# HIPC – INITIATIVE
# CHALLENGES OF MAINTANING LONG-TERM DEBT SUSTAINABILITY

SRNEC K., GEBRIANOVÁ E.

***Abstract***

*The article of the HIPC, "The Heavily Indebted Poor Countries", initiative concerned of the WB and IMF activity and analyzing the situation in the poor countries. This activity was the first comprehensive approach to reduce the external debt of the poorest, most heavily indebted countries, and represented an important step forward in placing debt relief within an overall framework of poverty reduction. There had been successive initiatives since the 1980s to tackle debt owed to other Governments, known as bilateral debt. These high levels of debt have been increasingly recognised as a constraint on the ability of poor countries to pursue sustainable development and reduce poverty. In 1994 the so called 'Naples terms' were launched offering 67% debt relief on government to government debt.*

*The HIPC Initiative, launched by the World Bank and the IMF, was the first comprehensive effort to eliminate unsustainable debt in the world's poorest, most heavily indebted countries, by including multilateral debt.*
*The IMF provides financial assistance to low-income members in two ways:*
1. *Through confessional lending under the **Poverty Reduction and Growth Facility (PRGF)***
2. *Through debt relief under the **Heavily Indebted Poor Countries (HIPC) Initiative**.*

*The HIPC Initiative has been enhanced to provide deeper, broader, and quicker debt relief, and the PRGF has been modified to increase its focus on poverty reduction and lasting economic growth.*
*The HIPC Initiative is designed to reduce the external debt burden of eligible countries to sustainable levels, enabling them to service their external debts without the need for further debt relief and without compromising growth.*
*The poorest countries, those that are only eligible for highly confessional assistance from the International Development Association (IDA), the part of the World Bank that lends on highly confessional terms, and from the IMF's Poverty Reduction and Growth Facility (previously the Enhanced Structural Adjustment Facility). Those that also face an unsustainable debt situation, even after the full application of traditional debt relief mechanisms (such as application of Naples terms under the Paris Club agreement).*

**Key words:** HIPC, debt, creditors, sustainability, developing countries, poverty

## INTRODUCTION

### Determining a Country's debt Sustainability

A Debt Sustainability Analysis will be prepared by the staff of the World Bank and the IMF, together with officials of the debtor country, to determine whether a country is facing an unsustainable debt situation after the full application of the traditional debt relief mechanisms.
Under the new framework, sustainable debt-to-export levels are defined at a fixed ratio of 150 percent (on a net present value basis). For very open economies where the exclusive reliance on external indicators may not adequately reflect the fiscal burden of external debt: an NPV debt-to-export target below 150 percent can be recommended if the country concerned meets two criteria at the decision point: an export-to-GDP ratio of at least 30 percent and a minimum threshold of fiscal revenue in relation to GDP of 15 percent. For countries meeting these thresholds, the NPV debt-to-export target will be set at a level which achieves a 250 percent of the NPV debt-to-revenue ratio at the decision point.

**Action BY All Creditors**
All creditors participate in providing exceptional assistance beyond current mechanisms as required to reach debt sustainability. Creditors share the costs of HIPC assistance on the basis of broad and equitable burden sharing and provide relief on a basis that is proportional to their share of the debt after the full application of traditional forms of debt relief; these forms include Naples terms from Paris Club creditors which provide a 67 percent NPV reduction on eligible debt. Creditors are bilateral and commercial creditors; multilateral creditors; the HIPC trust fund; the WB´s contributor; the IMF´s contributor

### Challenges of Maintaining Long Term Debt sustainability

was made, highlighting the vulnerability to adverse exogenous factors.
At November 2001 meeting, worsening of global growth prospects was took into account and the declines

in terms of trade as well, when updating HIPC Initiative debt sustainability analyses and HIPCs were encouraged to reach their completion points, thereby securing access to full debt relief without delay.

External debt sustainability is a comprehensive concept and no single debt indicator or a particular level of a debt indicator can fully inform an assessment of debt sustainability.

