were attained, and that the workshop was extremely useful for their jobs. However, plenary sessions were found to be very interesting but too short, and the technical work for country teams was very difficult. As a result, future regional and national workshops should:

- update and validate debt data well before the workshop (while none of the countries had problems providing public debt data, they needed more information on the format in which to prepare it for the DSF template);
- ensure the participation of all key members of the national debt committees at sufficiently senior levels by avoiding clashes with periods of budget preparation
- (for regional workshops) countries should arrive with macroeconomic forecasts, financing strategies and databases prepared in national workshops
- prepare a much more comprehensive training manual, especially on aspects relating to the DSF, debt ceilings and debt policy documents
- Link together electronically the various templates used by the HIPC CBP and the DSF, especially those used for macroeconomic forecasting, and encourage the BWIs to share all of the macroeconomic modelling spreadsheets used for their DSF analyses
- Ensure that debt database (CS-DRMS and DMFAS) and restructuring simulation systems (Debt Pro®) can produce DSF inputs automatically.
- Ensure the presence of more (and fully-trained) trainers in this new methodology.

Participants also agreed that there was a strong need for follow-up in country, including:

- Training a wider group of experts in each country through on-job training missions
- Ensuring that the work of debt policy formulation is timetabled into the process of budget preparation in each country, so that macroeconomic forecasts and policy recommendations come from the macro framework already prepared for the budget;
- More training and information on how to design scenarios for mobilising external financing (quantity and quality), and the prospects for issuing bonds on regional markets, as well as how to simulate their impact on future debt service.
- Full agreement on division of labour among different units for the policy document.
- Agreement by government on the process for approval and implementation (including the role of parliament).

Finally, there would be a need for follow-up at the regional and international level:

- Ministers and Secretary-Generals might need further sensitisation on why such documents are essential and what they will imply for organisation of staff workloads.
- Parliaments will need full training on the expected content of such documents and their expected role in approving/debating them, and scrutinising policy execution (Pôle-Dette is scheduling a regional workshop for parliamentarians early in 2008).
- HIPC CBP implementing agencies should liaise with the BWIs to improve training documentation and electronic links among spreadsheets, organise their translation into French, Portuguese and Spanish, and especially include regional convergence criteria such as nominal total public debt stock/GDP.
- They should also liaise with the Commonwealth Secretariat, IDM and UNCTAD on automatic data production.
- Most importantly, countries should continue to exchange at regional and international level on their experiences with the DSF - and especially its implications for policy and conditionality, as well as the design of national debt strategies (see also the comments on the DSF emerging from the inter-regional workshop of debt managers in issue 32; and from HIPC Finance Ministers on page 2 of this issue).
The new aid architecture evolving since the late 1990s is intended to promote development and poverty reduction in low income countries. It entails country-owned priorities expressed through national development strategies developed jointly by the government, the people and civil society organisations, with donors playing a more equal role through a partnership-based approach to aid in which each side is mutually accountable to the other. The Monterrey Consensus of 2002 agreed on broad principles for making aid more effective for development, and the Paris Declaration has now defined more precise indicators, including one which refers specifically to the percentage of aid provided as “programme-based approaches” such as budget support.

Budget support has become an increasingly important mode of development assistance. This article reviews the concept of budget support, and its potential advantages and risks, especially for post-conflict countries in the WAIFEM region (Liberia and Sierra Leone).

What Is Budget Support? Concepts and Definitions

Donors use a range of definitions for budget support. Some define budget support very vaguely, as any predictable aid flows that are disbursed through a developing country’s budget processes. Others define it more precisely as financial assistance that is provided direct to host-country institutions to be spent as part of their budgets using their own financial management systems.

Advantages of Budget Support

The following advantages are associated with Budget Support:

- increasing aid flows, thereby facilitating scaling up of aid to reach the MDGs more rapidly;
- improving the efficiency and transparency of budget spending, while reducing fragmentation of public expenditure management;
- honing recipient countries’ skills in budget processes and public financial management;
- encouraging greater orientation of partners towards medium-term results by focusing on national development objectives rather than on donor-driven priorities;
- strengthening country ownership of programmes and prospects of sustainability of reforms;
- reducing transaction costs for government by avoiding parallel project and reporting arrangements;
- increasing predictability of funding if country performance is strong;
- addressing cross-cutting government-wide policy, expenditure, and institutional priorities that cannot be tackled by stand-alone and sector projects; and
- promoting government accountability, both internal (to parliament and taxpayers) and external (to donors).

Challenges and Risks

While the development community has broadly embraced budget support as a promising vehicle for delivering effective aid, this form of aid poses many challenges, including:

- increasing pressure on developing countries to implement multiple macro conditionalities;
- increasing fiduciary risk in countries with weak financial management systems;
- increasing the volatility of aid flows in cases where country performance is poor;
- higher transaction costs in the short term, for donor and partner governments;
- limited scope for hands-on sector dialogue and capacity building in sectoral agencies; and
- strained capacity of the ministry of finance as the main interlocutor with donors.

