

Publication No.1

**HEAVILY INDEBTED POOR COUNTRIES DEBT STRATEGY
AND ANALYSIS CAPACITY-BUILDING PROGRAMME**

Matthew Martin, Juan Carlos Aguilar Perales and Alison Johnson

Debt Relief International Ltd
2001

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London EC1R 3AF, United Kingdom
Tel.: 44 (0)20 – 7278 0022 Fax: 44 (0)20 – 7278 8622 Email: publications@dri.org.uk

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Foreword

This publication series has been launched in response to the increasing number of requests *Debt Relief International (DRI)* has received for information on the activities of the *Heavily Indebted Poor Countries (HIPC) Initiative Capacity Building Programme (CBP)* and on the technical aspects of debt analysis and negotiations needed to develop and implement national debt strategies. The aim of the HIPC CBP, funded by five European governments (Austria, Denmark, Sweden, Switzerland and the United Kingdom), is to build and strengthen the capacity of HIPC governments to develop and implement their own national debt relief strategy, and a new borrowing policy consistent with long-term debt sustainability, without having to rely on international assistance. DRI is its non-profit implementing organisation.

This series arises from DRI's experiences of working with 32 HIPC countries and in particular conducting national, regional and international workshops on debt strategy, debt negotiations, macroeconomic forecasting and poverty reduction. It is targeted mainly at senior officials and policy makers in HIPC countries, but it will be useful for officials of regional African, Asian and Latin American organisations, NGOs and academics in developing and developed countries.

The aim of the series is to present particular topics in a concise, accessible and practical way for use and implementation by HIPC governments. The series should enable senior officials and policy makers to focus on some of the key issues relating to long-term debt sustainability, macroeconomic forecasting and poverty reduction in HIPC countries. Each publication is intended to be reasonably self-contained.

The views expressed in the publications are those of the authors and not necessarily those of the HIPC CBP donors.

We welcome any comments on this publication or suggestions for other topics to be included.

Alison Johnson
Publications Editor

Yolande Eyoum
Publications Administrator

CONTENTS

I.	Background and Rationale of the CBP	1
II.	Lessons and Objectives	1
	2.1 Objectives	1
	2.2 Lessons of Phase 1	3
III.	Methodology	4
	3.1 Demand Assessment Missions	4
	3.2 Regional Workshops	4
	3.3 National Workshops	5
	3.4 Follow-up Missions	5
	3.5 Regional Workshops with Partner Organisations	6
	3.6 Senior Policy-makers Seminars	6
	3.7 HIPC Ministerial Network	6
	3.8 Dissemination of Information	6
	3.9 Country Coverage and Proposed Programme	7
	3.10 Institutional Structure	8
IV.	Risks, Contingencies and Sustainability	9
	4.1 Risks to the Programme and Contingency Counter-Measures	9
	4.2 Medium-term Sustainability	9
	4.3 Transfer of Functions to Regional HIPC-Owned Institutions	10
V.	Budget	10
VI.	Financing Sources	11

I. BACKGROUND AND RATIONALE OF THE CBP

The Heavily Indebted Poor Countries (HIPC) Initiative provides a unique opportunity to depart from past practices of piecemeal and creditor-led debt relief. It allows debtors not only to reduce their external debt burden, but also to analyse their external financial sustainability for the foreseeable future. Under the HIPC Initiative, each HIPC has to apply for the Initiative and engage in tripartite analysis with the Bretton Woods Institutions on the sustainability of its external debt. To qualify for relief, each HIPC also needs to demonstrate that it has a coherent debt strategy to reduce debt to all creditors with equal burden sharing, and a high level of debt management. The HIPC Initiative therefore permits debtor countries to base a debt relief and new borrowing strategy on analysis of their long-term debt sustainability. Furthermore, ineligible countries also need to develop further their capacity to establish whether they need additional debt relief and a careful new borrowing strategy.

In this context, the Governments of Austria, Denmark, Sweden and Switzerland (since July 1997) and the United Kingdom (since June 1998) have been funding the HIPC Debt Strategy and Analysis Capacity-Building Programme (henceforth CBP). The aim of this programme is to allow HIPC governments to develop the full independent capacity to undertake their own debt strategy analysis, to maximise their ownership and leadership of national debt strategy, and to demonstrate to the donor and creditor community their commitment to a high level of debt management during and beyond the HIPC Initiative.

