

# Le Club de Paris



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## Why/When does a financial crisis erupt? Gross and Net Flows

☞ **Gross Capital Inflows** =

$\Sigma$  Long-term + Short-term capital flows

☞ **Net Flows**=

$\Sigma$  Gross Inflows - Principal Repayments

☞ **Net Transfers**=

$\Sigma$  Net Flows - Interest Payments

☞ **Total debt service payments**=

$\Sigma$  Principal payments + Interest payments

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## External Debt Analysis: The dual face of Country Risk

### **Liquidity Risk (flow!)**

- ☞ Debt Service Ratio:
- ☞  $(P+I)/X$
- ☞ Interest Ratio  $(I/X)$
- ☞ Current account/GDP
- ☞ Reserve/Import ratio
- ☞ Import/GDP ratio
- ☞ Growth rate of exports/  
Average external interest  
rate

### **Solvency Risk (stock!)**

- ☞ Debt/Export ratio
- ☞ Debt/GDP ratio
- ☞ ST Debt/Reserves

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## Liquidity and Solvency: a two-fold challenge

☞ Solvency= « Stock squeeze »!  
Debt/GDP Debt/Exports

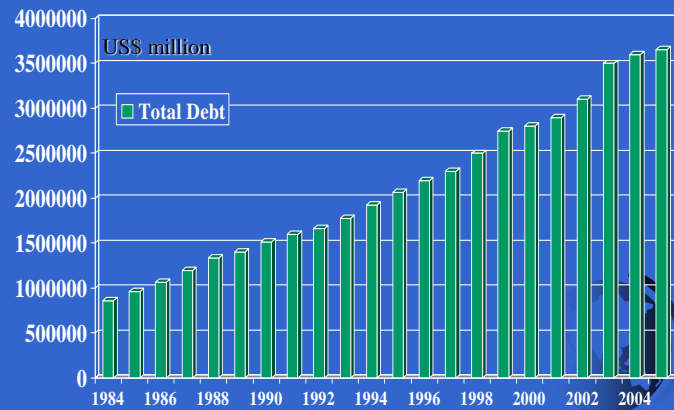
☞ Liquidity= « Flow squeeze! »  
Debt Service ratio < 25% of X

Every year, even though the principal payments might be refinanced, the cost of debt is equal to: average interest rate x debt stock

- ☞ **Key 1** is maintaining the average growth rate of exports > average rate of interest on external indebtedness in order to stabilize the Interest/Exports ratio!
- ☞ **Key 2** is having the rate of return of debt-financed domestic investment > the external interest rate

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## Total External Debt of EMCs



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## The external debt overhang

Total Debt= US\$3500 billion

\$800 billion  
low-income countries  
< \$965 per capita

\$2700 billion  
middle-income countries  
\$965 < gdp < \$9360

The debt burden is concentrated in a group of 15 "heavily indebted middle-income countries": Mexico, Venezuela, Argentina, Brazil, Peru, Poland, Nigeria, Philippines, Indonesia....

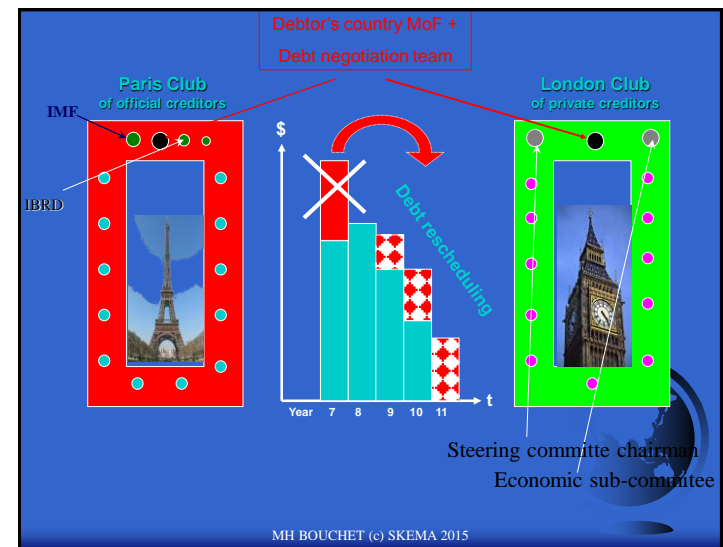
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## WHO?

