



**PRESS RELEASE**

**THE PARIS CLUB AGREES TO A US\$ 350 MILLION  
DEBT RESCHEDULING FOR KENYA**

Paris Club creditors agreed on January 15, 2004 to a restructuring of the external public debt of the Republic of Kenya in order to further support the continuing efforts on economic recovery undertaken by the Government of the Republic of Kenya under the current IMF arrangement.

Due to Kenya's current economic and financial outlook, Paris Club creditors and the representatives of the Government of the Republic of Kenya agreed that Kenya does not require debt reduction within the framework of the enhanced initiative for the Heavily Indebted Poor Countries (HIPC). Consequently, according to the Evian Approach, Paris Club creditors examined the sustainability of Kenya's external public debt, notably in the light of the Debt Sustainability Analysis prepared by the IMF. They concluded that Kenya's debt was sustainable in the medium term. Paris Club creditors tailored a treatment under Houston terms to cover their share of Kenya's financing needs on the basis of the IMF programme.

The Paris Club agreement follows the approval by the Executive Board of the IMF of the 3 year Poverty Reduction and Growth Facility arrangement on November 21, 2003 and fulfills the financing needs of Kenya over the period. This agreement reschedules US\$ 350 million of arrears and maturities falling due between January 1, 2004 and December 31, 2006 on a total debt of US\$ 484 million due to Paris Club creditors during this period. This rescheduling will reduce the debt service due by the Republic of Kenya to Paris Club creditors between January 1, 2004 and December 31, 2006 to US\$ 147 million (including moratorium interest).

The rescheduling is conducted according to Houston terms: ODA credits are to be repaid over 20 years, including 10 years of grace, at interest rates at least as favorable as the concessional rates applying to those loans; commercial credits are to be repaid over 15 years, including 5 years of grace with progressive repayment, at an appropriate market interest rate (the repayment profile of the restructured amount is attached).

Each creditor, on a voluntary and bilateral basis, may also undertake debt for nature, debt for aid, debt for equity swaps or other currency debt swaps.

Kenya commits to seek comparable treatment on its external public debt from its other external creditors.

Paris Club creditors and the representatives of the Government of the Republic of Kenya consider that this rescheduling should allow Kenya to graduate from future Paris Club treatments.

### **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 Kenya's debt were representatives of the governments of Belgium, Canada, Denmark, France, Germany, Italy, Japan, the Netherlands, the United Kingdom and the United States of America.

Observers at the meeting were representatives of the governments of Austria, Finland, Norway, Spain, Switzerland and Sweden as well as the International Monetary Fund (IMF), the International Bank for Reconstruction and Development and the Secretariat of the UNCTAD.

The delegation of Kenya was headed by Hon. David MWIRARIA, Minister for Finance. The meeting was chaired by Mrs Stéphane PALLEZ, Assistant Secretary for European and International Affairs at the French Treasury of the Ministry of Economy, Finance and Industry, Co-Chairperson of the Paris Club.

### **Technical notes**

1. An arrangement under the Poverty Reduction and Growth Facility was approved by the International Monetary Fund on November 21, 2003.

2. The total stock of the Republic of Kenya's external debt was estimated to be US\$ 5.2 billion as at end 2002 (source: IMF Debt Sustainability Analysis, published on January 8, 2003). The stock of debt owed to Paris Club creditors as at end 2003 was estimated to be US\$ 1.9 billion.