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**ISAD Reference Code:** WB IBRD/IDA DEC-03-57

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# OFFICE MEMORANDUM

DATE: July 25, 1995

TO: Mr. Masood Ahmed, Director, IECDR

FROM: R. P. Brigis, Operations Adviser, IECIF

EXTENSION: 33868

SUBJECT: **Paris Club Meeting: July 17-21, 1995. Back-to Office report.**

1. The meeting was convened to reschedule the debt of Macedonia and Algeria. The tour d'horizon covered: Cameroon, Cote d'Ivoire, Ghana, Guatemala, Kenya, Mozambique, Myanmar, Nigeria, the Philippines, Russia, Slovenia, Sudan, Tanzania, Venezuela, Vietnam, and Zambia. Results of the reschedulings are summarized below, while summaries of the country discussions appear in attachments to this memo.

### *Macedonia*

2. The Government's request was for a comprehensive rescheduling, including special treatment of post-cutoff date arrears, and a 50% reduction in obligations due. Creditors were sympathetic to Macedonia's difficult situation, and were prepared to make an exception to their normal practice of not treating post-cutoff debt. However, since the country is not a SILIC, and is not considered eligible for debt reduction by Paris Club creditors, no offer for such reduction was made.

3. The negotiations on the financial terms went smoothly, with Macedonia being accorded a rescheduling for 15 years, including 3 years of grace -- with a graduated payment schedule designed to ease the immediate payment burden. Post-cutoff arrears are to be repaid in eight equal installments over 6 years, including three of grace. The *de minimus* threshold was lowered to SDR 500,000 (one-half of the normal level) in order to ensure the participation of the majority of creditors in the negotiations. The financial terms were agreed quite early in the discussion. However, the authorities were not able to accept the name of the country being used by the Paris Club <sup>1/</sup>, insisting on being called "the Republic of Macedonia". An exchange of letters was affected confirming that the only disagreement between the parties is on the name. It is not clear at this point whether individual creditors will be able to accept this as a basis for finalizing their bilateral agreements with the debtor.

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<sup>1/</sup> the "Former Yugoslav Republic of Macedonia"

*Algeria*

4. These negotiations were somewhat more time-consuming. The authorities included in their submission a request that some interest be rescheduled, whereas the Fund program had provided for the rescheduling of principal only. It took a good deal of time to form a consensus on the scope of the deal to be offered. When one was finalized, it was comprehensive, providing for the rescheduling of all non-previously rescheduled principal over 15 years, including two and one-half years of grace, with graduated payments. Interest due through May, 1996 was included in the rescheduling.

The table below summarizes the agreements made by the Paris Club thus far in 1995:

Paris Club Rescheduling Agreements - 1995					
Country	Date	Amount US\$ millions	Cut-off- date	Consolidation period through	Terms
Guinea-Bissau	23-Feb-95	195	31-Dec-86	31-Dec-97	Naples
Guinea	25-Jan-95	156	1-Jan-86	31-Dec-95	Naples
Togo	23-Feb-95	239	1-Jan-83	30-Sep-97	Naples
Uganda	20-Feb-95	110	1-Jul-81	Stock (2)	Naples
Croatia	20-Mar-95	861	2-Dec-82	31-Dec-95	Standard (1)
Nicaragua	21-Mar-95	848	1-Nov-88	30-Jun-97	Naples
Bolivia	24-Mar-95	482	31-Dec-85	31-Dec-97	Naples
Senegal	20-Apr-95	169	1-Jan-83	31-Aug-97	Naples
Chad	28-Feb-95	24	30-Jun-89	31-Mar-95	Naples
Haiti	30-May-95	117	1-Oct-93	31-Mar-96	Naples
Russian Fed.	3-Jun-95	6,400	1-Jan-91	31-Dec-95	Standard (1)
Mauritania	28-Jun-95	66	31-Dec-84	31-Dec-97	Naples
Combodia (2)	20-Jan-95	249	*	*	*
Macedonia	20-Jul-95	*	2-Dec-82	30-Jun-96	Standard (1,3)
Algeria	21-Jul-95	7,000	30-Sep-93	31-May-98	Standard (1,3)

(1) With graduated payments

(2) Presumed to be an exit arrangement

(3) Modified to extend maturity to 15 years

(\*) not yet available

*Next Meeting*

5. It has not yet been decided how to schedule the remaining countries expecting negotiations in the near future, and therefore there is as yet no decision on whether there will be a meeting in September.

