

INTERNATIONAL MONETARY FUND

**The Role of the Fund in Low-Income Countries**

**Background Paper**

Prepared by the Policy Development and Review Department  
(In consultation with other departments)

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## I. INTRODUCTION

1. **This paper provides background material to the Board paper on “The Role of the Fund in Low Income Countries.”** The main paper outlines a comprehensive approach for Fund engagement with Low-Income Countries (LICs) going forward. The background material in this paper provides a comprehensive stock-taking of the Fund’s involvement and policy advice in LICs since the establishment of the Poverty Reduction and Growth Facility (PRGF) in 1999.

2. **Fund engagement with LICs over the past decade has been focused on supporting macroeconomic stability—its key global mandate—as part of broader development efforts to reduce poverty, raise growth, and secure progress towards the Millennium Development Goals (MDGs).** The Fund’s work in support of macroeconomic stability has been delivered to member countries through a combination of policy advice, financial assistance, and capacity building. In all these areas of its work, the Fund has striven to tailor its support to the specific needs of individual countries, including differentiating among LIC sub-groups with distinctive priorities, such as fragile states, early stabilizers, mature stabilizers, and pre-emerging market countries. Board discussions in August 2003 and August 2004 considered how the Fund can best support its low-income member countries (these and other LIC papers are described in greater detail a separate background paper).<sup>1</sup> The Fund’s Medium-Term Strategy (MTS), formulated in 2005 and 2006, stressed the need for greater focus in the Fund’s LIC work.<sup>2</sup>

3. **The Fund’s approach to supporting macroeconomic stability in LICs has been refined over the years in response to internal and external reviews, changing global economic conditions, and input from national and international stakeholders.** Reflecting an openness to adapt to the shifting challenges facing LICs, the Fund has: (i) introduced new modalities of engagement with country authorities through the adoption of the PRSP process and the PRGF; (ii) improved the analytical tools underpinning its macroeconomic policy advice; (iii) established a rigorous tool for debt sustainability assessments, including in the aftermath of large-scale debt relief and as an input for medium-term fiscal strategies; (iv) expanded the set of instruments offered to member countries; and (v) deepened its cooperative partnerships with other institutions assisting LICs. The rest of this paper reviews developments in each of these areas.

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<sup>1</sup> International Monetary Fund, 2003 “Role of the Fund in Low-Income Member Countries Over the Medium Term—Issues Paper for Discussion” and International Monetary Fund, 2004 “The Role of the Fund in Low-Income Member Countries”.

<sup>2</sup> International Monetary Fund, 2002 “The Managing Director’s Report on the Fund’s Medium-Term Strategy” and International Monetary Fund, 2002 “The Managing Director’s Report on Implementing the Fund’s Medium-Term Strategy”.

## II. THE PRSP PROCESS AND ITS LINK TO THE PRGF

4. **The introduction of the Poverty Reduction Strategy Paper (PRSP) process in 1999, alongside the establishment of the PRGF, marked an effort towards a new mode of Fund engagement with LICs.** The launch of PRSPs as broad-based national strategies prepared in a consultative process by country authorities was a recognition by the IMF and World Bank of the importance of ownership and the need for greater focus on poverty reduction. In response to the new approach, the Fund transformed the Enhanced Structural Adjustment Facility (ESAF) to the PRGF. The PRGF was designed to be pro-poor and pro-growth by drawing on country-owned PRSPs that would lay out operational road maps in these areas (World Bank lending as well as Enhanced HIPC debt relief were also tied to the PRSP). Fund advice and input on the macroeconomic aspects of the PRSP was to take due account of growth and poverty reduction considerations—for example, in the setting of fiscal and external deficits—while structural conditionality in the context of Fund programs was to draw mainly from the authorities own policies as articulated in their PRSP. In this context, LICs began drafting PRSPs, which along with annual progress reports (APRs), helped serve as a framework for interventions by various stakeholders and as a vehicle for mobilizing donor financing. The PRSP has since developed into a generally accepted framework for coordinating recipient and donor country efforts to achieve the MDGs.

5. **The Fund has since helped LICs advance their poverty reduction and growth objectives by focusing on the requisite macroeconomic foundations.** Since 1999, the Fund has—together with the World Bank—provided input into over 200 poverty reduction strategies (PRSP and Interim PRSPs), focusing its advice on the macroeconomic framework of PRSPs, particularly on the consistency of the authorities development and poverty reduction strategies with macroeconomic and debt sustainability. Staff has also provided regular feedback on Annual Progress Reports, typically identifying needed areas for improvement, suggesting priorities among competing objectives, and drawing attention to missing macroeconomic issues. Alongside many others, the Fund has helped improve and institutionalize the use of PRS documents and frameworks, allowing them to serve as vehicles for articulating annual policy priorities. Notwithstanding these efforts, in a number of countries the PRSP has only limited impact in guiding public policy due to insufficiently articulated macroeconomic and sectoral frameworks and priorities.

6. **The Fund’s ambitiously conceived initial role in the PRS process has been clarified to be more in line with the Fund’s macroeconomic mandate.** Early reviews by staff as well as the IEO had found a gap between what had been promised and what the Fund could or should deliver (see Annex). The Board has since clarified that the primary focus of the Fund’s work in the context of the PRS should be to provide policy advice and technical support on the design of appropriate macroeconomic frameworks and on macroeconomically

critical structural reforms.<sup>3</sup> With respect to the preparation of PRSPs, staff's main task should be to encourage and support the detailed discussion of macroeconomic issues in PRSPs, including of alternative macroeconomic scenarios. The Board has also stressed that Fund staff draw on available analysis of the sources of growth and related constraints prepared by the World Bank and other development partners, but not take the lead in microeconomic or sector-specific growth analysis. In addition, the Board has reiterated that staff: (i) align operations more closely with the PRS, for instance by synchronizing PRGF program cycles with PRSP cycles; (ii) report on the use of resources directed toward poverty reduction, and; (iii) present in summary form annual progress towards the MDGs based on the specialized work done by others in this field.

### III. STRENGTHENING THE FUND'S POLICY ADVICE IN LICs

7. **The Fund has striven to strengthen and refine its policy advice to LICs on a regular basis.** Given that policy advice is a central aspect of Fund work, the frequent reviews conducted by the Fund of its policies and instruments have played a constructive role in strengthening accountability, in ensuring consistency of advice with program objectives, and in sharpening the analytical underpinnings of staff recommendations. The refinements to Fund policy advice have extended not just to LICs in program relationships, but also to many others that benefit from Fund advice in the context of Article IV consultations, financial sector assessments, and technical assistance.

8. **Early reviews of the PRGF played an important role in ensuring that programs were sufficiently flexible and tailored to the needs of LICs.**<sup>4</sup> In line with the Fund's original objectives, an early review of the PRGF in 2002 found higher budgetary allocations for poverty-reducing spending, more flexible fiscal frameworks, and more streamlined structural conditionality. This was confirmed two years later by the Independent Evaluation Office (IEO), which also found that PRGF program design had become more accommodative toward growth and poverty objectives, that projections do not suffer from a systemic bias towards "aid pessimism", that pro-poor expenditures had risen, and that there was no evidence of an excessive disinflationary bias.<sup>5</sup> Still, both staff and IEO reviews pointed to shortcomings in several areas, including the limited attention given to Poverty and Social

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<sup>3</sup> International Monetary Fund, 2007 "The Role of the Fund in the Poverty Reduction Strategy Process and Its Collaboration with Donors".

<sup>4</sup> International Monetary Fund, 2002 "Review of the Poverty Reduction and Growth Facility—Issues and Options"; International Monetary Fund, 2005 "Review of PRGF Program Design—Overview"; International Monetary Fund, 2004 "The Fund's Support of Low-Income Member Countries—Considerations on Instruments and Financing"; International Monetary Fund, 2004 "IEO Evaluation Report on PRSPs and the PRGF".

<sup>5</sup> International Monetary Fund, 2004 "Staff Response to the IEO Report on the Evaluation of PRSPs and the PRGF".

Impact Analysis (PSIAs), alternative macroeconomic policy paths, micro-macro linkages, and efforts of staff to mobilize external financing. Most of these outstanding issues have been addressed in recent years as they either came to be adopted by staff (the use of alternative macro scenarios) or were addressed in subsequent policy reviews that more clearly defined the Fund’s responsibilities (including, for example, by relying on the work of others for PSIAs, analysis of micro-macro linkages, and the mobilization of external financing).

9. **More recent reviews of Fund policy advice have paid greater attention to issues of program design in the context of changing global and macroeconomic conditions facing LICs—including scaled-up aid and rising private capital flows.** A review of the PRGF in 2005 addressed several program design issues related to fiscal space, the management of aid flows, long-term debt sustainability, and monetary and exchange rate policies.<sup>6</sup> The Board broadly endorsed the view that the scope of Fund support to LICs should be limited to macroeconomic policies and institutions; that issues of expanding fiscal space depend very much on country-specific circumstances and initial conditions; and that a spend-and-absorb strategy is generally appropriate as long as competitiveness is not a concern and the benefits of increased public spending outweigh possible adverse effects. Subsequent papers focused on the management of aid flows have clarified that the Fund should design its programs with the best estimates of future aid, that such programs should promote a smooth path of fiscal spending, and that policy advice should continue supporting countries in making the full use of aid over time, consistent with macroeconomic and debt sustainability.<sup>7</sup>

10. **With these clarifications and modifications in policy advice, the Fund has addressed long-standing criticisms of its LIC work.** In the context of higher aid and debt relief, the Fund has allowed for larger fiscal and external deficits in PRGF arrangements, enabling stepped up spending on the priority sectors identified in a country’s PRSP. The use of wage ceilings, motivated by macroeconomic concerns but widely seen as placing limits on social spending, has been discontinued in virtually all Fund programs except in very rare cases (where capacity is particularly weak), for a temporary duration, and with sufficient flexibility for priority sectors such as health and education.<sup>8</sup> And conditionality, in line with Fund-wide efforts to focus on the institution’s core competences, has shifted to measures critical for macroeconomic stability.

