

March 4, 2004



PRESS-RELEASE

THE PARIS CLUB AGREES TO REDUCE BURUNDI'S DEBT BY 67% IN NET PRESENT VALUE

Paris Club creditors agreed on March 4, 2004 with the Government of the Republic of Burundi to a restructuring of its public external debt, following the approval of an arrangement under the Poverty Reduction and Growth Facility by the International Monetary Fund on January 23, 2004.

This agreement treats roughly US\$ 81 million and cancels immediately US\$ 4.4 million. This amount consists of arrears in principal and interest (including late interest) as at December 31, 2003 and of maturities in principal and interest falling due from January 1, 2004 up to December 31, 2006.

The agreement is concluded under the so-called "Naples terms": pre-cut off date ODA credits are to be repaid over 40 years, with 16 years of grace, at interest rates at least as favourable as the original concessional rates applied to those loans; 67% of pre-cut off date commercial credits are cancelled; the remaining amounts are rescheduled over 23 years, with 6 years of grace, at market interest rates (see attached table).

These measures are expected to reduce debt service due to Paris Club creditors between January 1, 2004 and December 31, 2006 from around US\$ 20 million down to around US\$ 2.1 million. The remaining payments consist of a share of the interest due on the rescheduled amounts.

Paris Club creditors agreed to top-up the reduction rate to 90% (so called Cologne terms), as soon as the Republic of Burundi has reached its decision point under the enhanced Debt initiative for the Heavily Indebted Poor countries. Creditors stressed the importance they attached to the continued satisfactory implementation of the Republic of Burundi's economic programme and its poverty reduction strategy.

The Government of the Republic of Burundi has committed to seek from its other external creditors, a comparable treatment.

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 the Republic of Burundi's debt were representatives of the governments of Austria, France, Japan and the Russian Federation.

Observers at the meeting were representatives of the governments of Belgium, Germany, Italy and the United States of America, as well as the International Monetary Fund, the International Bank for Reconstruction and Development, the Secretariat of the UNCTAD and the Organization for Economic Cooperation and Development.

The delegation of the Republic of Burundi was headed by Mr. Athanase Gahungu, Minister of Finance. The meeting was chaired by Mr. Ramon Fernandez, Assistant Secretary for European and International Affairs at the French Treasury at the Ministry of Economy, Finance and Industry, Vice-President of the Paris Club.

Technical notes

1. An arrangement under the Poverty Reduction and Growth Facility in support of the Republic of Burundi's economic program was approved by the International Monetary Fund on January 23, 2004.

2. The total stock of the Republic of Burundi's public sector debt was estimated as of January 2004 to be US\$ 1,217 billion (source: IMF documents dated January 6, 2004 published on the IMF website www.imf.org). The stock of debt owed to Paris Club creditors as at January 1, 2004 was estimated to be US\$ 130,25 million.

The cut off date (June 20, 1999 for the Republic of Burundi) is used by Paris Club creditors for the sole internal purposes of the Paris Club agreement. When a debtor country first meets with Paris Club creditors, the "cut off date" is defined and is not changed in subsequent Paris Club treatments and credits granted after this cut off date are not subject to rescheduling. Thus, the cut off date helps restore access to credit for these debtor countries.