Statement of

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"Debt Relief for the Poorest Countries: Accomplishments and Ways Forward"

Hearing of the

Subcommittee on Domestic and International Monetary Policy, Trade, and Technology

of the

Committee on Financial Services
U.S. House of Representatives

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Mr. Chairman, Ranking Member Maloney, members of the subcommittee, I appreciate the opportunity to share the views of my organization DATA – Debt, AIDS, Trade, Africa – on the important issue of debt relief for the poorest countries.

While DATA is a relatively new organization, we are probably best known by our co-founder, Bono, lead singer of the Irish rock band U2. Bono has been a champion of fighting AIDS and poverty in Africa for many years. He and many of the people who now make up DATA's staff – myself included – began this work as part of the Jubilee 2000 debt relief campaign several years ago. That global campaign helped instigate the current debt relief program, the Enhanced Heavily Indebted Poor Country (HIPC) Initiative, that you are considering today.

The Enhanced HIPC program got its launch in the United States from the leadership of this subcommittee and full committee at the time. I want to thank Mr. Leach, Mr. Bachus, Mr. Frank, and Ms. Waters, as well as many others, who led the legislative effort, along with the Clinton Administration and then-candidate Bush, to push the global agreement to provide debt relief. Your legislation provided the essential authorizing framework and the political momentum to approve the new program and get it funded. Given that history – perhaps parentage – this Subcommittee is taking an appropriate look at what has been accomplished, what problems exist, and what steps might be taken in the future. Having been here 5 years ago at this program's creation, I am honored to bring you my perspective on these important issues.

Congress and the Administration should be applauded for supporting the HIPC initiative. For an investment of under $1 billion spread over several years, the U.S. has leveraged $30 billion from other donors, writing off $50 billion worth of debt stock – a significant "clearing of the books" of decades-old debt, providing a fresh start to these countries. It also freed up $1 billion a year in debt service for 27 of the poorest countries that are now building schools, clean water wells and AIDS prevention programs with this money. It has not, however, provided a lasting solution to the debt crisis and could be improved.

Debt Relief – Essential but Not Sufficient

Debt relief is not, nor was it ever intended to be, a panacea for its recipient countries. While its benefits are real, debt relief is only part of a comprehensive development strategy to help poor countries reach poverty reduction and development goals. Shifting from loans to grants, additional and effective development assistance, as well as better trade terms are all critical to poor countries. Debt relief, and even 100% debt cancellation, cannot address all the problems of needy countries. Debt relief is a first, critical, but not sufficient step.

Background

Over the last several decades, poor countries accumulated large international debts, built up through Cold War-motivated lending, natural disasters, as well as decisions by corrupt dictators. These debts became a serious impediment to poverty reduction and economic development in the world's poorest countries. Many poor countries spent 30-40 percent of their annual budgets paying back decades-old debts, much more than they spent on health and education combined.

Worse yet, most borrowed more money in order to cover their payments on old debt, creating a vicious cycle of indebtedness.

In 1996, the World Bank, IMF, and their member governments agreed to provide debt relief to approximately 40 of the world's poorest and most indebted nations. The first HIPC Initiative was designed to cancel some bilateral and multilateral debt for eligible countries in order to reduce their external debt burdens to "sustainable" levels.

After adopting IMF and World Bank supported economic and governance reform programs for three years, poor countries could receive relief on debt service payments. Then, if reforms continued, they would become eligible for cancellation of some debt stock. Under this 1996 plan, only 7 countries qualified for debt service relief with few resources freed for poverty reduction and development.

Then, under the banner of "Jubilee 2000," the religious community and other advocates around the world raised the concern that crushing debt burdens continued to push the poorest countries deeper into poverty, diverting scarce resources from health, education, and other development needs. This movement united under a call for deeper, faster and broader debt relief for the poorest countries, through a fair and transparent process to correctly balance in the interests of creditors and debtors. Campaigns emerged in more than 60 countries, and inspired support from numerous luminaries such as Pope John Paul II, Billy Graham, Desmond Tutu, Pat Robertson, Muhammad Ali, and of course Bono. But the real heroes and inspiration for this movement were the grassroots groups and anti-corruption campaigner in the Global South – like the Uganda Debt Network – who called upon the developed world to do more, and who monitor the ongoing use of funds released by HIPC.

In response, the G7 and then the Boards of the World Bank and IMF adopted the "Enhanced HIPC Initiative" in 1999. It was designed to provide deeper debt relief for more countries more quickly, and more directly tie the provision of debt relief to country-led poverty reduction plans. The agreement obligated each creditor government to (a) write off its own bilateral loans to qualified poor countries, (b) authorize the IMF to use internal gold resources to write down its loans, (c) contribute to a pool of funds to write off multilateral debts, and (d) approve a new process for debt relief and new lending at the World Bank and IMF that had poverty reduction as its focus, not economic austerity programs.

Congress, led by this Committee, provided essential authorizing legislation and appropriations allowing the U.S. to participate in this initiative – which triggered other countries' participation – in the fall of 2000.

Between fiscal years 2000 and 2004, Congress appropriated $860 million to fund the Enhanced HIPC initiative in both bilateral debt relief and contributions to cut multilateral debt.

Progress and Impact

Since 2000, 27 poor countries have qualified for the HIPC program – all but four of them are in sub-Saharan Africa (country list attached). The benefits of this program for these 27 countries have been measurable.

Reducing "debt overhang" – Upon completion of the program, these countries will see their debt stock reduced by two-thirds, cutting $52 billion in nominal terms[1]. Getting rid of this "debt overhang" reduces a strong incentive for capital flight. The average amount governments actually have to spend on debt service has gone from 25% of their budgets to 15%.

Civil Society and Transparency – An important part of the HIPC program has been the inclusion of civil society and greater government transparency in the creation of country poverty reduction plans. Recipient governments must engage in a broadly participatory consultation process with civil society, business, labor, academic, religious and others to determine the poverty reduction priorities for the country. This Poverty Reduction Strategy Paper (PRSP) process has not been perfect, to be sure, but still represents a significant new approach to improving country ownership by non-government actors, as well as enhancing transparency.

Debt Service to Poverty Reduction – One of the conditions for receiving debt relief was the recipient government's agreement to use the debt service savings for poverty reduction. More than $1 billion annually in debt service is now staying in these 27 countries to fight poverty. Evidence collected by the World Bank shows that, indeed, recipient countries are using this $1 billion in the ways intended – in fact expenditures on poverty reduction in these countries has risen by nearly twice that amount. By another measure, spending on poverty reduction as a share of total government spending rose from 41% to 54% (1998-2004). And spending on military in these countries has risen by only an inflationary 2% in this time.