Five main groups of private and official creditors:

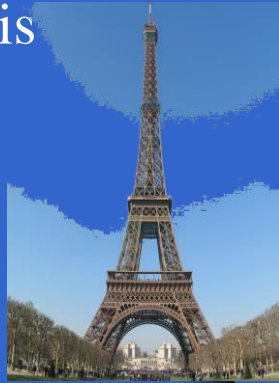
- The IFIs: the IMF and the World Bank
- The **Paris Club** of OECD governments
- Private suppliers: trade debt
- The **London Club** of international banks
- Private & Institutional investors (pension and investment funds): International debt securities and Eurobond holders

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## Le Club de Paris



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## 1. Paris Club Debt Restructuring

- ☞ **Official bilateral debt (government to government)** is renegotiated under the auspices of the Paris Club since 1956
- ☞ The Paris Club is a confidential ad-hoc forum of debt negotiations between OECD country creditors and sovereign debtors.
- ☞ Only deals with official or officially-guaranteed credits (Coface, Hermes, ECGD, US Eximbank...).



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## The Paris Club

- ☞ The first meeting with a debtor country was in 1956 when Argentina agreed to meet its public creditors in Paris. Since then, the Paris Club creditors have reached 430 agreements (breakdown by year) concerning 90 debtor countries. Since 1983, the total amount of debt covered in these agreements has been **\$583 billion**.
- ☞ The Paris Club has remained strictly **informal**: voluntary gathering of creditor countries willing to treat in a co-ordinated way the debt due to them by the developing countries.
- ☞ It can be described as a "non institution".



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## Le Club de Paris en chiffres 1956-2015

### Chiffres clés

Nombre total des traitements	430
Nombre total des pays ayant signé un accord avec le Club de Paris	90
Montant total de la dette traitée	583 milliards de \$
Nombre de pays ayant bénéficié des "Termes Classiques"	60
Nombre de pays ayant bénéficié des "Termes de Houston"	21
Nombre de pays ayant bénéficié des "Termes de Naples"	36
Nombre de pays ayant bénéficié des "Termes de Cologne"	33

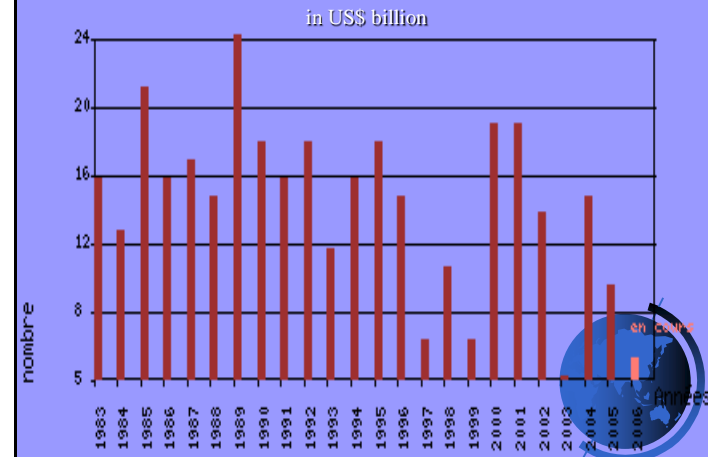
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## Les encours du Club de Paris

PAYS DEBITEURS	Créances APD	Créances NAPD	TOTAL
Swaziland	63	-	63
Syrie	992	426	1 419
Tadjikistan	43	332	374
Tanzanie	245	18	264
Tchad	4	57	60
Thaïlande	4 192	-	4 192
Togo	-	14	14
Tonga	2	-	2
Tonkin-et-Tobago	-	142	142
Tunisie	3 350	461	3 810
Turkmenistan	28	362	386
Turquie	4 585	3 217	7 802
Ukraine	203	1 015	1 217
Uruguay	126	759	885
Vanuatu	3	-	3
Venezuela	63	78	140
Vietnam	12 404	1 079	13 483
Yamen	439	1 172	1 611
Zambie	13	-	13
Zimbabwe	1 234	817	2 051
Autres pays	275	6 359	6 634
<b>TOTAL GENERAL</b>	<b>165 818</b>	<b>207 331</b>	<b>373 149</b>