11. **In addition, the delivery of the Fund’s policy advice has been facilitated by an expanded range of capacity building services offered to LICs over the past decade.** The

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<sup>6</sup> International Monetary Fund, 2005 “Review of PRGF Program Design—Overview”.

<sup>7</sup> International Monetary Fund, 2007 “Aid Inflows—The Role of the Fund and Operational Issues for Program Design” and International Monetary Fund, 2007 “Fiscal Policy Response to Scaled-Up Aid”.

<sup>8</sup> See *Finance and Development*, “IMF Trims Use of Wage Bill Ceilings,” September 5, 2007.

Fund has continued to provide technical assistance and training on a variety of long-standing issues where it has specialized expertise: (i) the design of macroeconomic, tax and expenditure, as well as monetary, exchange rate, and financial sector policies; (ii) the appropriate institutions to plan and execute such policies; and (iii) the statistical systems to support both policies and institutions. Greater focus has been placed on areas that have emerged as priorities in recent years, including work on Financial Sector Assessment Programs (FSAPs), Report on the Observance of Standards and Codes (ROSCs), offshore financial centers, Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT), the trade-related Integrated Framework, and the management of natural resources. The delivery of these services to LICs has been enhanced through the establishment of several regional technical assistance centers.

#### IV. HELPING LICs RESTORE AND MAINTAIN DEBT SUSTAINABILITY

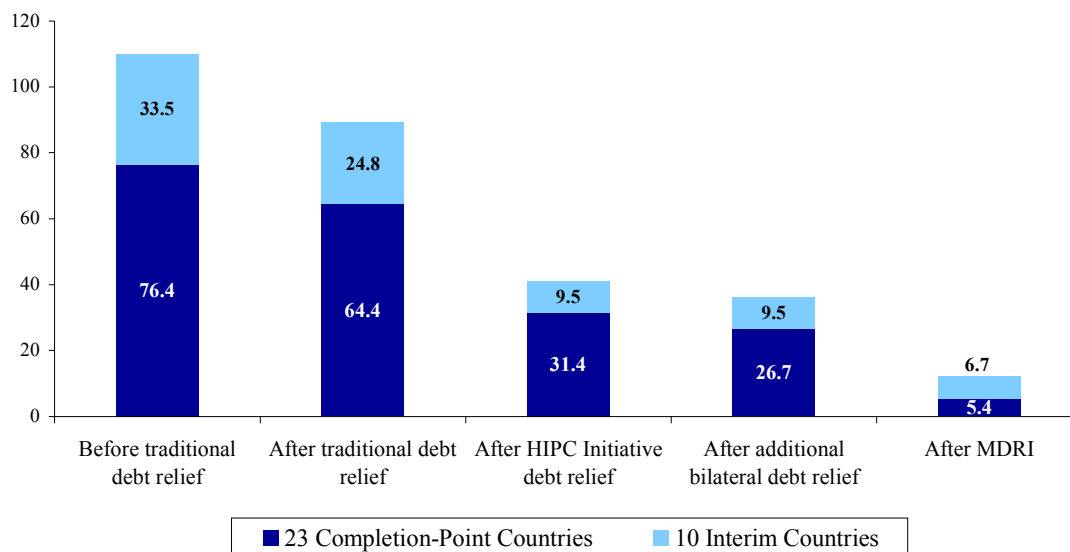
12. **Assisting its members achieve and maintain debt sustainability has been among the Fund's greatest contributions to LICs over the past decade.** Following the large debt overhangs of the 1980s and 1990s, which imposed severe financial and social burdens, the Fund—in collaboration with the World Bank and the rest of the international community—embarked on a series of actions aimed at helping LICs regain their financial footing, resume growth, and strengthen their poverty-reducing policies. This was accomplished first through the provision of substantial debt relief and second through the design of a forward-looking framework to guide borrowing and lending decisions in a sustainable way.

13. **The Fund's provision of debt relief first took place under the Heavily Indebted Poor Country (HIPC) Initiative and subsequently under the Multilateral Debt Relief Initiative (MDRI).** Forty-one countries have either qualified or are considered eligible or potentially eligible for debt relief under the HIPC Initiative. Of these, 33 countries have reached the decision point of the HIPC Initiative; 23 of them have also reached the completion point and have received irrevocable debt relief (including under the MDRI).<sup>9</sup> Debt relief under the two initiatives is expected to reduce the debt burdens of these countries by almost 90 percent. Debt service paid by these countries declined by 2.7 percentage points of GDP between 2000 and 2006, freeing up resources for poverty-reducing expenditure, which increased by the same magnitude during this period.

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<sup>9</sup> Two non-HIPC countries with per capita income below \$380 and outstanding debt to the IMF have also benefited from MDRI assistance, namely Cambodia and Tajikistan.

**NPV of Debt after HIPC Initiative, Additional Bilateral Debt Relief and MDRI (end-April 2008)**  
(In billions of U. S. dollars; in end-2006 NPV terms)



14. **A number of HIPCs nonetheless still face challenges in fully benefiting from HIPC assistance.** For many interim HIPCs, the challenges reflect difficulties in maintaining macroeconomic stability, preparing participatory PRSPs, and implementing country-specific triggers for reaching the completion point. For many pre-decision-point HIPCs, internal conflict, governance issues, unsettled arrears, and difficulties in formulating viable macroeconomic and poverty-reduction programs have hindered progress towards debt relief.

15. **To further help LICs, including those that have received debt relief, maintain debt sustainability, the Fund and the Bank introduced the Debt Sustainability Framework (DSF) in 2005.** Since its establishment, the framework has supported LICs in their efforts to achieve their development objectives while avoiding future debt problems. At end-February 2008, 148 Debt Sustainability Assessments (DSAs) (114 jointly with the Bank) for 69 LICs have been prepared and discussed by the Board and 124 have been published. These DSAs have helped identify different degrees of debt-distress risk and flagged potential sources of debt-related vulnerabilities, including those arising from domestic debt. Prepared jointly by Bank and Fund staffs, they have become a regular issue for discussion with country authorities and are serving as an upstream device for the design of sustainable macroeconomic and debt strategies. DSAs can also facilitate communication between creditors and debtors, and help debtors negotiate financing terms that are in line with their future repayment capacity. In this context, Fund and Bank staffs conduct outreach to encourage creditors to use DSAs as an input to their lending decisions.<sup>10</sup> DSAs are also

<sup>10</sup>A dedicated web-page has been established on the Fund's external website to enhance information sharing, together with a dedicated mailbox to answer specific queries from creditors.



helping anchor fiscal strategies and guide Fund program design as well as World Bank lending decisions. The DSF was refined in 2006, in particular to address new challenges resulting from the perception of a large increase in borrowing room in the wake of debt relief under the MDRI combined with a broadening of the options for securing foreign financing (See Annex).<sup>11</sup>

## V. NEW AND MODIFIED INSTRUMENTS TO ASSIST LICs

### 16. Responding to the evolving needs of LICs in recent years, new instruments have been created and existing ones modified to fill gaps in the Fund's toolkit:

- To address the needs of LICs that had achieved macroeconomic stability under successive ESAFs/PRGFs and moved beyond needing immediate Fund financial assistance, the **Policy Support Instrument (PSI)** was created in 2005. This instrument was geared towards PRGF-eligible countries (with a poverty reduction strategy) that do not need or want Fund financial assistance, but seek Fund advice, monitoring, and endorsement of their economic policies.<sup>12</sup> Six LICs have since begun to make use of the PSI, with several more expected in the near future.
- A short-term concessional instrument with upper credit tranche conditionality, the **Exogenous Shocks Facility (ESF)**, was created in 2005 tailored for countries without the need for longer-term financing under a PRGF.<sup>13</sup> The ESF is intended to serve as a complement to the PSI in that the ESF would provide a means for rapid access to financing in the event of a shock for a country with an on-track PSI.
- In 2004, access norms for a **low-access PRGF** were established, in order to standardize this instrument that signals high quality macroeconomic policies for countries with limited need of Fund financing.

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<sup>11</sup> See International Monetary Fund, 2006 “Review of Low-Income Country Debt Sustainability Framework and Implications of the Multilateral Debt Relief Initiative” and International Monetary Fund, 2006 “Applying the Debt Sustainability Framework for Low-Income Countries Post Debt Relief”. Even prior to 2005, the Fund helped assess debt sustainability in the context of its HIPC DSA work and in Article IV consultations. Together with the World Bank, the Fund stepped up its work in assisting LICs with public debt management as early as 2001, when a pilot project was set up to help 12 countries develop sound debt management strategies. For a review, see International Monetary Fund, 2007 “Strengthening Debt Management Practices: Lessons from Country Experiences and Issues Going Forward”.

<sup>12</sup> International Monetary Fund, 2005 “Implementation of the Policy Support Instrument”.

<sup>13</sup> International Monetary Fund, 2005 “Establishment of an Exogenous Shocks Facility Under the Poverty Reduction and Growth Facility Trust”.