A steering group, including senior HIPC government officials, donors, and international organisations with a record of technical assistance on debt management, advises the programme on priority countries, subject areas and resource people. A Technical Office (TO) known as Debt Relief International (DRI) co-ordinates the programme, which is implemented in conjunction with a large pool of independent consultants and staff of HIPC governments and regional and international institutions. DRI will transfer responsibilities to regional organisations run by the HIPCs themselves in the shortest possible time period.

In the original letter of agreement, donors agreed to fund the CBP until June 1999 (Phase 1), with further funding subject to the findings of an independent mid-term evaluation. On the basis of this evaluation donors have agreed to continue funding for the CBP until the end of 2001 (Phase 2).

II. LESSONS AND OBJECTIVES

2.1 Objectives

The objectives and advantages of assistance under the programme are as discussed overleaf:

- **demand-driven:** assistance is provided only to countries which strongly express their need for it, and that they have a central role in designing terms of reference for each successive stage of the assistance. The high level of demand from 30 HIPC governments amply confirms the need for this type of assistance;
- **focused on capacity-building** (with top priority for institutional development, training and skills transfer), to give HIPC government **staff** the capacity to design, update and implement strategy. To mid-2000, as a result of the CBP and its predecessors, 13 HIPCs

(Benin, Bolivia, Burkina Faso, Cameroon, Ethiopia, Ghana, Guyana, Honduras, Mauritania, Nicaragua, Sao Tomé e Príncipe, Tanzania and Uganda) will be implementing reinforced debt management strategies. Another 13 (Angola, Central African Republic, Chad, Congo (DR), The Gambia, Guinea, Guinea Bissau, Mali, Mozambique, Niger, Senegal, Togo and Zambia) have drafted strategies, and are making progress in building capacity to implement and strengthen debt sustainability analysis. 4 others are proposing to embark on this process;

- ***provided by non-creditor sources***, to avoid any conflict of interest. The CBP has established a reputation for transparent and competitive recruitment from all independent non-creditor sources, and increasingly from **HIPC** governments and regional institutions which it has helped to develop expertise in debt strategy. As at mid-2000, of the CBP's list of 92 active resource-people, no fewer than 72 come from HIPC countries;
- ***transferring capacity and responsibility to regional organisations***. The basis for the transfer has been laid by establishing the above-mentioned HIPC country expertise on debt strategy. HIPC governments have also designed the principles of transfer, which have been endorsed by donors, and most importantly that the recipient institutions should be owned and run by HIPC governments. As of mid-2000, the CBP's regional partners are:
 - For Eastern and Southern Africa, the Macroeconomic and Financial Management Institute for Eastern and Southern Africa (MEFMI), based in Harare;
 - For Anglophone West Africa, the West African Institute for Financial and Economic Management (WAIFEM), based in Lagos;
 - For Francophone Africa, the Bank of Central African States (BEAC) Debt Centre, based in Yaoundé – which will work in collaboration with the Central Bank of West African States (BCEAO), the Economic and Monetary Community of Central African States (CEMAC) and the secretariat of the West African Economic and Monetary Community (UEMOA);
 - For Latin America, the Centro de Estudios Monetarios Latinoamericanos (CEMLA), based in Mexico City.
- ***provided at the lowest reasonable cost*** consistent with top-quality work. The terms and conditions of employment are strictly applied, and donors have endorsed the administrative and financial management and auditing of the CBP. More than three-quarters of events held have been below their original budgets due to cost-saving efforts and to higher-than-expected financial or other contributions by HIPC governments and regional institutions;
- ***ensuring that the highest quality methodology*** is applied across all HIPCs, while tailoring the methodology to individual HIPC needs. The Technical Office has undertaken major adaptations of the methodology at the request of individual countries - introducing domestic debt and poverty-reduction analysis; constantly up-dating the detailed contents of manuals and drawing on new sources; introducing the Debt-Pro software; and preparing all documentation in four languages. The newsletter, website, publications, follow-up missions and workshops and Ministerial Network also represent new methodologies responding to HIPC requests;

- **co-ordinated** to ensure planning and prioritisation, and to reduce costs. The CBP has achieved a high degree of co-ordination in assistance on debt strategy - through its Steering Committee and in HIPCs. It has co-ordinated assistance by 5 like-minded donors, and has worked closely with international organisations in missions and workshops in which their staff have been valuable resource-people. It has interacted with these organisations to synchronise the upgrading of recording systems and with HIPC Initiative missions by the Bretton Woods Institutions. It has ensured compatibility with the computerised methodology for debt analysis used by the IMF and World Bank by purchasing the Debt-Pro tool and adapting it further to the needs of HIPCs.