Attachment

Distribution

- cc Messrs./Mmes (w/attachments): Baird (DECVP); Bhattacharya (FRSCR); Reyes (IECDF); Guerard (AFRCE); Katz (AFTPS); Rosenberg (AFRVP); Marshall, Patel (AF1); Adams, Carter (AF2); Rogerson, Chevallier (AF3); Lafourcade, Okonjo-Iweala (AF4); Madavo, Cox (EA1); Lomax, Poortman (EC1); Dervis, Noel (EC2); Huang, Yurukoglu (EC3); Segura, Dowsett-Coirolo (LA2); Ritchie, Delvoie (MN1); **Institutional ISC**
- cc Messrs/Mmes. (w/o attachment): Kaji, Sandstrom, Frank (EXC); Bruno (DECVP); Jaycox, Kanbur (AFRVP); Cheetham, Walton (EAPVP); Koch-Weser, Page (MNAV); Wood, Salop (SASVP); Thalwitz, Selowsky (ECAVP), Burki, Edwards (LACVP); Linn (FPRVP); Fukui (CFSVP); Nishimizu (FRSDR); Gelb (WDR); Donovan (FRMDR); Lav (FRMRO); Pfeffermann (CEIED); Malloch Brown (EXTDR); Hudes (LEGMN); Handwerker, Wyss (Field Office, Paris) Jun (IECIF); IEC Division Chiefs

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AGREED MINUTE  
ON THE CONSOLIDATION OF THE DEBT  
OF THE FORMER YUGOSLAV REPUBLIC OF MACEDONIA

**I - PREAMBLE**

1. The representatives of the Governments of Austria, Denmark, France, Germany, Italy, Japan, Kuwait, the Netherlands, Spain, Sweden, Switzerland, the United Kingdom and the United States of America, hereinafter referred to as "Participating Creditor Countries", met in Paris on July 17, 1995 with representatives of the Government of the Former Yugoslav Republic of Macedonia in order to examine the request to alleviate Former Yugoslav Republic of Macedonia's external debt service obligations originating from the payment obligations of the former Socialist Federal Republic of Yugoslavia (SFRY). Observers of the Governments of Belgium, Finland and Norway as well as the International Monetary Fund, the International Bank for Reconstruction and Development, the Secretariat of the UNCTAD, the Organization for Economic Cooperation and Development and the European Commission also attended.

2. The delegation of the Former Yugoslav Republic of Macedonia described the serious economic and financial difficulties faced by its country and its strong determination to reduce the economic and financial imbalances and to attain the targets of the program supported by the stand-by arrangement with the International Monetary Fund.

3. The representatives of the International Monetary Fund and the International Bank for Reconstruction and Development described the Former Yugoslav Republic of Macedonia's economic situation and the major elements of the adjustment program adopted by the Government of the Former Yugoslav Republic of Macedonia and supported by the stand-by arrangement with the International Monetary Fund approved by the Executive Board of the International Monetary Fund on May 5, 1995. This stand-by arrangement covering the period ending on June 4, 1996 involves specific commitments in both the economic and financial fields.

4. The representatives of the Governments of the Participating Creditor Countries noted the strong measures of adjustment in the economic and financial program adopted by the Government of the Former Yugoslav Republic of Macedonia and stressed the importance they attach to the continued and full implementation of this program and, in particular, the revitalization of the productive sector of the economy.

**II - RECOMMENDATIONS ON TERMS OF THE REORGANIZATION**

In view of the serious payment difficulties faced by the Former Yugoslav Republic of Macedonia, the representatives of the Participating Creditor Countries agreed to recommend to their Governments or their appropriate institutions that they provide, through rescheduling or refinancing, debt relief for the Former Yugoslav Republic of Macedonia on the following terms :

**1. Debts concerned**

1.1. It is understood that under the present Agreed Minute the debt of the Former Yugoslav Republic of Macedonia consists of :

- the debts of the former SFRY owed or guaranteed by entities located on the territory of the Former Yugoslav Republic of Macedonia, including Government entities or entities legally authorized to act on their behalf or banks when relevant ("allocated debt") ;

- 5.40% of the debts owed or guaranteed by the former SFRY and not immediately attributable to any successor Republic ("non allocated debt").

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1.2. Debts due to the Participating Creditor Countries and not falling under the above definition of the allocated debt will also, when bilaterally agreed, be reorganized according to the present Agreed Minute if the final beneficiary of the loan or credit concerned is located on the territory of the Former Yugoslav Republic of Macedonia.

1.3. If all signatories to the present Agreed Minute agree to a change in the percentage mentioned hereabove, it is understood that it would not affect payments already made pursuant to the present Agreed Minute.

1.4. It is understood that internal debt transfers within the former SFRY do not lead to any debtor -or guarantor- substitution : the original debtors and guarantors remain responsible according to their original commitments.

1.5. The debts, allocated or non allocated, to which this reorganization will apply are the following :

a) commercial credits guaranteed or insured by the Governments of the Participating Creditor Countries or their appropriate institutions, having an original maturity of more than one year, pursuant to a contract or other financial arrangement concluded before December 2, 1982 ;

b) loans from Governments or appropriate institutions of the Participating Creditor Countries, having an original maturity of more than one year, pursuant to an agreement concluded before December 2, 1982 ;

c) repayments of principal and interest due as a result of the consolidation agreements concluded according to the Agreed Minutes dated May 22, 1984, May 24, 1985, May 13, 1986 and July 13, 1988.

1.6. It is understood that debt service, due as a result of debts described above and effected through special payments mechanisms or other external accounts is included in the present reorganization. Creditors will reschedule, refinance, or take other appropriate measures to assure that this category of debt is treated in a manner comparable to other debt subject to this Agreed Minute.

