

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

Phase III Project Document
(1 April 2002 to 31 December 2004)

By

Debt Relief International Limited (DRI)
BEAC/BCEAO Pôle régional de Formation en Gestion de la Dette (Pôle-Dette)
Centro de Estudios Monetarios Latinoamericanos (CEMLA)
Macro-Economic and Financial Management Institute (MEFMI)
West African Institute for Financial and Economic Management (WAIFEM)

JULY 2002

EXECUTIVE SUMMARY

1. Overall Objectives

This project follows on from 4 years of support to a capacity-building programme (CBP) in debt strategy and analysis to 33 Heavily Indebted Poor Countries (HIPCs). It will provide up to US\$14 million over the next 3 years, to allow HIPC governments to develop the full independent capacity to design and execute their own national debt strategies, and to maintain a high level of overall debt management, during and beyond the HIPC Initiative.

This will be achieved by decentralising the implementation of the programme to regional centres of excellence in debt management, run by HIPCs themselves, which will be responsible for cementing high-quality training, advisory and advocacy capacity to support HIPC governments.

As much as possible, decentralisation will go beyond regional centres to the HIPC governments themselves, acting through a network of regional experts who have been trained in earlier CBP phases, and allowing HIPCs to conduct their own refresher on-job training via a HIPC debt management distance learning network.

2. Areas of Intervention

The primary focus of the programme will remain on debt strategy formulation and implementation. This extends far beyond the HIPC Initiative “debt sustainability analysis” concept in several ways, based on demands from HIPCs themselves. The national debt strategies therefore include:

- Analysis of domestic debt, private sector debt and decentralised debt where requested by the country concerned.
- More detailed analysis of the new financing prospects beyond the HIPC completion point, including qualitative aspects as well as quantitative/concessional issues.
- Comprehensive alternative macroeconomic forecasts, based on volatility and probability analysis, and using national modelling tools or financial programming to ensure cross-sectoral coherence.
- Forecasting the macroeconomic and financing trends needed to attain the International Development Goals.

3. Methodology/Inputs

The methodology of Phase III of the CBP will include the following:

- Direct training of national officials: the CBP will provide 65 comprehensive regional and national training workshops for all participating HIPCs.
- Training for trainers: through training for trainers workshops, the CBP will reinforce a pool of more than 150 regional experts in debt strategy, and training materials will be even further tailored to the needs of all regions.
- Regional and inter-regional subject-specific events: regional and inter-regional events will facilitate exchange of information among HIPCs, with input from international experts, on the best practices in debt management.
- Ad hoc technical support at key points in the HIPC process: through a series of follow-up missions, the CBP will support HIPCs in preparing debt strategies before decision and completion points, in negotiating debt relief with major

creditors including the Paris Club, and in preparing other documents and negotiations related to the HIPC process.

- Information and knowledge products: to support debt strategy formulation and execution, the CBP will provide a set of information products designed to answer crucial urgent questions for HIPC debt strategies. These will include a joint website including technical resource pages for HIPC debt managers, a quarterly newsletter, and research-based publications.
- Distance learning network: the programme will introduce a DLN for debt strategy formulation, in close liaison with the fellowship programmes of its regional partners, and in cooperation with international and regional organisations. This will begin on a pilot basis of 4 countries in 2003.
- Intensive assistance to countries: where necessary, the CBP will provide assistance through 51 in-country institutional reform and assistance missions, intensive in-country advisors, and intensive training of 40 national and regional experts in debt strategy. The amount of CBP funds spent on such intensive assistance will be doubled in Phase III.
- Awareness-raising and advocacy: the CBP will facilitate the advocacy of HIPC government views on the HIPC Initiative and Poverty Reduction Strategies through 6 meetings of the HIPC Ministerial Network, and raise the awareness of HIPC government decision-makers on the importance of building and using national capacity for debt management.

4. Decentralisation and Tailoring to Country Needs

- All CBP interventions will be driven by “effective demand” from HIPCs, with the CBP acting reciprocally in response to efforts by member governments to reinforce and use their own national capacity.
- All CBP interventions will be tailor-made in their form, and their subject coverage, to the needs of each individual HIPC, based on self-evaluations of debt management capacity by HIPC governments.
- Decentralisation to regional partner organisations will take these forms:
 - All ROs will be expected to assume responsibility for training events, and the coordination of and regional contributions to knowledge products, and governance and advocacy structures.
 - BEAC/BCEAO Pôle-Dette – for francophone countries will fulfil the needs of more than 20 francophone HIPCs.
 - CEMLA – this Latin American organisation will fulfil the needs of 4 Latin American HIPCs and expand CBP methodology beyond HIPCs.
 - MEFMI – will continue to support capacity-building in its 5 HIPC member states in Eastern and Southern Africa.
 - WAIFEM will build capacity of 4 members in Anglophone West Africa
 - As necessary, other regional organisations will be encouraged to assist other HIPCs with debt management capacity.
- Decentralisation to HIPCs, based on capacity evaluations, will include:
 - Updating of debt strategies using national capacity.
 - Execution of training events increasingly through national experts training their colleagues.
 - Distance learning to allow experts in HIPCs to train their colleagues.

5. Governance and Implementation Structures

Decentralisation will be pursued by reform of the CBP governance structure to put the leadership of the programme even more clearly in the hands of the regional organisations and the HIPCs. As a result, the governance of the programme will be undertaken by a Steering Committee composed of 5 HIPC named Ministers or officials (representing the members of each of the partner organisations and 1 for non-members of such organisations), 4 regional partner organisations (BEAC/BCEAO Pôle-Dette; CEMLA; MEFMI; WAIFEM) and the CBP donors (Austria; Canada, Denmark; Ireland; Sweden; Switzerland; and UK)

This governance structure will be supported by a HIPC Co-ordination Group of international and regional organisations (currently ACBF, Commonwealth Secretariat, European Union, International Monetary Fund, UNCTAD, UNDP, World Bank) and other donors who are funding technical assistance on debt management, in order to maximise coordination on HIPC and debt management.

Meetings of the HIPC Finance Ministers Network will provide guidance for overall programme and advocacy forum on the financing of poverty reduction, and a mandate for the governance of the overall programme by their 5 representatives.

Execution of the CBP will be transferred from the central coordinating Technical Office (Debt Relief International) to regional partner organisations (including the BEAC/BCEAO Pôle-Dette, CEMLA, MEFMI and WAIFEM).

Comprehensive reporting and evaluation mechanisms will be decentralised to ROs and include pre-project documents, post-event reports, semi-annual participatory evaluation of progress by HIPCs/implementing organisations, independent review of financial sustainability, and end of project review.

DRI and ROs will report country capacity-building plans to Meetings of HIPC Ministers, the Steering Committee and HIPC Co-ordination Group, to encourage all providers of technical support to respond to HIPC needs. They will also encourage IFI and donor representatives to report comprehensively on existing assistance.