According to research conducted by Jubilee USA Network, the successor organization to the U.S. chapter of Jubilee 2000, this debt relief is working on the ground to help people's lives (paper attached).

- Tanzania has used its savings from debt relief, averaging around $80 million a year, to increase education spending and eliminate school fees. An estimated 1.6 million children have returned to school.
- Uganda used the bulk of debt relief savings to fund universal primary education, more than doubling the school enrollment rate to 94%, which has contributed to Uganda's remarkable decline in HIV rates. It also dug many clean water wells.
- Mozambique has used substantial debt savings of around $70 million annually to vaccinate children against tetanus, whooping cough and diphtheria, as well as to build and electrify schools.
- Cameroon's $140 million per year savings were used to launch a national HIV/AIDS plan for prevention, education, testing, and mother-to-child transmission abatement.

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1 Unless otherwise noted, numeric data comes from World Bank/IMF "Heavily Indebted Poor Country Initiative - Status of Implementation," September 12, 2003.

Room for Improvement

While the Enhanced HIPC initiative is a significant step forward in reducing unpayable debt stock and freeing up some resources for poverty reduction, more needs to be done.

1. *Uneven results* – The impact on recipient countries in terms of debt service has been very uneven. Currently Burkina Faso is the only one of the 27 countries that spends less than 5% of revenues servicing debt. 19 of these countries spend more than 10%. The Gambia spent around 35% of revenues servicing debt in 2003.

2. *Remaining debt* – Much of the progress to date has been to eliminate large chunks of old debt stock – the "debt overhang" – which was not being paid back. To a smaller extent the HIPC program, as noted above, freed up money for poverty reduction. Unfortunately, the 27 currently qualified HIPCs continue to pay $2.3 billion annually on debt service, with the World Bank and IMF as the two largest remaining creditors. These are badly needed resources that could address major crises facing their nations, including fighting poverty, preventing HIV/AIDS, rebuilding infrastructure and putting children into school.

3. *Debt sustainability* – The Enhanced HIPC Initiative does not provide a credible guarantee that these countries will reach or maintain "debt sustainability," the purported objective of the program. Currently, debt sustainability is defined as reaching 150% of debt stock to exports. HIPCs graduating from the program are struggling to reach the 150% debt/export ratio, and there is little expectation they will maintain that level. The World Bank's own analysis concludes that in order for HIPCs to be sustainable under the current program, countries would have to grow at almost 8% a year, twice the rate as they did over the last 20 years. Also, because the current program is tied to exports, shocks to commodity prices have had a severely negative impact on many countries' debt sustainability. Such was the case for Niger, which recently was approved to have its debt relief "topped up" so that it could graduate the HIPC program within the 150% limit.

   Ethiopia also is nearing its graduation above the 150% threshold due to shifting global interest rates. While not an "exogenous shock" that the HIPC program fully anticipated, the World Bank has found that the impact has made it harder for Ethiopia to maintain debt sustainability and recommends it receive greater relief.

4. *Process and Conditions* – The HIPC program's biggest structural weakness is the process continues to be driven and controlled by creditors. In a domestic bankruptcy procedure, courts usually balance the interest of creditors with basic needs and financial capacity of debtors to arrange a suitable outcome. No such disinterested party exists in the HIPC program. One of the concrete results of this imbalance is some of the conditions associated with debt relief have been harmful to the goals of poverty reduction – such as the imposition of user fees on education, health, water, and sanitation.

5. *More countries* – More poor countries could benefit from both bilateral and multilateral debt reduction, in the same way the current 27 HIPC-qualified countries have. The original HIPC

framework identified 42 heavily-indebted poor countries, and this list did not include Nigeria, Haiti, Bangladesh, Kenya, or many others that could benefit. As we have seen recently in Iraq, any reconstruction and development package should include substantial debt relief as a way of easing the financial pressure on a burdened country and freeing up resources to meet critical needs.

Debt Legislation

Over the last couple of years, DATA and a broad coalition of churches and other NGOs have supported an effort to address the first 4 of these shortfalls, by changing the way debt relief is measured for the qualified HIPCs. With the leadership of Mr. Frank and Mr. Smith of New Jersey here in the House, and Senators Santorum and Biden in the Senate, legislation was introduced to make a simple change to the Enhanced HIPC initiative to free up additional debt service and lead to greater debt sustainability. This legislation was enacted into law last year as part of the global HIV/AIDS bill, Public Law 108-25.

The legislation urged the Administration to negotiate with international partners a change to the HIPC program. Instead of defining the goal of debt sustainability as simply 150% debt stock to exports, the legislation proposed that countries should pay no more than 10% of annual government revenue on debt service and, in the case of a country hard hit by a health crisis such as HIV/AIDS, no more than 5% of revenue. The majority of the 27 HIPCs would qualify for the 5% health crisis level. Adding this debt service-to-revenue formula would more closely link debt relief to a countries ability to pay, and limit some of the volatility that changing exports have had on current debt sustainability measures.

Also, such a change would lower overall debt levels. Comparing apples to apples, under the current system, the 27 HIPCs pay an average of 15% of their budgets on debt service. The legislation would reduce this level to 5 or 10 percent.

The Department of the Treasury's estimate of the cost of this proposal is roughly $1.3 billion over 3 years to all creditors (Treasury's report to Congress on this proposal is attached). Data to assess the costs to the U.S taxpayer are not readily available. However, if the same financing mechanism used currently is applied to this proposal, the cost to the U.S. could be as low as $26 million per year for 3 years[2]. For recipient countries, this would result in an additional debt service savings of $430 million each year, increasing by nearly 50% the amount of resources freed up from debt service for poverty reduction. Therefore, with a modest increase in expense to the program, we could dramatically increase its impact on poor countries.

The Administration expressed concern with draft versions of the legislation about the debt service-to-revenue formula. In response, Congressional sponsors authorized Treasury to come up

2 Under the current HIPC program, bilateral creditors like the U.S. cover the costs of their own bilateral loans and contribute to writing down non-World Bank/IMF multilateral debt (mostly regional multilateral banks). Since the U.S. has no remaining bilateral loans to the 27 HIPCs, and the World Bank and IMF would cover their share of the costs, the U.S. would contribute a portion (20% under the current program) to write down regional banks' debt. This non-World Bank/IMF multilateral debt is assumed (based on an estimate of the composition of remaining debt to the 27 HIPCs) to be approximately 30% of the total, or $385 million of the $1,284 million cost. A 20% U.S. share of this is $77 million over 3 years, or $26 million/year.

with a similar formula or mechanism that would accomplish the same goals of deeper relief for qualified HIPCs. For simplicity, the legislation is designed to operate within the existing structure of the HIPC program – it does not seek to expand the number of countries (although it requests a report on the feasibility of expansion), and it does not change the basic rules or financing of the program.