1.7. For the implementation of the present Agreed Minute, debts owed or guaranteed by former socially-owned legal entities located on territory of the Former Yugoslav Republic of Macedonia, regardless of their present ownership status, are included in the allocated debt.

## 2. Terms of the consolidation

The debt relief will apply as follows :

a) 100% of the amounts of principal and interest (excluding late interest) due as at June 30, 1995 inclusive and not paid and 100% of the amounts of principal and interest (excluding late interest) due from July 1, 1995 up to June 30, 1996 inclusive and not paid on loans and credits mentioned in paragraphs 1.5.a), 1.5.b) and 1.5.c) above, will be rescheduled or refinanced ;

Repayment by the Government of the Former Yugoslav Republic of Macedonia of the corresponding sums will be made as follows :

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- 0.36% on July 31, 1999 ;	- 0.52% on January 31, 2000 ;
- 0.69% on July 31, 2000 ;	- 0.86% on January 31, 2001 ;
- 1.05% on July 31, 2001 ;	- 1.25% on January 31, 2002 ;
- 5.29% on July 31, 2002 ;	- 5.29% on January 31, 2003 ;
- 5.29% on July 31, 2003 ;	- 5.29% on January 31, 2004 ;
- 5.29% on July 31, 2004 ;	- 5.29% on January 31, 2005 ;
- 5.29% on July 31, 2005 ;	- 5.29% on January 31, 2006 ;
- 5.29% on July 31, 2006 ;	- 5.29% on January 31, 2007 ;
- 5.29% on July 31, 2007 ;	- 5.29% on January 31, 2008 ;
- 5.29% on July 31, 2008 ;	- 5.30% on January 31, 2009 ;
- 5.30% on July 31, 2009 ;	- 5.30% on January 31, 2010 ;
- 5.30% on July 31, 2010 ;	- 5.30% on January 31, 2011.

b) Late interest accrued as at June 30, 1995 on the debts referred to in paragraph a) above will be rescheduled or refinanced. Repayment by the Government of the Former Yugoslav Republic of Macedonia will be made in 8 equal and successive semi-annual instalments, the first payment to be made on July 31, 1998 (end of the grace period) and the final payment to be made on January 31, 2002 (end of the repayment period) ;

c) late interest charges are those interest charges accruing between the contractual payment dates of principal and interest due and not paid, and a date to be fixed in the bilateral agreements concluded for the implementation of the present Agreed Minute.

### 3. Rate of interest

The rates and the conditions of interest on the financial arrangements covered by the present Agreed Minute will be determined bilaterally between the Government of the Former Yugoslav Republic of Macedonia and the Government or appropriate institutions of each Participating Creditor Country on the basis of the appropriate market rate.

### III - GENERAL RECOMMENDATIONS

1. In order to secure comparable treatment of public and private external creditors on their debts, the Government of the Former Yugoslav Republic of Macedonia commits itself to seek from its external creditors, in particular banks and suppliers, rescheduling or refinancing arrangements on terms comparable to those set forth in this Agreed Minute for credits of comparable maturity, making sure to avoid inequality between different categories of creditors.

2. The Government of the Former Yugoslav Republic of Macedonia will seek to secure, from each of its creditor countries not participating in this Agreed Minute, rescheduling or refinancing arrangements on terms comparable to those set forth in this Agreed Minute. The Government of the Former Yugoslav Republic of Macedonia agrees not to accord any such creditor country repayment terms more favourable to such Creditor Countries than those accorded to the Participating Creditor Countries.

3. The Government of the Former Yugoslav Republic of Macedonia agrees that it will promptly negotiate rescheduling or refinancing arrangements with all other creditors on debts of a comparable term.

The Government of the Former Yugoslav Republic of Macedonia will inform in writing the Chairman of the Paris Club not later than December 31, 1995 of the progress made for this purpose in negotiations with other creditors.



4. The provisions set forth in the present Agreed Minute do not apply to Creditor Countries with principal and interest falling due during the reorganization period on debts specified in Article II of less than SDR 500,000. The payments owed to these countries should be made on the original due dates. Payments already due and not paid should be made as soon as possible and, in any case, not later than November 30, 1995. ✓

5. Each of the Participating Creditor Countries agrees to make available, upon the request of another Participating Creditor Country, a copy of its bilateral agreement with the Government of the Former Yugoslav Republic of Macedonia which implements the present Agreed Minute. The Government of the Former Yugoslav Republic of Macedonia acknowledges this arrangement.

6. Each of the Participating Creditor Countries agrees to inform the Chairman of the Paris Club of the date of the signature of its bilateral agreement, of the interest rates and the amounts of debts involved. The Government of the Former Yugoslav Republic of Macedonia acknowledges this arrangement.

7. The Government of the Former Yugoslav Republic of Macedonia will inform the Chairman of the Paris Club of the content of its bilateral agreements with creditors mentioned in paragraphs 1., 2. and 3. above.

