



**PRESS RELEASE**

**PARIS CLUB REDUCES ETHIOPIA'S DEBT  
UNDER THE ENHANCED HIPC INITIATIVE**

**1.** The representatives of the Paris Club creditor countries met on October 13, 2004 and signed the recommendation to their Governments initialled on May 13, 2004 for cancellation of Ethiopia's external debt they after this country had reached on April 20, 2004 its completion point under the enhanced Debt Initiative for the Heavily Indebted Poor Countries (Enhanced HIPC Initiative).

**2.** In order to contribute to restore Ethiopia's debt sustainability, they decided to cancel US\$ 758 million in net present value terms of July 2003 which represent the Paris Club's share of the effort in the framework of the Enhanced HIPC Initiative.

Most creditors also committed on a bilateral basis to grant additional debt relief to Ethiopia so that the stock of the debt owed to Paris Club creditors will be reduced by a further US\$ 176 million in net present value terms of July 2003.

In total, Ethiopia's debt to Paris Club creditors has been reduced from US\$ 1087 million to US\$ 153 million in net present value terms of July 2003 as a result of this agreement and additional bilateral assistance.

Paris Club Creditors welcomed Ethiopia's determination to implement a broad-based and rigorous economic program which should provide the basis for sustainable economic growth and comprehensive poverty reduction.

**3.** Ethiopia committed to allocate 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 (including other creditor countries as well as commercial creditors). Paris Club creditors emphasized the importance they attach to a treatment at least as favourable from non-Paris Club creditors to Ethiopia.

### **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 Ethiopia's debt were representatives of the governments of Australia, Austria, Belgium, Finland, France, Germany, Italy, Japan, the Netherlands, the Russian Federation, Sweden, the United Kingdom and the United States of America. Observers from the governments of Canada and Spain also attended this meeting.

### **Technical notes**

1. Ethiopia's economic program is supported by an arrangement under the Poverty Reduction and Growth Facility (PRGF).

2. The representatives of the creditor countries also agreed to include in the negotiation of Ethiopia's debt a voluntary debt swap clause.

3. Ethiopia's external debt was estimated to be US\$ 6.845 billion in nominal value as in 2003 (source : IMF and IDA documents, published on the IMF web site [www.imf.org](http://www.imf.org) and on the World Bank web site [www.worldbank.org/hipc](http://www.worldbank.org/hipc)). The debt owed to Paris Club creditors as of April 2004 was estimated to be US\$ 1.899 billion in nominal value.