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## PC Consolidated amounts 1983-2006



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## The Paris Club: Functioning

- ☞ The creditor countries meet 10 to 11 times a year, for negotiation sessions or to discuss among themselves the situation of the external debt of debtor countries or methodological issues on the debt of developing countries.
- ☞ 19 creditor countries belong to the Paris Club (incl. Russia)
- ☞ These meetings are held in Paris. The Chairman is a senior official of the French Treasury. Deputies to the Chairman in the French Treasury serve as co-president and vice-president. The current Chairman is the head of the Treasury

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## Paris Club: Debt Restructuring

### 7 Debt Restructuring Guidelines:

1. Consensus
2. Comparability of treatment
3. Solidarity among creditors with on-going information exchanges
4. Case by case treatment of debt difficulties
5. Conditionality based on IMF adjustment program and monitoring
6. No restructuring of « post-cut off date » debt so as to preserve access to new financing
7. Secretariat provided by French Treasury

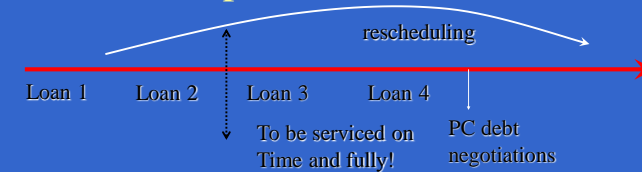
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## The four key rules of the Paris Club

- ☞ **Consensus** : no decision can be taken within the Paris Club if it is not the result of a consensus among the participating creditor countries.
- ☞ **Conditionality** : debt treatments are applied only for countries that need a rescheduling and that implement reforms to resolve their payment difficulties. In practice conditionality is provided by the existence of an appropriate programme supported by the IMF, which demonstrates the need for debt relief.
- ☞ **Solidarity** : Creditors agree to implement the terms agreed in the context of the Paris Club.
- ☞ The Paris Club preserves the **comparability of treatment** between different creditors, as the debtor country cannot grant to another creditor a treatment less favourable for the debtor than the consensus reached in the Paris Club.

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## Pre and post cut-off date debt?



- ☞ Only the **pre cut-off date** debt is eligible to debt relief negotiations through rescheduling, refinancing, debt conversion and debt reduction

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## Paris Club Debt Restructuring

- ☞ From debt rescheduling to debt reduction and debt conversion
- ☞ 09/1990: Houston terms: (15/8) for countries with GDP per capita <\$1345
- ☞ Toronto 1988 : 33% debt reduction: Menu approach
- ☞ 12/1991: Enhanced Toronto terms: 50% reduction of eligible debt payments or consolidated debt in NPV, with promise of considering « stock reduction »
- ☞ Naples 1994 67% NPV (flow rescheduling) for EMCs with per capita GDP<US\$500 and D/X ratio >350%
- ☞ Lyon 1996 HIPC 80% debt stock rescheduling
- ☞ Cologne June 1999: debt stock reduction

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## Toronto Terms, October 1988

- ☞ Debt flow reduction: 33% reduction of part of the debt servicing burden of poor countries
- ☞ 20 countries benefited from Toronto terms between 1988 and 1991, when these terms were replaced by London terms.

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## Toronto Terms- October 1988

- ☞ **Non-ODA debt** ("Official development assistance"): 33.33% cancellation. 3 options:
  - "**debt reduction option**" : 33.33% of the claims treated were cancelled, the outstanding part being rescheduled at the appropriate market rate with a 14-year repayment period including 8-year grace.
  - "**debt service reduction option**" : the claims treated are rescheduled at a reduced interest rate with a 14-year repayment period including 8-year grace.
  - "**commercial option**": the claims treated were restructured at the appropriate market rate over a longer period (25-year repayment period including 14-year grace). This was a non-concessional option.
- ☞ **ODA credits**: Rescheduled at an interest rate at least as favourable as the original concessional interest rate applying to these loans, with a 25-year repayment period including 14-year grace.