8. The Government of the Former Yugoslav Republic of Macedonia undertakes to pay all debt service due and not paid as at the date of the present Agreed Minute on consolidations, on loans, on credits or pursuant to contracts or other financial arrangements payable on cash terms, extended or guaranteed by the Governments of the Participating or Observer Creditor Countries or their appropriate institutions, and not covered by this Agreed Minute as follows :

a) 100% of the amounts of principal and interest (including late interest) due as at June 30, 1995 inclusive and not paid on credits and loans having an original maturity of more than one year pursuant to a contract or other financial arrangement concluded after December 2, 1982, will be paid in 8 equal and successive semi-annual instalments, the first payment to be made on July 31, 1998 and the final payment to be made on January 31, 2002 ;

b) the other amounts will be paid as soon as possible and in any case not later than November 30, 1995.

Late interest will be charged on those amounts.

9. The Government of the Former Yugoslav Republic of Macedonia will continue to allow unrestricted and immediate access to the foreign exchange required for servicing private sector debts owed to or guaranteed by the Participating or Observer Creditor Countries or their appropriate institutions.

#### IV - IMPLEMENTATION

The detailed arrangements for the rescheduling or refinancing of the debts will be accomplished by bilateral agreements to be concluded by the Government or the appropriate institutions of each Participating Creditor Country with the Government of the Former Yugoslav Republic of Macedonia on the basis of the following principles :

1. The Government or the appropriate institutions of each Participating Creditor Country will :

- either refinance debts, by placing new funds at the disposal of the Government of the Former Yugoslav Republic of Macedonia, according to existing payment schedules, during the reorganization period and for the above mentioned percentages of payment. These funds will be repaid by the Government of the Former Yugoslav Republic of Macedonia according to schedules mentioned in paragraph II-2. above ;

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- or reschedule the corresponding payments.

2. All other matters involving the rescheduling or the refinancing of the debts will be set forth in the bilateral agreements which the Government of the Former Yugoslav Republic of Macedonia and the Governments or the appropriate institutions of the Participating Creditor Countries will seek to conclude with the least delay and in any case, before December 31, 1995. In case that the conclusion of individual bilateral agreements be delayed beyond this date because of the absence of agreement on the reconciliation of debts mentioned in Article II paragraph 1., sub-paragraph 1.2., this will not affect the validity of the present Agreed Minute and other bilateral agreements.

3. The provisions of the present Agreed Minute will continue to apply provided that the Government of the Former Yugoslav Republic of Macedonia continues to have an arrangement with the International Monetary Fund in the upper credit tranches. For this purpose, the Government of the Former Yugoslav Republic of Macedonia agrees that the International Monetary Fund informs the Chairman of the Paris Club regarding the status of the Former Yugoslav Republic of Macedonia's relations with the International Monetary Fund.

4. In response to the request of the representatives of the Government of the Former Yugoslav Republic of Macedonia, the Participating Creditor Countries agreed in principle to a meeting to consider the matter of the Former Yugoslav Republic of Macedonia's debt service payments falling due after June 30, 1996 and relating to loans or credits pursuant to a contract or other financial arrangement concluded before December 2, 1982 provided :

- that the Former Yugoslav Republic of Macedonia continues to have an appropriate arrangement with the International Monetary Fund ;

- that the Former Yugoslav Republic of Macedonia has reached with other creditors effective arrangements meeting the conditions described in Article III paragraphs 1., 2. and 3. above and has reported in writing to the Chairman of the Paris Club, pursuant to Article III paragraphs 3. and 7. above ;

- and that the Former Yugoslav Republic of Macedonia has complied with all conditions set out in the present Agreed Minute.

5. The representatives of the Government of each of the Participating Creditor Countries and of the Government of the Former Yugoslav Republic of Macedonia agreed to recommend to their respective Governments or appropriate institutions that they initiate bilateral negotiations at the earliest opportunity and conduct them on the basis of the principles set forth herein.

Done in Paris, on July 17, 1995  
in two versions, English and French,  
both texts equally authentic,

The Chairman  
of the Paris Club

The Head of the Delegation  
of the Former Yugoslav Republic  
of Macedonia

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Delegation of Austria

*See*

Delegation of Japan

*JW*

Delegation of Denmark

*DN*

Delegation of Kuwait

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Delegation of France

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Delegation of the Netherlands

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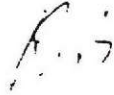
Delegation of Switzerland

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Delegation of the United Kingdom

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Delegation of the United States of America

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Republic of Macedonia  
MINISTRY OF FINANCE

## S p e e c h

of Mr JANE MILJOVSKI, Minister of Finance  
of the Republic of Macedonia at the Paris Club creditors  
meeting,

July 17, 1995

Mr. Chairman,

Ladies and Gentlemen,

Today's meeting of the Paris Club may be for most of you a routine job. For us, it is an unpleasant situation in which we have to try to convince you that the Republic of Macedonia needs and really deserves serious restructuring of its debt. I will try to convince you that this will and should also be very unusual discussion about debt restructuring both for us as an untypical borrowing country, but also it is an untypical position for our icreditors.