Analytically, public sector external debt sustainability depends on three key determinants (and their development over time):

- the existing stock of public and publicly guaranteed debt;
- the development of fiscal and external repayment capacity, which is closely related to the outlook for output and export growth;
- and the prospective volume and concessionality of new external borrowing

HIPCs' Recent Economic Performance

*Exports and Growth*

HIPCs' growth and export performance has been heavily influenced by developments in commodity prices in world markets. The average export price index (in U.S. dollars terms) declined by 2.6 percent in 2001 for the 24 HIPCs, after a 0.9 percent increase in 2001, but the weakening of export prices over the past two years was much more pronounced for some countries. For instance, on a cumulative basis, the prices of coffee and cotton—two major export commodities for a number of HIPCs—fell by 60 percent and 10 percent, respectively during 2000 and 2001. The largest declines in overall export prices in 2001 were experienced by Guinea-Bissau, Nicaragua, Rwanda, and Uganda. Since most HIPCs are net oil importers, the adverse impact of the commodity price decline on the balance of payments and economic activity was partially compensated by lower oil import prices. On average, the terms of trade for these countries weakened by 0.4 percent in 2000–01; there were 12 countries where the terms of trade developments were unchanged or better than initially projected.

The unweighted average export growth for the 24 HIPCs in 2000–01, at 5.4 percent, was significantly less than the 9.4 percent projected at the decision points.

The loss of export earnings due to the decline in commodity prices could amount to 1.5–2 percent of GDP for the 24 countries during these two years. While export growth accelerated in the completion point HIPCs, albeit at a less than projected pace, at 4½ percent it was only half the average projected export growth in the 20 interim HIPCs. Again, there are significant variations across countries behind these averages. Sixteen out of 24 countries experienced lower-than projected exports in 2000–01, two countries were broadly on target, and six countries recorded a better-than-projected export performance.

On average, real GDP growth during 2000–01 for the 24 HIPCs, at 4.3 percent, was almost one percentage point below the projections made at the decision points although growth strengthened in 2001 compared to 2000.

Average growth in HIPCs was also lower than the developing country average of 4.9 percent over the last two years, but individual country performance varied widely. Growth was weaker than projected in about half of the 24 HIPCs, but stronger in 8 countries. In 2001, the four completion point HIPCs achieved higher growth than the countries still in their interim period.

*Fiscal and External Current Account Balances*

The overall fiscal deficits (central government, including grants) of the HIPCs relative to GDP in the past two years were on average higher than projected at the decision point. This was the case in 13 of the 24 HIPCs, some of which experienced slower-than-projected growth as noted earlier. Typically, this was the result of higher expenditures and lower revenue (excluding grants). The latter was affected by lower exports in many countries and was not fully compensated by higher grant receipts.

HIPCs' external current accounts registered, on average, higher deficits in 2000–01 than projected at the decision point, reflecting mainly lower exports and larger fiscal deficits.

*External Financing*

Aside from debt relief, the external financing of the HIPCs has been mainly from two sources: highly concessional loans, largely from multilateral creditors, and grants, provided mostly by bilateral donors.

For these 24 countries as a whole, disbursements of loans in 2000–01 were $1.6 billion lower than decision point projections.

Most HIPCs are dependent to a large extent on grants to finance their domestic spending and balance of payments gaps.

On average, HIPCs received grants of more than 7 percent of their GDP a year in 2000–01, exceeding slightly decision point projections, while new external borrowing averaged 5.8 percent of GDP a year, 1 percentage point of GDP below decision point projections. Annual net resource flows—disbursements of loans and grants minus debt-service payments—to these countries amounted to around 9–10 percent of GDP in this period compared to 11–12 percent projected at the time of decision point. These levels are similar in the completion point and interim period HIPCs. It should be noted that financing projections of program scenarios are typically ambitious, and delays in disbursements are often experienced either due to absorption problems in the recipient countries or due to administrative problems on the creditor/donor side, even if a country's program implementation is on track.

*External Debt Indicators*

On average, the net present value (NPV) of debt and actual debt service relative to exports in 2000–01 were somewhat higher than anticipated at the decision point for the 24 HIPCs, reflecting mainly lower exports.

There were considerable differences in the developments of debt indicators across the HIPCs, reflecting primarily the relative importance of export shortfalls and to a significantly lesser extent the size of their new external borrowing. Differences in the implementation of economic reform programs may also have an impact but the short-term net effect is uncertain.

The foregoing assessment provides evidence that the actual performance during 2000–01 of the 24 HIPCs analyzed fell short of the expectations held at the time of their decision points.

These shortfalls are quite significant with respect to export and fiscal performance and, consequently, for the external debt indicators as well. This has raised concerns that the projections underlying the HIPC debt sustainability analyses are too optimistic. A number of factors need to be taken into account in assessing the realism of the long-term economic projections under the HIPC Initiative.

For example, long -term economic forecasts, while useful in informing the likely trends, depend critically on the underlying assumptions, especially on the future course of government policies as well as external market conditions.

Addressing Adverse Developments

HIPCs' Vulnerability to Exogenous Shocks

Like many other low-income countries, the HIPCs' economic and export base is very narrow and heavily dependent on a few primary commodities.