It is also important to note that, in terms of activity, and thanks to supplementary donor funds, the CBP has far exceeded its aims. The project proposal foresaw 6 demand assessment missions, 2 regional workshops and 6 national missions or workshops each year. By end-2000 the CBP will have carried out 32 demand assessment missions, 12 regional workshops, 24 national workshops, 14 follow-up missions, 2 senior seminars and 3 HIPC Ministerial Meetings, as well as supervising 3 capacity-building advisers in 3.5 person years of work.

2.2 Lessons of Phase 1

Based on the recommendations of the mid-term review and discussions with the Technical Office, donors agreed to:

- **support the CBP till the end of 2001** (6 months longer than foreseen) because even the most realistic work programme cannot be completed until then. A further review at the end of this period should examine how the TO can continue to have a residual role after this stage, supplying information, new knowledge and quality control to a network of regional centres which will carry out the training.
- **focus closely on the sustainability of transferring the CBP to regional institutions.** Options and principles for transfer in the three primary regions of Africa and Latin America have been defined by HIPCs and agreed by donors. They agree that transfer of funding should occur in semi-annual tranches, based on the presentation of a detailed projected work programme and budget and on performance in implementing the work programme, and especially in meeting goals such as the adoption and implementation of a debt strategy by member countries.
- **play an even more active role in addressing software and hardware issues**, to ensure maximum choice for HIPCs among the necessary hardware and software, by financing where necessary the purchase or installation of analysis software.

The CBP should:

- **provide deeper assistance to existing participating countries, and approach new countries more slowly**, because 90% of the HIPCs approached demand maximum assistance;
- **continue to apply a flexible up-to-date demand-driven methodology, tailored to HIPC needs.** Donors have agreed two innovations demanded by HIPCs: regional follow-up workshops to provide detailed training on particular areas (debt renegotiation; new borrowing policy; macroeconomic projections; or poverty-reduction costing techniques), and senior-level meetings to exchange information and experiences among countries (see Section III below);

- ***focus more on post-event evaluation and post-workshop follow-up***, to ensure that all possible lessons are learned from each event and that strategies and capacity-building recommendations are more rapidly adopted and implemented and that follow-up missions or training take place 6 months, at most, after national workshops;
- ***lay more stress on capacity-building actions by the participating countries at all stages***, to overcome national-level barriers to sustainable capacity. This will involve more online follow-up between missions and workshops, and more focus on capacity-building action plans at workshops (see Section III below).

In response to these recommendations, the CBP will have reduced the number of demand assessment missions in 2000 to 4, as compared with 9 in 1999, and increased the number of follow-up missions from 3 in 1999 to 10 in 2000. In addition, the CBP has initiated new events, including workshops on macroeconomic forecasting, debt negotiations and domestic debt analysis, as well seminars for senior policy-makers, which have covered advanced training in Debt-Pro, poverty-reduction and the Financing of Sustainable Growth in Latin America.

III. METHODOLOGY

The CBP methodology has to be flexible enough to adapt to respond to the different circumstances and requests of debtor countries. It has been learned from the CBP's first phase that some HIPCs are rapidly reaching a highly developed capacity, and in future will need only information from the CBP on the latest knowledge and technology in debt relief and new borrowing. At the other extreme, some HIPCs will require 6-12 months of in-country assistance in reinforcing institutional structures, data recording and analysis of the macroeconomy and poverty-reduction before they are able to reach the stage where debt strategy analysis training will have a sustainable impact. Most HIPCs are ready, after some brief preparation, for immediate training in debt strategy. As a result of these lessons, the CBP revised methodology will include the following elements:

3.1 Demand Assessment Missions

Demand assessment missions have proved to be a key initial step for countries in the programme. They allow DRI to work with national debt managers to identify priority areas for capacity building and design a joint work programme. A 1-2 week mission assesses capacity in the following areas: i) institutional arrangements; ii) debt recording; iii) debt renegotiation; iv) new borrowing; v) macroeconomic analysis; vi) poverty-reduction expenditure programming; and vii) debt strategy simulations. This stage also establishes an initial benchmark for national capacity against which the CBP and donors can monitor progress, and identifies the degree of political commitment to sound debt and macroeconomic management.