Despite this legislation being law for nearly a year, the Administration has not pursued negotiations with international partners to implement its provisions.

Additional Debt Relief Proposals

In addition to the change already in law, the Subcommittee might consider additional proposals for deeper and broader debt relief:

1. *Cancel 100% of debts to the World Bank and IMF* – Because several major bilateral donors (led by the United States) have written off 100% of their debts to HIPCs, the World Bank and IMF could do the same from their own resources. To finance the IMF's share of the current HIPC program, the IMF revalued its gold holding and used the interest from the proceeds to write off HIPC loans. The World Bank used a portion of its substantial annual net profits to help write off HIPC debts. Such holdings could be used to expand their own debt write-offs.

2. *Debt-for-AIDS conversion* – As the world mobilizes resources to fight the crisis of HIV/AIDS, debt conversions could be considered. Essentially, an agreement would be reached that a recipient country take all or a portion of its annual debt service payments and commit those to fighting AIDS. This could be done bilaterally or to support programs through the Global Fund to Fight HIV/AIDS, TB and Malaria.

3. *Debtor-creditor process and conditions* – Congress has and should continue to review IMF and World Bank structural adjustment conditionality to ensure conditions are not harmful to the goals of poverty reduction and sustainable development. Independent arbitration mechanisms should be considered to fairly balance the competing interests of debtors and creditors.

Funding Shortfalls in the Current Program

Both the Administration and General Accounting Office raise concerns about the funding shortfall for the current program. This shortfall is a key reason cited for not pursuing changes like the new debt legislation discussed above. But these funding challenges can be met.

1. There is a $650 million shortfall in the HIPC Trust Fund to cover the costs of the expected 33 countries that will qualify. This "shortfall," however, is not a surprise and the Congress has already appropriated half of the $150 million the U.S. has agreed to cover of this amount, and is likely to fund the other half in the 2005 budget.

2. The other major funding gap is to reimburse the World Bank's IDA program for its debt relief. GAO estimates this may cost $6 billion from 2006-2020. The solution is to ask the World Bank to continue to do what it has done for the first 5 years of the HIPC program – take a portion of its substantial annual profits to pay for its share of HIPC debt relief. According to annual reports, the World Bank has transferred $200-300 million annually from net profits to the HIPC Trust Fund. But it plans to stop at the end of 2005 – thus the massive funding shortfall from 2006 to 2020.

3. Another large asset exists at the IMF – millions of ounces of gold. The IMF holds 100 million ounces of gold, provided by its founders after World War II. The IMF continues to value this gold at 1950's prices – roughly $45/ounce. For the current HIPC program, the IMF revalued a small portion (around 13%) of its gold holdings at current rates, then invested the proceeds and used the interest income to pay down its HIPC loans. At a time when the international donor community is seeking financing for the current HIPC program, changes to it, as well as development financing for the Millennium Development Goals, such a mechanism could again generate large additional resources.

Debt Relief as Development Financing

As stated earlier, DATA believes debt relief needs to be part of a package of assistance, including direct assistance and trade, to help poor countries reach poverty reduction and growth goals. It makes little sense to cancel debt while cutting aid or depressing trade. Similarly, it makes little sense to give large sums of development assistance while recipient countries recycle this money into debt service payments to creditors.

Converting a portion of the World Bank's IDA lending to grants is a good strategy to avoid HIPCs from falling steadily back into unsustainable debt. The Administration's efforts in this regard should be applauded – so long as there are ongoing increases in development financing overall. Deeper cancellation of old stock piles of debt, together with converting future loans to grants, are complementary efforts to remove and prevent poor countries from staggering debt burdens.

While it is difficult to assess the relative merits of debt relief compared to aid, trade, or other forms of development finance, debt relief under the HIPC program has several features that make it an effective form of assistance:

1. *Donor Coordination* – HIPC debt relief, like any bankruptcy proceeding, requires all the creditors to act together in a coordinated fashion. Donor coordination brings efficiency for the recipient country (limiting the transaction costs of dealing with dozens of different donors with different rules and paperwork) as well as clearer goals and accountability.

2. *Country ownership* – Country ownership of development initiatives, where funding supports country priorities rather than donor priorities, is critical to program success. Through the PRSP process, the recipient government engages in a participatory process with civil society to design a country-owned poverty reduction plan, increasing the ownership over that plan.

3. *Untied aid* – Because debt relief through the HIPC program provides support directly to recipient government budgets, the countries themselves make spending decisions, using local contractors or NGOs, which are often less expensive and more attune to country priorities than donor-required contractors.

4. *Leveraging more assistance* – In the HIPC program, every dollar of U.S. taxpayer money was multiplied 30 times by contributions from other donors. When donors agree to act together in this way, with each contribution dependent on others, contributions are multiplied. A similar (although less dramatic) example of this is the leveraging impact of the Global Fund for HIV/AIDS, TB and Malaria. Every dollar from the United States to the Fund has been matched by $2 from other donors.

Reaction to the General Account Office April 2004 report

GAO provided an assessment of the costs of the existing HIPC framework, additional relief proposals, and of reaching economic growth targets.

The presentation of its findings leaves the reader with sticker shock – $375+ billion in total assistance to reach economic growth and debt relief goals. Intentional or not, this presentation gives the impression that poor countries are hopelessly far away from their goals and need an unrealistic amount of assistance.

However, a closer look paints a different picture.

1. The estimate covers 18 years.
2. The estimate is global – the U.S. would cover only a share of that (12% according to the GAO).
3. The estimate includes existing development assistance – traditional aid – and support for export earnings, in addition to costs for debt relief. While I agree poor countries need these and other components of development, this report and hearing are meant to focus on debt relief. A comprehensive look at what these countries need to achieve poverty reduction goals (like the Millennium Goals referenced in the report) is worthwhile, but needs to be put in that context.

Interestingly, using GAO's assumption that the U.S. would cover 12% of this total, the U.S. would cover $52 billion over 18 years. That is roughly $3 billion per year for the 27 HIPCs. While I do not have total U.S. aid expenditures for these 27 countries, combined U.S. spending on debt relief, the new HIV/AIDS initiative, Millennium Challenge Account, export financing and traditional aid may be close to that level already.