- The Fund’s **emergency assistance** was also modified to make it more concessional for LICs and to enhance the flexibility of assistance for countries that are affected by natural disasters (ENDA) or recovering from conflict (EPCA).
- **The Trade Integration Mechanism (TIM) was introduced in April 2004 to provide support for members facing temporary balance of payment shortfalls due to trade liberalization measures undertaken by other countries**, but not by their “own liberalization” measures.<sup>14</sup> Measures relevant for the TIM are normally introduced under a World Trade Organization (WTO) agreement or on a nondiscriminatory basis. Financial support under the TIM is incorporated into existing lending facilities (i.e., PRGF or PRGF/EFF for LICs). Under the baseline feature of the TIM, the Fund will take into account the anticipated impact of trade adjustment on the member’s balance of payments in determining the appropriate size of access under the existing or new arrangement. The deviation feature of the TIM provides the flexibility for the Fund to augment the access (of up to 10 percent of quota) for larger than anticipated effects.
- **The Fund cooperates through Aid for Trade (AFT) activities and the Enhanced Integrated Framework (EIF) in the provision of trade-related assistance.** Both the AFT and EIF represent collaborative efforts involving the WTO, the World Bank, the Fund, and other partners. AFT seeks to promote assistance to help relieve capacity and supply constraints to taking full advantage of trade opportunities.<sup>15</sup> The EIF aims to coordinate trade-related technical assistance aimed at improving capacity of least developed countries (LDCs) to formulate and integrate trade and related policies into national development plans through diagnostic studies and other technical assistance.<sup>16</sup>

## VI. CAPACITY BUILDING

### 17. **Capacity building is the complex interaction between the Fund, its staff, and low-income member authorities that enhance their ability to develop, manage, and**

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<sup>14</sup> These shortfalls may arise due to multilateral trade liberalization, in the form of the erosion of tariff preferences, terms of trade shocks of net food importers, or the expiration of quotas under the World Trade Organization (WTO) agreement on Textile and Clothing. The TIM is not a stand-alone lending facility; financial assistance is made available in the context of a Stand-By Arrangement (SBA), Extended Fund Facility (EFF), or the Poverty Reduction and Growth Facility (PRGF).

<sup>15</sup> The Fund will focus primarily on providing: (1) analytical support and policy advice regarding the effects of trade policies; (2) technical assistance for customs and tax reforms; and (3) financial support through existing Fund facilities, including the TIM.

<sup>16</sup> The Fund will not contribute financial resources to EIF Trust Fund.

**monitor macroeconomic policies.**<sup>17</sup> The Fund devotes about a quarter of its budget to capacity building. It extends beyond the mere provision of technical assistance and includes work on standards and codes, financial sector assessment, and training of officials.

### **Technical Assistance and training**

18. **The Fund provides TA in its core areas of expertise, and in a variety of forms.** The objective of technical assistance (TA) is to contribute to the development of the productive resources of member countries by enhancing the effectiveness of economic policy and financial management.<sup>18</sup> These include sending staff missions from headquarters to member countries; placing experts in member countries; preparing technical and diagnostic reports, delivering training courses, seminars, and workshops; and providing on-line advice and support from headquarters. About [50] percent of IMF technical assistance goes to low and lower-middle income countries and post-conflict countries.

19. **Regional TA and training centers allow the Fund to better tailor assistance to the particular needs of a region, to coordinate more closely with other assistance providers, and to enhance the ability to respond quickly to emerging needs.**<sup>19</sup> The Pacific Financial Technical Assistance Center (PFTAC) and the Caribbean Regional Technical Assistance Centers (CARTAC) were founded in 1993 and 2001 respectively to serve the island countries of these regions. Three African Regional Technical Assistance Centers (AFRITACs) have been established as part of the Fund’s Africa Capacity-Building Initiative launched in May 2002. The Middle East Technical Assistance Center (METAC) was established in Beirut, Lebanon, in 2004 to serve ten countries/territories in the Middle East. These centers are financed by contributions from donor partners, the Fund, as well as by in-kind contributions by host governments.

20. **The Fund also offers policy-oriented training in economics and related operational fields to country officials.** The Fund provides this training through courses, workshops, and seminars both at headquarters and through a network of seven regional training institutes and programs.<sup>20</sup>

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<sup>17</sup> International Monetary Fund, 2004 “The Role of the Fund in Low-Income Member Countries”, ¶13.

<sup>18</sup> International Monetary Fund, 1999 “Policy Statement on IMF Technical Assistance”, ¶1.

<sup>19</sup> International Monetary Fund, 2003 “Role of the Fund in Low-Income Member Countries Over the Medium Term – Issues Paper for Discussion”, ¶20.

<sup>20</sup> The regional training centers include: the IMF-Singapore Regional Training Institute, the Joint Africa Institute (Tunisia), the Joint China-IMF Training Program (China); the Joint IMF-Arab Monetary Fund Regional Training Program (United Arab Emirates), the Joint India-IMF Training Program (India), the Joint Regional Training Center for Latin America (Brazil), and the Joint Vienna Institute (in Austria)  
<http://www.imf.org/external/np/exr/facts/afritac.htm>

## Other initiatives and transparency

1. **The standards and codes initiative was launched in 1999 to strengthen the international financial architecture by enhancing the transparency of market institutions and policy formulation.** The objective of the initiative is to promote greater financial and market stability, at both the domestic and international levels, through the development, dissemination, adoption, and implementation of international standards and codes relating to policy transparency, financial sector regulation and supervision, and market integrity. Implementation of these codes and standards by countries is assessed through Reports on the Observance of Standards and Codes (ROSCs).

21. **Transparency is a key element of the initiative.** In addition to encouraging good governance<sup>21</sup> and transparency as elements of the policy advice provided through surveillance and programs, the Fund has adopted two transparency codes, one for fiscal policy, and another for monetary and financial policies.<sup>22</sup> The fiscal as well as the monetary and financial codes are accompanied by manuals that illustrate good and best practices, and the fiscal policy transparency code was supplemented by a special guide on resource revenue transparency.<sup>23</sup> Intended initially to help countries in accessing international capital markets, these codes soon proved useful as well to LICs striving for greater accountability in public sector management. Another of the Fund activity to promote good governance through transparency is the Safeguards Assessment Policy. It sets minimum standards for internal control, accounting and auditing and transparency at central banks.<sup>24</sup>

22. **The staff of the IMF has also supported the Extractive Industries Transparency Initiative (EITI) and the Kimberly Process.** Recognizing that transparency is particularly important for LICs facing the governance problems associated with natural resource rents, staff has from its beginning in 2003 supported the EITI and the Kimberly Process.<sup>25</sup> These are government-industry-civil-society driven initiative that are particularly relevant to LICs with significant revenues from extractive industries (oil, gas, and mining, and diamonds).

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<sup>21</sup> See *Good Governance—The IMF's Role* at <http://www.imf.org/external/pubs/ft/exrp/govern/govindex.htm>.

<sup>22</sup> The 2004 Biennial Surveillance Review found references to governance in three quarters of LIC staff reports. See *Biennial Review of the Implementation of the Fund's Surveillance and of the 1977 Surveillance Decision* at <http://www.imf.org/external/np/pdr/surv/2004/082404.htm>.

<sup>23</sup> The fiscal transparency code was revised in 2003. For the transparency codes and associated documents, see <http://www.imf.org/external/np/fad/trans/index.htm> and <http://www.imf.org/external/np/mae/mft/index.htm>.

<sup>24</sup> See <http://www.imf.org/external/ns/cs.aspx?id=156>.

<sup>25</sup> See <http://www.eitransparency.org/>.

23. **The Financial Sector Assessment Program (FSAP) was introduced in 1999 to help countries strengthen their financial systems.** The IMF and the World Bank introduced the FSAP to strengthen the monitoring of financial systems in the context of the IMF's bilateral surveillance and the World Bank's work on financial sector development. The objective of the program is to help countries enhance their resilience to crises and cross-border contagion, and to foster growth by promoting financial system soundness and financial sector diversity. The program helps provide a framework for the delivery of financial sector technical assistance.

## VII. IMPROVED COLLABORATION WITH THE WORLD BANK AND OTHER DEVELOPMENT PARTNERS

24. **To allow for a more effective engagement in LICs, the Fund has long recognized the need for strong collaboration with the World Bank and other development partners.** Collaboration with the World Bank has been guided by each institution's respective mandate and the recognition that the Fund—not being a development agency—needs to draw on the inputs of the World Bank for many aspects of its program work. Collaboration with other development institutions has also been stepped up over the years through more extensive field-level exchanges with key bilateral donors and by closer engagement with Multilateral Development Banks on DSA-related work. The Fund also strongly supports the UN's Financing for Development initiative and the 2005 Paris Declaration on Aid Effectiveness as means to accelerate progress toward the achievement of development objectives.

25. **Collaboration at the operational level has been deepened over the years in the context of several joint exercises with the World Bank.** Staffs of the IMF and the World Bank have together produced evaluations of country PRSPs in the form of Joint Staff Assessments (later Joint Staff Advisory Notes). All work in the context of the HIPC and MDRI, including the process of bringing countries through various stages of the debt relief process, has been conducted jointly, often with the use of parallel missions. Furthermore, joint DSAs for LICs have been standard in recent years, not just in the context of the HIPC Initiative but also as part of each institutions respective responsibilities in many non-HIPC countries.

26. **More recently, the Fund and the Bank have sought to clarify their division of responsibilities to ensure a more effective focus and use of resources in line with their respective mandates.** In 2006, the managements of both institutions commissioned an External Review Committee on IMF-World Bank Collaboration which called for the strengthening of the culture of collaboration in the two institutions and made a number of specific proposals to this end. In line with the recommendations of the committee, the IMF and the World Bank last year prepared a Joint Management Action Plan (JMAP) that is now

being implemented.<sup>26</sup> The JMAP seeks to improve coordination on country issues, enhance communication on common thematic issues, and improve incentives and institutional support for collaboration. The JMAP has established the need for country-level agreements on each institution's instruments and the division of labor.

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<sup>26</sup> International Monetary Fund, 2007 "Enhancing Collaboration—Joint Management Action Plan".