Normally, at these meetings, borrowers come to a very unpleasant position to tell you that their country is in bad shape and not in a position to pay its obligations on time. Yes, I was going to tell you the same. I also have to tell you that the Republic of Macedonia does not need to feel guilty about arrears and about the economic performance in the past. The lack of guilt is not because of neglecting our obligation. On the contrary. We stick very much to a prudent and conservative borrower-lender relation. The lack of feeling guilty is due to the fact that Macedonia, as an independent country, did not contribute to the accumulations of arrears. We are also proud for succeeding in implementing such a stabilization program and such transition process that can be hardly found elsewhere, especially having in mind the adverse circumstances in our neighborhood.

The respond to the question what we are proud of is the following:

- We managed in to prevent our country from being involved in war, in ethnic conflicts, as well as from arising any social riots so far;
- We prevented the economy from falling into collapse under the conditions when the connections with former Yugoslavia ceased, although our export and import activities were of 70%;
- This was made despite the exposure to complete blockade from the South, and the sanctions against Serbia and Montenegro. Both blockades meant closure of all economically acceptable transportation roads for our products;
- Besides very difficult economic situation, we undertook ambitious program on economic restructuring;

- Under extremely difficult conditions, we also succeed to normalize the relations with the World Bank and with the IMF. In 1994, we implemented Economic Recovery Program with the World Bank. In 1994, we implemented the STF arrangement with the IMF, which was extremely successful, leading at the same time to the Stand-by arrangement agreed this year;

The results of all those reforms were the following:

- initiation of paid privatization which is gaining in speed every day;
- bringing down the inflation from 1925% in 1993 to 55% in 1994, and projected 18% for 1995;
- For more than a year and a half, stable denar exchange rate was maintained by open market operations;
- The lay-off of the surplus of workers was initiated. Until now, 13,500 workers, out of 380,000 employees in the Republic, have been already laid off;
- The process of the restructuring of the banking system has started. The first result is: break down of the biggest bank in the Republic, which represented 70% of the banking system of Macedonia. Furthermore, the second biggest bank, was bankrupt.

Nevertheless, this is not a meeting to discuss the success of the reforms, but a meeting where I have to convince you that the Republic of Macedonia needs an arrangement with the Paris Club.

As for the negative points of our situation, preventing us from reaching complete economic development and to meet fully our obligations towards the Paris Club, I would explain the following:

1. We have become an independent country without inheriting a single cent from the foreign exchange reserves from former Yugoslavia.

2. With an intention to become a respectful member of the international financial community, we recognized as our debt everything that was spent in the Republic of Macedonia, while being a part of former Yugoslavia, as well as the non-allocated debt defined by the IMF formula. Those debts have been assumed, although not a single institution in the Republic of Macedonia issued guarantees on them.

3. We have not received any additional assets from former Yugoslavia, although we had the right to do so.

4. By the implementation of incredible blockade on our country, in economic and political terms, the association of the Republic of Macedonia in the world economy was nearly totally blocked.

5. Permanent structural characteristic of the Macedonian economy is the existence of large trade and current account deficits. It was a result of the policy of development in former Yugoslavia encouraging the export production from the developed parts of the country. Besides the severe recession, this tendency continued in the period after the independence of the Republic of Macedonia. Due to the adverse external environment, external deficits escalated in 1994 - the trade deficit for 1994 being US\$ 433 million, and the current deficit being US\$ 327 million. According to the projections, both of the deficits will be higher in this year.

Besides relatively high nominal amount of export, all this significantly decreases our ability to repay the external debt. For example, the projected residual financial gap for 1995 is about US\$ 90 million, being 50% of the total present foreign exchange reserves. If adding the obligations against the London Club to the existing financial gap, it will be bigger than the foreign exchange reserves. In addition, the usual debt service ratio of 16% does not reflect realistically the capacity of debt repayment, having in mind that due to the specific circumstances in which our economy functions, a half of Macedonian export consists of barter and "loan" trade. If we calculate the debt service ratio, taking only effective foreign exchange inflow, it will be at least 25%.

The decrease of the social product has been permanently present for 6 years. Prevention of further decline of the social product is uncertain, as well as the end of the Greek embargo and the sanctions against FRY (Serbia and Montenegro). The usage of the capacities of the industrial sector is approximately 40% regarding the existing ones. Such circumstances significantly decrease the financial capacities of the enterprises and of the country for servicing the debt.

During the last five years, the total employment has been reduced by 20% and the level of unemployment has reached an alarming level of 30% (the highest in Europe). About 47% of the employees in the economic sector have not received their wages for three and more months. Regarding their wages, about 10% of the population can not cover their minimum costs of living.

In the past two years, in order to fulfill the financial gap and to regulate the debt of the Republic of Macedonia towards the World Bank and other international financial institutions, the World Bank staff arranged a number of



meetings with group of donor countries. Unfortunately, the results were minor. Out of the requested amount of US\$ 120 million, only US\$ 30 million were granted, half of them by the Netherlands.

