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IMF and World Bank Announce up to US\$1.8 billion in Debt Relief for Togo

The International Monetary Fund (IMF) and the World Bank's International Development Association (IDA) have decided that Togo has reached the completion point under the Enhanced Highly Indebted Poor Countries (HIPC) Initiative, which will lead to up to US\$1.8 billion of debt relief for Togo, representing an 82 percent reduction of its external debt in nominal terms.¹

The Boards of Directors of both institutions² determined that the country has implemented the policy measures (“triggers”) required to reach the completion point, a stage in which debt relief from the HIPC Initiative becomes irrevocable, and the country will benefit from the Multilateral Debt Relief Initiative (MDRI). Triggers included a satisfactory implementation of the Poverty Reduction Strategy Paper (PRSP), the maintenance of a sound macroeconomic policy framework under an IMF-supported economic program, as well as progress in the areas of public financial management, governance, debt management and social sectors.

Of the resulting reduction of about US\$1.8 billion in the stock of debt, 47 percent will come from multilateral creditors, 50 percent from Paris Club creditors, and the remainder is expected to come from other bilateral and commercial creditors. Debt relief from the World Bank’s IDA, the World Bank’s fund for the poorest, will total \$156 million under the HIPC Initiative and \$564 million under the MDRI.³ As a result of this substantial debt relief, Togo will no longer face a heavy debt service burden and will be able to pursue its economic recovery with sound public finances.

¹ The *nominal value* of debt is the amount that the debtor owes to creditors at a moment in time; the *present value* is the discounted sum of all future debt service (principal and interest) at a specific market rate of interest (called the discount rate). In debt-reorganization discussions, the present value concept is used to measure, in a consistent manner, the burden sharing of debt reduction among creditors. For further explanation [click here](#) to see entries for *Nominal Value* and *Present Value* in Appendix III--Glossary of External Debt Terms IMF, External Debt Statistics: Guide for Compilers and Users, (2003) IMF, Washington DC.

² The IMF Executive Board met on December 10, 2010, and the IDA Executive Board met on December 14.

³ Debt relief from the IMF will total \$0.3 million. Relief is calculated based on the stock of debt contracted before 2008, and the IMF provided most of its financing after the end of 2007.

“Togo’s success in obtaining this debt relief helps provide a new beginning for the country following the economic distress of its past domestic crisis. We applaud Togo’s rapid progress in economic stabilization and structural reform, which has not only qualified it for debt relief but also laid the groundwork for future success,” said Marshall Mills, IMF mission chief for Togo. “Togo can now continue its impressive success in devoting more of its scarce resources to priorities such as social needs and rebuilding its infrastructure, rather than debt service. Just as importantly, Togo’s greatly improved financial health will provide a solid foundation for advancing the country’s development, encouraging the economic growth and private investment essential to meeting its goals,” he added.

“While we celebrate this good news and commend the Togolese Government for the significant efforts they have made to reach this stage, we also urge them to maintain prudent fiscal policies and improve debt management,” said Madani M. Tall, the World Bank Country Director for Togo. “It is now crucial that the resources made available as part of this debt relief be fully devoted to the country’s development agenda, mainly in the social sectors and to pursue growth oriented reforms. I therefore urge the authorities to maintain the momentum by using this debt relief for reducing poverty and making the economy more diversified and competitive.”

Togo becomes the 31st country to reach the completion point under the HIPC Initiative. The completion point marks the end of the HIPC process for Togo, which started in November 2008 when the Executive Boards of the IMF and the World Bank agreed that the country had met requirements for reaching the decision point -- a point which countries start receiving debt relief on an interim basis.

ANNEX (Note to Editors)

The HIPC Initiative. In 1996, the World Bank and IMF launched the HIPC Initiative to create a framework in which all creditors, including multilateral creditors, can provide debt relief to the world's poorest and most heavily indebted countries to ensure debt sustainability, and thereby reduce the constraints on economic growth and poverty reduction imposed by the unsustainable debt-service burdens in these countries.

To date, 36 HIPC countries have reached their decision points, of which 31 (including Togo) have reached the completion point.

The MDRI. Created in 2005, the aim of the Multilateral Debt Relief Initiative (MDRI) is to reduce further the debt of eligible low-income countries and provide additional resources to help them reach the Millennium Development Goals (MDGs). Under the MDRI, three multilateral institutions – the World Bank’s International Development Association, the International Monetary Fund and the African Development Fund-- provide 100 percent debt

relief on eligible debts to qualifying countries normally at the time they reach the HIPC Initiative completion point.

For more information on Togo, please visit:

<http://www.imf.org/external/country/TGO/index.htm>

For more information on debt relief, click:

<http://www.imf.org/external/np/exr/facts/hipc.htm>

<http://www.imf.org/external/np/exr/facts/mdri.htm> and

<http://web.worldbank.org/WBSITE/EXTERNAL/TOPICS/EXTDEBTDEPT/0,,contentMDK:21701931~menuPK:64166739~pagePK:64166689~piPK:64166646~theSitePK:469043,00.html>.

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