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## Houston Terms- September 1990

- ☞ Long-term debt rescheduling for middle-income countries
- ☞ Repayment periods are lengthened =  $(15/8)$
- ☞ 17 countries have benefited from the Houston terms.

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## Houston Terms- September 1990

- ☞ **Non-ODA credits**: Rescheduled at the appropriate market rate over around 15 years with 2-3 years grace and progressive payments raising year by year
- ☞ **ODA credits**: Rescheduled at an interest rate at least as favourable as the original concessional interest rate applying to these loans, over 20 years with a maximum 10-year grace. This rescheduling usually results in a reduction of the net present value of the claims, as the original concessional rate is smaller than the appropriate market rate
- ☞ Option for creditor countries to conduct, on a bilateral and voluntary basis, debt swaps with the debtor country

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## London Terms- December 1991

- ☞ This new treatment raises the level of debt cancellation from the 33.33% defined in Toronto terms to 50%.
- ☞ 23 countries benefited from London terms between 1991 and 1994, when these terms were replaced by Naples terms.

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## London Terms- December 1991

- ☞ Non-ODA credits: 50% cancellation (after possible topping-up). 4 options:
  - "**debt reduction option**": 50% of the claims treated were cancelled
  - "**debt service reduction option**": the claims treated were rescheduled at a reduced interest rate (23 years repayment period with progressive payments)
  - "**moratorium interest capitalisation option**": the claims treated were rescheduled at a reduced interest rate (23-year repayment period including 6-year grace and progressive payments).
  - "**commercial option**": the claims treated were restructured at the appropriate market rate over a longer period (25-year repayment period including 14-year grace)
- ☞ ODA credits: Rescheduled at an interest rate at least as favourable as the original concessional interest rate applying to these loans (30-year repayment period including 12-year grace and progressive repayment)

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## Naples Terms, December 1994

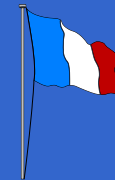
- ☞ two substantial enhancements
  - for the poorest and most indebted countries, the level of cancellation is at least 50% and can be raised to **67%** of eligible non-ODA credits. Creditors agreed in September 1999 that all Naples terms treatments would carry a 67% debt reduction;
  - stock treatments may be implemented, on a case-by-case basis, for countries having established a satisfactory track record with both the Paris Club and IMF and for which there is sufficient confidence in their ability to respect the debt agreement.
- ☞ As of today, 32 countries have benefited from Naples terms.

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## Naples Terms- December 1994

- ☞ Non-ODA credits: 67% cancellation. 2 major options:
  - "**debt reduction option**": 67% of the claims treated are cancelled (after possible topping-up), the outstanding part being rescheduled at the appropriate market rate
  - "**debt service reduction option**": the claims treated are rescheduled at a reduced interest rate
- ☞ ODA credits: Rescheduled at an interest rate at least as favourable as the original concessional interest rate applying to these loans (40 years with 16-year grace and progressive repayment)

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## Lyon Terms- November 1996

- ☞ the Paris Club creditor countries, in the framework of the HIPC initiative, accepted to raise the level of cancellation up to **80%** for the poorest countries with the highest indebtedness under strict eligibility criteria
- ☞ 5 countries have benefited from the Lyon terms

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## Lyon Terms- November 1996

- ☞ **Non-ODA credits:** cancellation to an 80% (after possible topping-up). 3 options:
  - **debt reduction option:** 80% of the claims treated were cancelled
  - **debt service reduction option:** the claims treated were rescheduled at a reduced interest rate (40-year repayment period including 8-year grace and progressive payments).
  - **capitalisation of moratorium interest option:** the claims treated were rescheduled at a reduced interest rate (40-year repayment period including 8-year grace and progressive payments).
- ☞ **ODA credits:** Rescheduled at an interest rate at least as favourable as the original concessional interest rate applying to these loans (40 years with 16-year grace and progressive repayment).