6. Risks, Contingencies and Sustainability

Measures will be taken to reduce three types of risks to the programme:

- Risks of Creating Regional Centres of Excellence will be reduced by funding and training for staff, coordination with international organisations and donors to maximise their support for the centres, and special measures to support non-members of the organisations. Financial risks of decentralisation will be overcome by sound joint financial procedures, continued financial scrutiny by DRI and a financial sustainability review of the ROs.
- Risks of Decentralising to HIPCs themselves will be reduced by Ministerial Meetings and Regional Coordination meetings to increase political commitment to debt management; intensive assistance to countries and decentralisation to overcome institutional problems, changes of government or personnel, and low staff motivation; flexible methodology to match changes in HIPC or international circumstances; and intensified assistance to help countries to overcome “shocks.”
- Wider Systemic Risks to Programme Success will be managed by intensified coordination with donors and international organisations to avoid technical assistance and encourage capacity-building to reinforce the positions and expertise of national technical officials; intensified coordination with the Bretton Woods Institutions to ensure that HIPC DSAs are tripartite and that nationally-designed debt strategies are incorporated into PRSPs and PRGF/PRSC loans; and an active CBP role in coordinating providers of debt hardware/software.

I. BACKGROUND AND RATIONALE

1.1. Under the Original and Enhanced Heavily Indebted Poor Countries' Debt Relief Initiatives (HIPC I and II), each HIPC has to engage in tripartite analysis with the Bretton Woods Institutions on the sustainability of its external debt, whether or not it is ultimately eligible for HIPC relief; and, if it is eligible, to conduct such analysis regularly throughout the period of the Initiative. In addition, in order to qualify for relief, each HIPC also needs to demonstrate that it has a coherent strategy aiming to achieve long-term sustainability of its debt, in order to achieve a genuine 'exit' from debt problems. Under the Enhanced HIPC Initiative, this debt sustainability must also contribute more directly to the reduction of poverty in the HIPCs.

1.2. In that context, (since July 1997) the Governments of Austria, Denmark, Sweden, Switzerland and (since June 1998) the United Kingdom 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 design, own and lead their national debt strategies; and to demonstrate to the international community and their civil society their commitment to a high level of debt management during and beyond the HIPC Initiative. The programme therefore goes beyond the HIPC Initiative in two respects. It adapts its methodology to the needs of HIPC countries and goes beyond the narrow conception of debt sustainability in the Enhanced HIPC Initiative; and it continues assistance to countries after the HIPC Initiative, in order to ensure that their future borrowing policies allow them to maintain long-term debt sustainability.

1.3. The programme has so far consisted of two phases. Details of the plans for Phase I are in the document 'Heavily Indebted Poor Countries Debt Strategy and Analysis Capacity-Building Programme.' Following a positive independent mid-term evaluation, which recommended continued funding, donors agreed to funding to the end of 2001.

1.4. Donors agreed that provision of funding beyond December 2001 would depend on an independent evaluation. This evaluation concluded that donors should fund the DSACBP for a further three years (2002-04), during which the focus should be on cementing the transfer to regional organisations and HIPCs themselves, on tackling institutional weaknesses in debt management, and on integrating post-HIPC debt strategy analysis into training and capacity-building methodology. Following agreement in principle by donors to such funding, extensive consultations have been held among donors, regional organisations, HIPCs and DRI, taking into account the results of the evaluation, in order to agree the detailed design of Phase III.

1.5. This document presents a proposal for a third phase of the CBP. Section II describes the lessons of earlier phases and the proposals for Phase III. These relate to the key demand-driven programme activities; the decentralisation of functions to regional organisations and HIPCs; the training methodology; the methodology for information products; the governance and advocacy structures; and the reporting, monitoring and evaluation mechanisms. Section III examines risks, contingencies and sustainability of the CBP.

II. LESSONS, OBJECTIVES AND OUTPUTS FOR PHASE III

2.1. Prioritising Countries According to Effective Demand

The CBP has been a highly active programme, and the level of activity grew dramatically under Phase II, far faster than foreseen in the Phase II programme document. It has conducted 15 demand assessment missions, 6 international meetings, 19 regional workshops, 23 national workshops and 26 follow-up missions, and supervised 4 country-specific advisors for 70 work-months. In Phase III, based on country and RO demand, the programme will need to be just as active.

Within this programme, three factors have driven prioritisation of country activities: HIPC Initiative progress, country commitment to debt management, and cost-effectiveness. In practice, the top priority has been given by donors to helping countries at the appropriate point in their HIPC process. As a result, the introduction of the Enhanced HIPC Initiative in 1999 resulted in a sharp increase in demand from new countries which were likely to become eligible for relief, and has increased the number of HIPCs eligible for assistance from the CBP from 40 to 42 (see Annex I). This necessitated including 10 more countries in phase II, bringing participating countries to 31.¹ This has enabled the programme to provide initial assistance to more countries which, as acknowledged by the BWIs to the review, has increased their knowledge and confidence in negotiating relief under the Initiative. The programme has also assisted several countries in proving or increasing their entitlement to relief (for example by excluding re-exports from the export denominator in Benin, Gambia and Nicaragua), helped several countries (notably Zambia) to argue their case for greater frontloading of relief, and helped Ghana and Malawi to take decisions to enter the HIPC process.

However, this extra work with newly eligible countries has restricted CBP ability to prioritise its work based on the effective demand by the country (i.e. objectively measured need and expressed commitment) to improve its own debt management.

Given the large number of HIPCs and continuing high demand for support in Phase III, it will be necessary to prioritise even more carefully country interventions. Based on the findings of the review, and in line with the views of donors and the five executing partners, the relative importance of the factors taken into account in the work programme for Phase III will be changed.

- More emphasis will be placed on effective demand by countries as evaluated objectively by ROs. Governments which show determination to reinforce their own capacity and implement their own debt strategies will be accorded top priority. This will be measured even more closely than in previous phases, through further refinement of the evaluation methodology, and stricter application of requirements for government action to match interventions by the CBP.
- Decision and completion points for the HIPC Initiative will continue to be taken into account, to maximise HIPC capacity to express their views in advance of key points in the Initiative. However, new countries will be strictly limited to 2 per year, with further work in those countries dependent on the findings of demand assessment missions and on demonstrated commitment to debt management from the recipient country. In addition, it is important to realise that donors have always been clear that the aim of the CBP is not to help countries get through the decision and completion points, but rather to help them to ensure long-term debt sustainability. As a result, equal emphasis will be given to countries at all stages of the HIPC process (pre-decision point, interim phase and post-completion point).
- To maintain cost-efficiency of the work programme, it will still be necessary to group countries by language, as well as by membership of regional organisations.

2.2. Tailoring Types of Intervention to Country Needs

The CBP has given top priority to institutional development, training and skills transfer, with its types of intervention being tailored to individual countries' needs, in order to build HIPC capacity to implement debt strategies.