## ANNEX

**Summary of Key Policy Papers  
Related to the Fund's Engagement in Low-Income Countries:  
An Overview for 1999-2008**

*This Annex provides an overview of the main policy papers related to the Fund's engagement with Low-Income Countries during the past decade. A comprehensive listing of LIC-related policy papers prepared by the Fund during this period is presented in Tables 1-3. In addition, a summary of a selected sub-set of these policy papers is provided below, covering those with the greatest impact on the Fund's LIC-related policies and operations. These summaries are organized within the following six sections: (i) the PRSP process and the PRGF; (ii) the strengthening of Fund Policy Advice; (iii) reflections on the broader role of the Fund in LICs; (iv) the provision of debt relief and use of debt sustainability analyses; (v) the introduction of new and modified instruments; and (vi) the strengthening of cooperation with other development partners.*

**A. Replacing the ESAF with the PRGF/PRSP Process**

**Poverty Reduction and Growth Facility—Operational Issues (December 1999); and  
Poverty Reduction Strategy Papers—Operational Issues (December 1999)**

These two papers represented the start, in 1999, of a new approach to Fund and Bank engagement in LICs centered on country-owned poverty reduction strategies (PRS). This innovation was a response to growing public criticism that structural adjustment under the ESAF had not sufficiently taken into account growth and poverty concerns. In response, the Fund Board approved the Poverty Reduction and Growth Facility (PRGF) as its main lending facility for LICs, and established the use of Poverty Reduction Strategy Paper (PRSP) as the framework for external assistance to LICs, including Fund-Bank concessional lending and HIPC debt relief. The PRS approach called for poverty strategies to be drawn up in an open and participatory manner involving governments in a dialogue with domestic stakeholders and external development partners. Under the PRGF, measures to increase growth and reduce poverty were to be incorporated in the design of the macroeconomic framework, and reflected in the level of the fiscal and external deficits. Staffs were expected to identify financing needs and help mobilize additional donor resources. Program conditionality was to be derived from the macroeconomic framework and macro-critical structural measures identified in PRSPs.

**Review of the Poverty Reduction Strategy Paper Approach—Main Findings (Mar 2002)**

The initial experience with the PRGF and PRS approach was reviewed in a series of three papers in 2002 (see Section B for summary of the PRGF review). The PRSP review found

that progress was mixed.<sup>27</sup> The review—which was conducted after the completion of ten full PRSPs and 42 interim PRSPs—noted four notable achievements with the PRS approach: (i) a growing sense of ownership among governments; (ii) a more open dialogue between governments and their civil society; (iii) a more prominent place for poverty reduction in policy debates; and (iv) acceptance by the donor community of the principles of the PRSP approach. At the same time, the review identified scope for improving the preparatory process and the content of national poverty strategies. Although the Board agreed with most of the conclusions, no consensus was reached on the role of the Fund in PSIAs: most agreed that the Bank should continue to lead in this area, but some saw the Fund taking the lead in assessing the poverty impact of macroeconomic policies. In the context of this review, the Board recommended: avoidance of rigid guidelines to encourage country ownership; capacity building support from Fund and Bank; better implementation of policy commitments in the PRSP, moving from process to content and implementation; stronger participatory processes; improving understandings of the linkages between policies and poverty outcomes; stronger focus on sustained, private-sector based growth essential to poverty reduction; upgrading in public expenditure management systems, in particular the capacities to track poverty-reducing spending and to assess the poverty impact of policies and reforms, and better harmonization and simplification of donor procedures and reporting requirements.

### **Aligning the Poverty Reduction and Growth Facility (PRGF) and the Poverty Reduction Strategy Paper (PRSP) Approach—Issues and Options (March 2003)**

A review on aligning the PRGF with the PRSP approach was conducted in 2003 to address shortcomings (identified with the 2002 reviews) in the link between the PRGF and the PRS approach.<sup>28</sup> This paper offered various proposals to improve alignment between the PRGF and the PRSP, including: improving the timing of PRGF programs with the PRSP/budget cycle; linking the PRSP to the annual budget process; and improving growth analysis. Further, it was proposed that staff be closely involved in assessing and dealing with the macroeconomic implications of higher aid inflows. Alternative scenarios could be used to link a macroeconomic framework based on present resource availability and more ambitious plans for scaling up aid to reach the MDGs. The Board broadly agreed with the thrust of these proposals, but there was insufficient support for the use of alternative scenarios in the PRGF.

### **The Role of the Fund in the Poverty Reduction Strategy Process and Its Collaboration with Donors (October 2007)**

Based on the many years of Fund experience with the PRS process, a 2007 paper on The Role of the Fund in the PRSP and Donor Coordination Processes clarified the appropriate

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<sup>27</sup> International Monetary Fund, 2002 “Review of the Poverty Reduction Strategy Paper (PRSP) Approach: Main Findings”.

<sup>28</sup> International Monetary Fund, 2003 “Aligning the Poverty Reduction and Growth Facility (PRGF) and the Poverty Reduction Strategy Paper (PRSP) Approach—Issues and Options”.



level and means of involvement of Fund staff in the PRSP and donor coordination processes. The paper reiterated that the primary focus of the Fund's work in LICs in the context of the PRS process should be to provide policy advice and technical support on the design of appropriate macroeconomic frameworks and on macroeconomically critical structural reforms. The Board indicated that staff should encourage and support the detailed discussion of macroeconomic issues in PRSPs, including the integration of trade policies and of alternative macroeconomic scenarios. The Board also encouraged staff to draw on available analysis of the sources of growth and related constraints prepared by the World Bank and other development partners, but not take the lead in microeconomic or sector-specific growth analysis.

## **B. Strengthening the Fund's Policy Advice**

### **Review of the Poverty Reduction and Growth Facility—Issues and Options (March 2002); Review of the Key Features of the PRGF—Staff Analysis (March 2002);**

The initial experience with the PRGF and PRS approach was reviewed in a series of three papers in 2002 (see Section A for summary of the PRSP review). The PRGF review, consisting of two papers, found some progress in program design, including improving the alignment of PRGFs with poverty reduction strategies; higher budgetary allocations for poverty reducing spending; more flexible fiscal frameworks; and more streamlining of structural conditionality towards core areas. However, the report also found that more could be done in using Poverty and Social Impact Analysis (PSIA); discussing alternative macroeconomic policy paths; laying out more clearly the program's role in the overall poverty reduction strategies; and in publicly communicating staff analysis of the links between the macro framework and growth and poverty reduction.

### **Review of PRGF Program Design-Overview (August 2005)**

This paper discussed key program design issues raised in the debate on the role of the Fund, including the importance of institutions for economic growth; the scope for more fiscal space; absorbing higher aid inflows; and monetary and exchange rate policies. On fiscal space, the Board emphasized that progress towards the MDGs is not contingent on higher public expenditures alone, noting the tensions between higher spending and both debt sustainability and private sector activity. Some Directors reiterated that in the long run countries should aim to reduce aid dependence.

### **IEO: An Evaluation of the IMF and Aid to Sub-Saharan Africa (March 2007)**

The report noted the disconnect between the IMF's external communications on poverty and its practice, and the differences of views among Board members about the IMF's role and policies in low-income countries. Lacking clarity on what they should do on the mobilization of aid, alternative scenarios, and the application of poverty and social impact analysis, IMF staff focused on macroeconomic stability. The report recommended the Fund to clarify its undertakings and to implement/monitor them in a consistent manner. The Board considered that the Fund's engagement in LICs should remain focused on its core mandate, and that the Fund should not play a coordinating role in aid mobilization, and they confirmed that

distributional policies lie outside the Fund's core mandate. Many Directors thought staff should be prepared to prepare alternative scenarios related to scaling up of aid, but most thought that normative advice would fall outside the Fund's mandate.

**Aid Inflows—The Role of the Fund and Operational Issues for Program Design (June 2007); Fiscal Policy Response to Scaled up Aid (June 2007)**

This paper addressed issues related to the coordination of macroeconomic policies in the context of increased and volatile aid flows, and how program design should be adapted to reflect this. On aid projections, the paper clarified that the Fund's baseline aid projections should represent the staff's best estimate of the amount of aid expected to materialize and that any deliberate over- or under-projection be justified explicitly. The paper indicated that a single baseline scenario should be the basis for Fund-supported programs, but that staff should assist authorities in preparing alternative scenarios of scaling up (consistent with macroeconomic stability and debt sustainability) in either PRSPs and/or Article IV reports. The paper further indicated that: Fund-supported programs should generally support the full spending and absorption of aid, provided macroeconomic stability is maintained; that programs promote a smooth path of fiscal spending; and that fiscal, monetary, and exchange rate policies be well coordinated to support the spend-and-absorb strategy. Finally, the paper noted that wage bill ceilings in Fund programs be used only in exceptional cases (guided by macroeconomic considerations), that measures to eventually reduce reliance on aid be a component of macroeconomic policy for managing scaled-up aid, and that fiscal institutions, especially related to PFM, be strengthened to allow for an effective utilization of aid.

**C. Reflections on the Broader Role of the Fund in LICs**

**The Role of the Fund in Low-Income Member Countries over the Medium Term (July 2003); The Role of the Fund in Low-Income Member Countries (August 2004)**

The 2002 reviews of the PRGF/PRSP process led to broader reflections on the role of the Fund in LICs.<sup>29</sup> One of the first key papers to address this issue, issued in July 2003, concluded that the Fund should continue to assist LICs in addressing their long-term macroeconomic policy and institution-building challenges. The Board indicated that the role of the Fund in LICs should be primarily directed to: (i) establishing macroeconomic frameworks that can support high sustained growth and poverty reduction; (ii) identifying

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<sup>29</sup> An effort to clarify the Fund's role was also made by the *Committee on Low-Income Country Work*, established in May 2004, which had as one of its first tasks to craft a succinct statement to guide staff in its daily work. The Committee's draft statement, issued to the Board in August 2004, said that the Fund should help create an environment conducive to growth and poverty reduction, focusing its support on its core expertise (macroeconomic and financial stability). The paper also stressed that the Fund should deliver its support in three complementary ways: policy advice, capacity building, and financial assistance. While the proposed forms of engagement were broadly accepted, the Board asked for further refinements in the proposed statement, such as the inclusion of references to an exit strategy from PRGFs; the division of labor between the Fund and other multilateral institutions; and the importance of noting short-term macro stabilization as a basis for reaching long-term development goals.

and helping countries manage sources of macroeconomic risks and vulnerabilities; and (iii) strengthening institutions and policies that underpin sound macroeconomic management. While macroeconomic programs should be geared toward higher pro-poor growth, the Fund's financing role should remain limited to temporary balance of payments needs. The paper developed a stylized typology of the economic circumstances of LICs to gauge the adequacy of Fund involvement: post conflict; early stabilizers; mature stabilizers; and pre-emerging market countries. A subsequent paper in August 2004 proposed a statement stipulating a framework for Fund engagement in LICs, which was deemed broadly consistent with previously articulated principles. At the same time, the Board suggested further consideration of issues related to Fund instruments and financing, an area addressed in subsequent years.