Conclusion

The choice of appropriate aid modalities depends on the country characteristics and development objective, including the extent of agreement with donors on policy and budget priorities, and the institutional capacity of the recipient country to implement the conditions required by donors. HIPC decision-makers need to carefully assess fiscal adjustments which would be needed if budget support was suddenly reduced due to inadequate performance, and build into budget support agreements obligations for donors to disburse a considerable proportion of budget support as fixed predictable tranches (Ghana has reached a level of 50%) which are supplied regardless of performance. The experiences of other HIPCs such as Ghana, Ethiopia, Tanzania and Uganda indicate that channelling aid through budget support benefits both recipients and donors, providing aid which is much more effective than traditional project-based modes of aid delivery. As a result, budget support is a highly desirable form of aid for WAIFEM’s post-conflict member countries to increase, moving in the direction of multi-donor budget support arrangements such as those in place in Ghana, in which donors are held accountable for the predictability of their financing, as well as recipients for their budget spending allocations and effectiveness of the use of funds in achieving MDG results.
### Countries

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<td>4/00 9/01</td>
</tr>
<tr>
<td>Myanmar</td>
<td>no current timetable</td>
<td>no PRSP process</td>
<td>NA</td>
</tr>
<tr>
<td>Nicaragua</td>
<td>12/00</td>
<td>1/04</td>
<td>12/00 9/01</td>
</tr>
<tr>
<td>Niger</td>
<td>12/00</td>
<td>4/04</td>
<td>12/00 2/02</td>
</tr>
<tr>
<td>Rwanda</td>
<td>12/00</td>
<td>4/05</td>
<td>12/00 8/02</td>
</tr>
<tr>
<td>São Tomé &amp; Príncipe</td>
<td>12/00</td>
<td>3/07</td>
<td>4/00 8/05</td>
</tr>
<tr>
<td>Senegal</td>
<td>6/00</td>
<td>4/04</td>
<td>6/00 12/02</td>
</tr>
<tr>
<td>Sierra Leone</td>
<td>3/02</td>
<td>12/06</td>
<td>9/01 7/05</td>
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<tr>
<td>Somalia</td>
<td>no current timetable</td>
<td>no PRSP process</td>
<td>NA</td>
</tr>
<tr>
<td>Sudan</td>
<td>no current timetable</td>
<td>2007</td>
<td>...</td>
</tr>
<tr>
<td>Tanzania</td>
<td>4/00</td>
<td>11/01</td>
<td>3/00 12/00</td>
</tr>
<tr>
<td>Togo</td>
<td>end-2008</td>
<td>...</td>
<td>... 2009</td>
</tr>
<tr>
<td>Uganda</td>
<td>2/00</td>
<td>5/00</td>
<td>NA 5/00</td>
</tr>
<tr>
<td>Vietnam</td>
<td>no longer eligible</td>
<td>4/01</td>
<td>6/02</td>
</tr>
<tr>
<td>Yemen</td>
<td>6/00</td>
<td>...</td>
<td>2/01 8/02</td>
</tr>
<tr>
<td>Zambia</td>
<td>12/00</td>
<td>4/05</td>
<td>7/00 5/02</td>
</tr>
</tbody>
</table>

### Potential HIPCs

<table>
<thead>
<tr>
<th>Countries</th>
<th>HIPC Initiative</th>
</tr>
</thead>
<tbody>
<tr>
<td>Eritrea</td>
<td>no current timetable</td>
</tr>
<tr>
<td>Kyrgyz Republic</td>
<td>Declined not to apply for HIPC</td>
</tr>
<tr>
<td>Nepal</td>
<td>no current timetable</td>
</tr>
</tbody>
</table>

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1. World Bank IDA Resource Allocation Index (IRAI) 2006, formerly Country Policy and Institutional Assessment (CPIA), which is used to assess countries’ institutional strength and policy performance (Strong ≥3.75, medium 3.25-3.75, weak ≤3.25).  
2. This is the debt distress rating for FY 07 incorporating DSA-based DSAs and used as basis for IDA traffic light classification: Green = low risk of debt distress, Yellow = moderate risk of debt distress and Red = high risk of debt distress. Latest DSA-based DSA for Bolivia (July 2006) and Honduras (December 2006).  
3. Blend and gap countries are not eligible for IDA grants.  
4. New PRSP required.
This table has been revised to include HIPCs’ rankings according to the BWI’s IRAI (formerly CPIA) indicator of policy performance and institutional strength and debt distress, incorporating the new DSF-based DSAs and used as the basis for countries’ IDA allocation of loans and grants.