For 17 of the 24 countries, the exports of three main commodities account for more than half of their total exports, and this dependence has remained largely unchanged during the last two decades. The prices of these commodities in world markets have been on a secular downward trend. They are strongly influenced not only by the current weak global demand conditions, but also by the large subsidies provided by a number of industrial countries to their producers, and the success that some other developing countrie s are having in boosting their supply of primary commodities. Frequently, this vulnerability affects not only the HIPCs' external position, but also their fiscal balance, as government revenue collection often relies heavily on commodity production and exports.

A large number of HIPCs are facing an HIV/AIDS epidemic, which, through its devastating effects on the labour force and public finances, could seriously affect debt sustainability over the longer term.

Some HIPCs, for example, Zambia and Malawi, have prevalence rates that are among the highest in the world. As a number of studies have shown, the negative impact of HIV/AIDS on a country's economic performance could be considerable. While more analytical work is required to fully understand the impact of the epidemic on long-term debt sustainability, the case of Zambia suggests that HIV/AIDS could reduce real GDP growth rate by 1.5 percent or more a year for the next 10–15 years, thereby weakening the country's economic performance and payment capacity.

HIPCs' structural vulnerability cannot be tackled by debt relief, but needs to be addressed through efforts to diversify exports and production.

At the same time, debt relief can create some fiscal space for the HIPCs to undertake improvements in areas such as public health, education, and infrastructure that enhance their longer-term growth potential.

*Market Access for HIPCs*

Market barriers, including, agricultural subsidies in industrial countries, exacerbate the effects of economic downturns on developing countries.

As agricultural subsidies are counter-cyclical, they insulate farmers in high-income countries from changes in world prices and makes production less responsive to swings in demand. As a result, world commodity prices become more volatile, and during downturns the burden of adjustment is shifted disproportionately to producers in developing countries.

## CONCLUSION

- The global economic slowdown along with a significant decline in many primary commodity prices over the past two years, has weakened the growth and export performance for most of the 24 HIPCs and led to a deterioration of the external debt indicators for many but not all of these countries.

The impact of these adverse developments on the debt sustainability outlook of the HIPCs will depend on a number of factors including notably the adequacy of policy responses and of supporting resource transfers.

- In order to address the concerns raised by these developments about whether the enhanced HIPC Initiative will be able to achieve the objective of enabling HIPCs to exit permanently from debt rescheduling, a clear understanding is needed of the role of debt relief, the flexibility within and limitations of the enhanced HIPC framework, and of other critical measures required to help achieve long-term external debt sustainability in this group of countries.
- While critical in removing any debt overhang, debt relief alone, no matter how generous, cannot guarantee that a country will permanently exit from rescheduling or will not fall back into unsustainable levels of debt. While the existing stock of debt sets the point of departure for determining long-term debt sustainability, the growth of income, exports, and fiscal revenue—which reflect a country's economic policies—are the underlying determinants of the evolution of a country's capacity to service external debt over the longer term.

Equally important, the volume and terms of new external borrowing have a direct impact on the burden of external debt, and an indirect offsetting effect through its effect on future investment and growth.
The enhanced HIPC framework allows some flexibility in exceptional cases to topup
debt relief at the completion point to countries where exogenous factors have caused fundamental changes in their economic circumstances. Based on the latest available information and as a result of the combined effect of updated data and possible delays in reaching the completion points, the paper suggests that the debt of these countries (in NPV terms) in excess of the 150 percent threshold at the completion points could amount to some US$0.5–0.9 billion. This estimate is highly tentative and compares to a deviation of US$0.4 billion already projected as the decision points. The provision of additional debt relief at the completion point would increase the cost of the HIPC Initiative. The financing implications of this will need to be explored in due course.
Additional HIPC relief is not intended to compensate for slippages in policy implementation, nor could it be provided on an ongoing basis to deal with future economic shocks, or debt problems arising from poor governance or imprudent new borrowing. Ensuring longer-term debt sustainability will necessarily require a combination of continued growth-enhancing structural and policy reforms as well as strengthening external debt management capacity, in the countries themselves supported by improved access for their exports to world markets and by appropriate external financing. Given the HIPCs' limited repayment capacity, the latter will have to be on highly concessional terms and in the form of grants.
Summary tables verifying the economical situation in 24 poor countries registered in the "initiative" , and development of HIPC programme.
The first complex of tables verifyning table illustrates the heavily indebted poor countries in the time period 1970 – 1999 from the point of view "Summary debt data", "Aggregate net resource flows and net transfers (long-term)", "Major economic indicators" and "Debt indicators".