2.2.1. Types of Intervention

Initially, the CBP focussed primarily on demand assessment missions to assess national effective demand and plan work programmes for capacity-building, as well as regional and national training workshops on debt strategy and sustainability analysis. Phase II has focussed on maximising country

¹A further four countries (Comoros, Democratic Republic of Congo, Kenya, Madagascar) are considering or have requested participation in the programme. Six HIPCs have not been contacted because they are receiving support from other donors (Laos, Vietnam, Yemen) or are far from entering HIPC (Myanmar, Somalia, Sudan).

capacity to conduct DSAs and in-country training without external assistance. As a result, by March 2002, 20 countries are implementing reinforced debt strategies designed in regional or national CBP workshops. Another 10 have drafted such strategies. Around 16 now have the capacity to update DSAs and debt strategies independently though, due to lack of demand from policymakers according to the assessments conducted by DRI, the BWIs and the HIPCs themselves, only between 9 and 13 are doing so regularly (though 17-19 countries say they are). DRI also estimates that 15 now have the capacity to conduct their own training on debt strategies with limited external assistance.

In addition, in the Phase II document donors agreed on regional subject-specific workshops to provide detailed training on specific areas linked to debt strategy, such as 'debt renegotiation, new borrowing policy, macroeconomic projections or social sector costing techniques'. In Phase II, these events have been highly demanded by HIPCs and regional organisations, resulting in 7 debt negotiations workshops; 6 workshops on forecasting the macroeconomy and poverty reduction; and two workshops on domestic debt strategy. These workshops all had considerable value added for the participating countries. The debt renegotiation and domestic debt events were rated extremely highly by participants and provided them with highly practical simulations of negotiations and tools for analysing domestic debt. As a result, based on demand from the individual countries, national events have included where appropriate training modules on domestic debt and contingent liabilities, private sector and decentralised debt, and more detail on new financing strategies, macroeconomic forecasting and poverty reduction programming. As a result, Phase III will continue to hold a considerable number of subject-specific workshops. However, based on assessments of the direct relevance of these issues to debt strategy, and the need to maintain the specific focus of the programme, HIPCs and the review have indicated that training should be confined to areas which are more closely linked to debt strategy. This means that the CBP will:

- go into more depth on post-HIPC financing, domestic and private sector debt. As a result, the programme will focus on supporting ROs and HIPCs in introducing new methodologies for training on overall debt strategy analysis. This will include post-HIPC new financing strategies related to debt sustainability, and domestic and private sector debt strategies where these are important to individual countries. These methodologies will be introduced, through inter-regional and regional workshops, which will refine methodology for integration into national events on overall debt strategies.
- not cover broader areas such as poverty reduction and macroeconomic forecasting. However, the CBP will continue to upgrade training support in practical methods of economic forecasting and poverty reduction programming, in areas which are essential to the development of long-term debt strategies.
- The Phase II document also envisaged senior meetings to exchange information across regions. Only two of three planned inter-regional events were held, a training for trainers event on Debt-Pro and an International Seminar on Debt Relief and Poverty Reduction. HIPCs have suggested that the lack of such technical meetings at a senior level has been a major barrier to concrete exchange on best practices in debt strategy formulation. As a result, Phase III will hold 1 interregional technical seminar a year, to allow senior regional experts to compare best practice on debt strategy implementation and new methodological issues across different HIPC regions.

2.2.2. Further Improving Methodology

Methodology has continued to develop rapidly and is acknowledged as high-quality by international organisations, and by HIPCs themselves, because it has been continually tailored to HIPC needs. Anonymous evaluations by workshop participants acknowledge the high quality of training materials: 89% find them easy to use, and 77% use them in their jobs to execute debt strategies independently. Nevertheless, the review, ROs and HIPCs themselves have made several constructive suggestions for making methodology even more effective, which will be implemented in Phase III.

In addition, the CBP will provide even more on-line support to countries between events; deepen its training for trainers methodology, widen it to all regions, and assure its incorporation of best practice in adult learning, and expand it to cover new areas of concern to HIPCs.

2.2.3. Expanding Intensive and Institutional Assistance

The CBP included from the start the concept that training interventions needed to be complemented by intensive in-country work to resolve institutional problems, increase political commitment to debt management, and build capacity in specific areas. Phase II emphasised this intensive country-specific work in five ways:

- twenty-six in-country follow-up missions (80% of the planned total), with HIPC nationals as trainers wherever possible.
- online support to 15 countries in preparing debt strategies, debt relief negotiations and macroeconomic forecasts.
- designing/updating capacity-building plans in all workshops.
- a MEFMI/DRI Training for Trainers Workshop which cemented capacity in MEFMI HIPCs to design strategies and train colleagues in country;
and particularly
- intensive capacity-building advisors for six countries (Guinea-Bissau, Guyana, Honduras, Nicaragua, Rwanda and Sao Tome e Principe) who have achieved more fundamental training in debt management and institutional reforms.

As a result, 14 countries have substantially reinforced institutional structures, and 6 more have increased staff numbers, training and motivation.

Nevertheless, the CBP's self-evaluations have indicated that in around 16 HIPCs, wider institutional weakness is the key barrier to sustaining capacity and sustainable debt burdens. The independent review has stressed the need to tackle institutional issues in HIPC governments and ROs in order to ensure permanent cementing of capacity. Based on strong demand from HIPCs and ROs themselves, Phase III will therefore double the proportion of funds spent on intensive support to HIPCs in capacity-building. This will be spent on:

- Intensive national follow-up missions focussing on institutional issues and sensitisation of policymakers to the need to improve debt management
- intensive advisory support to assist with national institution-building
- intensive country expert/fellow attachments to DRI or ROs to reinforce national and regional capacity in specific areas.

2.2.4. Enhancing Political Commitment

Another important problem, according to HIPC officials and evaluations by the CBP partners, has been that in 8-10 HIPCs, existing capacity is being frustrated by low political commitment to utilising it, rather than relying on Bretton Woods Institutions or other donor-provided technical assistance. This low commitment has three sources:

- lack of sensitisation of policymakers, IFIs or the donor community to the existence of the capacity. The programme already includes large elements of political sensitisation on strategy results, institutional issues and capacity utilisation, through dissemination seminars for cabinet ministers, civil society and the international community. However, Phase III will place even more stress on such measures and on coordination of capacity-building efforts in each country during national events, as well as on international coordination through its governance and advocacy structures (see 2.6.1 below).
- The reluctance of some Bretton Woods missions to discuss country findings or to share their own assumptions and findings with HIPCs, demotivating Ministers and their technicians from continuing to prepare DSAs. The programme has already established excellent relations with headquarters departments responsible for HIPC analysis, and will make all efforts to sensitise them to the need for full tripartite preparation of all stages of DSAs, as well as to encourage countries to insist on a fully tripartite process.