<table>
<thead>
<tr>
<th>IRAI ranking of policies and institutions</th>
<th>Debt distress ranking</th>
<th>IDA-14 grant allocation for FY08</th>
<th>Key Debt Relief and New Financing Issues</th>
</tr>
</thead>
<tbody>
<tr>
<td>Weak</td>
<td>High</td>
<td>100%</td>
<td>Cologne agreement yet to be negotiated, Russia is major Paris Club creditor</td>
</tr>
<tr>
<td>Weak</td>
<td>Moderate</td>
<td>50%</td>
<td>Reclassified as a ‘gap’ country, no longer eligible for IDA grants</td>
</tr>
<tr>
<td>Medium</td>
<td>Moderate</td>
<td>50%</td>
<td>Most creditors provide relief. MDRI</td>
</tr>
<tr>
<td>Strong</td>
<td>High</td>
<td>100%</td>
<td>New borrowing ceilings. Debt unsustainable compared to Treasury revenues. MDRI</td>
</tr>
<tr>
<td>Weak</td>
<td>High</td>
<td>100%</td>
<td>IDA, ADB, Paris Club creditors providing interim relief and promise of relief from EU</td>
</tr>
<tr>
<td>Medium</td>
<td>Low</td>
<td>0%</td>
<td>Facing increasing lawsuits. MDRI</td>
</tr>
<tr>
<td>Weak</td>
<td>High</td>
<td>100%</td>
<td>No IMF interim relief. Arrears to IFAD and OPEC to be dealt with as part of HIPC</td>
</tr>
<tr>
<td>Weak</td>
<td>High</td>
<td>100%</td>
<td>Slippages in PRGF performance delays CP</td>
</tr>
<tr>
<td>Weak</td>
<td>High</td>
<td>100%</td>
<td>PRGF request on hold following deterioration of political situation</td>
</tr>
<tr>
<td>Weak</td>
<td>High</td>
<td>100%</td>
<td>USA only PC creditor yet to finalise relief. Agreements with 13 commercial creditors signed.</td>
</tr>
<tr>
<td>Weak</td>
<td>High</td>
<td>100%</td>
<td>No IMF interim relief. Pending negotiations with London Club. Lawsuits continue</td>
</tr>
<tr>
<td>Weak</td>
<td>High</td>
<td>100%</td>
<td>DP delayed because of civil conflict. Potentially qualify with PV/revenue=361%</td>
</tr>
<tr>
<td>Medium</td>
<td>Moderate</td>
<td>50%</td>
<td>Still to conclude with some non-Paris Club creditors. Lawsuit threatened. MDRI</td>
</tr>
<tr>
<td>Weak</td>
<td>High</td>
<td>100%</td>
<td>IDA and ADF interim relief limit reached. All but one CP trigger met.</td>
</tr>
<tr>
<td>Strong</td>
<td>Low</td>
<td>0%</td>
<td>All HIPC agreements signed. MDRI. US$750m 10-year bond at 8.5% issued on international markets</td>
</tr>
<tr>
<td>Weak</td>
<td>High</td>
<td>100%</td>
<td>IMF, ADB, PC interim relief suspended. Egypt, Kuwait, Saudi willing to provide relief</td>
</tr>
<tr>
<td>Weak</td>
<td>High</td>
<td>100%</td>
<td>Only IDA and ADB providing interim relief. Lobbying donor community to advance Completion Point.</td>
</tr>
<tr>
<td>Medium</td>
<td>Moderate</td>
<td>50%</td>
<td>Lawsuit relating to government bonds resolved. MDRI</td>
</tr>
<tr>
<td>Weak</td>
<td>High</td>
<td>100%</td>
<td>Possible HIPC relief of US$139m in PV terms.</td>
</tr>
<tr>
<td>Strong</td>
<td>Moderate</td>
<td>na</td>
<td>Guatemala, Mexico and Taiwan refuse to provide relief; agreements with Costa Rica, Venezuela, Kuwait and commercial</td>
</tr>
<tr>
<td>Medium</td>
<td>Low</td>
<td>0%</td>
<td>DSA shows ratios under HIPC thresholds. PC Houston terms relief</td>
</tr>
<tr>
<td>Weak</td>
<td>High</td>
<td>100%</td>
<td>Despite eligibility, government does not wish to participate in HIPC</td>
</tr>
<tr>
<td>Weak</td>
<td>High</td>
<td>100%</td>
<td>Debt stock estimated $3.7 bn (3000% of exports), nearly all in arrears. Arrears to multilaterals being cleared</td>
</tr>
<tr>
<td>Medium</td>
<td>Moderate</td>
<td>50%</td>
<td>Cancellation of Abu Dhabi and PRC debt to be finalised. MDRI</td>
</tr>
<tr>
<td>Medium</td>
<td>Low</td>
<td>0%</td>
<td>Kuwait and Taiwan relief to be negotiated. MDRI</td>
</tr>
<tr>
<td>Weak</td>
<td>Moderate</td>
<td>50%</td>
<td>Difficulties with non-PC creditors. MDRI</td>
</tr>
<tr>
<td>Weak</td>
<td>Moderate</td>
<td>50%</td>
<td>Unsustainable due to lack of relief from Arab creditors. MDRI</td>
</tr>
<tr>
<td>Medium</td>
<td>Low</td>
<td>0%</td>
<td>Agreements with China, Kuwait and South Africa. MDRI</td>
</tr>
<tr>
<td>Weak</td>
<td>High</td>
<td>100%</td>
<td>No WB lending since 1987. Probably unsustainable</td>
</tr>
<tr>
<td>Strong</td>
<td>Moderate</td>
<td>50%</td>
<td>Strong debt strategy and borrowing ceiling. New non-PC relief but lawsuits continuing. MDRI</td>
</tr>
<tr>
<td>Medium</td>
<td>High</td>
<td>100%</td>
<td>No agreement with non-Paris Club creditors. Taiwan won lawsuit. MDRI</td>
</tr>
<tr>
<td>Medium</td>
<td>High</td>
<td>100%</td>
<td>Ceilings on new borrowings. MDRI</td>
</tr>
<tr>
<td>Weak</td>
<td>High</td>
<td>100%</td>
<td>Achieved Completion Point. MDRI</td>
</tr>
<tr>
<td>Medium</td>
<td>Low</td>
<td>0%</td>
<td>Benefitted from non-PC creditors relief. MDRI</td>
</tr>
<tr>
<td>Weak</td>
<td>Moderate</td>
<td>50%</td>
<td>Lawsuits for US$35m. MDRI</td>
</tr>
<tr>
<td>Weak</td>
<td>High</td>
<td>100%</td>
<td>Accumulating large arrears to creditors. No IMF arrangements since 1987.</td>
</tr>
<tr>
<td>Weak</td>
<td>High</td>
<td>100%</td>
<td>IMF urged to minimise non-concessional borrowings. Need to clear arrears.</td>
</tr>
<tr>
<td>Strong</td>
<td>High</td>
<td>100%</td>
<td>Relief from Algeria, Angola, Iran and Zambie to be negotiated. MDRI</td>
</tr>
<tr>
<td>Weak</td>
<td>High</td>
<td>100%</td>
<td>Potentially qualify with PV/revenue of 394%</td>
</tr>
<tr>
<td>Strong</td>
<td>Low</td>
<td>0%</td>
<td>Ceiling on new borrowings, seeking more grants as debt is unsustainable. MDRI</td>
</tr>
<tr>
<td>Strong</td>
<td>Low</td>
<td>0%</td>
<td>Debt ceiling for public debt/GDP of 50% by 2010</td>
</tr>
<tr>
<td>Medium</td>
<td>Moderate</td>
<td>0%</td>
<td>Ratios under HIPC thresholds so Paris Club Naples stock treatment</td>
</tr>
<tr>
<td>Medium</td>
<td>Low</td>
<td>0%</td>
<td>Donegal lawsuit has resulted in payment to be made. MDRI</td>
</tr>
</tbody>
</table>

Dates for HIPC decision and completion points and PRSPs are those of final BWI Boards’ approval. Most governments have published PRSPs several months before BWI approval.
The workshop produced an analytical report, a comprehensive debt database, the building of a financial flows matrix for public finance analysis, a micro-economic and sustainability analysis of the debt, and improvements in institutional coordination. In addition, participants evaluated Warnes’ capacity for fiscal and debt management using the methodology designed by CEMLA. All participants assessed that the workshop had been long enough and well organised technically and administratively, and 80% assessed that the knowledge accrued during the workshop would be extremely useful for their future daily work.