**Tab.1**: Heavily indebted poor countries

| Summary debt data *(US$ billion)* | | | | | |
|---|---|---|---|---|---|
| | 1970 | 1980 | 1990 | 1998 | 1999 |
| TOTAL DEBT STOCKS (EDT) | 6,7 | 59,0 | 190,0 | 214,7 | 205,3 |
| Long-term debt (LDOD) | 6,0 | 47,1 | 159,1 | 178,2 | 169,0 |
| Public and publicly guaranteed | 5,8 | 43,4 | 154,3 | 172,2 | 163,0 |
| Private nonguaranteed | 0,2 | 3,7 | 4,8 | 6,0 | 6,0 |
| Use of IMF credit | 0,1 | 3,4 | 6,9 | 8,2 | 8,2 |
| Short-term debt | 0,6 | 8,5 | 24,0 | 28,2 | 28,1 |
| of which interest arrears on LDOD | 0,0 | 1,7 | 11,9 | 17,3 | 16,9 |
| Memo: | | | | | |
| IBRD | 0,4 | 2,4 | 6,1 | 2,2 | 1,7 |
| IDA | 0,2 | 2,9 | 17,5 | 37,0 | 37,9 |
| TOTAL FLOWS ON DEBT | | | | | |
| Disbursements | 1,3 | 11,7 | 10,7 | 8,3 | 7,9 |
| Long-term debt | 1,3 | 10,3 | 9,9 | 7,3 | 7,0 |
| Public and publicly guaranteed | 1,2 | 9,6 | 9,5 | 6,8 | 6,6 |
| Private nonguaranteed | 0,1 | 0,7 | 0,5 | 0,4 | 0,5 |
| IMF purchases | 0,0 | 1,4 | 0,8 | 1,0 | 0,8 |
| Memo: | | | | | |
| IBRD | 0,1 | 0,4 | 0,4 | 0,0 | 0,0 |
| IDA | 0,1 | 0,5 | 2,2 | 2,6 | 2,7 |
| Principál repayments | 0,4 | 3,0 | 4,7 | 5,7 | 6,5 |
| Long-term debt | 0,4 | 2,6 | 3,7 | 4,9 | 5,8 |
| Public and publicly guaranteed | 0,3 | 2,1 | 3,2 | 4,4 | 5,1 |
| Private nonguaranteed | 0,0 | 0,5 | 0,5 | 0,5 | 0,7 |
| IMF repurchases | 0,1 | 0,4 | 1,1 | 0,8 | 0,6 |
| Memo: | | | | | |
| IBRD | 0,0 | 0,1 | 0,5 | 0,4 | 0,4 |
| IDA | 0,0 | 0,0 | 0,1 | 0,2 | 0,3 |
| Net flows on debt | 1,5 | 9,1 | 8,1 | 2,2 | 1,7 |
| of which short-term debt | 0,6 | 0,5 | 2,0 | -0,4 | 0,2 |
| Interest payments (INT) | 0,2 | 2,9 | 3,3 | 3,5 | 3,2 |
| Long-term debt | 0,2 | 2,1 | 2,3 | 2,8 | 2,6 |
| Net transfers on debt | 1,3 | 6,3 | 4,7 | -1,3 | -1,5 |
| Total debt service (TDS) | 0,6 | 5,9 | 8,0 | 9,2 | 9,6 |

**Tab.1.1.** Aggregate net resources flows and net transfers (long-term)

| AGGREGATE NET RESOURCE FLOWS AND NET TRANSFERS (LONG-TERM) | | | | | |
|---|---|---|---|---|---|
| | 1970 | 1980 | 1990 | 1998 | 1999 |
| **NET RESOURCE FLOWS** | **1,3** | **11,8** | **16,8** | **15,3** | **14,3** |
| Net flow of long-term debt (ex. IMF) | 0,9 | 7,7 | 6,3 | 2,4 | 1,2 |
| Foreign direct investment (net) | -0,2 | 0,7 | 0,2 | 4,8 | 5,1 |
| Portfolio equity flows | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 |
| Grants (excluding technical coop.) | 0,5 | 3,4 | 10,3 | 8,1 | 8,0 |
| **NET TRANSFERS** | **0,8** | **8,8** | **13,5** | **11,2** | **10,2** |
| Interest on long-term debt | 0,2 | 2,1 | 2,3 | 2,8 | 2,6 |
| Profit remittances on FDI | 0,4 | 0,9 | 0,9 | 1,3 | 1,5 |

