

November 17, 2001



PRESS-RELEASE

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

THE PARIS CLUB AGREES ON A STOCK OF DEBT REDUCTION OF US\$ 1,650 MILLION IN NET PRESENT VALUE TERMS.

1. The representatives of the Paris Club creditor countries agreed on November 17, 2001 to recommend to their Governments a reduction of Mozambique'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, Mozambique had reached on September 25, 2001 its completion point under the Enhanced Initiative for the Heavily Indebted Poor Countries.

They welcomed Mozambique'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\$ 2,800 million as at September 1, 2001, out of which US\$ 2,456 million was pre cut off date debt (of which 98% are commercial credits) and US\$ 346 million was post cut off date debt (out of which 10% are commercial credits).

They decided to cancel US\$ 2,270 million in face value due to them by Mozambique, equivalent to US\$ 1,650 million in net present value terms, which represents the Paris Club agreed share of the effort decided by the Boards of the IMF and the International Development Association in the framework of the Enhanced Debt Initiative for the Heavily Indebted Poor Countries. This effort was implemented by a cancellation of US\$ 1,650 million in net present value terms of pre cut off date commercial debt.

3. Furthermore, Mozambique is committed to devote the resources freed by the present exceptional 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, notably from other creditor countries.

4. With this operation, Mozambique becomes the third country to complete the Paris Club process of debt reduction under the enhanced Initiative for the Heavily Indebted Poor Countries, after Uganda and Bolivia.

Background notes

1. The Paris Club first met 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 Mozambique's debt were representatives of the governments of Austria, France, Germany, Italy, Japan, Spain, the Russian Federation, Sweden, the United Kingdom and the United States of America. Brazil and Portugal, major creditors of Mozambique, also participated in the meeting.

Observers at the meeting were representatives of the Government of Norway, of the International Monetary Fund, the International Development Association and the Secretariat of the U.N.C.T.A.D..

The delegation of Mozambique was headed by Mrs Luisa Dias DIOGO, Minister of Finance and Planning. The meeting was chaired by Mr Ambroise FAYOLLE, Deputy Assistant Secretary at the Treasury of the French Ministry of Economy, Finance and Industry, Vice President of the Paris Club.

Technical notes

1. Mozambique's economic program is supported by a three year arrangement under the Poverty Reduction and Growth Facility (PRGF), the third review was approved by the International Monetary Fund in September 2001.

Mozambique reached its completion point under the enhanced HIPC Initiative in September 2001.

2. The total stock of Mozambique's public sector debt was estimated as of December 31, 2000 to be US\$ 5.13 billion in face value (source : IMF and IDA documents, dated September 6, 2001 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 September 1, 2001 was estimated to be US\$ 2.8 billion in face value.

3. The cut-off date (February 1, 1984 concerning Mozambique) is used by Paris Club creditors for the sole internal purposes of the Paris Club agreements.

4. As in any Paris Club agreement, Mozambique 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 official creditors. The delegation of Mozambique indicated its willingness to meet these creditors soon in order to negotiate the terms of a comparable rescheduling.