**Rwanda - Negotiating New Financing Workshop (Kigali, 1 to 5 October)**

In order to help implement its Aid Policy, the Government of Rwanda asked DRI and MEFMI to train its aid management staff in how to negotiate financing for the national Economic Development and Poverty Reduction Strategy. The workshop began with introductory presentations on Rwanda’s Aid Policy, and on the prospects for diversifying Rwanda’s sources of financing, in the short-term to additional aid donors, and in the medium-term to other less concessional financing sources. Participants were then trained in basic concepts common to all types of financing (such as calculating grant elements and identifying quality issues such as tying or conditions precedent), and a checklist of issues to cover in each negotiation. They were then split into negotiating teams, each of which prepared and simulated negotiations of: multilateral and bilateral aid from OECD and non-OECD donors; OECD and non-OECD export credit; and commercial finance.

The workshop enhanced participants’ skills, with 86% indicating their skills had been improved and 71% that they would be able to use them immediately to improve policy implementation. It also produced several internal recommendations for the ongoing implementation of Rwanda’s Aid Policy, including diversifying sources and improving the quality of financing, tracking and analysing NGO flows, improving institutional organisation for aid and debt management, and a series of capacity-building and training needs, the formation of a permanent negotiating team and the construction of a negotiating checklist and guide.

**Institutional/Follow-up Missions**


Recent capacity building events, funded by the EU, have included institutional review missions (18-29 June and 27-31 August), procedures manual missions (6-17 August and 26 September-5 October) and a national workshop (5-12 November).

The institutional review missions reviewed and synthesised all the recommendations made in recent years for strengthening the institutional arrangements to align them with international best practices and make them relevant to the current focus of debt and aid management in Guyana. The mission consultants worked with Government officials to finalise the most appropriate institutional framework, which is due to be implemented shortly. There have also been two missions to work with national officials to prepare a procedures manual setting out the work functions of the departments involved in all aspects of debt and aid management.

In November, a 2-week workshop provided training on the technical and analytical expertise needed to produce an Annual Report on Guyana’s Aid and Debt Management, including a portfolio review and debt sustainability analysis. As well as being introduced to the necessary technical skills, the 20 participants, from the Debt Management Division and other departments involved in debt and aid management, produced a draft Annual Report on Guyana’s Aid and Debt Management. On the final day of the workshop, the participants presented the key results of the portfolio review and debt sustainability analysis to senior Government officials and the report is now being finalised.

**CAR, Congo, Guinea-Bissau and Togo**

In line with the CBP workplan and phase 4 goals, the missions had the following aims:

- present to the authorities the draft regional generic law prepared by Pôle-Dette for Central and West African countries, and sensitise them on the need for early adoption of the document as well as of complementary texts for effective debt management in the country and for the preservation of long term debt sustainability,
- assess the implementation of the reforms recommended during the previous IMM,
- agree with the authorities on the next steps in reinforcing the legal and institutional framework for effective public debt management.

Each mission lasted 5 working days and was conducted by two regional consultants. After a plenary session in which the generic law was explained, bilateral meetings were organised to get each unit’s more detailed views on the legal and institutional framework. All four countries agreed to urgent timetables for improving laws and institutions.

**Institutional Mission to the Gambia**

The final mission under the DFID funded capacity building project had as its main focus to review the progress made in strengthening aid and external and domestic debt management in The Gambia under this two-year project, and to work with Government officials to identify continuing capacity building needs in the area of debt and aid management. The outstanding needs identified include:

- updating the Loans Act in line with current best practices in aid and debt management,
- preparing a procedures manual detailing the procedures of how aid and debt
management are conducted; and
- training of new staff (once recruited) in debt and aid strategy analysis.

**Distance Learning and Attachments**

**Distance Learning Programme Anglophone Residential School (Accra, 12-23 November)**

The first of a series of DLP residential workshops was held for 14 participants from the four English speaking HICPs participating in the first Phase 4 intake (Ethiopia, Malawi, Sierra Leone and Tanzania), as well as one MEFMI Fellow and one WAIFEM staff member. The overall quality of students’ work at the residential school was very good and it is very encouraging to note that three students, Mercy Kumbatira, (Malawi), Abebe Lewegineh (Ethiopia) and Lekinyi Mollel (Tanzania) achieved distinction, having submitted excellent work for their domestic debt strategy studies.

The idea underlying the residential workshop is to bring together all the work done in the study modules to simulate scenario projections using Debt-Pro®, and analyse scenario results as the basis for writing a debt strategy report. To do this students work through a specially designed Module 9 (for external debt and new financing strategy) or Module 14 (for domestic debt strategy) individually. These have been written as distance learning texts, so the resource people act as their mentors for these Modules. The students work on their own computer, and submit their completed tasks to the resource people for comments and feedback. In addition, the resource people conduct brief introductory sessions to explain the day’s tasks, when appropriate, and clarification sessions, if they note common difficulties or errors. On the final day of the workshop, the students present their strategy results at a plenary session.

The first Spanish DLP residential school is scheduled to take place in January 2008, with the French and Portuguese residential schools to follow. Students who have not been able to complete their study modules in time for the first series of residential schools will be able to participate in the second series of residential schools in 2009.