**Tab. 1.2.** Major economic indicators

| MAJOR ECONOMIC INDICATORS | | | | | |
|---|---|---|---|---|---|
| | 1970 | 1980 | 1990 | 1998 | 1999 |
| Gross national product (GNP) | .. | .. | 158,2 | 188,0 | 189,0 |
| Exports of goods & services (XGS) | .. | 34,8 | 38,0 | 57,0 | 63,0 |
| of which workers' remittances | .. | 0,7 | 2,2 | 2,1 | 2,3 |
| Imports of goods & services (MGS) | .. | 45,1 | 53,1 | 79,3 | 83,5 |
| International reserves (RES) | 1,9 | 4,4 | 5,2 | 14,3 | 11,6 |
| Current account balance | .. | -9,3 | -9,6 | -11,4 | -8,2 |

**Tab. 1.3.** Debt indicators

| DEBT INDICATORS | | | | | |
|---|---|---|---|---|---|
| | 1970 | 1980 | 1990 | 1998 | 1999 |
| EDT / XGS (%) | .. | 169,5 | 499,4 | 376,5 | 326,0 |
| EDT / GNP (%) | .. | .. | 120,1 | 114,2 | 108,6 |
| TDS / XGS (%) | .. | 16,9 | 21,1 | 16,1 | 15,3 |
| INT / XGS (%) | .. | 8,2 | 8,7 | 6,1 | 5,1 |
| INT / GNP (%) | .. | .. | 2,1 | 1,8 | 1,7 |
| RES / MGS (months) | .. | 1,2 | 1,2 | 2,2 | 1,7 |
| Short-term / EDT (%) | 9,0 | 14,5 | 12,6 | 13,2 | 13,7 |
| Concessional / EDT (%) | 50,9 | 33,4 | 48,3 | 50,3 | 51,1 |
| Multilateral / EDT (%) | 11,0 | 14,6 | 20,7 | 28,8 | 30,2 |

The second complex of tables verifyning table illustrates the heavily indebted poor countries in the time period 1970 – 1999 from the point of view "Long term debt", "Currency composition of long-term debt (percent)", "Debt stock-flow reconciliation" and "Average terms of new commitments".

**Tab. 2:** Heavily indebted poor countries

| **HEAVILY INDEBTED POOR COUNTRIES** *(US$ billion)* – long- term debt | | | | | |
|---|---|---|---|---|---|
| | 1970 | 1980 | 1990 | 1998 | 1999 |
| **DEBT OUTSTANDING (LDOD)** | **6,0** | **47,1** | **159,1** | **178,2** | **169,0** |
| **Public and publicly guaranteed** | **5,8** | **43,4** | **154,3** | **172,2** | **163,0** |
| Official creditors | 4,2 | 29,3 | 129,8 | 152,1 | 145,1 |
| Multilateral | 0,7 | 8,6 | 39,3 | 61,8 | 62,0 |
| Bilateral | 3,5 | 20,7 | 90,5 | 90,2 | 83,1 |
| Private creditors | 1,6 | 14,1 | 24,5 | 20,1 | 17,9 |
| Bonds | 0,3 | 0,1 | 0,0 | 3,0 | 3,0 |
| **Private nonguaranteed** | 0,2 | 3,7 | 4,8 | 6,0 | 6,0 |
| Bonds | 0,0 | 0,0 | 0,0 | 0,3 | 0,3 |
| **DISBURSEMENTS** | **1,3** | **10,3** | **9,9** | **7,3** | **7,0** |
| **Public and publicly guaranteed** | **1,2** | **9,6** | **9,5** | **6,8** | **6,6** |
| Official creditors | 0,7 | 5,3 | 7,8 | 5,7 | 5,3 |
| Multilateral | 0,2 | 2,0 | 4,5 | 4,1 | 4,1 |
| Bilateral | 0,6 | 3,3 | 3,3 | 1,6 | 1,2 |