### **The IEO Evaluation Report on PRSPs and the PRGF (July 2004)**

The lack of clarity on the role of the Fund in the PRSP, and some of the weaknesses of the PRSPs themselves, were confirmed by the IEO in its evaluation of PRSPs and the PRGF. Its report noted several shortcomings in the Fund's involvement in the PRS process and its engagement with donors—limited success in embedding the PRGF into the overall strategy for growth and poverty reduction; too limited a role for the staff in the PRS process itself; limited staff contribution to developing better understanding of country-specific micro-macro linkages; and lack of staff efforts to encourage and mobilize external financing. The IEO recommended, *inter alia* : (i) to increase the emphasis on the development of sound policy formulation and implementation; (ii) to clarify what the PRS approach implies for the Fund's operations; (iii) to strengthen the prioritization and accountability on what the Fund is supposed to deliver and ensure resources match commitments; and (iv) to enhance the role of the Fund in a strengthening of the framework for establishing the external resources envelope as part of the PRS approach. The Board in general agreed with the IEO's conclusions, but remained ambivalent on some key issues, including the role of the Fund in alternative policy scenarios and trade offs and the resource implications of a deeper involvement in the PRSP process.

### **The Managing Director's Report on Implementing the Fund's Medium-Term Strategy (MTS) (April 2006)**

In a further effort to define more precisely the Fund's role in LICs, the MTS proposed greater focus on the Fund's core competencies and macro-critical issues, while scaling back involvement in non-core areas, where the World Bank and others should take the lead. It also proposed greater flexibility in both the design of Fund-supported programs—particularly in terms of structural program conditionality—and in the Fund's internal procedures, documentation requirements, and staffing choices. Within this tighter focus, there should be deeper involvement in dealing with aid inflows and the MDGs, and managing the implications of debt relief. The MTS recommended that Fund staff should assess the consistency of projected aid flows with macroeconomic stability and the estimated costs of achieving countries' development goals, including the MDGs; and inform donors when more aid could be accommodated without endangering macroeconomic stability. Staff should also report on MDG progress to the Board using assessments done by others, and indicate where progress is hampered by insufficient aid. Fund and Bank staffs should jointly advise on the

sustainability of new borrowing and encourage the adoption of medium-term debt management strategies to guide borrowing decisions. The MTS also makes a series of proposals to strengthen the Fund's provision of technical assistance and capacity-building support.

#### **D. Debt Relief and Debt Sustainability Assessments**

##### **Debt Relief**

###### *Changes in the HIPC framework*

**Modifications to the Heavily Indebted Poor Countries (HIPC) Initiative (July 1999); HIPC Initiative—Strengthening the Link Between Debt Relief and Poverty Reduction (August 1999); Modifications to the Heavily Indebted Poor Countries (HIPC) Initiative—Proposed Decision to Amend the PRGF-HIPC Trust Instrument (January 2000).**

Following a comprehensive review of the Initiative by IDA and the IMF and broad public consultations, the initiative was enhanced in September 1999 to enable a broader group of countries to qualify for larger volumes of debt relief. In this context, the Initiative's debt-burden thresholds were adjusted downward. The concept of "floating completion points," contingent on an outcome-based assessment of country performance rather than a fixed track record, developing country ownership of reforms and incentives to accelerate their implementation was introduced. Lastly, the links between debt relief and poverty-reduction efforts were strengthened by better integrating debt relief into recipient countries' comprehensive poverty reduction strategies (PRS).

###### **Assistance to Post-Conflict Countries and the HIPC Framework (March 2001)**

In light of a proliferation of armed conflicts in LICs in the 1990s and the accumulation of large arrears towards international financial institutions, the IMF tailored its assistance to post-conflict countries through the provision of technical assistance, capacity-building projects, policy advice, as well as the Fund's Emergency Post-Conflict Assistance (EPCA). In 2001, the Board agreed to provide EPCA on concessional terms to low-income countries, before they could move to a PRGF-supported arrangement. In addition, it was agreed that consideration could be given, in specific circumstances, to an early decision point combined with a relatively longer interim period for post-conflict countries.

###### **Enhanced HIPC Initiative-Completion Point Considerations (August 2001)**

In view of the unanticipated deterioration in the debt burden indicators of some HIPCs by the time they reached the completion point, the Board agreed that additional debt relief ("topping-up assistance") could be delivered at the completion point, beyond the amount committed at the decision point, to ensure a decline in the debt burden to the HIPC-agreed

thresholds of sustainability. Topping-up assistance is provided only in exceptional circumstances, when a country's economic conditions have suffered a fundamental change because of exogenous developments such as natural calamities and decline in terms of trade. Topping-up assistance is calculated after account has been taken of debt relief committed by all creditors at the completion point, including beyond HIPC relief from official bilateral creditors.

**Review of Heavily Indebted Poor Countries Initiative—List of Ring-Fenced Countries Potentially Eligible Under the Initiative (March 2006); Initiative for Heavily Indebted Poor Countries—Issues Related to the Sunset Clause (August 2006).**

A sunset clause was introduced at the start of the HIPC Initiative to prevent the Initiative from becoming permanent; minimize potential moral hazard arising from excessive borrowing in anticipation of debt relief; and encourage early adoption of reforms. The sunset clause was extended four times, to end-December 2006, while eligibility for HIPC assistance was limited to satisfying the Initiative's income and indebtedness criteria using end-2004 data. In early 2006, the Boards endorsed and closed ("ring-fenced") the list of eligible countries with the understanding that the list could be amended to include other countries that would meet these two criteria in the future. In October 2006, Directors decided to let the sunset clause take effect and to grandfather all eligible (or potentially eligible) countries to ensure that no country with debt burdens in excess of the Initiative's thresholds would be left without a comprehensive framework to deal with these debts.

**Enhanced HIPC Initiative—Creditor Participation Issues (March 2003); Enhanced Heavily Indebted Poor Countries Initiative and Multilateral Debt Relief Initiative—Status of Implementation (August 2007); Enhanced Heavily Indebted Poor Countries Initiative—Status of Non-Paris Club Official Bilateral Creditor Participation (September 2007)**

Although the HIPC Initiative is based on the precept that the success of it implies broad and equitable participation of all creditors, full participation has remained elusive. Some creditors have not delivered their share of debt relief and some commercial creditors have even engaged in lawsuits against HIPCs. In 2003, the Board concluded that moral suasion is the most effective instrument available to staff to encourage creditor participation. In 2007, the Board agreed to encourage further official bilateral creditors' participation through enhanced technical support to both debtors and creditors and further dissemination of information on the actual delivery of debt relief, including on the IMF and World Bank websites.

**Proposals to Modify the PRGF-HIPC Trust Instrument—Further Considerations and Proposed Decision (December 2007)**

Changes have been introduced to the HIPC framework to eliminate undue delays in the process for HIPCs with protracted arrears to the Fund or other multilateral institutions. In particular, performance under Staff-Monitored Programs (SMPs) that have been found by the Executive Board to meet the upper credit tranche (UCT) policy standard—the same standard required, for example, under the PRGF—may count toward the track record of performance needed to reach the HIPC Initiative decision point.

*Additional Debt Relief under the MDRI*

**The MDRI and Its Implications for the Fund—Further Considerations—Supplemental Information (November 2005)**

On June 11, 2005, the Group of 8 (G-8) major industrial countries proposed that three multilateral institutions—the IMF, the International Development Association (IDA) of the World Bank, and the African Development Fund (AfDF)—cancel 100 percent of their debt claims on countries that have reached, or will eventually reach, the completion point under the HIPC Initiative. The objective of the proposal was to complete the process of debt relief for HIPCs by providing additional resources to help these countries reach the Millennium Development Goals (MDGs). Although the MDRI is an initiative common to three international financial institutions, the decision to grant debt relief is ultimately the separate responsibility of each institution. In deciding to implement the MDRI, the IMF Board modified the initial G-8 proposal in November 2005 to fit the requirement, specific to the IMF, that the use of the IMF's resources be consistent with the principle of uniformity of treatment. Under this principle, the institution's general resources must be used in an evenhanded manner across its membership. The Executive Board agreed that these resources be used to provide debt relief on the basis of a per capita income criterion and endorsed an income cutoff of \$380. Thus, all countries with per-capita income of US\$380 a year or less (HIPCs and non-HIPCs) are eligible to receive MDRI debt relief financed by the Fund's own resources. HIPCs with per capita income above that threshold are eligible to receive MDRI relief from bilateral contributions administered by the Fund. MDRI debt relief covers the full stock of debt owed to the IMF at end-2004 that remains outstanding at the time the country qualifies for such relief. At that point, 20 countries (the 18 HIPCs that had then passed the completion point under the Initiative, plus the two non HIPCs with a per capita income below \$380) were found eligible for MDRI relief from the Fund.

*Status of Implementation of the HIPC Initiative and MDRI*

**Initiative for Heavily Indebted Poor Countries and Multilateral Debt Relief—Status of Implementation (August 2007).** The summary below is amended to reflect developments between August 2007 and April 2008.