- Continuing offers by donors (including those donors funding the CBP) of funding for overlapping traditional-style technical assistance (usually with a low capacity-building component and often with poor knowledge of DSA or related issues) which undermines and demotivates national capacity, and bypasses any contact with regional partner organisations. The CBP will accelerate its efforts to ensure that all of the donors funding the CBP – and others where possible – provide full information to the HIPC Co-ordination Group on such interventions and their justification. However, ultimately it is the responsibility of the HIPCs themselves to coordinate and prioritise all technical assistance. The CBP partners will therefore enter into a dialogue with donors and capacity-building initiative funders such as ACBF on how to empower countries to build “sector-wide programmes” to coordinate initiatives and assistance in debt management.

2.2.5. Overall Definition of Priorities

In Phase III of the CBP, the most important factors determining the type of intervention for each country will be existing capacity, and the underlying barriers to institutionalisation and utilisation of that capacity. The evaluations of HIPC progress (see 2.7) will be used to identify work priorities, in four broad groups:

- 1) countries which have problems of political commitment to debt management, for which key steps will be sensitising policymakers to the need for greater action
- 2) countries with high political commitment but major institutional or legal problems, which will be assisted through advice and intensive support in institutional reform and, where necessary, through intensive in-country assistance;
- 3) those with good commitment, reasonable institutions, and potential or borderline capacity, which will be assisted primarily through refresher training in debt strategy and in new techniques and areas through follow-up missions;
- 4) those which are already conducting their own strategies and have the capacity to conduct their own training, who will be assisted primarily through training in new areas, training for trainers, information and funding for nationally-run training.²

Given the staffing levels in DRI and its regional partners and the numbers of member states, we believe that a feasible approximate annual work programme would be:

- Pôle-Dette region: 2-3 regional workshops, 3-4 national workshops, 4-10 follow-up and institutional support missions, and 4 attachments to DRI for staff, regional experts or fellows in order to deepen their capacity for training.
- CEMLA: 2 regional workshops, 2 national workshops, 2 follow-up and institutional support missions, and 2 attachments.
- MEFMI: 2 regional workshops, 2 national workshops, 2 follow-up and institutional support missions and 2-3 attachments.
- WAIFEM: 2 regional workshops, 1 executive forum, 4 national workshops or follow-up institutional support missions and 4 attachments
- DRI: 2 demand assessment missions for new countries, 2 regional workshops, 2 national workshops and 2 follow-up/institutional support missions (all for countries which are non-RO members) and 1 inter-regional technical seminar.

2.3. Transferring Capacity and Responsibility to Regional Organisations

The CBP's aim has always been to maximise the degree to which the execution of the programme is handled by the HIPCs themselves. One key aspect of this has been to hand over execution to regional institutions owned and run by the HIPCs.

² Those countries which are emerging from conflict (or indeed those returning to or continuing with conflict) are likely to fall into one of the first two categories. They will be particularly closely assessed for political commitment and institutional issues in demand assessment missions, and discussed fully with donors before proceeding with additional assistance. Countries which are under international sanctions will continue not to receive any country-specific assistance under the CBP.

The process of transfer has involved identifying appropriate partner institutions for the CBP and then ensuring on behalf of the donors that they are in a position to:

- Provide timely, flexible and tailored assistance to all members
- Intervene at appropriate political levels to enhance HIPC political commitment
- Plan, prepare, manage and administer training workshops and in-country support missions
- Supply from among their staff or regional experts a wide pool of regional experts in all the key subject areas of the CBP
- Participate in the development of new areas of training methodology
- Manage funds disbursed to them in line with donor procedures and reports.

An institutional self-review of the partner institutions has concluded that they deliver high quality training programmes and (in most cases) technical assistance missions, but feel less strong in research, information sharing, advocacy and institutional assessments

At the end of Phase I, only 1 regional partner (Macro-Economic and Financial Management Institute of Eastern and Southern Africa - MEFMI) had been identified. Since then, the CBP and its donors have played important roles in establishing a new regional training centre on debt management for Francophone Africa at the Banque des Etats de l'Afrique Centrale (BEAC), and in assuring member state agreement and donor financing to expand the mandates of the Centro de Estudios Monetarios Latinoamericanos (CEMLA) and the West African Institute for Financial and Economic Management (WAIFEM) into debt management and debt strategy capacity-building.

During Phase II, transfer has dramatically accelerated, as follows:

- the BEAC/BCEAO Pôle régional de Formation en Gestion de la Dette (Pôle-Dette) has 12 HIPC members (Benin, Burkina Faso, Cameroon, Chad, Congo Republic, Côte d'Ivoire, Guinea-Bissau, Mali, Niger, RCA, Senegal and Togo) and invites five others regularly to attend its training events with CBP funding. It will handle all training functions for its members from 1 January 2002.
- the Macro-Economic and Financial Management Institute of Eastern and Southern Africa (MEFMI) covers 5 HIPCs (Angola, Malawi, Tanzania, Uganda and Zambia) and invites 3 others regularly to attend its training events with CBP funds. It will assume all regional training functions from 1 January 2002.
- the Centro de Estudios Monetarios Latinoamericanos (CEMLA) covers 4 HIPCs (Bolivia, Guyana, Honduras, Nicaragua). It is currently assuming responsibility for training, which will occur completely by the end of 2002.
- the West African Institute for Financial and Economic Management (WAIFEM) covers 4 HIPCs (Gambia, Ghana, Liberia and Sierra Leone). It is currently assuming training functions, with complete transfer due by end 2002.

An independent institutional review of the capacities of these organisations, as part of the review of Phase III, has indicated that much has been achieved in all of the above areas and that, due to their own inherent qualities as well as support from DRI, the organizations are already or should soon be capable of taking over the training functions of the CBP from DRI.

However, transfer has so far mainly been limited to the execution of training events and missions, and the development of a growing pool of regional experts. There has been relatively little transfer of the governance and advocacy structures, or of the information products of the CBP, to the regional organisations. As a result, the institutional review of the ROs has concluded (based on their own views of their performance) that they are stronger in workshop training and mission support than in advocacy or information products.

As a result, Phase III needs to alter relations among HIPC's, DRI, ROs and donors, to achieve sustainable transfer of functions and cement the position of ROs as centres of excellence in debt management by the end of 2004. The main steps will be:

- Transferring workshop training to Pôle-Dette and MEFMI at the start of Phase III.
- Transferring workshop training to CEMLA and WAIFEM at the end of 2002.
- DRI, regional organisations, donors and countries which are not members of regional partner organisations working together to find ways in which capacity-building can be decentralised to the countries in appropriate languages.
- Decentralising CBP governance and advocacy structures.
- Gradually decentralising production of CBP information products and coordination of information flows
- Gradually decentralising development of training materials for new subject areas and the organisation of training for trainers events.
- Agreeing more streamlined monitoring and reporting mechanisms for closer liaison between donors and regional organisations (see also 2.7 below).
- Harmonising evaluation methods among the five partners.

The precise transfer process including timetabled milestones for evaluation will be agreed in Memoranda of Understanding agreed between DRI, the ROs and donors. As early as possible in Phase III, the regional organisations on a rotating basis will become responsible for the coordination of the governance and advocacy structures and of the information products, and for regional inputs into those products.