| | | | | | |
|---|---|---|---|---|---|
| Private creditors | 0,5 | 4,3 | 1,7 | 1,1 | 1,3 |
| Bonds | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 |
| **Private nonguaranteed** | **0,1** | **0,7** | **0,5** | **0,4** | **0,5** |
| Bonds | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 |
| | | | | | |
| **PRINCIPAL REPAYMENTS** | **0,4** | **2,6** | **3,7** | **4,9** | **5,8** |
| **Public and publicly guaranteed** | **0,3** | **2,1** | **3,2** | **4,4** | **5,1** |
| Official creditors | 0,2 | 0,7 | 2,1 | 2,6 | 2,7 |
| Multilateral | 0,0 | 0,2 | 1,3 | 1,6 | 1,5 |
| Bilateral | 0,1 | 0,5 | 0,8 | 1,0 | 1,2 |
| Private creditors | 0,2 | 1,4 | 1,1 | 1,8 | 2,4 |
| Bonds | 0,0 | 0,0 | 0,0 | 0,1 | 0,0 |
| **Private nonguaranteed** | **0,0** | **0,5** | **0,5** | **0,5** | **0,7** |
| Bonds | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 |
| **NET FLOWS ON DEBT** | **0,9** | **7,7** | **6,3** | **2,4** | **1,2** |
| **Public and publicly guaranteed** | **0,9** | **7,5** | **6,3** | **2,4** | **1,4** |
| Official creditors | 0,6 | 4,6 | 5,7 | 3,1 | 2,5 |
| Multilateral | 0,1 | 1,8 | 3,2 | 2,5 | 2,6 |
| Bilateral | 0,4 | 2,8 | 2,5 | 0,6 | 0,0 |
| Private creditors | 0,3 | 2,9 | 0,6 | -0,7 | -1,1 |
| Bonds | 0,0 | 0,0 | 0,0 | -0,1 | 0,0 |
| **Private nonguaranteed** | **0,0** | **0,2** | **0,0** | **-0,1** | **-0,2** |
| Bonds | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 |

**Tab.2.2.**: Currency composition of long-term debt (percent)

| CURRENCY COMPOSITION OF LONG-TERM DEBT (PERCENT) | | | | | |
|---|---|---|---|---|---|
| | 1970 | 1980 | 1990 | 1998 | 1999 |
| Deutsche mark | 6,6 | 5,2 | 3,5 | 3,6 | 3,1 |
| French franc | 13,9 | 12,4 | 10,4 | 8,6 | 7,7 |
| Japanese yen | 0,0 | 6,6 | 4,1 | 6,4 | 7,6 |
| Pound sterling | 16,6 | 4,7 | 2,3 | 1,9 | 1,8 |
| U.S. dollars | 31,3 | 36,6 | 34,3 | 45,6 | 49,1 |
| Multiple currency | 9,2 | 8,7 | 9,2 | 7,6 | 7,8 |
| All other currencies | 22,1 | 24,3 | 33,5 | 23,9 | 20,4 |

**Tab. 2.3. :**Debt stock-flow recnciliation

| DEBT STOCK-FLOW RECONCILIATION | | | | | |
|---|---|---|---|---|---|
| | 1970 | 1980 | 1990 | 1998 | 1999 |
| Total change in debt stocks | .. | .. | 18,5 | 10,6 | -9,4 |
| Net flows on debt | 1,5 | 9,1 | 8,1 | 2,2 | 1,7 |
| Net change in interest arrears | .. | .. | 1,7 | 1,6 | -0,4 |
| Interest capitalized | .. | .. | 1,7 | 0,5 | 0,6 |
| Debt forgiveness or reduction | .. | .. | -2,7 | -0,6 | -5,2 |
| Cross-currency valuation | .. | .. | 6,1 | -1,1 | -5,3 |
| Residual | .. | .. | 3,6 | 8,1 | -0,7 |

**Tab 2.4.:** Average terms of new commitments

| AVERAGE TERMS OF NEW COMMITMENTS | | | | | |
|---|---|---|---|---|---|
| | 1970 | 1980 | 1990 | 1998 | 1999 |
| **ALL CREDITORS** | | | | | |
| Interest (%) | 3,6 | 6,0 | 3,7 | 2,0 | 2,4 |
| Maturity (years) | 24,1 | 19,7 | 26,8 | 32,6 | 27,7 |
| Grant element (%) | 48,3 | 29,1 | 48,5 | 64,7 | 61,2 |
| **Official creditors** | | | | | |
| Interest (%) | 1,9 | 3,7 | 3,1 | 1,5 | 1,4 |
| Maturity (years) | 31,9 | 26,8 | 29,0 | 35,6 | 32,3 |
| Grant element (%) | 67,7 | 47,4 | 54,3 | 70,9 | 72,6 |
| **Private creditors** | | | | | |
| Interest (%) | 6,6 | 9,3 | 8,2 | 6,4 | 6,7 |
| Maturity (years) | 10,0 | 9,7 | 10,5 | 7,5 | 7,7 |
| Grant element (%) | 13,0 | 3,5 | 6,2 | 13,3 | 11,9 |
| **Memo:** | | | | | |

| | | | | | |
|---|---|---|---|---|---|
| Commitments | 1,9 | 12,6 | 10,6 | 8,3 | 5,7 |
| Official creditors | 1,2 | 7,6 | 9,3 | 7,4 | 4,6 |
| Private creditors | 0,7 | 5,0 | 1,2 | 0,9 | 1,0 |

*Source:* The World Bank Group, *the HIPC debt initiative;* http://www.worldbank.org
Country authorities, and IMF and WB staff estimates

Summary graphs verifying the economical situation in 24 poor countries registered in the "initiative", and development of HIPC programme.