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## Cologne Terms- November 1999

- ☞ The Paris Club creditor countries raised the level of cancellation for the poorest countries **up to 90%** or more if necessary in the framework of the HIPC initiative
- ☞ 38 countries are potentially eligible for the HIPC Initiative and may benefit from the Cologne terms
- ☞ As of today, 20 countries have benefited from the Cologne terms

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## Cologne Terms- November 1999

- ☞ **Non-ODA credits:** Cancelled up to a 90% or more if necessary in the context of the HIPC initiative
- ☞ **ODA credits:** Rescheduled at an interest rate at least as favourable as the original concessional interest rate applying to these loans (40 years with 16-year grace and progressive repayment)
- ☞ **Debt swaps transaction** on a bilateral and voluntary basis
- ☞ Creditors may cancel their commercial claims up to a level higher than the one provided by the Paris Club agreements

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## Evian approach- October 2003

- ☞ The representatives of the creditor countries usually taking part in Paris Club negotiations met in Paris on October 8, 2003 and agreed on a new approach to deal with non-HIPC countries: pragmatic, tailor-made approach to debt relief
- ☞ The Paris Club aims to take into account debt sustainability considerations, to adapt its response to the financial situation of the debtor countries, and to make a contribution to the current efforts to make the resolution of crises more orderly, timely and predictable.

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## Paris Club restructuring terms

Restructuring Terms	Eligibility	Rescheduling term (T/Grace)	Debt Reduction Terms ODA Non ODA	Debt Conversion
<b>Houston 09/90</b>	GDP per capita <\$2995 and debt/GDP>50%	ODA: 20/10 Non ODA: 15/2-3	Rescheduled at an interest rate at least as favourable as the original concessional interest rate applying to these loans	ODA: no limit Non ODA: up to 20% of the outstanding amount or 15-30 million SDR
<b>Toronto 10/88</b>	Poorest countries	ODA: 25/14 Non ODA: 14/8		
<b>London, 12/91</b>	23 countries	ODA: 30/12 Non ODA: 23/6		
<b>Naples 12/94</b>	Poorest countries	ODA: 25/14 Non ODA: 14/8		
<b>Lyon 11/96</b>	Poorest countries	ODA: 40/16 Non ODA: 23/6		
<b>Cologne 11/99</b>	41 HIPC	ODA: 40/16 Non ODA: 23/6		

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### LE CLUB DE PARIS ET LA CÔTE D'IVOIRE CONCLUENT UN ACCORD DE RESTRUCTURATION DE DETTE AU TITRE DE L'INITIATIVE RENFORCÉE POUR LES PAYS PAUVRES TRÈS ENDETÉS

Les créanciers du Club de Paris sont convenus le 15 mai 2009 avec le Gouvernement de la République de Côte d'Ivoire d'un accord de restructuration de sa dette publique extérieure, ce pays ayant franchi le Point de Décision de l'Initiative Renforcée en faveur des pays pauvres très endettés (Initiative PPTE renforcée) en mars 2009.

Cet accord a été conclu selon les termes dits "de Cologne" élaborés par les créanciers du Club de Paris en vue de la mise en œuvre de l'effort méritoire de l'Initiative PPTE. Il conduit à l'annulation immédiate de 945 millions de dollars.

A titre exceptionnel, au vu de la capacité de paiement limitée de la Côte d'Ivoire et à condition que ce pays continue de mettre en œuvre de façon satisfaisante son programme de réforme soutenu par le FMI, les créanciers ont également accepté de différer le remboursement des arriérés accumulés par la Côte d'Ivoire sur sa dette post-début de l'année, ainsi que les échéances dues durant la période de consolidation au titre de la dette post-début de l'année et les arriérés imputables à la période de consolidation au titre des montants rééchelonnés et différés. Le remboursement de la plus grande partie de ces montants commencera seulement après avril 2012.