A further key focus of Phase III will be to cement the position of regional organisations as 'centres of excellence' in debt strategy and analysis capacity-building for their member states and the international community. This will involve:

- Having the managerial, technical and administrative capacity to conduct all training and 'training for trainers' events with minimal external assistance;
- Responding to all HIPC's immediate and long-term support needs through rapid follow-up and intensive institutional support;
- Being able to run joint information and training products (newsletter, website, publications and studies, and distance learning network) for the benefit of HIPC's;
- Expressing jointly to the international community the opinions of HIPC's on the HIPC Initiative, debt sustainability, new financing and poverty reduction;
- Ensuring that they are in a position to coordinate all relevant international organisations and donors in providing assistance to their member states;
- Through all of the above, ensuring that their member states are able to revise regularly and implement their own national debt strategies.

In order to assess progress by the ROs in cementing their position as centres of excellence, and by DRI in transferring its functions, the five executing partners and donors will agree at the time of the first Steering Committee Meeting in Phase III (May 2002) on a methodology for evaluating the capacities of the ROs and DRI.

It will also be vital to continue to maximise the complementarity between the CBP programme and the other programmes being conducted by the ROs. These programmes are already providing valuable support in operational, legal and institutional issues of debt management, as well as risk management, which are less well covered by the CBP, but are essential components of debt management and often are prerequisites for debt strategy formulation and implementation. CEMLA,

MEFMI and WAIFEM also provide wider programmes in macro-economic and financial management. The CBP donors will therefore coordinate as appropriate with the ROs and their other funders to ensure that all aspects of debt management are being sufficiently covered by their overall programmes.

On the other hand, 14 HIPCs are not members of the ROs. The 7 which are working with the CBP are being funded by the CBP (with the agreement of ROs) to attend regional events organised by them³ but this does not give them comprehensive and country-specific capacity-building assistance. In addition, for HIPCs whose official language is Portuguese (PALOPs), the CBP has found it much more successful to train in Portuguese. Phase III will place a strong emphasis on finding means to provide these countries with more comprehensive capacity-building, and will work closely with ROs and other donors (especially the ACBF, which is already exploring mechanisms to fulfil the needs of the PALOPs) to ensure the early identification of sustainable institutional solutions to this issue.

As a result of the above measures, it is envisaged that, by the end of Phase III, the ROs and HIPCs would be in full control of the programme and in a position to decide on a transparent basis to buy in services from DRI on a limited as-needed basis.

2.4. Decentralising to HIPCs Themselves

Another key aspect of decentralisation has been to create training capacity in HIPCs themselves, in order to maximise ownership by HIPC governments and cost-effectiveness. The first stage of this process has been to train and create a pool of regional expertise available among HIPC countries to train their fellow officials. By December 2001, of the CBP's list of 90 resource-people working on debt strategy (including those whose expertise has been developed by wider programmes run by the regional partner organisations), no fewer than 71 are from HIPCs. This network of accredited consultants from HIPC governments is a key feature of the programme.

However, Phase III intends to go further in this direction, in the following three ways:

- Around 15 HIPCs are in a position to conduct refresher in-country training workshops with reduced levels of assistance from CBP partners. The CBP will increasingly encourage them to run their own workshops, by assisting them to access and modify training materials directly, with minimum external assistance.
- Workshop training is insufficient to cope with staff turnover and changes in demands on debt units. Around 12 HIPCs are estimated to be capable of organising on-job training for new staff and new demands. As a result, the CBP intends to put in place on a pilot basis a HIPC Learning Network for distance-learning on debt strategy, through which staff will study supervised and tailored modules. This network will initially be limited to those countries with the highest political commitment to debt management, and the strongest institutions and coordination structures. It will be expanded to other countries only after approval by donors. Initial discussions on this proposal with regional and international organisations have indicated a high degree of interest in participating in such a network.
- Country progress evaluation reports will be transformed into self-assessments by HIPCs, which will be organised by all five partners. Regional organisations and DRI will verify and discuss assessments with HIPCs before submission to donors.

2.5. Providing Essential Information Services to HIPCs

Under Phase II, the CBP has produced a range of information products which have become of key importance to designing and implementing strategies in many HIPCs.

³ The appropriate RO is selected on the basis of language. As a result, Ethiopia, Mozambique and Rwanda have attended MEFMI events; and Burundi, Guinea, Mauritania, Rwanda and São Tomé & Príncipe have attended Pôle-Dette events.

- since 1999, the CBP has been producing a newsletter which is well-regarded and extensively used by HIPCs.
- starting in 2000, the CBP has developed a website on debt strategy issues which is currently being upgraded into a technical resource-centre as the basis for distance learning by HIPCs in debt strategy issues. HIPCs have demanded that far more resources be available in electronic form so that they can provide on-job training without having to organise formal workshops.
- in 2001, the CBP has been producing a series of publications in four languages on debt strategy issues. These have been well received and used by HIPCs.

HIPCs, partner organisations and the review have praised the quality of these products, but indicated that access to them is rather narrow in HIPC countries, and that they should provide more exchange of HIPC views, transmission of the experiences of individual HIPCs, and input from regional organisations and experts.

Phase III will therefore see a substantial increase in content and dissemination of information products, to provide the base for decentralised learning by HIPCs, by:

- expanding the newsletter print run, distribution and size, in order to allow space for contributions from all regional organisations and HIPC officials, and to make it a joint product of all CBP partners.
- transforming the website into a joint product of CBP partners, with considerable expansion of its resources, and making an active tool for HIPC debt strategies, with technical resource pages and listserve mailing of new information.
- working with other international organisations to establish on a pilot basis a web-based debt management distance learning network.
- producing a wider series of publications dealing with region- and country-specific issues, which will involve coordinated work among international and regional experts, through a set of inter-regional commissioned studies, in order to fill a major gap in practical research on solutions to HIPC problems.
- encouraging greater information exchange and contributions among regional partner organisations.

Key focuses of activity during this phase will be the provision of support to regional organisations in the development and production of joint information products; and (as necessary) coordination and advance planning meetings among technical staff of the 5 partners. These will ensure that by the end of Phase III, regional partners are able jointly to assume responsibility for these products which are essential to HIPCs.

An additional feature of the CBP which is highly valued by HIPCs is the provision of documentation in the language of the country concerned. Since 1997, 85% of CBP materials (more than 3 million words) has been translated from English into the other official languages of HIPCs (French, Spanish and Portuguese). In addition, the CBP and HIPCs have encouraged international organisations and other training institutions to translate documents. Phase III will continue to provide training to all HIPCs in their official languages, and further raise the proportion of materials translated into these languages.

2.6. Governance, Coordination, Advocacy and Management Structures

2.6.1. Governance, Coordination and Advocacy

The CBP is currently governed by a Steering Committee, which maximises coordination of information on the progress of the HIPC Initiative and PRSPs, and assistance on debt management. It is attended by representatives of 4 HIPCs, the 5 executing partner institutions and the funding donors

In addition, 5 international organisations –the Commonwealth Secretariat, IMF, UNCTAD, UNDP and World Bank are invited to attend Steering Committee meetings. So are other donors involved in funding debt capacity-building initiatives (ACBF has participated and the Dutch and Canadians have observed) to maximise coordination of donor efforts.