3.2 Regional Workshops

The ideal step after a demand assessment mission has been for a country team to participate in a Regional Workshop. This generally consists of an intensive 2-week programme to introduce 10-12 middle to senior technical officials to the methodology, concepts and technical tasks of debt sustainability and strategy analysis. Government officials use their own live data and documents, and the outputs of the training are a draft national debt strategy report and a capacity-building plan. Preparatory missions have been a key to the success Regional of Workshops. They allow HIPC governments to ensure that their debt, macro and social data are reliable for strategy

analysis, and to ensure the participation of appropriate officials and senior policymakers. At the request of HIPC's, two additional areas of analysis and training have been introduced in the past year: i) the domestic debt burden and options for its reduction, and ii) poverty indicators and the programming of poverty-reduction expenditures to absorb debt relief. The CBP will remain open to additional HIPC suggestions.

Regional Workshops have two other advantages. First, they provide an opportunity for sharing experiences among HIPC's, which they have valued highly. Second, for the final days up to two senior policy-makers from each country join their national team to provide guidance on the strategy report and to discuss the capacity-building plan. This also ensures high-level awareness of the progress made at the workshop, and commitment to implementing the strategy. Where DRI has been able to discuss extensively with the policy-makers a detailed action plan for implementing the strategy and building capacity, country progress after the workshops has been more rapid: as a result, DRI will institutionalise such discussions.

3.3 National Workshops

National Workshops for individual countries are essential to widen the number of technical staff trained, and to deepen and consolidate the knowledge of those already trained in regional workshops (while beginning to use them as regional experts to train their compatriots). They also allow countries to finalise debt strategy reports and detailed capacity-building plans. As in regional workshops, training materials vary according to country needs, are prepared in the appropriate language, and are updated for each event in the light of the evolving design of the HIPC Initiative.

National workshops are generally followed by a two-stage Seminar where countries present to senior policy-makers and then to donor representatives (and sometimes non-governmental organisations and civil society) their debt strategies and capacity-building plans. The aim of the suggested structure is to allow Ministers to endorse the strategy publicly, including specific requests for support in qualifying for the HIPC Initiative or funding interim debt relief; this almost always leads to rapid formal adoption of the strategy by the government.

Capacity-building plans have varied tremendously. Most have requested intensive CBP assistance in at least one area through a follow-up mission or workshop (e.g. on institutional reinforcement, debt negotiations or new borrowing). When the requested assistance falls outside the CBP specialisation, it is referred to other organisations on the Steering Committee. Only a few have seen their debt analysis capacity as adequate after a national workshop: even so, they have requested continued sharing of information via senior regional workshops. As with regional workshops, specific action plans will in future be agreed, including, where necessary, immediate action on procedures and structures for updating the strategy report.

3.4 Follow-up Missions

To ensure continued implementation and medium-term sustainability of debt analysis, the CBP is already conducting follow-up missions at the request of individual HIPC's and based on their performance in implementing CBP recommendations. These missions are intended to finally consolidate the capacity and knowledge acquired by country teams at earlier stages. They provide deeper training in key areas of debt management and/or refresh the HIPC's independent ability to produce and review debt strategies. In particular, they focus on resolving barriers to the institutionalisation of regular debt strategy implementation and revision. In some cases they will take the form of a short multi-country training workshop to train and exchange information in

specific areas (such as debt negotiations, domestic debt strategy or poverty-reduction programming).

3.5 Regional Workshops with Partner Organisations

In order to ensure sustainable transfer to regional organisations and develop regional organisation and country skills in a particular technical area, regional training workshops will continue to be organised jointly with our partners. These will also allow us to cement the capacity of each region to train its member-states in the area. Events currently planned for 2000-2001 include:

- forecasting economic trends and poverty reduction, with BEAC, CEMLA and MEFMI;
- external debt negotiations, with BEAC, MEMFI and WAIFEM;
- domestic debt strategies, with BEAC and WAIFEM.

3.6 Senior Policy-maker Seminars

The HIPCs have indicated that one vital step to ensure sustained capacity-building is to sensitise senior policy-makers regularly on the need to reinforce debt management, and, to brief them on the latest opportunities for debt relief, new financing and poverty reduction, in order to reinforce their commitment to building national capacity and implementing strategy. To this end, the CBP will hold one short (1-2 day) seminar on special debt management topics per year. These will also provide a forum for discussions on transfer to HIPCs and exchange of country views, and will therefore be organised across linguistic and regional barriers. The seminar for 2000 is on Financing Sustainable Growth and Development in Latin America and is organised jointly with CEMLA.