Il réduit le service de la dette due aux créanciers du Club de Paris durant le programme soutenu par le FMI de 4992 millions de dollars à 991 millions de dollars, soit une diminution de 92%.

Plusieurs créanciers entendent accorder à la Côte d'Ivoire à titre bilatéral des allègements de dette additionnels au-delà des termes définies ci-dessus à l'accord du Club de Paris.

La Côte d'Ivoire s'est engagée à diffuser les ressources ainsi obtenues aux objectifs prioritaires identifiés dans le cadre de son document stratégique de réduction de la pauvreté. La Côte d'Ivoire s'est également engagée à restructurer un montant comparable de la part de ses créanciers privés et bilatéraux non-membres du Club de Paris.

Les créanciers du Club de Paris se sont engagés à accorder la part restante de l'allègement de dette prévu dans le cadre de l'Initiative PPTE dès que la Côte d'Ivoire aura atteint son Point d'Accompagnement.

Notes de contexte

1. Le Club de Paris s'est réuni pour la première fois en 1956. Il s'agit d'un groupe informel de gouvernements créanciers des pays industrialisés.

2. Les membres du Club de Paris qui ont participé au réaménagement de la dette de la Côte d'Ivoire étaient les représentants des Gouvernements de l'Allemagne, de l'Autriche, de la Belgique, du Canada, de l'Espagne, des États-Unis d'Amérique, de la France, de l'Italie, du Japon, de la Norvège, des Pays-Bas, du Royaume-Uni et de la Suisse. Le Brésil a également participé à ce réaménagement de dette.

Les observateurs à cette réunion étaient des représentants des Gouvernements de la Fédération de Russie et de la Finlande, ainsi que du Fonds Monétaire International, de l'Association Internationale pour le Développement et de la Banque Africaine de Développement.

3. La délégation de la Côte d'Ivoire était conduite par M. Charles KOFFI DIBY, Ministre de l'Économie et des Finances. La réunion était présidée par M. Ramon FERNANDEZ, Président du Club de Paris, Directeur Général du Fonds et de la Politique Économique au Ministère de l'Économie, du Travail et de l'Emploi Français.

Notes techniques

1. Le programme économique de la Côte d'Ivoire est soutenu par un arrangement de trois ans au titre de la Facilité pour la Réduction de la Pauvreté et pour la Croissance approuvée par le Fonds Monétaire International le 27 mars 2009. La Côte d'Ivoire a atteint le point de décision de l'Initiative PPTE renforcée en mars 2009.

2. Le stock de dette due aux créanciers du Club de Paris était estimé au 1er janvier 2009 à environ 7,21 milliards de dollars en valeur nominale, dont plus de 42% de créances accordées après la date butoir.

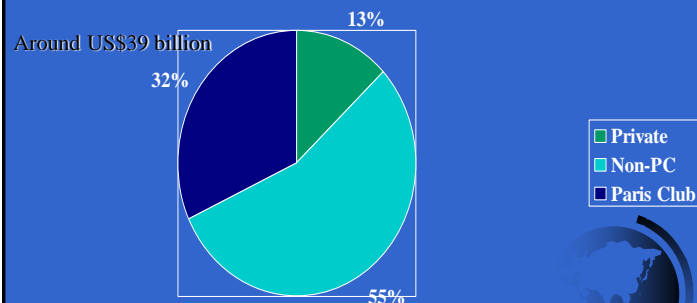
3. La date butoir (1er juillet 1983 pour la Côte d'Ivoire) est définie lorsque un pays débiteur rembourse pour la première fois les créanciers du Club de Paris. Elle n'est pas modifiée lors des réaménagements ultérieurs.

4. Cet accord consolide environ 4,09 milliards de dollars de dettes, dont 2,57 milliards de dollars de créances accordées après la date butoir. Il conduit à l'annulation immédiate d'environ 945 millions de dollars, au rééchelonnement d'environ 1,23 milliard de dollars et au différé d'environ 2,61 milliards de dollars. Une clause exceptionnelle prévoit également le différé d'un montant estimé de 179,24 millions de dollars d'arriérés imputables aux dettes rééchelonnées et différées lors du présent accord.

