

January 17, 2002



## **PRESS-RELEASE**

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

#### **THE PARIS CLUB AGREES ON A STOCK OF DEBT REDUCTION OF US\$ 737 MILLION IN NET PRESENT VALUE TERMS.**

1. The representatives of the Paris Club creditor countries agreed on January 17, 2002 to recommend to their Governments a reduction of Tanzania'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, Tanzania had reached on November 27, 2001 its completion point under the enhanced Debt Initiative for the Heavily Indebted Poor Countries.

They welcomed Tanzania'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\$ 1 700 million as at November 1, 2001 in net present value terms out of which US\$ 1 660 million was pre-cut off date debt (of which 80% are commercial credits). US\$ 40 million was post cut off date debt, all of which is Official Development Assistance.

They decided to cancel US\$ 737 million, in net present value terms, due to them by Tanzania 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 corresponds to a 90% cancellation of pre-cut off date commercial debt.

3. Furthermore, Tanzania 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, including other creditor countries as well as commercial creditors.

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

### **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 Tanzania's debt were representatives of the governments of Austria, Belgium, Canada, France, Germany, Italy, Japan, the Netherlands, Norway, the Russian Federation, the United Kingdom and the United States of America. Brazil, major creditor of Tanzania, also participated in the meeting.

Observers at the meeting were representatives of the governments of Denmark and Spain, as well as the International Monetary Fund, the International Bank for Reconstruction and Development, the African Development Bank, the Secretariat of the U.N.C.T.A.D. and the Organization for Economic Cooperation and Development.

The delegation of Tanzania was headed by Mr Basil MRAMBA, Minister for Finance. The meeting was chaired by Mrs Stéphane PALLEZ, Assistant Secretary for European and International Affairs at the French Treasury at the Ministry of Economy, Finance and Industry, Co-President of the Paris Club.

### **Technical notes**

1. Tanzania'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 on September 24, 2001.

Tanzania reached its completion point under the enhanced HIPC Initiative in November 2001.

2. The total stock of Tanzania's public sector debt was estimated to be US\$ 6 185 million in face value at end June 2001 (source : IMF and IDA documents, dated November 8, 2001 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 stock of debt owed to Paris Club creditors as of November 1, 2001 was estimated to be US\$ 1 700 million in net present value at end June 1999.

3. The cut-off date (June 30, 1986 concerning Tanzania) is used by Paris Club creditors for the sole internal purposes of the Paris Club agreements.

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