3.7 HIPC Ministerial Network

The HIPC Ministerial Network was set up in December 1999 at the suggestion of HIPC Finance Ministers. It meets twice a year, and provides a 1-2 day forum for high-level exchange of information amongst HIPC policy-makers, who also produce a highly technical Ministerial Declaration which is distributed to all senior HIPC officials, developed and developing country Ministers, heads of international organisations, NGO networks and the press. The first two meetings were held in Copenhagen in December 1999 and in Geneva in June 2000. The third meeting took place in Prague on September 23, 2000.

3.8 Dissemination of Information

A key aspect of the CBP is the dissemination of information to HIPCs, regional partner organisations and interested parties. In addition, the CBP has been receiving an increasing number of requests for information on the programme and, in particular from HIPC debt managers and partner organisations, for details of HIPC Initiative implementation and CBP training documentation and reference materials. To meet this demand and provide continuous sources of up-to-date information in debt strategy and analysis and the CBP, DRI launched a quarterly newsletter in March 1999 and its website and publication series in August 2000.

Newsletter

The quarterly newsletter provides information on CBP activities, developments of the HIPC Initiative and its implementation, and other features relating to debt sustainability issues, such as the fiscal burden of debt and poverty-reduction strategies. It is available in four languages: English, French, Portuguese and Spanish. The newsletter was launched in March 1999 and the first five issues have been highly praised by HIPCs and other recipients for its quality and relevance, generating demand for many additional copies. The Technical Office will continue

producing it quarterly, and from August 2000 make it available on the DRI website (<http://www.dri.org.uk>), as an essential source of information for all HIPC and interested parties on debt issues and on the benefits countries are obtaining in implementing the CBP.

Website

The website (<http://www.dri.org.uk>) provides public information on the CBP to a general audience, including details about Debt Relief International, the HIPC Ministerial Network, DRI HIPC-related publications, the calendar of events and access to the Newsletter. In addition it has a restricted private members section for HIPC debt managers and regional partner organisations covering confidential or sensitive information. The latter enables HIPC debt managers to have access to, and download, for example, the latest debt relief or new borrowing terms available from individual creditors, or detailed confidential information on macroeconomic projections or poverty-reduction programmes. It also provides easy access to training documentation and reference materials. There will also be access to a HIPC debt managers' forum for exchange of information. Registration for the members' only site will be available on-line. The site will be available in English, French, Portuguese and Spanish.

Publication series

The publication series will put into the public domain a series of documents, which explain key technical aspects of debt analysis and negotiations, macroeconomic forecasting and poverty-reduction programming.

In addition to the present document, the first series will include updated editions of:

- Implementing the Enhanced HIPC Initiative: Key Issues for HIPC Governments
- The Paris Club
- Debt Conversions
- Analysing Domestic Debt Sustainability
- HIPC Capacity Building Needs.

The second series will include:

- The Fiscal Sustainability of Debt
- Financing Poverty Reduction in HIPCs
- Negotiating New Financing for HIPCs
- HIPCs Experiences of Debt Renegotiations
- Best Practices in Private Sector Debt Management
- Monitoring and Analysing Private Capital Flows
- Best Practices in Poverty Reduction.

The publications will be in four languages, and available for a small fee to a wide audience including NGOs, academics and the general public (<http://www.dri.org.uk>), and free of charge to HIPC debt managers (via the members section of the website).

3.9 Country Coverage and Proposed Programme

Given the large number of target countries and the growing demand for training, it will be necessary to phase the demand assessment missions, training workshops and follow-up missions. Factors taken into account in finalising phasing in the work programme are:

- ***likely decision points for the HIPC initiative***, in order to maximise HIPC government capacity at the appropriate time;

- **demonstrated demand from the HIPC government.** Governments which promptly express a wish to participate in the CBP will *be* given priority;
- **cost-efficiency of the work programme.** It will be necessary to group countries by language, by membership of regional groupings and by computerised debt management system to make the work programme cost-effective. The CBP will, of course, continue to ensure that non-members of regional organisations are assisted;
- **existing HIPC capacity to conduct such analysis.** Some HIPCs require less assistance, and will be focal points of regional expertise to transfer capacity to others. Others will require extensive in-country help before workshops;
- **existing commitments to countries.** The 22 countries being assisted by the CBP by mid-1999 will receive priority to ensure that *their* capacity building is sustained.