**MEFMI Staff Attachment.** As part of the reinforcement of CBP partners’ programme planning, management and delivery skills, a MEFMI Programme Officer attended a Development Planning and Management Workshop in Bangkok from 5 to 16 November, organised by IMA International. The two-week workshop drew participants from Asia, Europe, and the US, half from the public sector and half from NGOs.

The workshop covered the following key topics: Development Planning; Stakeholder Analysis; Participatory Techniques and Facilitation Skills; Problem Identification and Intervention; Managing Conflict; Project Design; Implementation Planning; Budgeting and Financial Management; Managing Personal Change; Managing Organisational Change; Leading and Motivating; Presentation Skills; and Team Building.

The workshop allowed the Programme Officer to identify key project areas which can be developed in the near future for consideration by MEFMI stakeholders. As such it is expected to contribute to management and delivery of high quality debt strategy capacity building programs (especially in identifying areas of intervention that can impact on the sustainability of debt management, possibly replicating some benefits from the post HIPC countries in all the MEFMI member countries, and helping MEFMI to facilitate project planning for specific countries to address specific needs that would interest donors at bilateral level hence increasing the number of donors to co-finance debt management capacity building activities.

**Future Activities**

During the next six months, the HIPC CBP will implement the following activities:

1. **Regional Workshops:** three CBP Distance Learning Residential Schools; Pôle Dette’s Parliamentarians Regional Workshop, Global Debt Strategies Regional Workshop and New DSA Frameworks Regional Workshop; CEMLA’s Training for Trainers and Caribbean Long Term Debt Sustainability Sub-Regional Workshop;

2. **National Workshops:** Burundi, Guinea, Honduras, Malawi, Nicaragua, Sierra Leone, Sudan, Uganda;

3. **Sensitisation Seminars:** Guinea, Mauritania, Mozambique, Kenya, Uganda, Zambia;

4. **Institutional/Follow-up Missions:** Burundi; Ghana; Mozambique, Sao Tomé and around 5 to Pôle Dette member states;

5. **Distance Learning:** preparation of the second intake of students, which will involve the best candidates from 16 countries;

6. **Attachments:** Pôle Dette candidates to DRI and the IMF; WAIFEM to DRI; and CEMLA candidates to the BWIs and other regional neighbours;

7. **Information Products:** produce newsletters 34 and 35, disseminate 4 listserves on latest debt management developments, and expanding the website with new sections.

<table>
<thead>
<tr>
<th>Ethiopia</th>
<th>Dereje Girma</th>
<th>External debt strategy</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yohannes Hailu Tesfa</td>
<td>External debt strategy</td>
<td></td>
</tr>
<tr>
<td>Aynalem Mamo Abebe</td>
<td>New financing strategy</td>
<td></td>
</tr>
<tr>
<td>Getu Setahun</td>
<td>Domestic debt strategy</td>
<td></td>
</tr>
<tr>
<td>Abebe Lewegineh*</td>
<td>Domestic debt strategy</td>
<td></td>
</tr>
<tr>
<td>Malawi</td>
<td>Nations Mosoways</td>
<td>New financing strategy</td>
</tr>
<tr>
<td>Margaret Kaphinde</td>
<td>Domestic debt strategy</td>
<td></td>
</tr>
<tr>
<td>Sierra Leone</td>
<td>Samuel Maju Lahai</td>
<td>Debt data and portfolio review</td>
</tr>
<tr>
<td>Jibao Fleo</td>
<td>Domestic debt strategy</td>
<td></td>
</tr>
<tr>
<td>Joseph Almamy Thuliah</td>
<td>Domestic debt strategy</td>
<td></td>
</tr>
<tr>
<td>Tanzania</td>
<td>Lekinyi Mollel*</td>
<td>Domestic debt strategy</td>
</tr>
<tr>
<td>Charles Yamo</td>
<td>Domestic debt strategy</td>
<td></td>
</tr>
<tr>
<td>MEFMI Fellow</td>
<td>Mercy Kumbatira*</td>
<td>Domestic debt strategy</td>
</tr>
<tr>
<td>WAIFEM Staff</td>
<td>Mod Coessay</td>
<td>New financing strategy</td>
</tr>
</tbody>
</table>

*with distinction
The FPC CBP confirmed the launch of the Franc Zone programme for BCEAO and BEAC member states and resumption of Zambia’s participation, progressed with country projects, software, methodology design and information products, deepened coordination with the IMF GDSS, and held its 8th Steering Committee.

COUNTRY PROGRESS
Countries have progressed as follows:

- **BCEAO/BEAC**: following successful pilots in Burkina Faso and Cameroon, Ministers in the Franc Zone approved the participation of all 14 member states in a regional programme, which will start with an awareness creation and training for trainers event in January 2008
- **Botswana**: discussions are underway with the Commonwealth Secretariat for support to begin in Q1 2008
- **The Gambia (Cycle 2)**: hosted its 3rd follow-up mission, implemented jointly with the IMF GDSS 2 project, and thereafter finalised its database.
- **Ghana** is preparing to launch with a demand assessment mission in Q1 2008
- **Honduras**: requested 2 missions in 2008 to assist in implementing its ROSC recommendations
- **Kenya**: plans to launch its surveys in Q1 2008.
- **Malawi (Cycle 3)**: is close. Cycle 3 and launch Cycle 4 in Q1 2008
- **Nicaragua (Cycle 1)**: will disseminate results and launch Cycle 2 in Q1 2008
- **Tanzania (Cycle 4)**: disseminated the Zanzibar report and is finalising the Mainland report for Cycle 3. It has also launched Cycle 4 with a sample survey and achieved a response rate of over 70%
- **Uganda (Cycle 6)**: has obtained over 70% response rate on its sample survey.
- **Zambia (Cycle 3)**: rejoined the CBP, and discussions are underway on the modalities of support. It plans to launch in Q4.