GAO's analysis of deepening debt relief to 5% of revenues also overstates the reality. While its analysis seems accurate, it is not analyzing the legislation Congress passed. First, GAO assumes all 27 countries would be lowered to 5%, rather than just those that suffer a public health crisis. Treasury's report indicates that 9 of the 27 would be at 10%, thus lowering the cost.

Second, GAO assumes the 5% level would be held for 18 years, rather than the 3 years in the law.

Third, GAO states the approach "could provide an incentive for countries to pursue irresponsible borrowing policies" by guaranteeing countries would not have to pay more than 5% of its revenue on debt service. The legislation, however, only applies to debt incurred in the past, in order to avoid the incentive GAO critiques.

Conclusion

The Enhanced HIPC Initiative has been a significant stride forward, and a good investment by Congress and the Administration. The United States' contribution has been multiplied 30 times by other donors, and written off 50 times its worth in debt stock. Poor countries have not only escaped from under decades of old debts, they are saving more than $1 billion in annual debt service, now putting that money to work in their countries fighting poverty. A new system of civil society participation and transparency exists, so people have a greater voice in where funding goes.

Congress has asked the Administration to go a step further, deepening debt relief for qualified countries. Again, this would be a worthwhile investment. Consider: the total cost of the current program has been $30 billion, providing roughly $1 billion in annual debt service relief. Treasury estimates going to a 5 and 10 percent formula would cost an additional $1.3 billion, which would provide another $430 million in annual debt service relief. In other words, for a small 4% increase in cost to the program, the 27 HIPCs could achieve a 50% increase in benefit – a good return for the additional investment.

I hope the Subcommittee will consider this and other mechanisms for deeper debt relief, as part of a comprehensive strategy to help the poorest countries reach their growth and poverty reduction goals.

Thank you.

Attachments:

1. HIPC country list and table
2. Jubilee Debt works
3. Treasury report

Debt Relief Works

The HIPC initiative has offered life-saving debt-relief that has allowed revenues to be put to good use by increasing health and education spending. Debt relief is one of the biggest success stories of recent years, and has benefited the lives of millions of people. This is money that would have been used to repay debts but has instead stayed in these countries and has been used for social services and poverty-reduction initiatives.

Here are just a few examples of the impact debt relief can have:

Tanzania- Back to School Days

Tanzania is one of 11 countries to complete the current debt relief program. According to the World Bank, Tanzania received $3 billion in debt relief. Tanzania has increased funding for poverty reduction by 130% over the last six years. Tanzania has focused the savings to increase education spending and eliminate school fees for elementary school education. ***Almost overnight, an estimated 1.6 million kids returned to school. By 2003 3.1 million children were back in school.*** The net enrollment ratio has risen from 58.8% in 2000 to 88.5% in 2003. Tanzania expects to attain universal basic education by 2006.

With debt relief savings in 2002 and 2003, Tanzania built 31,825 classrooms and the number of primary schools increased from 11,608 in 2000 to 12, 689 in 2003, a net increase of 1,081 schools. Also in these two years, 17,851 new Grade A teachers were recruited and 9,100 science-teaching kits were supplied. The pass rate in primary school exams have risen from 19.3% in 1999 to 40.1% in 2003. This rate would have been higher if the pass rate had not been raised.

(Source: President's Office, The United Republic of Tanzania, in letter dated Feb. 17, 2004)

Burkina Faso: Meeting Basic Needs with Services

Burkina Faso has focused debt relief savings on fighting AIDS, education and access to safe water. In 2002, money freed up from debt service payments were targeted to joint government and civil society initiatives to fight AIDS, which have been successful in controlling the spread of the virus and stabilizing the HIV+ share of the population which at 6.5% is significant for West African standards. Two clinics were built and the cost of drugs decreased by between 38% and 96%.

Debt relief savings have been put to use to build 746 schools, 20,251 classrooms and put over 110,000 children back in school over the last three years. Access to clean water, an essential ingredient in good health – especially for children – has increased by 26% for private families resulting in over one million people having access to safe drinking water.

(Source: IMF Country Report No. 04/79 and 04/78 of March 2004)

Mozambique: Combating HIV/AIDS

Debt relief has enabled Mozambique to make strides in combating HIV/AIDS. In 2001 a National plan to fight HIV/AIDS was launched. The programs will slow infection rates and mitigate effects through prevention, support and care. Educational programs are being carried out. 24 testing and counseling offices opened in 2001 and early 2002 and 50 offices will be up and running by 2007. More than 24,000 people were tested in 2002 alone.

(Source: IMF Country Report No. 03/201, July 2003)

Uganda- Doubled School Enrollment

Debt service payments in Uganda have dropped from $151 million a year to $88 million. The extra resources are channeled through the Poverty Action Fund, which is overseen by representatives from government, national NGOs, churches, unions and international organizations. The bulk of debt relief in Uganda has helped fund universal primary education - the number of young children attending school has increased from 2.3 million at the start of 1997 to 6.5 million by March 1999, more than doubling the enrolment rate to 94%.

(Source: Reality Check Report, Drop the Debt, April 2001)

Overall Health and Education Spending Increases

Life-saving debt relief is allowing for increases in spending on health and education in the countries that have started to receive relief. In 10 African countries studied by Jubilee Research (UK), all of which had started to receive some debt service relief by the end of 2000, the following has been documented:

- Education spending had risen from only $929 million in 1998, or less than the amount spent on debt service, to $1.3 billion in 2002, more than twice the amount spent on debt service

- Health spending had risen from $466 million, or 50% of debt service spending, to $796 million, or one third more than spending on debt service

- Over the same period there had been no increase in spending on the military.

(Source: Relief Works, A report from Jubilee Research, August 2002)

Deeper Debt Relief Would Do Even More

The American Friends Service Committee in their Life over Debt Report of 2004 estimates that if developing country governments invested in human development rather than debt payments an estimated:

- **Three million children would live beyond their fifth birthday.**

- **One million cases of malnutrition would be avoided.**

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COMMENTS ON PROPOSED MODIFICATIONS TO THE ENHANCED HEAVILY INDEBTED POOR COUNTRIES (HIPC) INITIATIVE
H.R. 1298

Report to Congress
October 2003

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COMMENTS ON PROPOSED MODIFICATIONS TO THE ENHANCED HIPC INITIATIVE (H.R. 1298)

Executive Summary

On May 27, 2003, the President signed H.R. 1298, a bill strengthening United States commitment and leadership in fighting HIV/AIDS in developing countries. Title V of the legislation advises the Treasury to commence efforts in working with international creditors and financial institutions to modify the existing enhanced Heavily Indebted Poor Country (HIPC) initiative and examine options for extending debt relief to non-HIPC countries. In accordance with H.R. 1298, the Treasury has undertaken this report to analyze the costs and economic merits of the legislation.