Nevertheless, the CBP tries to be as flexible as possible in scheduling its work programme, to take account of country priorities, such as elections and budget preparations, as well as taking into account the timing of IMF/World Bank missions. It always agrees dates of missions and workshops with countries. To date it has achieved 92% of its events on schedule.

3.10 Institutional Structure

The current structure of the programme has proved to be highly effective from the point of view of cost-efficiency, management and co-ordination. The 3-layer structure of the CBP will continue, with some minor modifications, as follows:

- **Steering Committee:** A steering group, including senior HIPC officials, donors, and regional and international organisations with a record of technical assistance on debt management, advises the programme on priority countries, subject areas and resource people. Its membership consists of representatives of:
 - 4 HIPC governments;
 - International organisations: Commonwealth Secretariat, International Monetary Fund (IMF), United Nations Conference on Trade and Development (UNCTAD), United Nations Development Programme (UNDP) and World Bank;
 - Regional partner organisations: African Capacity Building Foundation (ACBF), Bank of Central African States (BEAC), Centro de Estudios Monetarios Latinoamericanos (CEMLA), Macroeconomic and Financial Management Institute for Eastern and Southern Africa (MEFMI) and West African Institute for Financial and Economic Management (WAIFEM);
 - Donor governments: Austria, Denmark, Sweden, Switzerland and the United Kingdom;
 - Debt Relief International.
- **Technical Office,** known as Debt Relief International (DRI), co-ordinates the programme which is implemented in conjunction with a large pool of independent resource people, and staff of HIPC governments and regional and international organisations. Since the initial project proposal, Technical Office staff have been increased to 2 part-time staff (Director and Finance/Office Manager), and 6 full-time staff (Programme Co-ordinator, Programme Manager, two Information Administrators, Travel Organiser and Administrative Assistant).

- **Resource-people:** the CBP is giving more priority to creating a critical mass of regional expertise, from which to select mission members and workshop trainers. In the past year, the balance has shifted significantly and regional experts have far outnumbered international experts at workshops.

Occasional *in-country support* from donors will continue to be used to disseminate background information on the CBP, to reconfirm the commitment of senior government officials to the programme, and assist in-country missions with advice on logistics.

IV. RISKS, CONTINGENCIES AND SUSTAINABILITY

4.1 Risks to the Programme and Contingency Counter-measures

The risks foreseen at the start of the programme have been borne out, and the CBP has taken the following counter-measures:

- **low initial capacity** in some countries has been overcome by hiring in-country capacity-building advisers to assist in reinforcing institutional structures, and to conduct prior training on debt, and economic and social concepts.
- **country uncertainty on assistance needs** has been overcome by systematic use of debtor-requested demand assessment missions.
- **sudden changes in country circumstances** have disrupted programme planning (notably wars in Angola, Ethiopia, Guinea-Bissau and Sierra Leone, and civil disturbance in Liberia and Niger). The CBP has shown maximum flexibility in responding to country needs as soon as possible after such events - notably by holding an Ethiopian National Workshop and a mission to Bissau in March 1999.

4.2 Medium-term Sustainability

The main concern therefore remains medium-term sustainability. As indicated in the original project document:

- over the medium-term, civil strife, delay in adjustment programmes and staff turnover in HIPC debtor countries might either delay their requests for entry into the programme, or destroy large parts of the capacity built by the programme;
- disagreements over eligibility for multilateral debt relief, or insufficient relief, may undermine HIPC capacity to implement strategy designed with the support of the CBP. This has been less prevalent than was feared, partly because HIPC II will provide considerable relief for almost all HIPCs, but the long-term risk of shortfalls of funding for poverty reduction and a return to irresponsible new borrowing policies remains high;
- dramatic changes in national or international circumstances may necessitate fundamental changes in strategies, for which countries may request 'refresher' capacity-building. This has been the case since the Enhanced HIPC Initiative significantly increased relief before the Completion Point and accelerated implementation of Poverty Reduction Strategy Papers (PRSPs).

