



## **PRESS RELEASE**

### **PARIS CLUB REDUCES MADAGASCAR'S DEBT UNDER THE ENHANCED HIPC INITIATIVE**

1. The representatives of the Paris Club creditor countries met on November 16, 2004. They took note of the burden of Madagascar's external debt and agreed to recommend to their Governments a reduction of its stock of debt. The representatives of the creditor countries took note that, given the Malagasy authorities' strong commitment to economic and structural reforms, Madagascar had reached on October 21, 2004 its completion point under the enhanced Debt Initiative for the Heavily Indebted Poor Countries (Enhanced HIPC Initiative).

2. In order to contribute to restore Madagascar's debt sustainability, they decided to cancel US\$ 752 million in nominal terms (US\$ 292 million in NPV terms as of January 2000) which represents the Paris Club's corresponding share of the effort in the framework of the Enhanced HIPC Initiative. Moreover, according to the request of the Malagasy authorities, most creditors also committed on a bilateral basis to grant substantial additional debt relief to Madagascar so that the stock of the debt owed to Paris Club creditors will be reduced by a further US\$ 699 million in nominal terms (US\$ 466 million in NPV).

Madagascar's debt to Paris Club creditors has thus been reduced from US\$ 1 572 million to US\$ 121 million as a result of this agreement and additional bilateral assistance, which will be formalised at a later stage.

3. The representatives of the Paris Club creditor countries welcomed Madagascar's determination to implement a broad-based and rigorous economic program which should provide the basis for sustainable economic growth and comprehensive poverty reduction.

4. Madagascar committed to allocate 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 at least as favourable from non-Paris Club creditors to Madagascar.

### **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 Madagascar's debt were representatives of the governments of Austria, Canada, France, Germany, Israel, Italy, Japan, the Russian Federation, Spain, Sweden, Switzerland, the United Kingdom and the United States of America. Observers at the meeting were representatives of the government of Norway as well as the International Monetary Fund (IMF), the International Development Association (IDA), the Secretariat of UNCTAD and the OECD.

The delegation of Madagascar was headed by Mr. Jacques SYLLA, Prime Minister and Mr. Benjamin Andriamparany RADAVIDSON Minister of Finance and Economic Planning. The meeting was chaired by Mr. Ramon FERNANDEZ, Deputy Assistant Secretary at the Treasury of the French Ministry of Economy, Finance and Industry, Vice-President of the Paris Club.

### **Technical notes**

1. Madagascar's economic program is supported by an arrangement under the Poverty Reduction and Growth Facility (PRGF).

2. The representatives of the creditor countries also agreed to include in the negotiation of Madagascar's debt a voluntary debt swap clause.

3. Madagascar's public debt was estimated to be US\$ 4 843 million in nominal value as at end 2003 (source: IMF and IDA documents, dated October 4, 2004 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 debt owed to Paris Club creditors as of October 1, 2004 was estimated to be US\$ 1 572 million in nominal value.