**Fig. 1:** External debt

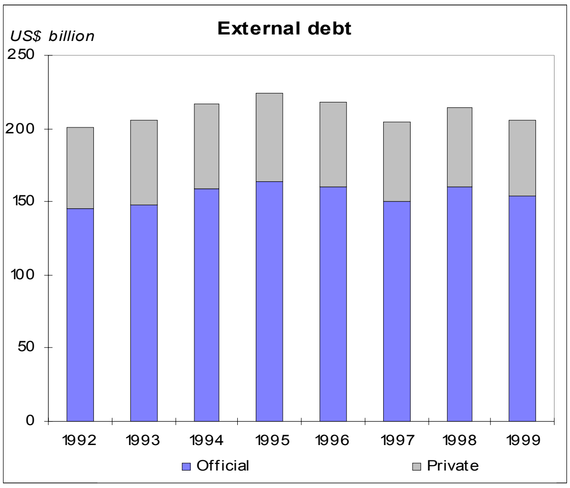



**Fig. 2 :** Aggregate net resources flows

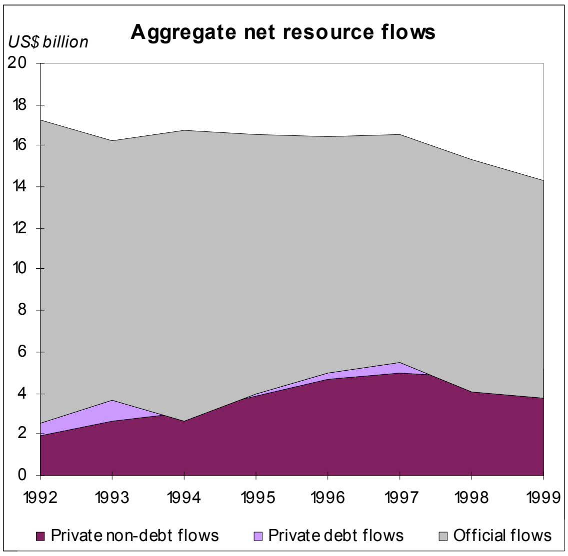



**Fig. 4 :** Debt indicators

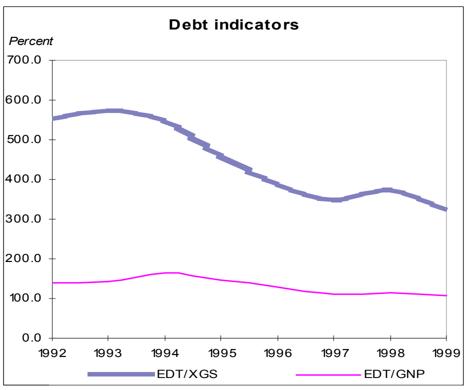



**Fig. 5 :** Composition of long-term, 1999

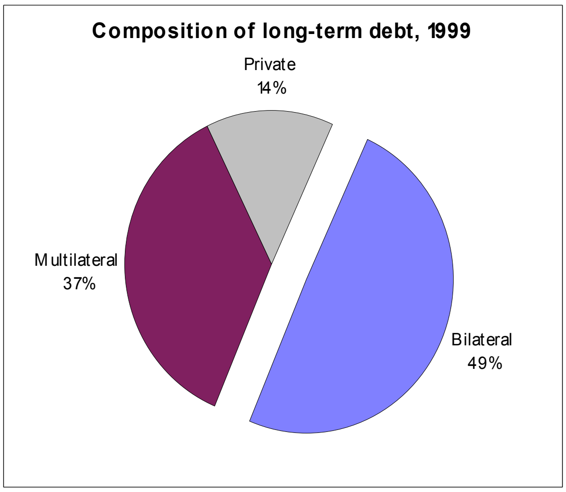



**Fig.6 :** Composition of net flows on long-term debt

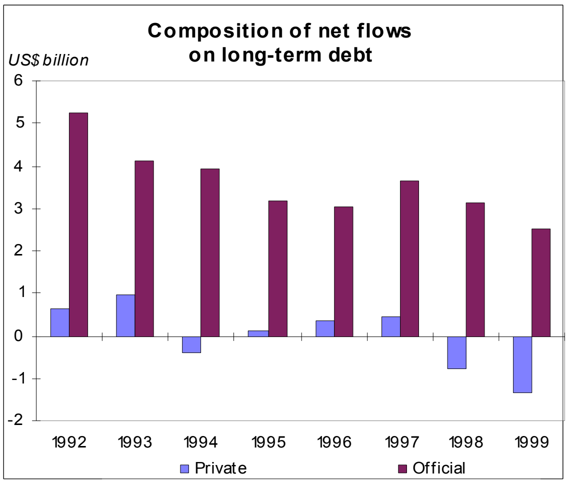
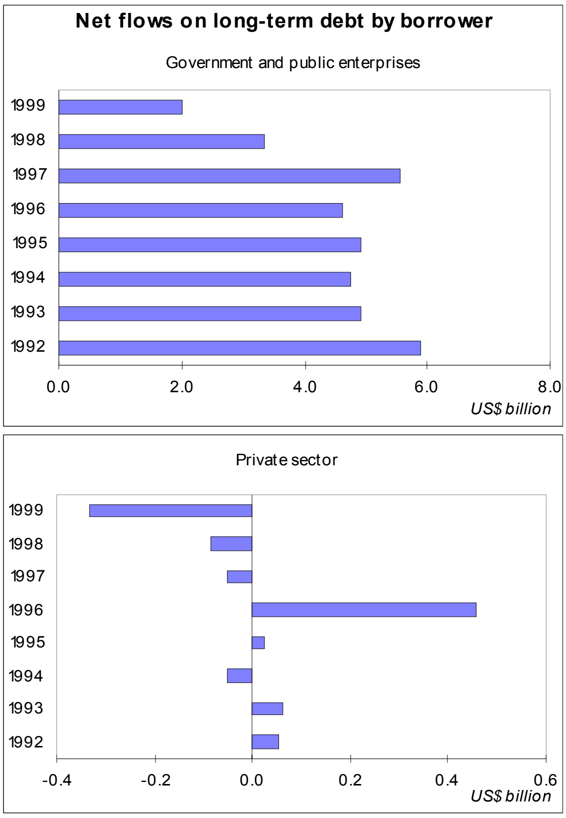


**Fig. 7** :Net flows on long-term debt by borrower




Source: The World Bank Group, *the HIPC debt initiative,* http://www.worldbank.org
Country authorities, and IMF and WB staff estimates

***Acronyms:***
GDP - Gross Domestic Product
HIPC - Heavily Indebted Poor Countries
IDA - International Development Association
IMF - International Monetary Fund
NPV - net present value
PRGF - Poverty Reduction and Growth Facility
WBG - World Bank Group

ANYONGO E., SEBSTAD J., COHEN M.(2002),:Assessment of the Use and Impact of MicroSave-African's Market Research for Microfinance Toolkit. *Report AFCAP for UNDP*

Document of WBG (2001).: Africa Rural Development Strategy Vision to Action Update 2001