5. Selon les termes de Cologne, les prêts consentis aux conditions de l'Aide Publique au Développement avant la date butoir sont rééchelonnés sur 40 ans dont 16 ans de grâce à un taux d'intérêt au moins aussi favorable que le taux conventionnel de ces prêts. Les dettes commerciales pré-date butoir sont annulées à 90%, le solde étant rééchelonné sur 25 ans dont 6 ans de grâce.

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## Paris Club and Iraq Total debt: US\$114 billion



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## Paris Club and Iraq

Total debt of Iraq= \$114 billion

- Debt to PC creditors: \$39 billion
- 12/2004: 80% debt reduction with an immediate 30% write off. Another 30% to be written off upon signing of a \$436 million post-conflict SBA with the IMF, and the balance on the program's successful completion.
- Rescheduling of remaining debt under Naples terms (23/6)
- 100% capitalization of moratorium interests
- 17 year of repayment of the remaining debt with a 6 year grace period and twice-yearly installments
- Cut-off date: May 2003

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## 2. The HIPC Initiative



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### Debt Initiative for Heavily Indebted Poor Countries (HIPC)

In 1996, the World Bank and the IMF launched an unprecedented program to ease the crippling debt burden of some of the world's poorest countries. The move was sparked by concern that excessive debt levels in these countries were a drag on economic growth and stifling efforts to reduce poverty. The HIPC program involves an agreement among **all of the major international lenders**

The HIPC Initiative was further enhanced in 1999 to provide deeper and faster debt relief to a larger group of eligible countries and to increase the program's links with ongoing poverty reduction efforts in the countries. To date, 28 countries are already receiving significant levels of debt relief under the program.

On September 25, 2005, the Bank welcomed the G8 proposal for debt cancellation to Heavily Indebted Poor Countries (HIPC) : the Multilateral Debt Relief Initiative, to provide additional financial support to countries that have "graduated" from the HIPC Initiative. The bulk of the debt relief to be provided by International Development Association (IDA).

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### How the HIPC Initiative Works

The HIPC Initiative currently identifies 41 countries, 32 of them in Sub-Saharan Africa, as potentially eligible to receive debt relief. The original scheme called for the country to have a three-year IMF track record of strong performance on a series of measures – such as economic stabilization programs, public sector reforms (including restructuring or privatization of loss-making state enterprises), targeting of public spending toward poverty reduction, health, and education –

In 1999, the track record requirement was shortened considerably to enable countries to undertake their reform efforts within the context of the HIPC Initiative and the associated debt relief was made available immediately after countries qualified. This is referred to as countries reaching the **decision point**.

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### How the HIPC Initiative Works

At the **decision point**, the HIPC governments pledge to introduce series of key reforms: sound macro-economic policies and measures to help achieve tangible reductions in poverty levels.

Countries must prepare Poverty Reduction Strategy Papers – a process involving wide-ranging consultations with community groups, non government organizations and donor groups on future priorities for public policy.

A stable macro-economic environment underpins the growth-friendly reforms undertaken in such areas as legal system reforms, the establishment of a reliable and accountable financial system, and the fostering of a self-sustaining private sector development.

Aim: Improving the access and quality of public services and improving the quality of life of the poor

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## How the HIPC Initiative Works

- As of 2006, 41 « IDA-only » countries potentially qualify for HIPC assistance o/w 18 have passed through to the “completion” point and are receiving irrevocable debt relief. 10 have reached their “decision” points and are receiving interim relief.
- Most of the remaining 10 countries have been beset by persistent social difficulties (Ivory Coast!) such as continual internal civil strife, cross-border armed conflict, governance challenges, and substantial arrears problems.

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## HIPC INITIATIVE

- Through the HIPC Initiative, nominal debt service relief of more than US\$ 56 billion has been approved for 28 countries, reducing their NPV of external debt by approximately two-thirds. Of these countries, 19 have reached the completion point and have been granted unconditional debt service relief of over US\$37 billion.
- Poverty reducing expenditures are expected to rise to more than four times of debt-service payments, financed in part from resources freed by HIPC debt relief.
- Challenge: Ensuring full participation by all creditors to support the countries’ efforts towards debt sustainability.