Key conclusions of this report are that:

- From a financial perspective, the proposed modifications are very expensive, at a time when the international community as a whole, including the United States, faces substantial challenges in completing the financing of the current HIPC initiative.
- From a broader economic development perspective, the proposed modifications are not the best means to achieve desired health sector outcomes and promote debt sustainability.
- In order to maintain long-term debt sustainability in the poorest countries, particular emphasis needs to be placed on grant assistance and limiting the accumulation of new debt.

Overview of HIPC

Launched in 1996, the Heavily Indebted Poor Country initiative is a joint effort by international creditors to reduce the external debt of poor, heavily-indebted countries. The HIPC framework was enhanced in 1999, with strong U.S. leadership, to provide deeper, broader, and faster debt relief for the poor heavily indebted countries committed to economic reform and poverty reduction. The World Bank and IMF have classified 42 countries as heavily indebted and poor; more than three-quarters of these countries are located in sub-Saharan Africa. A key feature of the enhanced HIPC initiative is the Poverty Reduction Strategy Paper (PRSP), developed by the HIPC country itself, through a participatory process involving civil society and with the support of the International Financial Institutions and donors. The PRSP is designed so that debt relief savings and new assistance are directed towards economic growth and poverty reduction.

Countries seeking debt reduction must first demonstrate commitment and performance on economic and social reforms in order to reach their HIPC "decision point." At this point, the World Bank and IMF determine what level of debt reduction is required to reach a target HIPC threshold

(generally a net present value (NPV) of debt to exports ratio of 150%). Creditors start to provide interim debt reduction (i.e., substantial cash flow relief) following the decision point. Once the country demonstrates satisfactory macroeconomic performance and achieves key objectives identified at the decision point, it can reach its HIPC "completion point," when the remainder of the debt reduction is delivered.

To date, the member governments of the IMF and World Bank have approved debt-reduction for 27 countries, 23 of them in Africa. These packages will provide nominal debt service reduction of about $51 billion ($31 billion in net present value terms).

Existing Financial Challenges

Even before considering possible changes to the enhanced HIPC initiative, there are numerous implementation challenges to complete the current program, including the mobilization of substantial additional financing. For 33 HIPC countries[1] that have been included in the HIPC financing framework from the beginning of the initiative, the following potential costs still exist:

- The World Bank and IMF have estimated that there is a shortfall of about $650 million in the HIPC Trust Fund to cover the expected HIPC costs of completing the program for the 33 countries. The HIPC Trust Fund is a multilateral trust fund financed by bilateral donors that helps to cover the HIPC costs of regional and sub-regional multilateral development banks, such as the African Development Bank. From the HIPC Trust Fund's inception through September 2002, contributions from 23 bilateral donors totaled about $2.5 billion, of which the United States contributed $600 million.

    - The U.S. has pledged $150 million to help meet this $650 million need. The Administration has requested an initial $75 million in appropriations from the Congress in FY 2004 to fund a portion of the U.S. pledge.

- The World Bank's concessional window, the International Development Association (IDA), faces additional HIPC debt relief costs estimated to exceed $500 million per year for a decade or more beyond the current IDA-13 replenishment period. These costs will need to be addressed in the context of future IDA replenishments.

- The U.S. also needs appropriations from Congress for $300 million to cover the costs of U.S. bilateral debt reduction for the Democratic Republic of the Congo, which has recently reached its HIPC decision point. This was also part of the Administration's FY 2004 budget request. Without this support, the DRC may not receive the close to $10 billion in debt reduction from all creditors that it is expected to receive under HIPC.

[1] The 42 HIPCs minus the 4 countries (Angola, Kenya, Viet Nam, and Yemen) that do not require HIPC debt reduction to meet HIPC target debt ratios, minus the 4 countries which have been in conflict and/or did not have reliable debt data (Burma, Liberia, Somalia, and Sudan), and minus Laos which has not yet decided whether to participate in HIPC.

- There are also potential "topping up" costs for some countries in this group. Topping up is a term of art applied to possible additional debt relief at the completion point if there have been exceptional exogenous shocks that cause a fundamental change in a HIPC country's economic circumstances. The most recent World Bank/IMF estimates of possible topping up costs for the HIPCs which have already reached decision point range from $700 million to $1.3 billion. This could add as much as $150 million to $300 million in costs to the HIPC Trust Fund. In addition, there might be topping up costs associated with the other HIPCs which have not yet reached their decision points.

- In addition to the above costs for 33 HIPCs, costs to implement the current HIPC initiative for Liberia, Somalia, and Sudan, assuming that they will qualify for debt reduction, would be very high. The World Bank/IMF have estimated that overall costs in terms of NPV of debt reduction would be in the range of $10 billion for the three countries, with the bulk of these costs related to Sudan. This would include substantial costs for the United States, since under the current framework 100 percent U.S. bilateral debt reduction would be provided, in addition to a U.S. share of the burden on bilateral donors to cover much of the multilateral institution costs.

In conclusion, total additional costs for the financing of the current enhanced HIPC are substantial, and could reach as much as $12 billion, excluding the costs to IDA. This would place a major burden on bilateral donors at a time when donors are trying to identify resources to provide new assistance.

Proposed Modifications and Additional Costs

H.R. 1298 proposes modifications to the enhanced HIPC initiative. It also contemplates extending debt reduction to non-HIPC countries. This section assesses the costs of implementing such actions.

Proposed Modifications to the Enhanced HIPC Initiative

The legislation proposes modifying the enhanced HIPC program by linking the amount of debt relief to debt service indicators in addition to a debt stock threshold. The Act proposes a ceiling of 10% for the debt service-to-fiscal revenues ratio for all HIPC countries for a period of 3 years. For HIPC countries suffering a public health crisis, the ceiling is reduced to 5%. A country is defined as suffering a public health crisis if HIV/AIDS incidence exceeds certain thresholds for pregnant women or certain high-risk groups (see *Appendix A* for more information).

