

June 20, 2002



PRESS-RELEASE

THE PARIS CLUB PROVIDES ITS CONTRIBUTION TO ENSURE THE SUSTAINABILITY OF BURKINA FASO'S EXTERNAL DEBT IN THE FRAMEWORK OF THE ENHANCED HIPC INITIATIVE.

1. The representatives of the Paris Club creditor countries agreed on June 20, 2002 to recommend to their Governments a reduction of Burkina Faso's stock of debt.

The representatives of the creditor countries took note that, given its strong commitment to economic and structural reforms as well as the burden of its external indebtedness, Burkina Faso had reached on April 11, 2002 its completion point under the Enhanced Debt Initiative for the Heavily Indebted Poor Countries (Enhanced HIPC initiative).

They welcomed Burkina Faso's determination to implement a broad-based and rigorous economic program which should provide the basis for sustainable economic growth and a comprehensive poverty reduction strategy.

2. The stock of debt due to Paris Club creditors was estimated to be US\$ 47.2 million as at June 1, 2002 in net present value terms out of which US\$ 28.5 million was pre-cut off date debt (of which 90% are commercial credits). US\$ 18.7 million was post cut off date debt, 90% of which is Official Development Assistance.

In order to implement the debt relief decided in the framework of the Enhanced HIPC initiative, they decided to cancel US\$ 22.2 million, in net present value terms, due to them by Burkina Faso, corresponding to a cancellation of 95% of pre cut off date commercial debt.

They also committed to grant Burkina Faso with at least US\$ 18.8 million more in topping up relief and additional bilateral cancellations according to the needs of this country identified by the Executive Boards of the International Monetary Fund and the International Development Association.

3. Furthermore, Burkina Faso is committed to devote the resources freed by the present treatment of the debt to priority areas identified in the country's poverty reduction strategy and to seek comparable treatment from all its other external creditors.

4. With this operation, Burkina Faso becomes the fifth country to complete the Paris Club process of debt reduction under the Enhanced HIPC initiative, after Uganda, Bolivia, Mozambique and Tanzania.

Background notes

1. The Paris Club was formed in 1956. It is an informal group of creditor governments from major industrialized countries. It meets on a monthly basis in Paris with debtor countries in order to agree with them on restructuring their debts.

2. The members of the Paris Club which participated in the reorganization of Burkina Faso's debt were representatives of the governments of Austria, France, Italy, Spain, the Netherlands, the Russian Federation and the United Kingdom.

Observers at the meeting were representatives of the governments of Belgium, Canada, Germany, Japan and the United States of America, as well as the International Monetary Fund, the International Association for Development, the Secretariat of the UNCTAD and the Organization for Economic Cooperation and Development.

The delegation of Burkina Faso was headed by Mr Jean-Baptiste M.P. Compaore, Minister of Finance and Budget. The meeting was chaired by Mr Ambroise Fayolle, Assistant Secretary for European and International Affairs at the French Treasury at the Ministry of Economy, Finance and Industry, Vice-President of the Paris Club.

Technical notes

1. Burkina Faso's economic program is supported by a three year arrangement under the Poverty Reduction and Growth Facility (PRGF), the fifth review was approved by the International Monetary Fund on April 9, 2002.

Burkina Faso reached its completion point under the Enhanced HIPC initiative on April 11, 2002.

2. The total stock of Burkina Faso's public sector debt was estimated to be US\$ 1,431million in nominal value at end December 2001 (source : IMF and IDA documents, dated March 28, 2002 published on the IMF web site www.imf.org and on the World Bank web site www.worldbank.org/hipc). The stock of debt owed to Paris Club creditors as of June 1, 2002 was estimated to be US\$ 47.2 million in net present value term.

3. The cut-off date (January 1, 1991 concerning Burkina Faso) is used by Paris Club creditors for the sole internal purposes of the Paris Club agreements.

4. As in any Paris Club agreement, Burkina Faso agreed to seek comparable treatment from non-Paris Club creditors. In the present case, the comparable treatment shall imply an equivalent assistance by non-Paris Club bilateral creditors. The delegation of Burkina Faso indicated its willingness to meet them soon in order to negotiate the terms of a comparable rescheduling.