**METHODOLOGY**
In line with its development plan agreed with the Steering Committee, the CBP developed methodology in the following areas:

- Non-survey reporting mechanisms (see Newsletter 32)
- Building partnership with the private sector (see Newsletter 32)
- Building an awareness strategy (see this Newsletter on page 13)

**SOFTWARE**
Version 1.80 of the CBP software includes an important patch in the Input and Output Modules, to ensure filtered reports generate consistent data once the “missing attributes” function has been used. The designer advises users to download and install immediately (visit www.evinsol.co.uk/software/dfi - username and password required)

- The Technical Manual for Designers is being finalised
- MEFMI has announced its timeframe for developing its regional software, which is expected to be ready in November 2008 (contact MEFMI for information).

**INFORMATION PRODUCTS**
- Briefings #16 and #17 were disseminated, and are available online (visit www.fpc-cbp.org and link to ‘FPC CBP Briefing’). They describe latest developments in the CBP, as well as key related international, regional and national initiatives, research, and codes and standards. For subscription enquiries, contact dfi@dri.org.uk
- The website continues to be updated every 6 weeks for latest developments in the CBP and related initiatives. Burkina Faso and Cameroon’s analytical reports from the pilot surveys are now available online (visit www.fpc-cbp.org and link to “Country reports”).

**GOVERNANCE AND LIASON**
- **WAIFEM hosted the 8th Steering Committee** on 2nd November 2007 in Accra. Main points are presented in the box below
- **IMF GDSS2**: in addition to jointly implementing the 3rd follow up mission to The Gambia, discussions are underway about cooperation in Ghana, Kenya and Nigeria.

Key Points from the 8th Steering Committee
WAIFEM hosted the event in Accra, Ghana, on 2nd November 2007. Seco and BEAC chaired the sessions. All implementing partners attended, together with representatives from Cameroun, Ghana, Nicaragua, and Tanzania who greatly enriched the discussions with their experiences. The meetings were very positive, and covered progress and next steps as follows:

- Country progress: the CBP is already halfway to achieving its logframe targets but, in order to ensure that this occurs, partners requested unanimously to extend Phase 3 to March 2009.
- Staff turnover, data timeliness, and moving to sample surveys were identified as major challenges and measures recommended to overcome them.
- Methodology and information products have been developed on schedule, but further efforts are needed to define what will happen to interregional information sharing after phase 3.
- Software: transfer of the generic CBP system is almost complete, but some countries require enhanced programming capacity to benefit fully, and there is need for greater information-sharing among regions on efforts to develop decentralised softwares.
- Liaison and dissemination: all partners (and Seco) need to make more effort to disseminate to international and regional organisations and other donors the successes of the CBP, especially at regional and national levels.
- Finance: countries and regional organisations need to submit full reports on their financial contributions to avoid underestimation.

**FORTHCOMING WORK PROGRAMME**
In the next quarter the FPC CBP will address the following:

- Finalise arrangements to launch programmes in Ghana, Kenya and Honduras, and to relaunch in Zambia, and liaise with many other countries seeking entry to the CBP;
- Country projects: missions to Bolivia, Gambia, Honduras, Malawi, Nicaragua, Tanzania, Uganda, Zambia, and 14 Franc Zone countries, as well as providing ongoing long-distance support
- Methodology: continue to implement the development plan, focussing especially on sustainability analysis.
- Information products: continue to produce to schedule
- Software: disseminate the Technical Manual, and further address user needs and coordination of developments across regions
- Liaison: enhance liaison at international, regional and national levels.
BUILDING AN AWARENESS STRATEGY

This article develops the discussion in Newsletter 32 on the importance of partnership building, and the prerequisite need to understand how the private sector is organised. It outlines strategies for awareness creation, and coordination on a technical level. In the next issue, a concluding article will address dissemination of data and analysis (consistent with international codes), and the implementation of policy recommendations.

Outlining an awareness strategy

Partnership building requires an extensive awareness campaign implemented throughout each “project cycle” (i.e. launch of surveys, data collection and finalisation, dissemination, and policy design). A successful strategy needs to be streamlined and cost-effective, making maximum use of awareness seminars organised by the National Task Force, other existing forums, and the media.

Defining messages

The main messages in an awareness campaign include:

• Presenting the aims, objectives and anticipated results of the exercise
• Underlining benefits to the private sector of their cooperation (see Newsletter 32)
• Describing implementing partners and coordination to minimise “survey fatigue”
• Reassuring the private sector about confidentiality
• Presenting key dates in an implementation plan: launch, fieldwork and dissemination
• Consulting on methodology to get private sector advice on user-friendliness
• Indicating communication channels for any assistance or concerns.

NTF awareness seminars

The success of these seminars depends on the participation of strategic private sector associations and investors, representing key regions, sectors and source countries, and preferably accounting for the bulk of the stocks and transactions. Businesses should be represented at CEO level, so as to reflect the views of the enterprise, raise concerns, and commit their support.

Therefore, to show their leadership and attract high level business representatives, senior policymakers (Ministers, Governors, etc) should host the event.

Up to 100 business people usually participate, although more invitations are sent to maximise attendance. The NTF follows up intensively before the event to confirm participation of senior staff.

In many countries, most business head offices are located around the capital city, making it easier to coordinate awareness events; but in others, the business community is located in multiple centres or outside the capital (Bolivia, Cameroon, Malawi, Kenya, Tanzania, Uganda). Some countries therefore hold smaller “satellite” events to achieve a higher turnout in other cities. Even then, some major (eg mining) companies may be located in relatively remote parts of the country, and have to be sensitised by company visits.