As the main reason for that, most of the countries of the European Union used to point out the transfer of the funds for balance of payment support for undeveloped countries, to the Budget of the Union, and, because of the Greek veto, it was impossible to grant them to the Republic of Macedonia. Again, most of the countries emphasized the possibility to compensate this during the negotiations with the Paris Club. There is another meeting of the group of donor countries, planned for September 1995. Having in mind the experience from the previous meetings, I am afraid that these results will be also very poor.

As a landlocked country the Republic of Macedonia is probably a unique case in the World where the unfavorable external environment had a disastrous impact on the output, social product and the financial situation of the country:

- With the dissolution of former SFRY and the war, great portions of the former Yugoslav markets have been lost.

- The loss of the traditional trade links with the former Soviet Union resulted in reduced trade in the amount of US\$ 320 million per year.

- The implementation of the UN sanctions towards FRY (Serbia and Montenegro) from the very beginning, meant that the Republic of Macedonia was loosing additionally a market on which 65% of its production and exports were traded. The negative impact of these sanctions of the UN in 1992 and 1993 amounted up to US\$ 3 billion.

- Furthermore, the Republic of Macedonia has submitted requests for compensation of the damages incurred by the imposition of the UN sanctions against Iraq, amounting to US\$290 million. These requests have been accepted, but we have not received a single dollar compensation yet.

- Finally, the negative effects from the illegal blockade imposed by the Republic of Greece, which is in effect for almost 18 months, in terms of the increased transportation costs and reduced level of production only, amount to about US\$ 50 million per month.

These unfavorable trends have placed the Republic of Macedonia among the countries with a low per capita social product and on the list of the poor countries, classified as IDA eligible.

That is why the proposal of the Republic of Macedonia is the following:

- all the arrears and the payments falling due in 1995, amounting to US\$189 million, for credits contracted **before** December 2, 1982 to be written off by 50%;

- the remaining part of the consolidated debt to be rescheduled over 23 years, including a six year grace period;

- all the arrears of the Republic of Macedonia and the payments falling due in 1995 for credits contracted **after** December 2, 1982 amounting to US\$65,2 million, to be deferred (rescheduled) over a period of 6 years, including a two years grace period;

- to write off completely the late interest on the credits contracted before and after December 2, 1982.

Regarding the fact that 30% of the Budget of the Republic of Macedonia is spent on financing the reforms, any additional burden to the Budget, in these transitional years, will be taking away from the funds planned for the reforms.

Ladies and Gentlemen,

Finally, I have to emphasize once again that, giving the initial proposal, we were of an opinion that many activities of the international community were ceased because of the Greek veto. Due to that veto, the support from the EU was ceased. Due to the Greek veto, membership in PHARE program was prevented. The same veto was implemented on the support to the Republic of Macedonia from the G-24.

The Paris Club is a chance to overcome all these omissions created in the normal mechanisms of the world community, usually granted to countries in transition.

Therefore, Ladies and Gentlemen, I am certain that I have given you sufficient proof that the situation of the Republic of Macedonia is specific, and, that it deserves a special treatment from the Paris Club members.

Thank you.

Statement by the IMF Representative to  
the Meeting of the Paris Club on  
the former Yugoslav Republic of Macedonia  
July 17, 1995

On May 5, 1995, the Executive Board of the IMF approved a request from the authorities of the former Yugoslav Republic of Macedonia (FYRM) for a 13-month stand-by arrangement in the amount of SDR 22.3 million in support of a program for 1995-96. In addition, the Board approved a second purchase under the Systemic Transformation Facility in an amount of SDR 12.4 million. A first purchase under this facility took place in February 1994.

The program for 1995-96 builds on the notable financial stabilization achieved in 1994. Having experienced hyperinflationary conditions in 1992-93, the FYRM saw a rapid reduction in inflation until mid-1994, when inflation became entrenched at about 2 percent per month. The denar had already stabilized from March 1994 onwards and there was a small but steady increase in foreign reserves, to the equivalent of six weeks of imports, by end-1994. This stabilization reflected key changes in economic policies: monetary policy was refocused on inflation control and away from sectoral support, entailing the termination of the National Bank's policy of passively rediscounting bank credits to enterprises; the general government deficit was reduced from 11.1 percent to 2.6 percent of GSP following cuts in entitlement programs and a broadening of the revenue base through unification of tax rates and reductions in exemptions; and a Wage Control Law kept wage increases below inflation rates, partly reversing the large gap between labor productivity and real wages that had emerged in 1992-93. The stabilization program was maintained in the face of an unexpected loss of crucial trans-shipment routes. Recorded output fell by about 7 percent in 1994, bringing the cumulative decline since 1990 to about 50 percent.

The entrenchment of inflation from mid-1994 was due two major problems. First, the National Bank's control over reserve money growth weakened when a failure to advance bank rehabilitation and enterprise reform led to mounting pressures to support illiquid banks and to relax monetary policy in the face of financial difficulties in the enterprise sector. Second, confronted with persistent foreign exchange inflows originating in the regional crisis, and pressures to prevent a nominal appreciation of the currency, the National Bank found it increasingly difficult to absorb such inflows without exceeding its target for reserve money growth.

