Enhanced HIPC Initiative

Senegal to receive $800 million in debt-service relief

In a press release dated June 23, the IMF and the World Bank Group's International Development Association (IDA) announced that they had agreed to support a comprehensive debt-reduction package for Senegal under the enhanced Heavily Indebted Poor Countries (HIPC) Initiative. The full text of Press Release No. 00/36 is available on the IMF's website (www.imf.org).

Total relief from all of Senegal's creditors is worth about $800 million. This is equivalent to about $450 million in net present value terms, or approximately 18 percent of the total net present value of debt outstanding after the full use of traditional debt-relief mechanisms. IDA will start providing interim debt relief on July 1, 2000. The IMF will begin providing interim relief once satisfactory assurances have been obtained from Senegal's other creditors.

Senegal will reach its completion point under the initiative and receive the remainder of its debt relief from all creditors once it has fulfilled a number of steps designed to strengthen and broaden economic growth and reduce poverty. The Senegalese authorities will outline these measures in a poverty reduction strategy paper, drafted in consultation with a broad cross section of local civil society and the support of international partners. Country authorities estimate this will be completed by the end of 2001.

Background

Senegal was first considered for debt relief under the original HIPC Initiative framework in early 1998, but it was determined at the time that other sources of debt relief (that is, a 67 percent reduction of eligible bilateral debt in the Paris Club of bilateral creditors) were sufficient for Senegal to attain a sustainable debt position as defined under the terms of the original HIPC Initiative framework. In September 1999, the international community endorsed major enhancements to the initiative designed to deliver deeper, broader, and faster relief, which lowered the qualifying threshold. (Countries are now eligible for assistance if the net present value of external debt exceeds either 150 percent of exports or 250 percent of fiscal revenue.) Under this enhanced framework, Senegal qualifies under both criteria.

The debt relief provided by IDA of $149 million ($116 in net present value terms) will cover 50 percent of Senegal's debt-service obligations to IDA in each of the next nine years. The debt relief committed by the IMF of $51 million ($42 million in net present value terms) will be delivered over a seven-year period and will cover, on average, 20 percent of debt-service obligations to the IMF.

Senegal's eligibility for debt relief under the enhanced HIPC Initiative is a recognition by the international community of the progress the country has made in implementing economic reforms and developing its poverty reduction strategy. Assistance provided under the enhanced initiative will help Senegal advance its poverty reduction programs and stimulate widely shared and sustainable economic development.

Track record

Senegal has made substantial progress in implementing an economic reform program. Supported by successive IMF Enhanced Structural Adjustment Facility arrangements and an IDA lending program, Senegal has sustained balanced growth, improved its external balance, and consolidated public finances with encouraging results. Over the past four years, average real GDP growth exceeded 5 percent, while annual inflation remained below 3 percent. There has also been a steady improvement in the government's fiscal position. Since 1995, after several years of deficit, the basic fiscal balance showed surpluses that remained above 1.5 percent of GDP between 1996 and 1999. Senegal has also made a strong structural adjustment effort in recent years, including far-reaching reforms in the external, commercial, and public sectors.

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Senegal has pursued a comprehensive poverty reduction program, developed in collaboration with local civil society and support from international donors. This program, which has been integrated into an interim poverty reduction strategy, has been focusing on gathering critical poverty data necessary for improving the availability and quality of social infrastructure in poor communities, especially basic health care and primary education, and increasing the access of rural communities to basic agricultural services, such as credit, potable water, and appropriate technologies.

Steps to be taken before completion point

The full assistance from the IMF and IDA will be delivered to Senegal when it has been determined that the following conditions have been met as part of an overall satisfactory pace of progress in poverty reduction:

• Completion of a poverty reduction strategy paper through a participatory process, which needs to be broadly endorsed by the Executive Boards of the IMF and the World Bank.

• Maintenance of a stable macroeconomic environment, as evidenced by satisfactory performance under a program supported by an arrangement under the IMF's Poverty Reduction and Growth Facility, and

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specific structural reform measures as part of the policy dialogue with IDA.

• Implementation of a set of other measures specifically related to poverty reduction, including improvements in the poverty database and monitoring capacity; implementation of the IDA-supported Quality Education for All program, including increased allocation of the education budget to primary education and the recruitment of teachers; and continued implementation of health sector reforms, with a focus on increasing child immunization rates, expanding the provision of prenatal care to pregnant women, and increasing utilization of primary health care centers.

• Confirmation of the participation of other creditors in the debt-relief operation. ■

For more information on the HIPC Initiative, visit these pages on the IMF and the World Bank websites:
http://www.imf.org/external/np/hipc/hipc.htm
http://www.worldbank.org/hipc/.

Data disclosure

Countries publish more detailed international reserves data on Internet

In a news brief, the IMF announced that as of June 29, 2000, 41 of the 47 subscribers to the Special Data Dissemination Standard (SDDS) are publishing data on international reserves and foreign currency liquidity according to an internationally agreed template. The information, which is available on the websites of the countries' central banks or finance ministries, provides comprehensive and timely data on these subscribers' international reserves and related obligations. In addition, one country that does not subscribe to the SDDS also publishes data according to the template. The countries' sites are hyperlinked to the IMF's Dissemination Standards Bulletin Board (DSBB), which is accessible to the public on the IMF's external website at http://dsbb.imf.org.

The template on international reserves and foreign currency liquidity was developed jointly by the IMF and a working group of the Committee on the Global Financial System of the Group of Ten central banks. The template provides for improved disclosure of countries' data on international reserves and related items.

Reserves template

The template calls for data that cover both the monetary authorities and the central government. It provides for data on the authorities' liquid foreign currency resources (encompassing official reserve assets and other foreign currency assets); their short-term foreign currency obligations (including those arising from foreign currency liabilities, financial derivative positions, and other obligations and commitments); and their short-term contingent foreign currency liabilities. Detailed supplementary information appears in most subscribers' templates under the rubric of memorandum items. The subscribers disseminate their template data at least once a month, with a lag of no more than one month.

The IMF Executive Board decided in March 1999 to make this template part of the SDDS, with a transition period to run through March 31, 2000 (see Public Information Notice No. 99/25, March 26, 1999). The SDDS, established by the IMF in 1996, specifies good practices in the dissemination of economic and financial data. Countries subscribe to the SDDS on a voluntary basis.

The text of News Brief 00/49, including the list of websites of participating subscribers, is available on the IMF's website (www.imf.org).

Selected IMF rates

Week beginning	SDR interest rate	Rate of remuneration	Rate of charge
June 19	4.36	4.36	5.05
June 26	4.39	4.39	5.09

The SDR interest rate and the rate of remuneration are equal to a weighted average of interest rates on specified short-term domestic obligations in the money markets of the five countries whose currencies constitute the SDR valuation basket (as of May 1, 1999, the U.S. dollar was weighted 41.3 percent; euro (Germany), 19 percent; euro (France), 10.3 percent; Japanese yen, 17 percent; and U.K. pound, 12.4 percent). The rate of remuneration is the rate of return on members' remunerated reserve tranche positions. The rate of charge, a proportion (115.9 percent) of the SDR interest rate, is the cost of using the IMF's financial resources. All three rates are computed each Friday for the following week. The basic rates of remuneration and charge are further adjusted to reflect burden-sharing arrangements. For the latest rates, call (202) 623-7171 or check the IMF website (www.imf.org/external/np/tre/sdr/sdr.htm).

Data: IMF Treasurer's Department

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