

July 8, 2002



PRESS-RELEASE

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

THE PARIS CLUB AGREES ON A STOCK OF DEBT REDUCTION OF US\$ 188 MILLION IN NET PRESENT VALUE TERMS.

1. The representatives of the Paris Club creditor countries agreed on July 8, 2002 to recommend to their Governments a reduction of Mauritania's stock of debt.

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, Mauritania had reached on June 18, 2002 its completion point under the enhanced Debt Initiative for the Heavily Indebted Poor Countries (Enhanced HIPC Initiative).

They welcomed Mauritania'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\$ 320 million as at July 1, 2002 in December 1998 net present value terms out of which US\$ 196 million was pre-cut off date debt (about 75% are commercial credits). US\$ 124 million was post cut off date debt, all of which is Official Development Assistance.

They decided to cancel US\$ 188 million, in December 1998 net present value terms, of which US\$ 43 million due under Naples terms; this effort represents the Paris Club agreed share of the effort decided by the Boards of the IMF and the IDA in the framework of the Enhanced HIPC Initiative. The effort on top of Naples terms is achieved through a cancellation of US\$ 118 million of commercial credits (the entirety of pre-cut off date commercial credits) and of US\$ 25 million of ODA loans.

They are also committed on a bilateral basis to grant additional debt relief to Mauritania so that the stock of the debt owed to Paris Club Creditors shall be reduced to about US\$16 million in 1998 net present value terms.

3. Furthermore, Mauritania 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 Mauritania.

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

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

Observers at the meeting were representatives of the governments of Canada and the Russian Federation as well as the IMF, the IDA and the Secretariat of the UNCTAD.

The delegation of Mauritania was headed by Mr. Boydiel Ould Houmeid, Minister of Finance. 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. Mauritania's economic program is supported by a three year arrangement under the Poverty Reduction and Growth Facility (PRGF), the fifth review was approved by the International Monetary Fund on June 2002.

Mauritania reached its completion point under the enhanced HIPC Initiative in June 2002.

2. The total stock of Mauritania's public sector debt was estimated to be US\$ 2047.8 million in face value at end 2001 (source : IMF and IDA documents, dated May 10, 2002 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 December 2001 was estimated to be US\$ 305 million in net present value at end 2001 corresponding to US\$ 370.8 million in face value.

3. The cut-off date (December 31, 1984 concerning Mauritania) is used by Paris Club creditors for the sole internal purposes of the Paris Club agreements.

4. As in any Paris Club agreement, Mauritania agreed to seek comparable treatment from non-Paris Club creditors and commercial creditors. In the present case, the comparable treatment shall imply an equivalent assistance by non-Paris Club official creditors. The delegation of the Islamic Republic of Mauritania indicated its willingness to meet these creditors soon in order to negotiate the terms of a comparable rescheduling.