



PRESS RELEASE

PARIS CLUB REDUCES ZAMBIA'S DEBT UNDER THE ENHANCED HIPC INITIATIVE

1. The representatives of the Paris Club creditor countries met on May 11, 2005 and agreed to recommend to their Governments a reduction of Zambia's stock of debt.

The representatives of the creditor countries took note that Zambia had reached the Completion point under the enhanced initiative for the Heavily Indebted Poor Countries (enhanced HIPC initiative) on April 8, 2005. They welcomed Zambia's determination to implement a comprehensive poverty reduction strategy and an ambitious economic programme providing the basis for sustainable economic growth.

2. In order to contribute to restore Zambia's debt sustainability, they decided to cancel US\$ 1.403 billion in nominal terms, which represents the Paris Club's share of the effort in the framework of the Enhanced HIPC Initiative.

Most creditors also committed on a bilateral basis to grant additional debt relief to Zambia so that the stock of the debt owed to Paris Club creditors will be reduced by a further US\$ 393 million in nominal terms.

Zambia's debt to Paris Club creditors has been reduced from US\$ 1.92 billion to US\$ 124 million as a result of this agreement and additional bilateral assistance. Paris Club creditors also agreed to reschedule 50% of the payments due in 2005, 2006 and 2007 on the debt remaining due after additional bilateral cancellation.

3. Zambia 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).

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 Zambia's debt were representatives of the governments of Austria, Belgium, Canada, Denmark, France, Germany, Italy, Japan, the Netherlands, the Russian Federation, the United Kingdom and the United States of America.

Observers at the meeting were representatives of the government of Spain as well as the International Monetary Fund (IMF), the International Development Association (IDA), the Secretariat of UNCTAD and the OECD.

The delegation of Zambia was headed by Hon. Ng'andu P. MAGANDE, MP, Minister of Finance and National Planning. The meeting was chaired by Mrs. Odile RENAUD-BASSO, Deputy Secretary at the Treasury and Economic Policy Department of the French Ministry of Economy, Finance and Industry, Co President of the Paris Club.

Technical notes

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

2. Zambia's public external debt was estimated to be US\$ 7 billion in nominal value as at end 2003 (source : IMF and IDA documents, dated March 25, 2005 published on the IMF web site www.imf.org and on the World Bank web site www.worldbank.org/hipc). The debt owed to Paris Club creditors as of March 31, 2005 was estimated to be US\$ 1.92 billion in nominal value.