The optimal format for awareness seminars varies by country. Some favour short “breakfast meetings” (Bolivia, Nicaragua, Trinidad and Tobago), others a more structured series of presentations, discussions and working groups (Burkina Faso, Cameroon, Gambia, Tanzania, Uganda). Brevity usually guarantees fuller participation, but a slightly longer meeting can provide more assurance of cooperation and understanding.

International organisations and donors can also intervene to put the exercise into its wider context, linking it to other international and national goals such as the MDGs. And invitees from other countries can contribute their experiences to reinforce the main messages, providing valuable practical lessons on how to resolve various challenges.

Media campaigns

Given the limited numbers who can attend, NTF awareness events need to be complemented by a media campaign, to reach a much wider audience. This includes press conferences (notably at the awareness seminars), policymakers contributing articles to the press, appearing on radio/television news and discussion programmes, press releases at the time of launch or to encourage response, and using NTF members’ bulletins/websites. Senior policymaker presence guarantees better coverage, and participation by private sector associations provides reassurance to the private sector.

High-quality (rather than quantity) of media coverage is essential. The NTF has a key role to play in targeting journalists with appropriate technical knowledge, training them in key concepts (Malawi, Uganda, and on a regional level, WAIFEM), and offering exclusives to a few key journalists, each with a different angle on a story. The time of a broadcast, the selection of a journal, the language(s) used, and the popularity of a particular show have a significant impact in optimising access to the target audience. Messages are also reinforced by linking the exercise to other current stories on foreign investment or development policies. Debate has worked on television shows (Ghana), or in press letters columns (Tanzania).

Other forums

Most countries need to pay more attention to other forums, identifying those most closely related to the exercise, and coordinating with them. Many LICs for example currently have vibrant debates on private sector development in a rapidly growing number of structures. Some prominent examples include Presidential or special initiatives on investment (Ghana, Guyana, and Tanzania), central bank-hosted meetings for financial institutions, investment promotion agency meetings with investors, meetings of private sector association members, and donor meetings with investors from their country.

This widens scope for liaising with the private sector, with minimal cost, and the additional advantage of promoting harmonisation with related initiatives (sometimes linking the exercise into the activities of a wider initiative rather than creating new structures may be desirable). But to avoid NTF fatigue given limited resources, interventions need to be prioritised to target outcomes at critical points in the project cycle.

Successful awareness strategies have dramatically increased the percentage and quality of responses, and reduced the need for time spent in the field visiting enterprises. Their importance for successful monitoring and analysis of FPC cannot be overemphasised.
A comprehensive database tracking very good handover of information undermines this unless accompanied by respondent’s challenges. However, staff a better understanding of each promote trust, high-quality response, and enterprise in successive surveys, to enterprises. To achieve this, NTFs have good relations with the financial staff of first step. Enumerators also need to build enterprises to complete forms is a key surveys is even more essential. Training Face-to-face technical support during During fieldwork Face-to-face technical support during surveys is even more essential. Training enumerators to provide support and help enumerators to complete forms is a key first step. Enumerators also need to build good relations with the financial staff of enterprises. To achieve this, NTFs have allocated the same enumerator to an enterprise in successive surveys, to promote trust, high-quality response, and a better understanding of each respondent’s challenges. However, staff turnover in NTF and enterprises undermines this unless accompanied by very good handover of information.

In meetings Awareness seminars or focus meetings with selected enterprises hosted by the National Taskforce provide the ideal forum to present and test new methodology, especially if the country has insufficient budget or time for a full pilot survey to test methodology. If the NTF intends to achieve this at the event, it is best to extend it to at least a half day, invite finance managers as well as CEOs and ask them to bring financial statements or other data on assets and liabilities. Many enterprises have been found to be reluctant to provide statements at such an early stage of the exercise. Nevertheless, the NTF can use the event to present survey forms to them, and organise working groups to test their understanding of technical concepts and obtain their views on methodology including timing of surveys, or using language which relates more closely to financial statements.

During fieldwork Face-to-face technical support during surveys is even more essential. Training enumerators to provide support and help enumerators to complete forms is a key first step. Enumerators also need to build good relations with the financial staff of enterprises. To achieve this, NTFs have allocated the same enumerator to an enterprise in successive surveys, to promote trust, high-quality response, and a better understanding of each respondent’s challenges. However, staff turnover in NTF and enterprises undermines this unless accompanied by very good handover of information.

survey execution aids effective, well-timed liaison with enterprises. This should include the list of enterprises for each enumerator, with their primary and secondary contact points, and an itemised record of interactions and agreements including questions asked, and deadlines for response or collection.

Telephone helplines have proved an extremely useful support to fieldwork by allowing enterprises to put questions about form content, delivery, or collection. Indeed, as relations between NTF and private sector develop over time, they may increasingly conduct dialogue via email or telephone. Some countries are already planning to move to electronic surveys (distributing forms via e-mail or encouraging companies to complete them on a secure website), although not all enterprises have good enough access to technology, or trust the NTF sufficiently to provide information in this way.

In some smaller countries, major investors have their headquarters and financial records in neighbouring larger countries. They therefore struggle to get response from subsidiaries, constantly being referred to head office, and found it necessary to visit the headquarters. This initially increases cost and time burdens for the NTF, but has been shown to bear fruit in that, after initial contacts, enterprises respond more rapidly via subsidiaries.

At the end of a survey Results dissemination events (discussed in the next article) give a further opportunity for investors and NTF to address technical-level challenges to improve the next exercise. As at the opening awareness event, it may be desirable to organise a more detailed technical feedback session, with enterprise financial managers. Investors may comment on the user friendliness of the questionnaire, or the quality of support received from the NTF in the field or by telephone. Conversely, NTF may report on how it perceived data quality, and problems in obtaining information, whether technical or due to confidentiality concerns, and suggest how these might be overcome in future.