The Treasury has undertaken an analysis of the possible cost of this proposed modification. *Table 1* shows the level of projected debt service payments for the 26 HIPC countries that had reached their decision point by mid-2003, and the amount by which the payments would have to be reduced to achieve the relevant 5% or 10% benchmark for the years 2003 through 2005. Columns (b) through (d)

show the ratio of debt service to fiscal revenues from 2003 through 2005. Columns (f) through (h) calculate the amount of debt relief required to bring that ratio to the targeted level.

Table 1
Cost of Reducing Debt Service Levels

(a)	(b) 2003 DS/Rev (%)[1]	(c) 2004 DS/Rev (%)	(d) 2005 DS/Rev (%)	(e) Debt /Rev Target (%)	(f) Additional debt relief 2003 ($MM)	(g) Additional debt relief 2004 ($MM)	(h) Additional debt relief 2005 ($MM)	(i) Total Relief ($MM)
Countries Suffering a Public Health Crisis								
Benin	8%	6%	5%	5%	$12	$7	$1	$21
Burkina Faso	4%	4%	4%	5%	$0	$0	$0	$0
Mali	11%	10%	8%	5%	$33	$29	$22	$84
Mozambique	9%	8%	7%	5%	$24	$18	$18	$61
Tanzania	7%	7%	8%	5%	$18	$25	$40	$83
Uganda	6%	7%	5%	5%	$6	$19	$0	$25
Cameroon	10%	10%	10%	5%	$85	$97	$101	$282
Chad	10%	7%	8%	5%	$10	$7	$10	$27
Ethiopia	4%	4%	4%	5%	$0	$0	$0	$0
Ghana	6%	4%	4%	5%	$0	$0	$0	$0
Guinea	19%	16%	13%	5%	$60	$51	$43	$155
Guyana	12%	10%	9%	5%	$16	$14	$11	$41
Malawi	8%	8%	7%	5%	$14	$12	$11	$36
Niger	9%	9%	8%	5%	$10	$11	$10	$32
Rwanda	3%	3%	3%	5%	$0	$0	$0	$0
Sierra Leone	23%	23%	4%	5%	$24	$26	$0	$50
Zambia	10%	13%	11%	5%	$38	$67	$55	$159
Countries Not Suffering a Public Health Crisis								
Bolivia	9%	8%	6%	10%	$0	$0	$0	$0
Mauritania	11%	11%	11%	10%	$4	$2	$2	$8
São Tomé and Príncipe	8%	4%	4%	10%	$0	$0	$0	$0
Senegal	12%	18%	10%	10%	$24	$90	$1	$115
Nicaragua	15%	10%	9%	10%	$31	$0	$0	$31
Honduras	15%	11%	9%	10%	$61	$11	$0	$73
Madagascar	5%	5%	5%	10%	$0	$0	$0	$0
Guinea-Bissau	13%	6%	4%	10%	$2	$0	$0	$2
The Gambia	9%	9%	10%	10%	$0	$0	$0	$0
							TOTAL ($MM)	**$1,284**

Notes:
(1) DS/Rev = ratio of Debt Service/Fiscal Revenues after HIPC and additional bilateral relief
Note: ratio excludes debt service on new borrowing since decision point
Note: debt service includes only obligations on outstanding long-term debt on public and publicly-guaranteed debt
Sources: HIPC Decision & Completion Point documents; IMF & IDA estimates; The Enhanced HIPC Initiative and the Achievement of Long-term External Debt Sustainability, IDA/SecM2002-0162.

As can be seen, the modification could require on the order of an additional $1.3 billion in debt reduction from international creditors for 26 HIPC countries. Much of these costs would fall on the United States and other bilateral donors. Seventeen of the countries would qualify as having public health crises, and 19 of the 26 countries would receive additional debt relief, with 4 countries – Guinea, Cameroon, Zambia and Senegal – constituting over half of the total amount due to their higher debt service burdens.

It should be noted that only 26 decision point countries – for which there was readily available data – were included in the analysis. There remain 11 other HIPC countries that could be expected to reach a decision point, and their inclusion in the analysis would increase costs to international creditors.

Treasury's cost estimates are in line with other studies. The General Accounting Office conducted a brief study in October 2002 and placed the overall cost of the proposed modification at $2.7 billion. The GAO estimated that approximately 20% of the $1.8 billion multilateral portion of the total cost, or $360 million, could be the USG share. The World Bank/IMF also estimated the cost of similar proposals in a September 2002 HIPC Progress Report and came up with a range, depending on the debt service-to-revenue threshold. If all decision point HIPCs were brought to the 10% threshold for a three-year period, the cost would be $1.2 billion. For a ceiling of 5%, that figure would increase to $3.8 billion. The cost estimates are summarized in *Table 2*.

Table 2
Cost Estimates of Debt Service Relief Proposal for 26 HIPCs

Source	*Cost to Creditors*
U.S. Treasury	$1.3 billion
IMF	$1.2 billion if all countries brought to 10% level. $3.8 billion if all countries brought to 5% level.
GAO	$2.7 billion

The Treasury, GAO and IMF estimates are all based on World Bank and IMF data; Treasury used data compiled in 2002, which was the most recent readily available data in aggregate form. The Treasury estimates are on the lower end, reflecting the fact that H.R. 1298 specifies that debt service on new borrowing since the decision point is excluded from the calculations. Also, there may be slight differences between GAO and Treasury estimates due to differing classification of countries as suffering a public health crisis.

In addition to debt service relief, the legislation calls for limiting the ratio of the present value of debt to exports to 150% at the country's decision point[2] and possibly for the three years following the date of enactment of the legislation. It is not clear how such debt relief should be calculated for the three years, since the legislation provides instructions on debt reduction only at the country's decision

[2] For countries that have yet to reach their decision point, the ratio would be limited as of the date of the enactment of the legislation.

point. Moreover, it is not clear what debt relief might be required beyond enhanced HIPC requirements. For the 26 countries that have reached a decision point, the legislation ostensibly proposes very little that is different from what is already codified in the enhanced HIPC plan, i.e. bringing debt-to-export levels down to 150%. The only discernible difference is that the enhanced HIPC framework uses a three-year rolling average for the level of exports when calculating the ratio. The legislation stipulates using exports from the 12 months preceding the decision point.

Cost of Extending Relief to Non-HIPC Countries

The Act also advises the Treasury to determine the cost of extending debt relief to countries not included in the HIPC initiative. The Treasury conducted such an analysis, using specifically – as directed in the Act – the debt service-to-revenue metric explained above as well as the enhanced HIPC initiative's 150% debt-to-export benchmark. The analysis includes countries classified as low-income economies by the World Bank.[3]

The results of the analysis are shown in *Table 3*.