The program for 1995-96 continues with tight demand management policies while undertaking two important changes in the economic strategy aimed at strengthening the sustainability of such policies. First, a significant acceleration of bank rehabilitation and labor shedding from large loss-making enterprises should reduce pressures on the National Bank to support illiquid banks and monetize enterprise losses. The largest bank is being broken up and its non-performing assets replaced by government bonds, and one third of the workforce in the largest loss-making enterprises is being

laid off. The 1995 Budget includes resources of 2.4 percent of GSP for these structural reforms and for the alleviation of attendant social costs. Second, fiscal policy will provide crucial support for monetary policy in the form of a gradual increase in public sector deposits with the National Bank equivalent to 1.3 percent of GSP. Such deposits will enlarge the scope for unsterilized interventions in the foreign exchange market to prevent a nominal appreciation of the currency. To allow this broadening of their economic program, the authorities have implemented fiscal measures that will yield 4.4 percent of GDP.

On the strength of these policies, the program for 1995 seeks to reduce inflation to 1 percent per month by year-end, entailing an annual rate of 18 percent (December-December). The program also targets a much needed increase in foreign reserves, to the equivalent of two months of imports by end-1995.

A recent mission to the FYRM found that the program is on track and preliminary data suggest that quantitative performance criteria for end-June have been met. The central government has undertaken the programmed increase in its deposits at the National Bank, and bank rehabilitation and enterprise restructuring are proceeding, if anything, even more quickly than anticipated. These measures have permitted the programmed deceleration in reserve money growth. Inflation is clearly receding from entrenched levels, with a year-to-year increase of 11 percent in June, well below the program target. The exchange rate has remained stable and foreign reserves have increased as projected. However, output is likely to decline by 1-3 percent in 1995, compared to the small increase that had been hoped for at the beginning of the year.

As a crucial next step in the process of normalizing relations with external creditors, following the clearance of arrears to the World Bank in early 1994, a key objective of the program for 1995-96 is to clear arrears to official bilateral creditors and to all other multilateral institutions. Such arrears are very large, reflecting their accumulation over a prolonged period, which began well before the break-up of the former Yugoslavia. They include almost US\$90 million in respect of debt contracted after the 1982 cut-off-date applied under reschedulings with the former Yugoslavia, and of debt owed to the European Investment Bank (EIB).

Current trends in external trade point to a small increase in exports with a slightly larger rise in imports. The projections also assume that other components of the current account and private capital flows, including unidentified flows, will be similar to 1994. Under these assumptions, and after taking into account the aforementioned support from the Fund and the disbursement of the first tranche of the Financial and Enterprise Sector Adjustment Credit recently approved by the World Bank, there is a financing gap of US\$295 million for the program period. Efforts to close this gap are being complicated by a diplomatic dispute that is holding up new assistance from bilateral creditors and the EIB.

In conclusion, the Government of the FYRM should be commended for having initiated politically difficult cuts in consumption in the midst of an extremely precarious economic situation; for having persevered with these cuts in the face of an external environment where access to traditional markets and trans-shipment routes continues to be denied; and for having maintained the focus on stabilization despite receiving less external financial support than had been hoped. We believe that the Government's economic program merits the full support of the international financial community.

## **Former Yugoslav Republic of Macedonia**

### Statement of the World Bank Representative

(July 17, 1995)

In the three and a half years since independence, the Former Yugoslav Republic of Macedonia has faced exceptionally hard conditions. Yet, with little outside help until last year, it has taken bold steps to reform its economy and provide for its population during a painful transition.

Like other transition economies, Macedonia was bound to suffer dislocations in production, employment and social welfare. In addition, this country has had to cope with costly external shocks. It lost traditional markets in the Middle East and Eastern Europe. At independence, it lost a huge deposit (nearly US\$1 billion) of foreign exchange its National Bank was holding in Belgrade; and, for over a year now, its largest outlet to the sea has been closed.

Against this difficult backdrop, the government has done a remarkable job in stabilizing the economy. The large fiscal deficits and inflation of the earlier years are under control; and there is some evidence that the free-fall in output may have bottomed out. The government is now implementing far-reaching structural reforms in the financial, enterprise and social sectors. Drastic measures are under way to cut loss-making by enterprises that have become obsolete because of the changed market conditions. In the past, such losses were financed by the banking

system. Now, banking sector reforms will stop this by severing the long-standing ties between banks and enterprises.

Despite the social cost of rapid enterprise and bank restructuring, the authorities understand that only by taking these measures can scarce resources be freed for the private sector. The authorities intend that all banks and most enterprises become privately-owned within in the next few years.

To ensure that the reforms are sustained, the social cost of adjustment is being eased, with severance payments and services for workers who lose their jobs in communities directly affected by privatization. These services will enable affected workers to re-enter the labor force with greater dispatch. The government is also analyzing existing social assistance and social insurance programs to initiate reforms that will make the programs more equitable, efficient, and financially sustainable.