Finally, many countries administer “feedback questionnaires”, at the closing event or when distributing copies of the final report to investors, on methodology and implementation. Regular feedback is necessary to maintain private sector cooperation, given staff turnover within enterprises, new enterprises, and changes to methodology.

While the integration of private sector associations into NTF arrangements, and effective awareness creation, are important steps to promote response to surveys, data quality will only improve if there is intensive liaison with investors on the challenging technical aspects of response.

continued from page 16...

NEW WEBSITE PAGES ON http://www.hipc-cbp.org
New pages on legal and institutional best practices have been added to the Members’ Only section of the HIPCP website. These pages set out the key issues relating to international best practices and provide examples from HIPCs. The examples include best practices in public debt laws, procedures manuals for debt management, terms of reference for co-ordination structures for debt and aid management, and national capacity building plans.

In early 2008, the CBP will be adding new webpages on the following:
• debt sustainability analysis, which will highlight the complementarity of the CBP’s DSA and BWI’s DSF methodologies and provide links to the relevant documentation.
• on CBP self-assessments of country capacity for debt strategy - providing a time series showing country progress in debt strategy capacity
• HIPC country profiles - showing the progress each country has made under the CBP in developing its debt strategy capacity, as well as the concrete achievements of the programme.
Data presentation, analysis and publication

Results should be published in as much detail as possible. To avoid compromising confidentiality, publications should present data only in aggregate form. The minimum necessary is standard BOP and IIP tables, but these say little to investors, so as to address their concerns. At these events, NTF policymakers can emphasise actions government has taken or intends to take to respond to investor policy concerns. Investors, donors and international institutions can intervene to underline the benefits of results and policy actions for the private sector. Policymakers can report back on methodological lessons and improvements for future exercises.

Countries may also combine the dissemination with the launch of a further exercise, allowing results from the previous survey to provide media headlines. This approach is cost effective, and enhances predictability by providing a fixed date for feedback. However, it works only once results from the previous survey to provide media headlines. This approach is cost effective, and enhances predictability by providing a fixed date for feedback. However, it works only once the benefits of the exercise, confidentiality, and the value of their cooperation in future surveys; new investors who may be brought into the sample in future; and private sector associations who may liaise with their members on the findings). Other stakeholders include other ministries and sub-national governments who may use the analysis to work with the private sector to implement the recommendations, and local offices of international organisations and donors, as well as the media.

Regional and international recipients to target include:
- potential investors targeted during investment promotion missions or attracted via IPA websites, to provide them with better information and “local success stories”;
- international organisations (e.g. IMF Statistics, regional, International Capital Markets and Policy Development and Review departments; World Bank regional and private sector vice presidencies, IFC and FIAs, the BIS, Commonwealth Secretariat, OECD Statistics Directorate, and UNCTAD Transnational Corporations unit;
- regional institutions interested in analysis and methodology aspects (African and Inter-American Development Banks, East African Community, Caribbean Community, West African Monetary Institute, CEMAC and UEMOA Secretariats);
- data compilers in the main investment source countries identified, so as to share aggregate data for broad crosschecking purposes and policy discussion in future.

Conclusion

Many countries expend tremendous effort in high quality data compilation and analysis, but struggle to get these achievements and their policy messages across due to weak dissemination practices. They therefore need to invest more time in identifying target audiences and selecting effective channels of dissemination. A final article in Newsletter 34 will look how dissemination helps to meet international standards for timeliness, quality, integrity, and public access.
As delivery of HIPC debt relief from non-Paris Club bilateral creditors remains low and there is legal basis requiring creditors to participate, the IMF and World Bank are proposing to raise the profile of this issue by setting up a 'scorecard' system identifying creditor progress, to be published on the BWI websites. In addition, the BWI have indicated they will continue to use moral suasion to foster increased delivery of debt relief.

As part of this process, the BWIs have compiled an update on non-Paris Club bilateral creditor relief in a new paper (http://www.imf.org/external/np/pp/2007/eng/091007.pdf) as follows:

• Jamaica, Korea, Morocco, Rwanda, South Africa and Trinidad and Tobago (accounting for only 8% of planned non-Paris Club bilateral relief) have delivered full HIPC relief. Burundi and Tanzania have each signed an agreement with their one HIPC debtor but it is not clear if full HIPC relief has been provided.

• Angola, Cape Verde, Colombia, Costa Rica, Cote d'Ivoire, Democratic Republic of Congo, Ecuador, Egypt, Honduras, Iran, Iraq, Niger, Nigeria, Oman, Pakistan, Peru, Taiwan, Uruguay, Zambia and Zimbabwe (accounting for 40% of planned relief) have not provided any HIPC relief to date. Iraq and Taiwan have the largest number of post-completion point debtors (9 and 7) and should provide US$111 million and US$304 million of relief.

• 17 creditors are providing partial relief as indicated in the table below.

The factors contributing to the slow progress by non-Paris Club bilateral creditors include:

• Political factors. Libya which initially had agreed to participate in HIPC subsequently announced its Parliament had overturned this decision and relief will be provided under its own initiative. In Algeria, the provision of HIPC relief awaits a high level political decision.

• Insufficient understanding of the initiative. The principles of burden-sharing and comparability of treatment are not well understood by creditors, nor are they familiar with how to calculate relief.

• Sales of HIPC claims. Some creditors may consider selling their claims to private investors, which may litigate. International pressures resulted in one non-Paris Club creditor deciding not so do so in 2007.

• Domestic legal constraints. Some creditors have indicated they are unable to provide relief because of the costs involved. This is particularly true for HIPCs which are creditors of other HIPCs.

• No billing by creditors. Some creditors, such as Algeria, Libya and China, are not billing HIPCs and this is perceived as a waiver of the obligation to pay. In other instances countries, such as China and India, have made general pronouncements about providing relief and so debtors are waiting for creditors to propose an agreement.