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EBS/98/159
Correction 2

CONFIDENTIAL

September 16, 1998

To: Members of the Executive Board

From: The Secretary

Subject: **Bolivia—Initiative for the Heavily Indebted Poor Countries—
Completion Point Document**

The following corrections have been made in EBS/98/159 (9/4/98):

Page 20: Footnotes revised.

Page 24: Footnotes revised.

Corrected page are attached.

Att: (2)

Other Distribution:
Department Heads

VI. PROPOSED DECISION

The following draft decision, which can be adopted by a majority of the votes cast, is proposed for adoption:

1. The Fund, as Trustee (the Trustee) of the Trust for Special ESAF Operation for the Heavily Indebted Poor Countries and Interim ESAF Subsidy Operation (ESAF/HIPC Trust Instrument) established by Decision No. 11436 (97/10), February 4, 1997, determines that:

(i) the conditions specified in paragraph (ii) of Decision No. 11575 (97/94) adopted September 10, 1997, for Bolivia to reach the completion point have been met;

(ii) the external debt sustainability target for the net present value of the debt-to-exports ratio for Bolivia is within the range specified in paragraph (iii) of Decision No. 11575 (97/94); and

(iii) satisfactory assurances have been received regarding the exceptional assistance to be provided under the HIPC Initiative by Bolivia's other creditors.

2. Accordingly, the Trustee confirms that, in accordance with Section III, paragraph 3(d) of the ESAF/HIPC Trust Instrument, the SDR equivalent of US\$29 million shall be made available by the Trustee to Bolivia in the form of a grant that shall be paid on [date] to an account for the benefit of Bolivia established and administered by the Trustee in accordance with Section III, paragraph 5 of the ESAF/HIPC Trust Instrument; the proceeds shall be used by the Trustee to meet Bolivia's debt-service payments on its existing debt to the Fund as they fall due, in accordance with the schedule specified in the table attached hereto.

The date for the disbursement should be determined with the Treasurer's Department.

Table. Bolivia: Delivery of IMF Assistance Under the HIPC Initiative, 1998-2007 1/

(In millions of SDRs, unless otherwise indicated)

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Profile of delivery (in percent of amount deposited in escrow account (principal))	19.0	36.0	32.0	7.0	6.0	0.0	0.0	0.0	0.0	0.0
Repayments falling due on current IMF obligations 2/	29.9	24.5	22.4	22.9	21.2	19.5	18.2	13.5	8.4	3.4
IMF HIPC assistance 3/ <i>Of which</i>	4.0	7.8	7.4	1.8	1.4	0.0	0.0	0.0	0.0	0.0
Principal	4.0	7.6	6.8	1.5	1.3	0.0	0.0	0.0	0.0	0.0
Proportion of each repayment falling due during the period to be paid by HIPC assistance from the principal deposited in escrow account (in percent) 4/	38.6	31.1	30.2	6.5	6.0	0.0	0.0	0.0	0.0	0.0
Scheduled IMF debt service 5/ <i>Of which</i>	2.9	2.2	1.8	1.7	1.3	1.1	0.9	0.6	0.4	0.1
Covered by HIPC assistance 5/	0.4	0.7	0.6	0.1	0.1	0.0	0.0	0.0	0.0	0.0
Memorandum item:										
Exports of goods and nonfactor services (current year) (in millions of US dollars)	1,421.5	1,571.8	1,684.4	1,909.9	2,174.2	2,401.5	2,629.7	2,871.3	3,101.7	3,329.2

Sources: Central Bank of Bolivia; and Fund staff estimates.

1/ The total amount of assistance (US\$29 million) is to be deposited in SDRs in an escrow account at the completion point at the SDR/U.S. dollar exchange rate prevailing on the day of the deposit. On September 11, 1998, the SDR equivalent of this deposit was SDR 21.2 million, on the basis of an exchange rate of SDR 0.73 per U.S. dollar.

2/ Based on end-1997 data.

3/ It is assumed that the amounts in escrow earn a rate of return of 4.5 percent in SDR terms. Actual interest earnings may be higher or lower. Interest earned will be accumulated through the calendar year and used toward payment of the first repayment obligation falling due in the following year, except in the final year when it will be used towards payment of the final repayment obligation falling due that year.