HAVRLAND, B. (2001). Advisory Centers and Their Role in Promoting Agricultural Mechanization in Kyrghystan. Agricultura Tropica et Subtropica, CZU Praha , ISSN 80-213-0776-5, 31, s.11-21

International Monetary Fund, About HIPCs, http://www.imf.org/external/np/cm/

International Finance Center (2002).: Country Fact Sheet

Jubiee, Research is a Successful, http:/www.jubilee2000uk.org

SRNEC K.: A Pluralistic Approach of Savings; Agricultura Tropica et Subtropica, CZU Praha , ISSN 80-213-0776-5, 33s.28-34; 2000

SRNEC K., HAVRLAND B.: Strategy for Development of Rural Financy; AT et S; 2003; ISBN 80-213—1057-X Agricultura Tropica et Subtropica, CZU Praha, 2003

WB (1999).: Aid Effectiveness Research. *Aid and Reform in Africa*

World Bank Group, The HIPC debt initiative, http://www.worldbank.org/hipc

*Received for publication on May 13 , 2004*
*Accepted for publication on November 16 ,2004*

*Corresponding author:*

**Ing.Karel Srnec, Ph.D.**
Czech University of Agriculture Prague
Institute of Tropics and Subtropics
165 21 Prague 6 – Suchdol, Czech Republic
e-mail: srnec@itsz.czu.cz