This Committee provides a unique forum for analysing the progress of the HIPC Initiative and PRSPs, the capacity-building needs of HIPCs, and the efforts of the 5 executing partners and 5 international organisations to fulfil these needs. It has helped to establish wider cooperation links, notably in the joint construction by Pôle-Dette, Comsec, DRI, IMF, MEFMI and World Bank of a questionnaire to review HIPC debt capacity-building needs, at a Pôle-Dette seminar in Ouagadougou. This is the basis for a forthcoming BWI Board Paper on HIPC Debt Capacity-Building Needs.

As a result of this coordination, the CBP has worked closely with all major providers of debt management assistance, but based on the understanding agreed by donors at the start of the programme that resource-people should come from non-creditor sources: The CBP has therefore involved all relevant independent institutions – as well as creditors with no conflict of interest. It has cooperated with the African Economic Research Consortium, Association of Coffee Producing Countries, Bank of England, Banque de France, Commonwealth Secretariat, Crown Agents, Economist Intelligence Unit, European Union, IMF, various OECD Development and Finance Ministries, UNCTAD, UNDP, World Bank and OECD and HIPC academic institutions.

Finally, the CBP has played an active role in coordinating with providers of hardware and software for debt management, including the Commonwealth Secretariat, International Debt Management, UNCTAD and the World Bank. In particular, following free choice by HIPCs among different systems, the CBP has financed the acquisition of the IDM Debt-Pro analytical software (which is currently the sole software used by the BWIs for HIPC analysis) for 26 HIPCs. To enhance Debt-Pro's relevance to HIPC needs, the CBP executing partners have fed HIPC opinions into the software to incorporate domestic debt and poverty reduction spending and to expand its coverage of external debt and macro forecasting. HIPC officials and MEFMI have developed links between debt recording systems and Debt-Pro, and also developed tailor-made software packages for forecasting the macroeconomy and poverty reduction. Phase III will continue to ensure that practical software tools and training in them are accessible to HIPCs, and that they reflect HIPC inputs and views, particularly if necessary and thought appropriate by HIPCs and ROs in formalizing the links between Debt Pro and the CS-DRMS/DMFAS recording systems.

In addition, in Phase II, at HIPC Ministers' and officials' demand, the CBP focussed on sensitising policymakers to the need for debt management capacity-building, and on **advocating their views to the international community, by holding 5 Ministerial Meetings**. The conclusions of these meetings are circulated to the heads of BWIs and UN organisations, and G7 and like-minded OECD ministers of finance and development. This forum has been extensively drawn on by international organisations and developed country governments, and has recently organised inputs into the IMF/World Bank review of PRSP and PRGF and the World Bank OED review of the HIPC Initiative.

The current structures of the CBP have proved to be effective for governance, coordination and advocacy. Nevertheless, to ensure the fullest possible coordination among and transfer to regional organisations, and ownership by HIPCs, during Phase III, the following changes to the structures will need to be implemented:

- **Governance meetings** will continue to be held twice a year – in May and November (the first simultaneous with the annual Ministerial Meeting). However:
 - they will be more clearly divided into a Steering Committee, which will consist of the funding donors, implementing partners and HIPCs (and will steer the CBP), and a HIPC Co-ordination Group, which will invite the participation of all international organisations and other donors involved in debt management assistance to HIPCs, in order to provide a forum for coordination of all major debt management assistance to HIPCs.

- In order to enhance such coordination, other international organisations and donors involved in debt management assistance (such as UNITAR and the AIF) will be invited to attend the HIPC Co-ordination Group meetings.
- HIPC representatives will increase to 5 - one member from each RO and one representing non-members of ROs – in order to balance the three other groups on the Committee, and approximately 50% of the time in the annual Ministerial Meeting will be devoted to reviewing HIPC debt management capacity-building needs (notably those relating to strategy) in order to enhance their role in CBP governance.
- Steering Committee and HIPC Co-ordination Group meetings will be hosted preferably in each HIPC region by rotation but, where necessary, could be held in donor countries.
- An additional day will be added to Steering Committee meetings (making them a full five days) in order to allow time for key coordination meetings among the 5 executing institutions.
- In addition, for logistical reasons, the Donor Liaison Committees of Pôle-Dette and WAIFEM will be held in the same week as the Steering Committee Meetings. Other funders of ROs (such as ACBF and EU) will be invited to attend to maximise coordination in the Donor Liaison Committees.
- All of these governance meetings will increasingly be decentralised to regional organisations, who will assume (in multiple languages) the functions of organisers, secretariat, chairpersons and presenters to plenary sessions.
- **Ministerial Meetings** will be held once a year for 2 days (1 day of discussions among Ministers in language-based groups, followed by 1 day of joint plenary meetings and discussions with the Bretton Woods Institutions). They will be supplemented by a briefing of Ministers and press conference to be held at either the Spring or Annual Meetings of the IMF and World Bank. In addition,
 - In order to improve the advocacy effectiveness of the CBP, the country hosting the annual inter-regional Ministerial Meeting will commit to transmitting the declaration of HIPC Finance Ministers to the international community, jointly with the HIPC Chair of the meeting and the host regional organisation.
 - Greater efforts will be made to invite Governors of Central Banks, and senior officials of the BWIs, in order to increase the Meetings' effectiveness in generating political commitment to debt management and transmitting advocacy messages.
 - The CBP will also coordinate more closely with other groups representing developing countries in their communication with the BWIs, such as G24 and HIPC Executive Directors.
 - Regional organisations will increasingly take over responsibilities for the organisation of such meetings, including chairing, presentations, drafting of declarations and letters, and coordination of advocacy communications.

2.6.2. Management and Execution Structures

The CBP has since its inception been managed on behalf of the donor group by Debt Relief International Limited, a company which was created for this purpose, based on the prior experience of its principals in debt strategy capacity-building, and which runs the CBP on a not-for-profit basis. DRI is known as the "Technical Office" of the CBP, and is part of a larger non-profit organisation known as the Development Finance International Group.

In addition, during Phase I and in particular during Phase II, the administrative and financial functions of the programme have increasingly been decentralised to the regional partner organisations, to the point where all four organisations are already responsible for all on-site and regional logistics, payment and administration, as well as all communications with governments on workshops/seminars (see 2.3 above).

As already described, the workload of the programme is likely to be just as high in Phase III. However, the priority for Phase III is the transfer of capacity and wider management functions to regional organisations.

