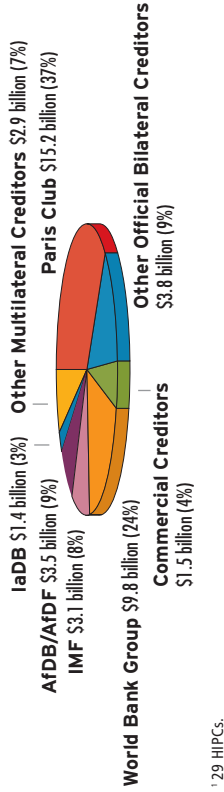


Potential costs of the HIPC Initiative by creditor group

(Total cost: \$41.3 billion, end-2005 NPV terms)¹



¹ 29 HIPCs.

The HIPC initiative has contributed to increased poverty-reducing expenditures for decision point countries (ratio in percent)

	Africa	Latin America	Total
Ratio of Poverty-Reducing Expenditures to Government Revenue	1999 2005	1999 2005	1999 2005
	38.6 45.7	47.6 47.9	40.9 46.1
Ratio of Poverty-Reducing Expenditures to GDP	1999 2005	1999 2005	1999 2005
	5.5 8.0	10.8 11.5	6.4 8.5

¹ Countries satisfying the HIPC Initiative and Indebtedness criteria at end-2004 and may access debt relief under the Initiative.

Pre-Decision Point 11 countries¹

CENTRAL AFRICAN REPUBLIC
COMOROS
CÔTE D'IVOIRE
ERITREA
HAITI
KENYA
KINGDOM OF SWAZILAND
LIBERIA
NEPAL
SOMALIA
SUDAN
TOGO

Decision Point 11 countries

BURUNDI
CAMEROON
BURKINA FASO
ETHIOPIA
GHANA
HONDURAS
MADAGASCAR
MALI
MAURITANIA
MOZAMBIQUE
NICARAGUA
NIGER
RWANDA
SENEGAL
TANZANIA
ZAMBIA

receiving debt relief on a provisional basis.

To reach completion point, countries must maintain macroeconomic stability under a PRGF-supported program, carry out key structural and social reforms, and implement a Poverty Reduction Strategy necessary to bring countries' debt indicators to HIPC thresholds is calculated, and countries begin receiving debt relief on a provisional basis.

To reach completion point, countries must maintain macroeconomic stability under a PRGF-supported program, carry out key structural and social reforms, and implement a Poverty Reduction Strategy satisfactorily for one year. Debt relief is then provided irrevocably by the country's creditors.

receiving debt relief on a provisional basis.

To reach completion point, countries must maintain macroeconomic stability under a PRGF-supported program, carry out key structural and social reforms, and implement a Poverty Reduction Strategy satisfactorily for one year. Debt relief is then provided irrevocably by the country's creditors.

Completion Point 18 countries

BENIN
BOLIVIA
BURKINA FASO
ETHIOPIA
GHANA
HONDURAS
MADAGASCAR
MALI
MAURITANIA
MOZAMBIQUE
NICARAGUA
NIGER
RWANDA
SENEGAL
TANZANIA
ZAMBIA

Status of HIPC countries

GOAL

To ensure deep, broad and fast debt relief and thereby contribute toward growth, poverty reduction, and debt sustainability in the poorest, most heavily indebted countries.

ELIGIBILITY

- Poor (i.e. IDA-Only & PRGF eligible)
- Heavily indebted (i.e. NPV of debt above 150% of exports or above 250% of government revenues)
- Good track record of reform

HIPC

DEBT INITIATIVE FOR HEAVILY INDEBTED POOR COUNTRIES



LAUNCHED AT BANK-FUND
ANNUAL MEETINGS IN 1996
AND ENHANCED IN 1999

SPRING MEETINGS 2006
[www.worldbank.org/
economicpolicyanddebt](http://www.worldbank.org/economicpolicyanddebt)

Achievements of the HIPC Initiative

- Debt relief approved for 29 countries amounting to over \$59 billion in nominal debt service relief.
- Eighteen countries have reached completion point and have been granted over \$37 billion dollars in unconditional debt service relief.
- NPV of external debt of 29 approved HIPCs cut by approximately two-thirds (with other forms of debt relief).
- Poverty-reducing government spending, financed in part by resources freed by HIPC debt relief, is expected to rise from less than twice that of debt-service payments to more than four times.

Challenges

- Establishing a good track record of reform in most countries identified by World Bank and IMF staff as potentially eligible to receive debt relief under the HIPC Initiative. Many of these countries are affected by conflict and/or have protracted arrears problems.
- Ensure full participation by all creditors to support the countries' efforts towards debt sustainability.
- Beyond debt relief, maintaining long-term debt sustainability will require efforts by the HIPCs and the international community to ensure prudent borrowing practices, suitable concessional financing, sustained and broad-based growth, a more diversified export base and increased access to markets in developed countries.

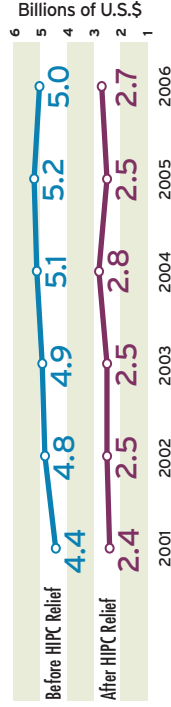
Debt stocks of HIPCs reduced by two-thirds

29 decision point countries, US\$ billion 2005 NPV terms



Projected debt service obligations fall substantially

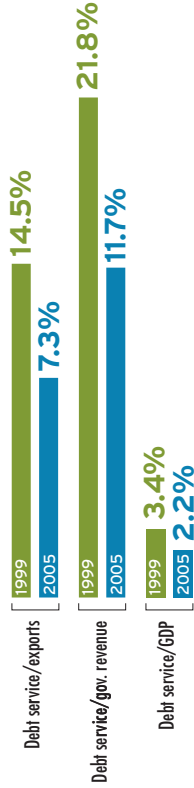
27 decision point countries*



* Does not include Burundi and Congo, Rep. of.

Significant decline in debt service ratios after HIPC relief

29 decision point countries (weighted averages)



Debt indicators of HIPCs fall to levels comparable to other non-HIPC low-income countries

	29 DECISION POINT HIPCS ¹		Non-HIPC low-income countries 2003
	Before HIPC relief 1999	After HIPC relief 2003	
NPV of debt-to-exports	293%	150%	149%
NPV of debt-to-GDP	62%	31%	50%
Debt service-to-exports	17%	7%	11%

¹ 2003 data are medians. Excludes Congo, Rep. of.