4/ For 1998, the proportion is calculated on the basis of repayments falling due after the completion point.

5/ In percent of current year exports of goods and services.

Table 3. Bolivia: IDA and IBRD HIPC Assistance, 1998-2005
(Unless otherwise indicated, figures in millions of U.S. dollars)

	1998	1999	2000	2001	2002	2003	2004	2005
Debt service before HIPC relief	28.7	29.6	29.6	20.9	22.6	24.2	27.7	29.4
<i>Of which</i>								
IDA	12.9	15.4	17.9	20.7	22.6	24.2	27.7	29.4
Debt service after HIPC relief	24.2	14.2	11.7	0.3	15.8	24.2	27.7	29.4
<i>Of which</i>								
IDA	8.4	0.0	0.0	0.0	15.8	24.2	27.7	29.4
Assistance 1/	4.6	15.4	17.9	20.7	6.8	0.0	0.0	0.0
<i>Of which</i>								
IDA	4.6	15.4	17.9	20.7	6.8	0.0	0.0	0.0
Memorandum items:								
Total debt-service/exports ratio (in percent)	24.8	23.1	22.1	20.1	18.1	16.9	16.6	16.0
IDA debt-service payment reduction factor (in percent)	0.4	1.0	1.0	1.0	0.3	0.0	0.0	0.0

Sources: Central Bank of Bolivia; IDA; and Fund staff estimates.

1/ Assumes resources equivalent to US\$54 million in NPV terms are earmarked in the HIPC Trust Fund for payment of all IDA debt service falling due from the completion point until these resources are exhausted.

Table 4. Bolivia: Delivery of IMF Assistance Under the HIPC Initiative, 1998-2007 1/

(In millions of SDRs, unless otherwise indicated)

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Profile of delivery (in percent of amount deposited in escrow account (principal))	19.0	36.0	32.0	7.0	6.0	0.0	0.0	0.0	0.0	0.0
Repayments falling due on current IMF obligations 2/	29.9	24.5	22.4	22.9	21.2	19.5	18.2	13.5	8.4	3.4
IMF HIPC assistance 3/	4.0	7.8	7.4	1.8	1.4	0.0	0.0	0.0	0.0	0.0
Of which										
Principal	4.0	7.6	6.8	1.5	1.3	0.0	0.0	0.0	0.0	0.0
Proportion of each repayment falling due during the period to be paid by HIPC assistance from the principal deposited in escrow account (in percent) 4/	38.6	31.1	30.2	6.5	6.0	0.0	0.0	0.0	0.0	0.0
Scheduled IMF debt service 5/	2.9	2.2	1.8	1.7	1.3	1.1	0.9	0.6	0.4	0.1
Of which										
Covered by HIPC assistance 5/	0.4	0.7	0.6	0.1	0.1	0.0	0.0	0.0	0.0	0.0
Memorandum item:										
Exports of goods and nonfactor services (current year)	1,421.5	1,571.8	1,684.4	1,909.9	2,174.2	2,401.5	2,629.7	2,871.3	3,101.7	3,329.2
(in millions of US dollars)										

Sources: Central Bank of Bolivia; and Fund staff estimates.

1/ The total amount of assistance (US\$29 million) is to be deposited in SDRs in an escrow account at the completion point at the SDR/U.S. dollar exchange rate prevailing on the day of the deposit. On September 11, 1998, the SDR equivalent of this deposit was SDR 21.2 million, on the basis of an exchange rate of SDR 0.73 per U.S. dollar.

2/ Based on end-1997 data.

3/ It is assumed that the amounts in escrow earn a rate of return of 4.5 percent in SDR terms. Actual interest earnings may be higher or lower. Interest earned will be accumulated through the calendar year and used toward payment of the first repayment obligation falling due in the following year, except in the final year when it will be used towards payment of the final repayment obligation falling due that year.

4/ For 1998, the proportion is calculated on the basis of repayments falling due after the completion point.

5/ In percent of current year exports of goods and services.