As a result, in Phase III:

- **the Technical Office (DRI)** will gradually reduce staff numbers (it is already apparent that the initial DRI workload in Phase III will be just as high due to the need to ensure successful transfer of functions). From the start of Phase III, the two full-time posts of Programme Coordinator and Programme Manager will be replaced as Programme Managers by one full-time staff member and two part-time consultants, who will be responsible for managing transfer to ROs and assistance to countries which are non members of the ROs. In 2004, assuming progress of transfer is on schedule, the full-time staff post will be abolished, with Programme Management functions being handed to international expert consultants paid on a daily basis. Existing DRI support staff will also gradually have their time reallocated to other projects in the DFI Group, with the average proportion of time devoted to DRI falling from 85% to only 50% by the final year of the programme (only 20% for the Travel Administrator). In addition, all of their job descriptions are being refocused from execution to transfer to ROs, and from workshop/mission organisation to information products.
- **Regional Organisations:** the workload for the regional organisations will increase considerably due to gradual transfer of functions, particularly those of organising governance and advocacy meetings, of producing joint information products, and of reporting to donors on the substantive and financial execution of the programme. In order to ensure this transfer, the CBP will therefore cover a wider range of the costs incurred by regional organisations in executing the programme. In particular, to ensure adequate staffing levels, ROs excluding MEFMI will be reimbursed for staff costs relating to the debt strategy programmes. All ROs will also be reimbursed for part of the extra costs incurred in attending Steering Committees (part will be paid by those ROs which have their Donor Liaison Meetings just after Steering Committees). Donors also remain open to other suggestions for intensive support to the regional organisations in any of the technical or management areas discussed earlier in this document.

2.7. Monitoring, Reporting and Evaluation

The CBP has comprehensive methods for evaluation and reporting, of five types:

- Submission of **advance documents and budgets on individual projects** to donors for their approval. Under Phase I this also involved reporting on shortlists and CVs of consultants- but this was dropped in Phase II in acknowledgement of the high quality and transparency of recruitment.
- **Post-event evaluation**, including anonymous evaluations by participants, and evaluations by consultants and workshop coordinators. These have provoked many improvements to training (longer workshops, synthesising materials, deeper subject-specific training, etc). The Training for Trainers process with MEFMI's Secretariat and regional experts also produced important revisions to materials and procedures. With the permission of HIPCs, documents produced in workshops/missions are circulated to donors confidentially, to facilitate advocacy of HIPC views on debt relief, poverty reduction or capacity-building needs.
- To keep donors informed of overall progress under the programme, the CBP has introduced a system of **semi-annual country evaluation**. This has been praised by donors, and has helped them to base CBP work programmes for subsequent periods on country needs. The evaluations have also indicated priorities for Phase III (institution-building, new financing and domestic debt) and for wider efforts by the international community (macro forecasting and poverty reduction). This methodology has been published and shared with the Steering Committee, and has been widely endorsed, most notably in the IMF/World Bank Board paper on HIPC Debt Management Capacity submitted to the Boards in March 2002. It has also been broadly endorsed by ROs. However, under the first two phases of the CBP, this evaluation has been largely the purview of DRI and has not been sufficiently led by the ROs or the HIPCs themselves, nor taken sufficient

account of the needs of most ROs for a broader evaluation system on debt management capacity, similar to that developed by MEFMI in 1997.

- A wide range of (initially quarterly and now semi-annual) **substantive and financial Steering Committee reports** to donors.

Reporting has also been **decentralised to the ROs**. They have under Phase II been reporting to donors directly at the Steering Committee on CBP progress and on the execution of their wider programmes. Another key element of reporting is among the executing agencies, with DRI and ROs recently beginning to hold formal coordinating meetings on a semi-annual basis, building on earlier informal meetings and on bilateral missions to visit one another's headquarters.

Transparency has been a key feature of the programme. As a result, reporting has gone well beyond donors and executing agencies. Semi-annual reports to the Steering Committee by DRI and increasingly by ROs, on the overall execution of the programme, allow HIPC, international organisations and donors which do not fund the programme to be informed of progress and to provide advisory input on priority countries and subject areas. Summaries of these reports are published on the programme website and in the programme newsletter. The full minutes of the Steering Committee meetings are published on the website and circulated to all HIPC Ministers. This system has ensured full HIPC and public knowledge of CBP progress, as well as allowing non-donor members of the Steering Committee to provide advisory inputs on the future shape of the programme.

In Phase III, reporting and monitoring will be enhanced and streamlined as follows:

- ROs will gradually assume responsibility for reporting on the substantive and financial execution of parts of the CBP which apply to their regions (and increasingly on joint cross-regional events and products), to both the Steering Committee and HIPC Co-ordination Group, and to donors. DRI will reduce its role to: monitoring quality of events through attendance at workshops and selected missions, cross-checking compliance with CBP spending rules and overall use of funds, and reporting on the overall shape of the programme, interregional events, and programmes for RO non-members.
- Donors, DRI and ROs have agreed on a streamlined system of reporting to donors. This involves advance batches of project documents for a semi-annual period, post-workshop reports, mission aide-mémoires and country strategy reports and capacity-building matrices (with the agreement of the HIPC concerned); and semi-annual reports to donors and Steering Committees.
- Between Steering Committee meetings, the implementing agencies will continue to consult donors on all aspects of major importance to the programme (and which diverge from the decisions taken at the Committee). Donors will make decisions on these issues on the basis of voting shares defined according to their contributions to the programme, as defined in their separate Letter of Agreement, and on the basis that non-response by donors will be taken to indicate agreement with the recommendations made by the implementing agencies.
- The systems for country evaluation will be revised to take more detailed account of institutional and operational debt management issues, and will be transformed into a process of participatory self-evaluation led by countries themselves, but quality-controlled by ROs and DRI. These self-evaluations will be made public at the Steering Committee and HIPC Co-ordination Group in order to provide a clearer guide for interventions by other providers and funders of technical support on debt management to HIPCs.
- A similar objective and participatory peer review system will be established to assess RO and DRI capacities and progress in transferring functions to the ROs, which will also produce semi-annual reports for donors (see also 2.3).
- DRI and ROs will play a much more proactive role in reporting on country capacity-building plans to Ministerial Meetings and Steering Committee and HIPC Co-ordination Group, to encourage other providers of technical support to respond more fully to countries' needs. They will also encourage all IFI and donor members of the Steering Committee and HIPC Co-ordination Group

to report more comprehensively on all initiatives in debt management assistance in order to ensure maximum exchange of information.

Finally, this phase of the CBP will be subject to two independent evaluations. The first, to be conducted in mid-2002, will identify a path to medium-term financial sustainability of the programme, by analysing potential additional contributions from other donors, and particularly contributions from HIPC's themselves. The second, to commence in the third quarter of 2003, will review the entire programme to assess the progress in transfer to regional organisations and final steps to decentralisation.