Out of 41 countries eligible for HIPC Initiative assistance, 23 have reached the completion point (of which 6 benefited from topping-up assistance), 10 have reached the decision point;

and 8 have yet to reach the decision point (Table 5). Liberia's eligibility for HIPC assistance was confirmed in February 2008 and it reached the decision point in March 2008. Debt reduction packages to the 33 post-decision-point HIPCs are expected to deliver over US\$38 billion (in end-2006 NPV terms). The overall cost of the Initiative for the 41 HIPCs is estimated at US\$67.7 billion; the Fund accounts for about 8.6 percent of the total cost (US\$5.8 billion).

The 23 post-completion-point countries and the two non-HIPCs have also benefited from the MDRI. The total cost of the MDRI is estimated at about US\$48 billion in nominal terms, of which the Fund's contribution amounts to US\$ 4 billion. Debt relief under the two initiatives is expected to reduce the debt stocks of current post-decision-point HIPCs by about 90 percent. Debt service paid by these countries has declined by 2.7 percentage points of GDP between 2000 and 2006, freeing up resources for poverty-reducing expenditures, which have increased by the same magnitude during this period.

### **Debt Sustainability Framework**

#### **Debt Sustainability in Low-Income Countries—Proposal for an Operational Framework and Policy Implications (February 2004); Debt Sustainability in Low-Income Countries—Further Considerations on an Operational Framework and Policy Implications (September 2004); Operational Framework for Debt Sustainability Analysis in LICs (March 2005)**

These papers made operational earlier proposals for a new debt sustainability framework (DSF) for LICs. The DSF rests on three pillars: (i) a debt sustainability assessment based on indicative country-specific debt-burden thresholds that depend on the quality of policies and institutions in the country; (ii) a standardized forward-looking analysis of debt and debt-service dynamics under a baseline scenario, alternative scenarios, and standardized stress test scenarios; and (iii) an associated borrowing strategy (and financing) strategy that seeks to contain the risk of debt distress. The pillars constitute a standardized analytical framework that allows comparison across countries but is flexible enough to address each country's specific circumstances. Essentially, the DSF combines analytical rigor with some degree of flexibility, to avoid a purely mechanistic use of the instrument that would ignore relevant specificities and financing circumstances in individual countries. Public sector domestic debt should be included in assessments of overall debt sustainability. The paper also specifies modalities for collaboration between IMF and World Bank staffs in the preparation of DSAs under the DSF. The aim is to arrive at a common risk classification. DSAs are presented annually in the context of Article IV reports and constitute the basis for Fund conditionality (via indicative targets on the NPV of external debt and/or on the overall fiscal deficit).

#### **Review of Low-Income Country Debt Sustainability Framework and Implications of the MDRI (March 2006); Applying the Debt Sustainability Framework for LICs Post Debt Relief (November 2006)**

In 2006, there was evidence that LICs were facing new risks to debt sustainability. Debt relief provided under the MDRI had led to the perception of a large borrowing space in some LICs while the emergence of new creditors contributed to an expansion in the availability of funds. With strengthened macroeconomic fundamentals and improved prospects following the rise in commodity prices, LICs offered attractive lending opportunities for export credit agencies from the Organization for Economic Co-operation and Development (OECD) and outside the OECD. Private external creditors were broadening their activities with LICs, previously confined to a few resource-rich economies. While welcome, these developments raised risks of a new unsustainable debt buildup that would compromise macroeconomic and financial stability. In response to these risks, the DSF was strengthened. The rigor and quality of DSAs were enhanced through a reinforcement of the DSF's built-in precautionary features, clearer guidance on critical aspects of underlying growth and macroeconomic scenarios, and additional vulnerability indicators in cases where private external creditors are significant. Directors underscored that concessional external resources remain the most appropriate source of financing for LICs and nonconcessional finance is better fitted for specific high-return projects, especially when no or limited concessional resources are available and debt sustainability is not at risk. Domestic government debt is to be integrated more systematically into the assessment of debt sustainability and the risk of external debt distress. Lastly, the effectiveness of the DSF ultimately depends on its broader use by debtors and creditors. Staffs maintain active contacts with a wide range of creditors, including private and non-traditional ones, to raise their awareness of debt sustainability risks and encourage them to use DSAs as input. DSAs can also facilitate communication between creditors and debtors, and help debtors negotiate financing terms that are in line with their future repayment capacity. The DSF, combined with capacity building in public debt management, can help borrowers develop their own medium-term debt strategy in support of their development objectives, while containing risks of debt distress and macroeconomic instability.

### **E. New and Modified Instruments**

#### **Policy Support and Signaling in Low-Income Countries (June 2005); Implementation of the Policy Support Instrument (September 2005)**

These papers constituted the basis for the PSI. This facility is aimed at “mature stabilizers”: low-income countries that have achieved macro stability and no longer need Fund financial support but want the Fund to endorse the quality of their policies. The PSI is based on a poverty reduction strategy and supports a policy framework focused on macroeconomic stability, debt sustainability, and structural reforms. It can provide the basis for rapid (but not automatic) access to Fund financing through the ESF, if needed.

#### **Strengthening the Fund's Ability to Assist Low-Income Countries Meet Balance of Payments Needs Arising from Sudden and Exogenous Shocks (June 2005); Establishment of an Exogenous Shocks Facility under the PRGF Trust (October 2005)**

These papers led to the adoption of the ESF, under which concessional financial assistance can be provided to meet balance of payments needs arising from exogenous shocks in PRGF-



eligible countries that do not have current PRGF arrangements. Arrangements under the ESF will be one or two years in length. While programs may thus be less ambitious in terms of structural reforms, those issues important for adjustment to the shock should be addressed.

### **The Fund’s Engagement in Fragile States and Post-Conflict Countries—A Review of Experience—Issues and Options (March 2008)**

The Fund is in the process of adapting its instruments to accommodate the special needs of the fragile states among its LIC members. Recognizing the distinctive needs of fragile states, a recent Board paper proposed a new facility that offers a more graduated approach to a regular Fund program than is currently available. Under the proposal, the EPCA would be amended to create an Economic Recovery Assistance Program (ERAP), which becomes available in two phases over five years to all fragile states. The first phase emphasizes capacity building and macroeconomic support, but would entail no financing. Once phase one has succeeded in building sufficient capacity, and provided that a balance-of-payments need exists, the country could in a second phase obtain Fund financing under the Economic Recovery Financial Assistance (ERFA). The ERAP would be endorsed by the Board and assessed twice yearly. Financing under ERFA would be concessional, and the ERFA period would count as track record for transiting to a PRGF, as well as for reaching the HIPC Decision Point. The EPCA would continue to be available to non-LIC members. Following a discussion by the Board, these proposals are being revisited to take into account the views and suggestions expressed by Directors.

## **F. Collaboration with Development Partners**

### **Report of the External Review Committee on Bank-Fund Collaboration (January 2007)**

Following the commissioning of an external review committee by the managements of the Fund and the Bank, a paper was prepared by this committee with several recommendations to enhance collaboration between the two institutions. The committee did not recommend changes to the 1989 Concordat on Bank-Fund collaboration, but stressed the need to enhance the “culture of collaboration”. Recommendations included: intensified dialogue at senior levels; staff exchanges; reaching agreement on a country-by-country basis on a division of labor; and improved harmonization of work on fiscal issues, financial sector issues, and technical assistance. The Committee also recommended that the Fund gradually withdraw from providing long-term development financing through repeated PRGF arrangements. In an informal Board meeting, many expressed support for the proposals on collaboration, but there was general agreement that the report raised more questions than it answered. There was little appetite for the proposed governance changes. Many Directors disagreed strongly with the recommendation to withdraw from financing in low-income countries, though some saw merit in the proposal.

### **The Role of the Fund in the PRSP and Donor Coordination Processes (October 2007)**

Based on the many years of Fund experience with the PRS process, a 2007 paper on The Role of the Fund in the PRSP and Donor Coordination Processes clarified the appropriate

level and means of involvement of Fund staff in the PRSP and donor coordination processes. Regarding the Fund's coordination with donors, the paper reiterated that close collaboration with other development partners is essential for the Fund to be successful in focusing on its core mandate. The paper supported the continued frequent and extensive exchange of information with donors, including of Fund macroeconomic assessments and key policy concerns. The paper further underscored that a critical element of the collaboration with donors would be the country-level understandings between the authorities, the Fund, the World Bank, and other development partners on lead responsibility in supporting priority and growth-critical areas.

### **Joint Management Action Plan (October 2007)**

The Joint Management Action Plan represented one part of the response of Fund-Bank staff to the findings of an External Review Committee that was commissioned by the managements of the Fund and Bank to look into the institution's collaboration. The Committee's report, released in February 2007, had called for the strengthening of the culture of collaboration between the two institutions and made a number of proposals in that direction. In response, the JMAP identified a series of measures designed to: (i) improve coordination on country issues (involving various new procedures for country team coordination); (ii) enhance communications on common thematic issues; and (iii) improve incentives and central support for collaboration on policies, reviews, and other institutional issues.