Table 3
Cost of Extending Debt Relief to Non-HIPC Countries

	10% Debt Service/Revenue Provision							**150% Debt/Exp Provision**			**Total**
	Debt Service/Revenue (%)[1]			*Additional Debt Relief ($MM)*				*Additional Debt Relief ($MM)*			*Maximum*
	(a)	*(b)*	*(c)*	*(d)*	*(e)*	*(f)*	*(g)*	*(h)*	*(i)*	*(j)*	
	2003	2004	2005	2003	2004	2005	Total	PV Debt/ Exports (%) 2001	PV Debt ($MM)	Additional Debt Relief ($MM)	Maximum (g) or (j)
Armenia	na	na	na	na	na	na	…	115	654	0	0
Azerbaijan	na	na	na	na	na	na	…	49	994	0	0
Bangladesh	na	na	na	na	na	na	…	113	9,712	0	0
Bhutan	19	18	17	9	9	9	27	151	245	2	27
Cambodia	13	13	13	16	16	17	48	159	2,301	129	129
Equatorial Guinea	na	na	na	na	na	na	…	8	193	0	0
Eritrea	na	na	na	na	na	na	…	82	235	0	0
Georgia	17	17	17	38	36	38	112	118	1,066	0	112
Haiti	14	13	14	11	10	11	32	154	817	20	32
India	6	5	5	0	0	0	…	91	67,760	0	0
Indonesia	20	18	17	3,430	2,800	2,664	8,894	198	131,357	31,847	31,847
Kyrgyz Republic	na	na	na	na	na	na	…	225	1,326	443	443
Lesotho	10	9	9	0	0	0	…	74	406	0	0
Moldova	na	na	na	na	na	na	…	134	1,126	0	0
Mongolia	8	8	9	0	0	0	…	103	606	0	0
Nepal	15	14	15	30	30	32	92	92	1,567	0	92
Nigeria	13	13	13	590	519	521	1,629	154	30,882	841	1,629
Pakistan	13	13	14	360	361	442	1,163	238	25,457	9,380	9,380
Papua New Guinea	17	16	15	58	52	44	153	98	2,188	0	153
Solomon Islands	7	9	10	0	0	0	0	68	112	0	0
Sri Lanka	14	14	14	106	110	111	327	95	6,909	0	327
Tajikistan	51	47	44	55	53	51	158	109	853	0	158
Ukraine	na	na	na	na	na	na	…	59	11,483	0	0
Uzbekistan	na	na	na	na	na	na	…	136	4,444	0	0
Zimbabwe	na	na	na	na	na	na	…	161	3,493	242	242
Total											**44,571**

Source: Global Development Finance (PV debt, debt service and export figures) and International Financial Statistics (revenue)
(1) Revenues are latest available between 1998 and 2002 and then escalated by 5% through 2005
Debt Service includes contractual obligations on outstanding external long-term public and publicly-guaranteed debt

[3] The 2002 per capita Gross National Income threshold for low-income economies is $735.

As can be seen, the total amount of debt forgiveness to achieve the standards proposed in the Act for this group of countries is estimated at $45 billion. There are a few comments worth noting on the methodology and results:

- *Indonesia, Pakistan and Nigeria*: The high costs are driven mainly by the inclusion of three poor and highly indebted countries. They account for roughly 95% of the overall costs.

- *10% Debt Service/Revenue Benchmark*: A 10% benchmark was applied to all countries in order to arrive at a conservative cost estimate. The cost when applying the reduced 5% ratio to all countries increases to $49 billion.

- *Need for Revenue Figures*: For a number of countries, revenue levels were unavailable. Inclusion of such revenue figures would likely increase the overall cost of debt relief.

- *Debt Service or Debt Stock Reduction*: Given the difficulty of trying simultaneously to assess and combine levels of debt service and debt stock reduction needed to achieve the targets proposed in H.R. 1298, this table simply takes the maximum of the two to provide a cost estimate.

In sum, the cost of implementing proposals raised in H.R. 1298 – reducing debt service and including non-HIPC countries – could cost international creditors $46 billion, with substantial costs for bilateral donors. As noted above, this may be an underestimate, since only the first 26 HIPCs are counted, and data is lacking on a number of other low-income countries. These substantial costs would be in addition to as much as $12 billion or more for the international community to complete the current HIPC program, as well as the costs in future IDA replenishments.

Other Concerns with the Proposed Modifications to HIPC

Apart from cost concerns, there are significant policy concerns with amending the HIPC framework as proposed in the legislation. The Administration has made a concerted effort to implement the HIPC debt reduction program in an effective manner, and move the focus beyond debt reduction to a broader focus on the challenges of economic growth and development.

As highlighted in the World Bank's Operation Evaluation Department (OED) evaluation[4] of the HIPC program, continued focus on HIPC and debt relief has been a distraction in terms of the greater emphasis needed on well-defined economic growth strategies in these countries. The OED report stressed that HIPC debt relief is not a panacea, and that given institutional capacity constraints in the HIPCs, debt relief is not an efficient way of achieving desired social sector outcomes.

[4] "The Heavily Indebted Poor Countries (HIPC) Debt Initiative: An OED Review." February, 2003.

Moreover, debt relief may be an ineffective means of targeting countries suffering a public health crisis. For instance, according to Treasury's analysis, Burkina Faso suffers high HIV/AIDS incidence but would receive no assistance. On the other hand, Guinea would receive $155 million in assistance even though their HIV/AIDS incidence is lower than Burkina Faso's. Such disparate treatment is unfair to those countries that are suffering a public health crisis but have managed to keep their debt service-to-revenue ratio low.

The Administration believes that direct assistance for HIV/AIDS objectives is a more effective way to achieve desired results. The Administration has aggressively sought funding in the fight against HIV/AIDS, tuberculosis and malaria. For FY 2004, the Administration has requested $2 billion to fund multilateral and bilateral efforts. In addition, President Bush announced his Emergency Plan for AIDS Relief, which provides $15 billion, including nearly $10 billion in new funding, to fight the HIV/AIDS pandemic over the next 5 years.