III. RISKS, CONTINGENCIES AND SUSTAINABILITY

3.1. Risks to the Programme and Contingency Counter-Measures

There are three types of risks to the programme, for all of which the CBP is taking counter-measures wherever possible:

3.1.1. Risks to Creating Regional Centres of Excellence

There are several potential risks inherent in the process of transfer of the programme to regional organisations. These include:

- a failure of one or more of the regional organisations to be able to take over the execution of the programme. Such failure might involve inability to maintain high-quality methodology as the programme moves into new post-HIPC areas, to be fully proactive in supplying assistance to member states, to take over governance, advocacy and information provision aspects, or to be fully acknowledged by the international community as regional centres of excellence for debt management capacity-building. As already described, the independent review of ROs has found that they have high capacity to execute high-quality methodology, and are prepared to put measures in place to take over the governance, advocacy and information provision functions.
- such risk might be exacerbated by shortage of staff or staff turnover, and measures are included in the programme to ensure funding for adequate staff levels and to train new staff in programme issues through attachments.
- a further risk is that ROs might not continue to be acknowledged as centres of excellence. There is no such risk from their member states. The major risk is therefore that external actors (international organisations and donors) will fail to act consistently in supporting these centres of excellence, and will provide conflicting technical assistance or fund other centres to perform similar tasks. The HIPC Co-ordination Group will be the key forum for discouraging such actions through a fuller exchange of information among all partners involved in such assistance and greater encouragement to decentralisation on their part..
- a final risk of decentralising primarily to ROs is that the needs of countries which are not members of the ROs might not be given enough emphasis and support. This is why Phase III will give them a formal representative on the Steering Committee, will continue to encourage ROs to invite them to participate in training events, and will work closely with ROs and other donors to ensure the early identification of institutional solutions which will allow them to receive more comprehensive capacity-building.
- there are two potential financial risks of decentralisation to ROs.
 - lower quality financial reporting or control resulting in fraud, inappropriate expenditures or poor information to donors. Crown Agents have concluded that this is of minimal concern because almost all financial procedures in the five implementing partner institutions are appropriate and measures are in place (including continued DRI checking of partner financial reports and documents) to ensure reporting and control over CBP donor funds.

- That the ROs will not be financially sustainable. There will undoubtedly be a need for continued capacity-building support to HIPCs beyond the end of 2004. However, as currently funded, a programme of support to debt strategy by regional organisations will not be financially independent by the end of Phase III. Financial sustainability will also depend on the sustainability of the ROs' wider programmes (which depend for their funding on other donors and member state contributions). As a result, CBP donors will discuss actively with HIPCs and with other donors the scale of their financial contributions to ROs, and conduct a financial sustainability review of the programme, in order to design a clear path to financial sustainability with lower levels of donor funds.

3.1.2. Risks to Decentralising the Programme Beyond Regional Centres

The second purpose of the programme is to decentralise the programme beyond regional centres to HIPCs themselves. The risks to this purpose are:

- low political commitment by HIPCs. The CBP will continue to use Ministerial Meetings and in-country awareness seminars to reduce this risk. Increased sensitisation efforts will be made in Phase III where the CBP identifies risks of falling country commitment to using inputs from its own technical staff. The CBP will also establish closer links with regional organisations responsible for economic convergence in order to enhance political commitment to updating and implementing debt strategies.
- Weak institutional capacity in some countries. This will continue to be overcome by intensive assistance to individual countries, which will be reinforced in Phase III through in-country advisors, more intensive preparatory and follow-up missions, and missions to analyse institutional problems.
- Country uncertainty on assistance needs will continue to be overcome by demand assessment missions and continual dialogue with senior officials and Ministers.
- Sudden changes in HIPC circumstances (notably wars and civil disturbances) have continued to disrupt activity in Phase II. The CBP has shown maximum flexibility, fulfilling country needs as soon as possible after events, but in Phase III will base this on closer analysis of post-war political commitment and capacity.
- Changes of government have also been disruptive, especially where they have changed senior technical officials. Phase III will build into its budget flexibility to provide intensive assistance to countries after disruptive changes of government, provided political commitment to debt management is maintained.
- Staff turnover and low motivation/incentives for staff in government institutions will continue to be a problem. Intensive in-country assistance including analysis of individual training needs, the launch of Pôle-Dette and WAIFEM fellowship programmes, the decentralisation of training to countries themselves, and the distance learning programme, will all in Phase III help further in motivating staff, reducing turnover and improving institutional commitment to self-training.
- Low financial commitment by countries. Countries are already funding in kind a small proportion of the cost of events. However, in Phase III, countries will be asked to demonstrate more conclusively their commitment to the financial sustainability of the CBP, by taking responsibility for more of their own training (and thereby reducing costs) and by increasing financial contributions to events.

3.1.3. Wider Systemic Risks to Programme Success

The most important wider risks to the programme are those which undermine HIPC political commitment to using national capacity. These are: the unwillingness of some BWI staff to involve country officials in the more advanced aspects of DSA talks; the unwillingness of some international providers of assistance to decentralise functions to regional organisations and HIPCs; and the continued provision by donors (including CBP donors) of technical assistance with low capacity-building components, even in those HIPCs with relatively advanced capacity. For Phase III to be successful, all BWI missions will need to ensure that DSAs are genuinely tripartite by involving countries in all aspects of DSA calculations and encouraging them to produce their own DSAs and

debt strategies. Donors and providers of technical support will also need to enhance their commitment to country capacity building by decentralising their support to the maximum degree, and by avoiding unnecessary technical assistance.

As indicated in earlier project documents, some medium-term factors (civil strife, delay in adjustment programmes or debt relief) may wipe out large proportions of capacity built by the CBP. As predicted, dramatic changes in national or international circumstances (such as the introduction of HIPC II) have necessitated fundamental changes in the CBP, such as the acceleration of assistance for many countries and the introduction of methodologies with closer links to poverty reduction spending.

A further systemic risk to country commitment to debt management is that apparent “debt sustainability” at completion point may be undermined by “shocks” which are predictable but have not been taken sufficiently into account in assessing country prospects. Some countries are already indicating debt relief/management fatigue springing from failure to reach what they regard as real debt sustainability. The CBP Phase III will attempt to overcome this fatigue by intensifying assistance to countries in analysing potential shocks and in advocating measures to pre-empt them.

A final risk is that countries will continue to have problems with debt management software. The CBP will also continue to be active in ensuring that providers of debt management software ensure the full functioning of their systems in HIPCs, and that providers of debt management and debt analysis software coordinate to the maximum possible extent for the benefit of HIPCs.

ANNEX I

LIST OF COUNTRIES ELIGIBLE FOR ASSISTANCE UNDER THE HIPC CBP

Angola	Liberia
Benin	Madagascar
Bolivia	Malawi
Burkina Faso	Mali
Burundi	Mauritania
Cameroon	Mozambique
Central African Republic	Myanmar
Chad	Nicaragua
Comoros Islands	Niger
Congo, Dem. Republic	Rwanda
Congo, Republic	São Tomé & Príncipe
Côte d'Ivoire	Senegal
Ethiopia	Sierra Leone
Gambia	Somalia
Ghana	Sudan
Guinea	Tanzania
Guinea-Bissau	Togo
Guyana	Uganda
Honduras	Vietnam
Kenya	Yemen
Lao, PDR	Zambia

NB. This list is subject to change should any country gain or lose HIPC Status according to BWI Board Papers.