

April 23, 2003



PRESS RELEASE

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

THE PARIS CLUB AGREES ON A STOCK OF DEBT REDUCTION OF US\$ 48 MILLION IN NET PRESENT VALUE TERMS

1. The representatives of the Paris Club creditor countries agreed on April 23, 2003 to recommend to their Governments a reduction of Benin's stock of debt.

The representatives of the creditor countries took note that, given its strong commitment to economic and structural reforms, its good performance of its poverty reduction programme as well as the burden of its external indebtedness, Benin had reached on March 24, 2003 its Completion Point under the Enhanced Initiative for the Heavily Indebted Poor Countries (Enhanced HIPC Initiative).

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

2. The stock of debt due to Paris Club creditors was estimated to be US\$ 159 million as at March 1, 2003, in net present value terms at end 1998 (i.e. US\$ 219 million in face value), out of which US\$ 108 million were pre-cut off date commercial credits and US\$ 51 million was post cut off date debt (out of which US\$ 1 million is commercial credits).

They decided to cancel US\$ 60 million (US\$ 48 million plus US\$ 12 million of interim relief already delivered) net present value terms at end 1998 (i.e. US\$ 65 million in face value). This effort represents the Paris Club agreed share of the effort decided by the International Monetary Fund and the International Development Association in the framework of the Enhanced HIPC Initiative, not taking into account the additional cancellation made on a bilateral basis. The effort on top of Naples terms is achieved, by some countries, through a cancellation of 42% of pre-cut off date commercial credits.

3. Furthermore, Benin 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. Paris Club Creditors emphasized the importance they attach to a treatment as favourable as possible from non-Paris Club creditors to Benin.

4. With this operation, Benin becomes the 8th country to complete the Paris Club process of debt reduction under the Enhanced HIPC Initiative, after Uganda, Bolivia, Mozambique, Tanzania, Burkina Faso, Mauritania and Mali.

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 Benin's debt were representatives of the Governments of France, Germany, Italy, the Netherlands, Norway, the Russian Federation and the United Kingdom .

Observers at the meeting were representatives of the Governments of Belgium, Canada, Japan, Spain and the United States of America as well as the International Monetary Fund, the International Development Association and the Secretariat of the UNCTAD.

The delegation of Benin was headed by Mr. Grégoire Laourou, Minister of Finance and Economy. 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. Benin's economic program is supported by a three year IMF arrangement under the Poverty Reduction and Growth Facility (PRGF), the 4th review was approved on March 24, 2003.

Benin reached its Completion Point under the Enhanced HIPC Initiative on March 20, 2003 (IDA) and on March 24, 2003 (IMF).

2. The total stock of Benin's public sector debt was estimated to be US\$ 1 368 million in face value at end 2001(source : IMF and IDA documents, dated February 21, 2003 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 March 1, 2003 was estimated to be US\$ 159 million in net present value at end 1998 corresponding to US\$ 219 million in face value.

3. The cut-off date (March 31, 1989 concerning Benin) is used by Paris Club creditors for the sole internal purposes of the Paris Club agreements.

4. As in any Paris Club agreement, Benin agreed to seek comparable treatment from non-Paris Club creditors and commercial creditors. The delegation of Benin indicated its willingness to meet these creditors soon in order to negotiate the terms of a comparable rescheduling.