

July 10, 2001

PARIS CLUB
PRESS RELEASE

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

THE PARIS CLUB AGREES ON A STOCK OF DEBT REDUCTION OF US\$ 262 MILLION IN NET PRESENT VALUE TERMS.

1. The representatives of the Paris Club creditor countries agreed on July 10, 2001 to recommend to their Governments a reduction of Bolivia's stock of debt. Bolivia concluded a three year arrangement under the Poverty Reduction and Growth Facility (PRGF) in September 1998 with the International Monetary Fund (IMF). The third annual arrangement under the PRGF was approved by the IMF on June 8, 2001.

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, Bolivia had reached in June 2001 its completion point under the Enhanced Initiative for the Heavily Indebted Poor Countries.

They welcomed Bolivia'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\$ 1.35 billion as at July 1, 2001, out of which US\$ 665 million was pre cut off date debt (of which 64% is Official Development Assistance – ODA) and US\$ 690 million was post cut off date debt (out of which 97% is ODA debt).

They decided to cancel US\$ 685 million in face value due to them by Bolivia, equivalent to US\$ 262 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. For this purpose, US\$ 243 million of pre cut off date debt in net present value terms (out of which US\$ 189 million is commercial debt and US\$ 54 million is ODA debt), as well as US\$ 19 million of commercial post cut off date debt will be cancelled.

In the context of the Enhanced HIPC Initiative, total relief in net present value terms from all of Bolivia's creditors would amount to US\$ 858 million.

3. Furthermore, Bolivia 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, Bolivia becomes the second country to complete the Paris Club process of debt reduction under the enhanced Initiative for the Heavily Indebted Poor Countries.

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 Bolivia's debt were representatives of the governments of Austria, Belgium, Canada, Denmark, France, Germany, Italy, Japan, the Netherlands, Spain, Sweden, the United Kingdom and the United States of America. Brazil, a major creditor of Bolivia, also participated in the meeting.

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

The delegation of the Republic of Bolivia was headed by Mr Juan Antonio MORALES, Governor of the Central Bank of Bolivia. 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. Bolivia's economic program is supported by a three year arrangement under the Poverty Reduction and Growth Facility (PRGF) approved by the International Monetary Fund in September 1998. The third year of this PRGF was approved by the IMF on June 8, 2001.

Bolivia reached its completion point under the enhanced HIPC Initiative in June 2001.

2. The total stock of Bolivia's public sector debt was estimated as of December 31, 2000 to be US\$ 4.44 billion in face value (source : IMF and IDA documents, dated May 23, 2001, published on the IMF web site and 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 July ^{ft}, 2001 was estimated to be US\$ 1.35 billion in face value out of which US\$ 665 million is pre-cut-off-date claims (of which 64% is ODA) and US\$ 690 million is post-cut-off-date claims (of which 97% is ODA) (source : Paris Club).

3. The cut-off date (December 31, 1985 concerning Bolivia) is used by Paris Club creditors for the sole internal purposes of the Paris Club agreement.

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