Another key problem with the proposal is that incorporating a debt service-to-revenue benchmark would introduce a moral hazard problem for foreign governments. This is in addition to the existing moral hazard problem associated with the 150% debt-to-export benchmark. As the IMF/World Bank state:

> "Additional debt reduction to further limit debt-service payments raises the issue of moral hazard and could provide the wrong incentives to HIPCs: to the extent that losses in export earnings or reductions in revenue would be compensated by increased debt relief, countries will have little or no incentive to increase and/or diversify their exports, improve revenue collection, and to pursue policies consistent with these goals."[5]

In addition to the moral hazard problem, there is the serious concern that the proposed modifications would do nothing to assist countries achieve long-term debt sustainability. In its October 2002 report to Congress, the GAO analyzed the proposal to link debt relief to debt service-to-revenue ratios for the HIPCs and came to the following conclusions:

> "[The proposal] would cost about $2.7 billion (present value) for 26 countries over the next 3 years and have no effect on long-term sustainability."

The report went on to state that extending such debt relief would facilitate debt sustainability if implemented for a 20-year period, but the costs would increase to $7-12 billion for the 26 countries.

Debt Sustainability

As mentioned above, providing additional debt relief linked to debt service targets for a few years does virtually nothing in terms of long-term debt sustainability. Most important for debt sustainability going forward are sound economic policies and prudent debt management. Both

[5] IMF/World Bank joint report. Heavily Indebted Poor Countries (HIPC) Initiative: Status of Implementation. September 23, 2002

borrowers and lenders must work to avoid accumulation of too much new debt that might result in new debt problems.[6] Concerns about the vulnerability of some poor countries to future debt problems was a key factor in President Bush's proposal for a major increase in grant assistance from the multilateral development banks.

Following up on strong concerns about long-term debt sustainability expressed by the United States and other member countries, the IMF and World Bank have held a series of workshops on debt sustainability in low-income countries, and the Executive Boards will be considering policy recommendations in the coming months. The United States and other members of the two institutions will also be examining possible options to address the impact of external shocks, given that external shocks can have a major impact on debt sustainability for this group of countries.

Conclusions

The Treasury has carefully examined the proposed modifications to the HIPC initiative contained in H.R. 1298. On both cost and policy grounds, it would not be advisable to modify the HIPC target debt thresholds to incorporate debt service indicators, or to expand HIPC debt reduction to non-HIPC countries. With respect to debt reduction, the priority should be to implement effectively the current HIPC program, including the mobilization of the substantial additional financing that is needed.

[6] Recent work by the IMF and World Bank, in the context of updating cost projections for "topping up" of HIPC debt relief, has highlighted that the main cause of higher debt ratios for possible topping up candidates is new borrowing. The report notes that if there had been no new borrowing since HIPC decision points, there would be no need for any topping up. Source: IMF document SM/03/295, "Enhanced Initiative for Heavily Indebted Poor Countries – Considerations Regarding the Calculation of Additional Debt Relief at the Completion Point," August 2003.

Appendix A

A country is defined as suffering a health crisis if the country's infection rate is greater than 5% among women attending prenatal clinic or greater than 20% in groups with high-risk behavior.

HIV/AIDS Infection Rates in the HIPCs

	HIV/AIDS Infection Rate (%)						
					High Risk Groups		
	Adult Population (end-2001)	Year	Pregnant Women 1/ 2/	Year	STI Patients 1/ 2/ 3/	Year	Sex Workers 1/ 2/
Countries that have reached their Completion Points							
Bolivia	0.1	2000	0.0	1997	2.0	1997	0.0
Burkina Faso	6.5	2000	6.3	1992	41.8	1994	58.2
Mali	1.7	1999	3.0	…	…	1995	42.1
Mauritania	0.0	1994	0.5	1996	1.7	…	0.0
Mozambique	13.0	2000	14.4	1999	15.1	…	0.0
Tanzania	7.8	1999	16.7	1997	14.8	2000	3.5
Uganda	5.0	2000	11.3	1999	2.3	1997	65.9
Countries that have reached their Decision Points							
Benin	3.6	1999	2.3	1999	3.9	1999	40.8
Cameroon	11.8	2000	9.0	2000	22.0	1995	16.4
Chad	3.6	2001	5.9	2000	12.7	1995	13.4
Ethiopia	6.4	2000	14.9	1992	37.5	1998	73.7
The Gambia	1.6	1997	1.0	1991	4.4	1993	13.6
Ghana	3.0	2000	3.8	1999	39.0	1998	50.0
Guinea	…	1996	2.1	1996	4.0	1994	36.6
Guinea-Bissau	2.8	1997	2.5	1987	6.0	…	0.0
Guyana	2.7	1997	3.8	1997	21.5	2000	45.0
Honduras	1.6	1998	2.9	1991	11.2	1999	7.7
Madagascar	0.3	1996	0.0	1995	0.3	1998	0.0
Malawi	15.0	2001	20.1	1996	54.8	1994	70.0
Nicaragua	0.2	…	0.0	…	0.0	1990	1.6
Niger	…	1993	1.3	1992	4.1	1997	23.6
Rwanda	8.9	2000	23.0	1996	41.8	…	…
São Tomé and Príncipe	…	…	0.0	…	0.0	…	0.0
Senegal	0.5	1998	0.5	1998	3.0	1998	7.0
Sierra Leone	7.0	1996	6.9	1992	3.3	1995	26.7
Zambia	21.5	2001	30.7	1992	58.0	1998	68.7
Countries still to be considered							
Côte d'Ivoire	9.7	2000	9.0	2000	25.0	1999	36.0
Burundi	8.3	1998	18.6	…	…	1993	42.2
Central African Republic	12.9	1996	11.6	1996	19.0	1989	18.9
Comoros	…	1996	0.0	1996	0.0	1994	56.8
Congo, Dem. Rep. of	4.9	1999	4.1	1997	12.2	1997	29.0
Congo, Rep. of	7.2	2000	10.0	1990	18.0	1987	49.2
Lao PDR	<0.1	1996	0.4	…	0.0	1992	1.2
Liberia	…	1993	4.0	1993	5.1	…	0.0
Myanmar	…	2001	1.3	2001	20.5	2001	33.5
Somalia	1.0	1998	0.0	1990	0.0	1990	2.4
Sudan	2.6	1998	0.5	1998	94.0	1989	16.0
Togo	6.0	1998	4.6	1992	45.2	1997	48.1
Potentially sustainable cases							
Angola	5.5	2001	3.4	1992	2.5	1999	19.4
Kenya	15	2000	15.3	1998	29.0	2000	27.0
Vietnam	0.3	1999	0.2	1999	2.0	2000	11.0
Yemen, Rep. Of	0.1	…	0.0	1998	2.9	1998	4.6

Source: Country Epidemiological Fact Sheets, UNAIDS website -- www.unaids.org.

1/ Median prevalence rates.
2/ Major urban areas.
3/ STI = Sexually Transmitted Infections