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Completion Point (18)	Decision Point (11)	Pre-Decision Point (9)
Benin	Burundi	Central African
Bolivia	Cameroon	Comoros
Burkina Faso	Chad	Côte d'Ivoire
Ethiopia	Democratic	Lao PDR
Ghana	Republic of	Liberia
Guyana	The Gambia	Myanmar
Honduras	Guinea	Somalia
Madagascar	Guinea-Bissau	Sudan
Mali	Malawi	Togo
Mauritania	São Tomé	
Mozambique	Sierra Leone	
Nicaragua		
Niger		
Rwanda		
Senegal		
Tanzania		
Uganda		
Zambia		

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## Multilateral debt reduction initiative

	Eligible under the “MDRI-I Trust” (per capita income below \$380) <sup>1</sup>	Eligible under the “MDRI-II Trust” (per capita income above \$380) <sup>2</sup>
Countries eligible for MDRI relief as of April 30, 2006		
“Completion point” HPCs: 19 countries that have reached the completion point under the enhanced HPC Initiative <sup>3</sup>	Burkina Faso, Ethiopia, Ghana, Madagascar, Mali, Mozambique, Niger, Rwanda, Tanzania, Uganda	Benin, Bolivia, Cameroon, Guyana, Honduras, Mauritania, Nicaragua, Senegal, Zambia
Non-HPC countries (2) with per capita income below \$380 and outstanding debt to the IMF	Cambodia, Tajikistan	
Countries that will be eligible once they reach the completion point under the enhanced HPC Initiative		
“Decision point” HPCs: 10 countries that have reached the decision point under the enhanced HPC Initiative	Burundi, Chad, Democratic Republic of the Congo, The Gambia, Guinea-Bissau, Malawi, São Tomé and Príncipe, Sierra Leone	Guinea, Republic of Congo
11 additional countries may wish to be considered for HPC debt relief. Their eligibility was assessed based on income and indebtedness criteria as of end-2004	Central African Republic, Eritrea, Liberia, Nepal, Togo  Somalia is the eleventh country, but data on its per capita income are not available.	Comoros, Côte d'Ivoire, Haiti, Kyrgyz Republic, Sudan
IMF/2006	MH BOUCHET (c) SKEMA 2015	

## 09/1996 HIPC Initiative

### Debt reduction targets:

- at completion point, bringing NPV of Debt/XGS < 200% and down to <150% after 06/1999 Cologne meeting
- Present value calculations of debt take account of the fact that the debt is at concessional rates so that the stream of debt service does not add up to its face value, when discounted at market interest rates. On average, the ratio of Pv/Fv is about 55% for HIPC countries.
- On average, the debt/X ratios of LAC at the time of their debt crises reached 250% and a Debt/GDP ratio of 80%  
(Daniel Cohen, ENS)

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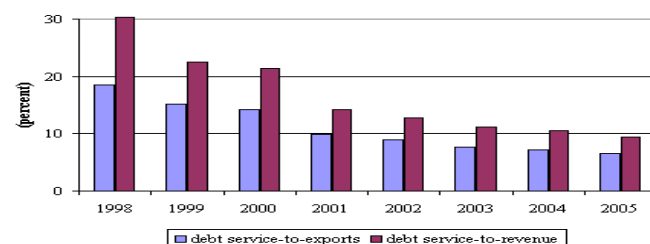
## HIPC

External Debt/GDP	Before completion	After completion	End-2004
Mozambique	149%	102 (2001)	72
Ghana	98%	75 (2004)	75
Uganda	65%	59 (2000)	61
Benin	56%	44 (2003)	43
Mali	90%	75 (2003)	69

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## The effect of debt relief on HIPC

Chart A. Debt Service Ratios after HIPC Debt Relief for 23 Decision Point Countries 1/



Sources: HIPC country documents; and World Bank and IMF staff estimates.  
1/ Simple averages.

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