**Table 1: List of Board Papers on the PRS, PRGF, Fund Instruments, and Related Issues: 1997-2008**

|   | <b>Date</b>   |
|---|---------------|
| <b>1997</b>   |               |
| The ESAF at Ten Years: Economic Adjustment and Reform in Low-Income Countries, Occasional Paper 156     | Jul-97        |
| <b>1998</b>   |               |
| External Evaluation of the ESAF, Report by a Group of Independent Experts                               | Jun-98        |
| Distilling the Lessons from the ESAF Reviews  | Jul-98        |
| <b>1999</b>   |               |
| Strengthening the Link Between Debt Relief and Poverty Reduction  | Aug-99        |
| Building Poverty Reduction Strategies in Developing Countries   | Sep-99        |
| Report to the Interim Committee on Reform of ESAF   | Sep-99        |
| <b>PRSP -- Operational Issues</b>   | <b>Dec-99</b> |
| <b>PRGF -- Operational Issues</b>   | <b>Dec-99</b> |
| Board Endorsement of PRSP/PRGF  | Dec-99        |
| <b>2000</b>   |               |
| Progress Report on Poverty Reduction Strategy Papers (PRSPs)  | Apr-00        |
| Key Features of IMF PRGF-Supported Programs   | Aug-00        |
| Poverty Reduction Strategy Papers -- Progress in Implementation   | Sep-00        |
| <b>2001</b>   |               |
| Poverty Reduction Strategy Papers -- Progress in Implementation   | Apr-01        |
| Poverty Reduction Strategy Papers -- Progress in Implementation   | Sep-01        |
| <b>2002</b>   |               |
| <b>Review of the PRGF -- Issues and Options</b>   | <b>Mar-02</b> |
| <b>Review of the PRGF -- Staff Analysis</b>   | <b>Mar-02</b> |
| <b>Review of the PRSP Approach: Main Findings</b>   | <b>Mar-02</b> |
| Review of the PRSP Approach: Early Experience with Interim PRSPs and Full PRSPs                         | Mar-02        |
| Background Information to the Joint IMF/WB Review of the PRSP Approach                                  | Mar-02        |
| Assessing Sustainability  | May-02        |
| Poverty Reduction Strategy Papers -- Progress in Implementation   | Sep-02        |
| <b>2003</b>   |               |
| Signaling Assessments of Members' Policies  | Jan-03        |
| Rome Declaration on Aid Effectiveness   | Feb-03        |
| <b>Aligning the PRGF and the Poverty Reduction Strategy Paper (PRSP) Approach - Issues and Options</b>  | <b>Mar-03</b> |
| <b>Role of the Fund in Low-Income Member Countries over the Medium Term-Issues Paper for Discussion</b> | <b>Jul-03</b> |
| Fund Assistance for Countries Facing Exogenous Shocks   | Aug-03        |
| Poverty Reduction Strategy Papers - Detailed Analysis of Progress in Implementation                     | Sep-03        |
| Poverty Reduction Strategy Papers - Revised Report to the IMFC  | Sep-03        |
| Poverty Reduction Strategy Papers - Progress in Implementation  | Sep-03        |

**Table 1: List of Board Papers on the PRS, PRGF, Fund Instruments, and Related Issues (concluded)**

|   |               |
|---|---------------|
| <b>2004</b>   |               |
| The Fund's Support of Low Income Member Countries - Considerations on Instruments and Financing                                 | Feb-04        |
| Strengthening IMF-World Bank Collaboration on Country Programs and Conditionality-Progress Report                               | Feb-04        |
| Fund Support for Trade-Related Balance of Payments Adjustments (TIM)  | Mar-04        |
| Financing Modalities Toward the Millennium Development Goals: Progress Note   | Apr-04        |
| Signaling by the Fund - A Historical Review   | Jul-04        |
| <b>IEO Evaluation Report on PRSPs and the PRGF</b>  | <b>Jul-04</b> |
| <b>The Role of the Fund in Low-Income Member Countries</b>  | <b>Aug-04</b> |
| Poverty Reduction Strategy Papers-Progress in Implementation  | Sep-04        |
| Aid Effectiveness and Financing Modalities  | Sep-04        |
| Policy Monitoring Arrangement   | Sep-04        |
| Poverty Reduction Strategy Papers - Revised Report to the IMFC  | Sep-04        |
| Poverty Reduction Strategy Papers-Proposed Amendments to the PRGF Trust and PRGF-HIPC Trust Instruments                         | Nov-04        |
| Operational Guidance Note on Access Under the PRGF  | Nov-04        |
| <b>2005</b>   |               |
| Paris Declaration on Aid Effectiveness  | Mar-05        |
| The Fund's Medium-Term Strategy-Framework and Initial Reflections   | Apr-05        |
| Doha Development Agenda and Aid for Trade   | Apr-05        |
| <b>Policy Support and Signaling in Low-Income Countries</b>   | <b>Jun-05</b> |
| <b>Strengthening the Fund's Ability to Assist Low-Income Countries Meet Balance of Payments Needs Arising from Sudan</b>        | <b>Jun-05</b> |
| Financing the Continuation of the PRGF and the Establishment of a Window within the PRGF Trust for BOP Needs Arising from Sudan | Jun-05        |
| Review of the Fund's Strategy on Overdue Financial Obligations  | Aug-05        |
| 2005 Review of PRS Approach Balancing Accountability and Scaling Up Results   | Aug-05        |
| Aligning the PRGF and the PRSP Approach-Balancing Accountabilities and Scaling Up Results                                       | Aug-05        |
| <b>Review of PRGF Program Design - Overview</b>   | <b>Aug-05</b> |
| Monetary and Fiscal Policy Design Issues in Post-Stabilization LICs   | Aug-05        |
| Can PRGF Policy Levers Improve Institutions and Lead to Sustained Growth?   | Aug-05        |
| The Macroeconomics of Managing Increased Aid Inflows: Experience of LICs and Policy Implications                                | Aug-05        |
| <b>Implementation of the Policy Support Instrument</b>  | <b>Sep-05</b> |
| Aid Financing and Aid Effectiveness   | Sep-05        |
| The Managing Director's Report on the Fund's Medium-Term Strategy   | Sep-05        |
| <b>Establishment of an Exogenous Shocks Facility Under the PRGF Trust</b>   | <b>Oct-05</b> |
| <b>2006</b>   |               |
| Review of Financing of the Fund's Concessional Assistance and Debt Relief to Low-Income Member Countries                        | Mar-06        |
| Review of Low-Income Country Debt Sustainability Framework and Implications of the MDRI   | Mar-06        |
| <b>The Managing Director's Report on Implementing the Fund's Medium-Term Strategy</b>   | <b>Apr-06</b> |
| <b>2007</b>   |               |
| <b>Report of the External Review Committee on Bank-Fund Collaboration (Malan Report)</b>  | <b>Jan-07</b> |
| <b>IEO: An Evaluation of the IMF and Aid to Sub Saharan Africa</b>  | <b>Mar-07</b> |
| <b>Aid Inflows—The Role of the Fund and Operational Issues for Program Design</b>   | <b>Jun-07</b> |
| <b>Fiscal Policy Response to Scaled-Up Aid</b>  | <b>Jun-07</b> |
| <b>The Role of the Fund in the PRS Process and Its Collaboration with Donors</b>  | <b>Oct-07</b> |
| <b>Joint Management Action Plan</b>   | <b>Oct-07</b> |
| <b>2008</b>   |               |
| <b>The Fund's Engagement in Fragile States and Post-Conflict Countries—A Review of Experience; Issues and Options</b>           | <b>Feb-08</b> |
| <b>Reports with Annual or Regular Frequency</b>   |               |
| Annual Global Monitoring Reports (in collaboration with the World Bank)   |               |
| Poverty Reduction Strategy Papers—Progress in Implementation  |               |
| (*) Papers in bold are those that have been summarized in the Annex text.   |               |

Table 2: List Board Papers on the HIPC Initiative and MDRI (1998-2007)

|   | Date          |
|---|---------------|
| <b>1998</b>   |               |
| HIPC Initiative - Meeting with Multilateral Development Banks on March 2-3, 1998  | Mar-98        |
| The Initiative For Heavily Indebted Poor Countries Review and Outlook   | Aug-98        |
| <b>1999</b>   |               |
| HIPC Initiative - Tentative Costing of Illustrative Alternatives to the HIPC Initiative Framework   | Feb-99        |
| HIPC Initiative - Information Note on the 1999 Review Process   | Mar-99        |
| HIPC Initiative - Perspectives on the Current Framework and Options for Change  | Apr-99        |
| <b>Modifications to the Heavily Indebted Poor Countries (HIPC) Initiative</b>   | <b>Jul-99</b> |
| The Impact of Lower Gold Prices and HIPC Initiative Assistance  | Aug-99        |
| <b>HIPC Initiative - Strengthening the Link Between Debt Relief and Poverty Reduction</b>   | <b>Aug-99</b> |
| Poverty Reduction Strategy Papers - Operational Issues  | Dec-99        |
| <b>2000</b>   |               |
| <b>Modifications to the Heavily Indebted Poor Countries (HIPC) Initiative - Proposed Decision to Amend the PRGF-HIPC trust Instrument</b>         | <b>Jan-00</b> |
| HIPC Initiative - Official Bilateral Creditors  | Mar-00        |
| Debt Service Payments After HIPC Initiative Assistance  | Oct-00        |
| Misreporting in the Context of the HIPC Initiative Assistance - Preliminary Considerations  | Nov-00        |
| Misreporting in the Context of the HIPC Initiative Assistance   | Dec-00        |
| <b>2001</b>   |               |
| Tracking of Poverty-Reducing Public Spending in Heavily Indebted Poor Countries   | Jan-01        |
| <b>Assistance to Post Conflict Countries and the HIPC Framework</b>   | <b>Mar-01</b> |
| <b>Enhanced HIPC Initiative - Completion Point Considerations</b>   | <b>Aug-01</b> |
| <b>2002</b>   |               |
| HIPC Initiative - Debt Sustainability Analysis and Noncomplying Purchases and Disbursements   | Feb-02        |
| Actions to Strengthen the Tracking of Poverty Reducing Public Spending in Heavily Indebted Poor Countries   | Mar-02        |
| External Debt Management in Heavily Indebted Poor Countries (HIPC)  | Apr-02        |
| Heavily Indebted Poor Countries (HIPC) Initiative - Timing of the Completion Point  | Jun-02        |
| <b>2003</b>   |               |
| <b>Enhanced HIPC Initiative - Creditor Participation Issues</b>   | <b>Feb-03</b> |
| Update on Implementation of Action Plans to Strengthen Capacity of HIPCs to track Poverty-Reducing Public Expenditure                             | Mar-03        |
| Enhanced Heavily Indebted Poor Countries Initiative - Considerations Regarding the Calculation of Additional Debt Relief at the Completion Point  | Aug-03        |
| <b>2004</b>   |               |
| Enhanced HIPC Initiative - Possible Options Regarding the Sunset Clause   | Jul-04        |
| <b>2005</b>   |               |
| Further Debt Relief for Low-Income Countries - Key Issues and Preliminary Considerations  | Mar-05        |
| The G-8 Debt Cancellation Proposal and its Implications for the Fund  | Jul-05        |
| Initiative for Heavily Indebted Poor Countries (HIPC) - Status of Implementation  | Sep-05        |
| The G-8 Debt Cancellation Proposal and its Implications for the Fund --Further Consideration  | Sep-05        |
| <b>The Multilateral Debt Relief Initiative (G-8 Proposal) and its Implications for the Fund - Further Considerations-Supplemental Information</b> | <b>Nov-05</b> |
| Multilateral Debt Relief Assistance and Exogenous Shocks Facility - Proposed Decisions  | Nov-05        |
| Multilateral Debt Relief Assistance: A First Assessment of Eligible Countries   | Dec-05        |
| <b>2006</b>   |               |
| <b>Heavily Indebted Poor Countries Initiative - List of Ring-Fenced Countries Potentially Eligible Under the Initiative</b>                       | <b>Mar-06</b> |
| Enhanced Heavily Indebted Poor Countries Initiative-Possible Options Regarding the Sunset Clause  | Jul-06        |
| <b>Initiative for Heavily Indebted Poor Countries - Issues Related to the Sunset Clause - Proposed Decision</b>                                   | <b>Aug-06</b> |
| <b>2007</b>   |               |
| <b>Initiative for Heavily Indebted Poor Countries (HIPC) and Multilateral Debt Relief Initiative (MDRI) - Status of Implementation</b>            | <b>Aug-07</b> |
| Enhanced Heavily Indebted Poor Countries Initiative-Status of Non-Paris Club Official Bilateral Creditor Participation                            | Sep-07        |
| <b>Proposals to Modify the PRGF-HIPC Trust Instrument-Further Considerations and Proposed Decision</b>  | <b>Dec-07</b> |
| <b>Reports with Annual or Regular Frequency</b>   |               |
| HIPC Initiative—Status of Implementation  |               |
| HIPC Initiative – Statistical Updates   |               |