Additional risk factors have emerged, as pointed out in the mid-term review, and the Technical Office has responded to counteract them. The CBP has been a catalyst for hiring new staff where debt offices are understaffed. It has increased incentives for existing staff to remain in place by giving them new skills, employing them as regional experts, allowing them to exchange information with counterparts in other countries, and providing them with political-level support for their efforts. It has been a spur to accelerated development and the installation of debt recording and analysis systems. Finally, it has galvanised political commitment to improving debt management, by moving it up the priority list of decision-makers.

4.3 Transfer of Functions to Regional HIPC-owned Institutions

As discussed in Section II above, transfer to regional institutions is steadily advancing. It has already been agreed that, in order to promote ownership and avoid conflict of interest, the transfers must be to institutions owned and run by HIPC and other developing country governments (rather than to private sector or international organisations), and that the creation of new institutions with large capital costs should be avoided.

For Eastern and Southern Africa, the CBP and MEFMI have signed a Memorandum of Understanding for 2000-2001. The joint work programme for the second half of 2000 involves two national debt strategy workshops (in Angola and Zambia), attachments to DRI of MEFMI staff and Fellows to finalise the methodology and transfer of workshop training documents and reference materials, and a workshop on DSA Training for Trainers, to be linked to a country workshop, at which it would be tested.

For Francophone Africa, the work programme of the CBP and BEAC was initiated in May 2000 with the Third Regional Francophone Debt Strategy Workshop, which involved Chad, Central Africa Republic, Congo, Niger and observers from Equatorial Guinea. The joint programme for the second half of 2000 includes 4 national debt strategy workshops (Chad, Guinea Bissau, Niger and São Tomé & Príncipe) and two regional workshops – one on debt negotiations and the other on macroeconomic projections. In addition, there will an attachment of BEAC staff to DRI to work on the transfer process.

For Anglophone West Africa, the CBP has agreed to transfer funds to WAIFEM. A project proposal, which has been approved by the WAIFEM Board and funded by the ACBF, has debt management as the central initial component of capacity building. WAIFEM intends to draw extensively on the experiences of the regional successes, such as MEFMI. CBP and WAIFEM collaboration for 2000 includes the first Gambia National Debt Strategy Workshop and two workshops on the practical aspects of external and domestic debt management.

In Latin America, contacts between CBP and CEMLA have intensified as CEMLA has received demands for assistance from all four member HIPC central banks - Bolivia, Guyana, Honduras and Nicaragua. It is expected that cooperation will be formally approved by CEMLA's Governors in the forthcoming months. In the meantime, CBP and CEMLA are organising a high-level seminar on Financing Sustainable Growth and Development in Latin America.

V. BUDGET

The total expenditure on debt strategy capacity-building for HIPCs is projected at US\$7.9 million from mid-1999 to the end of 2001. Of this, more than 80% will be spent on project implementation (workshops, missions, transfers to regional organisations and the newsletter,

website and publications), and less than 20% on the central technical office, steering committee and consultations with IFIs, auditing and accounting. Costs of any further review of the programme are excluded, in line with earlier practice.

A fully costed budget is prepared for each individual project, and donors are kept fully informed each quarter about any projected changes in budgets or expenditures. Accounts for the programme are independently audited each year, consistent with individual donor practices.

The principles underlying the budget remain that:

- there are no unspecified overhead costs;
- all mission and workshop fees are charged on the basis of days worked;
- all costs are ceilings. Actual expenditure will depend on country demand;
- all projects will be subject to standard conditions of employment agreed by the funding donors.

VI. FINANCING SOURCES

Donor funding is based on two principles to encourage burden-sharing:

- co-financing to ensure involvement in project management by a range of donors;
- a degree of contributions (depending on ability) by the HIPC themselves.

Participating HIPC countries have usually funded around 10-15% of national workshop and follow-up mission costs, where resources are available, out of their own or donor country-specific budgets. This demonstrates their degree of commitment to the programme, and the Technical Office will encourage them to continue this support. Over time, as functions are decentralised to regional institutions, a MEFMI model of cash contributions by governments (and contributions to costs of the regional organisations based on a transparent formula) will need to be adopted.

DEBT RELIEF INTERNATIONAL PUBLICATION SERIES

All publications are also available in French, Portuguese and Spanish

1. Heavily indebted poor countries debt strategy and analysis capacity-building programme
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Copies of these publications can be obtained from:

Debt Relief International
4th Floor, Lector Court, 151-153 Farringdon Road, London EC1R 3AF, U.K.
Telephone: 44 (0)20 – 7278 0022
Fax: 44 0(20) – 7278 8622
publications@dri.org.uk