(\* ) Papers in bold are those that have been summarized in the Annex text.

**Table 3: List of Board Papers on the Debt Sustainability Framework**

|   | <b>Date</b>   |
|---|---------------|
| <b>2000</b>   |               |
| Debt - and Reserve - related indicators of External Vulnerability   | Mar-00        |
| <b>2001</b>   |               |
| The Challenge of Maintaining Long-Term External Debt Sustainability   | Mar-01        |
| <b>2002</b>   |               |
| Assesing Sustainability   | May-02        |
| <b>2003</b>   |               |
| Debt Sustainability in Low-income Countries - Toward a Forward - Looking Strategy   | May-03        |
| Sustainability Assesments - Review of Application and Methodological Refinements  | Jun-03        |
| Joint Bank-Fund Workshop on Debt Sustainability in Low Income Countries   | Oct-03        |
| <b>2004</b>   |               |
| <b>Debt Sustainability in Low-Income Countries - Proposal for an Operational Framework and Policy Implications</b>                        | <b>Feb-04</b> |
| <b>Debt Sustainability in Low-Income Countries - Further Considerations on an Operational Framework and Policy Implications</b>           | <b>Sep-04</b> |
| Information Note on Options for Revising Debt Thresholds in the Joint Bank-Fund Framework for Debt Sustainability in Low-Income Countries | Nov-04        |
| <b>2005</b>   |               |
| <b>Operational Framework for Debt Sustainability Assesments in Low-Income Countries - Further Considerations</b>                          | <b>Mar-05</b> |
| <b>2006</b>   |               |
| <b>Review of Low Income Country Debt Sustainability Framework and Implications of the Multilateral Debt Relief Initiative (MDRI)</b>      | <b>Mar-06</b> |
| <b>Applying the Debt Sustainability Framework for Low-Income Countries Post Debt Relief</b>   | <b>Nov-06</b> |
| <b>2007</b>   |               |
| Strengthening Debt Management Practices - Lessons from Country Experiences and Issues Going Forward                                       | Mar-07        |
| Staff Guidance on the Application of the Joint Fund-Bank Sustainability Framework for Low-Income Countries                                | Apr-07        |

(\*) Papers in bold are those that have been summarized in the Annex text.

**Table 4: Number of Fund-supported programs in Low-Income Countries 1/**

|   | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 |
|---|------|------|------|------|------|------|------|------|------|
| <b>PRGF 2/</b>                                |      |      |      |      |      |      |      |      |      |
| In place at the end of the year               | 32   | 33   | 39   | 38   | 38   | 33   | 30   | 29   | 24   |
| Approved within the year                      | 9    | 11   | 13   | 10   | 10   | 7    | 8    | 10   | 4    |
| Average total access (in percent of quota)    | 70   | 67   | 75   | 64   | 48   | 49   | 26   | 49   | 39   |
| <b>PSI 3/</b>                                 |      |      |      |      |      |      |      |      |      |
| In place at the end of the year               | ...  | ...  | ...  | ...  | ...  | ...  | 1    | 4    | 5    |
| Approved within the year                      | ...  | ...  | ...  | ...  | ...  | ...  | 1    | 3    | 3    |
| Average duration (in months)                  | ...  | ...  | ...  | ...  | ...  | ...  | 24   | 29   | 36   |
| <b>SMP 3/</b>                                 |      |      |      |      |      |      |      |      |      |
| In place at the end of the year 4/            | 2    | 4    | 9    | 8    | 4    | 5    | 4    | 6    | 5    |
| Approved within the year                      | 4    | 5    | 12   | 7    | 5    | 6    | 7    | 6    | 4    |
| Average duration (in months)                  | 18   | 12   | 8    | 8    | 8    | 10   | 10   | 7    | 9    |
| <b>ENDA 5/</b>                                |      |      |      |      |      |      |      |      |      |
| In place at the end of the year               | 0    | 0    | 0    | 1    | 1    | 1    | 2    | 0    | 0    |
| Approved within the year                      | 1    | 0    | 0    | 1    | 1    | 1    | 2    | 0    | 0    |
| Average total access (in percent of quota)    | 38   | 0    | 0    | 25   | 25   | 25   | 38   | 0    | 0    |
| <b>EPCA 5/</b>                                |      |      |      |      |      |      |      |      |      |
| In place at the end of the year               | 2    | 3    | 0    | 1    | 1    | 1    | 2    | 1    | 1    |
| Approved within the year                      | 2    | 4    | 0    | 1    | 1    | 2    | 2    | 1    | 2    |
| Average total access (in percent of quota)    | 15   | 14   | 0    | 13   | 13   | 18   | 13   | 13   | 19   |
| <b>SBA 6/</b>                                 |      |      |      |      |      |      |      |      |      |
| In place at the end of the year               | 1    | 3    | 1    | 1    | 1    | 0    | 0    | 0    | 0    |
| Approved within the year                      | 1    | 3    | 1    | 1    | 1    | 0    | 0    | 0    | 0    |
| Duration (in months)                          | 14   | 12   | 14   | 12   | 12   | ...  | ...  | ...  | ...  |
| Average total access (in percent of quota) 1/ | 40   | 52   | 48   | 40   | 50   | ...  | ...  | ...  | ...  |
| <b>EFF 6/</b>                                 |      |      |      |      |      |      |      |      |      |
| In place at the end of the year               | 0    | 0    | 0    | 0    | 1    | 1    | 1    | 1    | 1    |
| Approved within the year                      | ...  | ...  | ...  | ...  | 1    | ...  | ...  | 1    | ...  |
| Duration (in months)                          | ...  | ...  | ...  | ...  | 36   | ...  | ...  | 36   | ...  |
| Average total access (in percent of quota) 1/ | ...  | ...  | ...  | ...  | 35   | ...  | ...  | 17   | ...  |

1/ Averages reflect access and duration at the time of approval.

2/ Duration is 36 months upon approval; hence, average duration is not reported.

3/ There are no disbursements under this program; hence, average access is not reported.

4/ SMP is counted if it was in place for at least one-quarter of the year.

5/ As there is no phasing, average duration is not reported.

6/ PRGF-eligible countries only.

Source: International Monetary Fund

**Table 5: List of Countries That Have Qualified for, are Eligible or Potentially Eligible, and May Wish to Receive HIPC Initiative Assistance (as of end-April 2008)**

| <b>Post-Completion-Point Countries (23) <sup>1/</sup></b>             |                          |                     |
|---|--------------------------|---------------------|
| Benin   | Honduras                 | Rwanda              |
| Bolivia   | Madagascar               | São Tomé & Príncipe |
| Burkina Faso  | Malawi                   | Senegal             |
| Cameroon  | Mali                     | Sierra Leone        |
| Ethiopia  | Mauritania               | Tanzania            |
| The Gambia  | Mozambique               | Uganda              |
| Ghana   | Nicaragua                | Zambia              |
| Guyana  | Niger                    |                     |
| <b>Interim Countries (Between Decision and Completion Point) (10)</b> |                          |                     |
| Afghanistan   | Republic of Congo        | Haiti               |
| Burundi   | Democratic Rep. of Congo | Liberia             |
| Central African Republic  | Guinea                   |                     |
| Chad  | Guinea-Bissau            |                     |
| <b>Pre-Decision-Point Countries (8)</b>                               |                          |                     |
| Comoros   | Kyrgyz Republic          | Sudan               |
| Côte d'Ivoire   | Nepal                    | Togo                |
| Eritrea   | Somalia                  |                     |

<sup>1/</sup> The post-completion point countries are also recipients of MDRI assistance.