The government's stabilization and reform agenda constitute sound policy underpinnings for an economic recovery of the Former Yugoslav Republic of Macedonia over the medium-term. It should be noted also that the long-sought normalization of the political and economic relations in the region surrounding the country will influence significantly the prospects for broad-based economic growth and, with it, the country's balance of payments.

The major impetus to growth over the medium term would come from the private sector in agriculture, light manufacturing, trade and transportation. While still small, the private sector

has been vibrant lately, accounting for some 17 percent of GDP in 1993 (up from 12 percent in 1990) and 20 percent of formal employment in 1994 (up from 10 percent in 1990). The growth of the private sector will be supported further by ongoing reviews and revisions of the commercial code and the foreign investment law.

Provided the country maintains its reform agenda, our assistance strategy will be to continue cooperating with the country in designing, financing and implementing policy reforms, and through investments and institution-building

Last year, our Executive Directors approved a Financial & Enterprise Sector Adjustment Credit--for US\$85 million, and two investment operations--a transit facilitation loan for us\$24 million and a Social Reform and Technical Assistance Credit for US\$14 million. In the next four years, we will plan for a program of 3-4 operations a year totalling some \$70-75 million per annum, comprising 2 more adjustment operations. The program would address economic and public sector management issues, and follow up the financial and enterprise reforms now in progress. Our planned investment operations would be in irrigation, private sector credit, power and water supply, and health and social services.

External capital, in the form of debt relief and new money, will be crucial to successful transition of the Former Yugoslav Republic of Macedonia. While we expect the country's prudent fiscal and monetary policies to gradually raise domestic savings, the country will still need foreign savings over the next several years. It will take time for the export sector to become



competitive and gain acceptance in new markets. Moreover, essential imports, compressed in the recent past, will need to grow again not only to satisfy consumer requirements, but also to obtain inputs for export production.

In view of such serious constraints, the Bank has made special efforts thus far to assist the Former Yugoslav Republic of Macedonia. We have made exceptional allocations of IDA resources for quick-disbursing and investment operations. And we have provided higher than normal amounts of retroactive financing. We would urge other creditors also to accord the country special treatment at this critical juncture in its transition.

Paris Club Meeting

Former Yugoslav Republic of Macedonia

17 July 1995

Statement by the UNCTAD representative

Since 1991, the date of its independence, the Former Yugoslav Republic of Macedonia is facing many hurdles on its way to restore economic growth. The collapse of the CMEA, the break-up of the former Socialist Federal Republic of Yugoslavia and the ensuing regional crisis have caused great havoc to the economy of this new Republic. The loss of its traditional markets both for its exports and the import of goods and materials contributed to a sharp reduction of industrial and agricultural production and a deterioration of living standards. Thus, between 1990 and 1994 the real Gross Social Product declined by more than 40 per cent, whereas industrial production in 1994 stood at 45 per cent of its level in 1990. Per capita GSP declined by 21 per cent in two years, falling from US\$816 in 1992 to US\$640 in 1994. Moreover, the deteriorating economic environment made it harder for the government to collect revenues which adversely affected its capacity to provide basic services. Health care services have been particularly hard hit, as reflected in acute shortages of medical supplies and under-equipment of hospitals.

The decision taken by Greece in the beginning of 1994 to close the Salonika port for the transport of goods to and from the Former Yugoslav Republic of Macedonia struck another blow to its economy. A change in the routing of its exports and imports

has sharply increased transportation costs, reducing consequently the competitiveness of its export sectors, in particular the metallurgical, chemical and textile sectors. As a result, the trade balance deficit deteriorated significantly during the course of 1994, reaching 12.7 per cent of GSP by year end as opposed to 5.6 per cent of GSP in 1993. Even after excluding the errors and omissions which could partly account for unrecorded re-exports to neighbouring countries, the trade balance deficit increased from 3.6 per cent of GSP in 1993 to 6.3 per cent of GSP in 1994.

Notwithstanding these problems the government has succeeded in stabilising the economy through tight monetary and fiscal policies and wage control. Thus, the general fiscal deficit decreased from 11.1 per cent of GSP in 1993 to 2.6 per cent of GSP in 1994. The inflation rate fell to 55.4 per cent in December 1994 as opposed to 192.5 per cent in December 1992.

Although the macroeconomic outlook improved significantly over the last couple of years, the country is still faced with a number of structural problems that need to be addressed. The rehabilitation of the banking system has started, but the funds required to bring the two largest banks back to profitability are likely to be substantial, thus putting additional pressure on the budget. The government is committed to privatize large state-owned enterprises. Although the budgetary effects of privatization are likely to be positive over the medium term, in the short term, a substantial increase in expenditure is

expected, as excess labour will need to be laid off and be compensated concurrently. Moreover, there is a risk that unemployment, estimated at 30 per cent of the labour force, will rise further.

In addition, in order to sustain long term economic growth, the country will have to make substantial investments in both human and physical capital. Gross fixed investment dropped from over 30 per cent of GSP in the 1980s to only 14.5 per cent in 1994.

Disruptions of export earnings have also caused difficulties in servicing external debt. Large amounts of payment arrears have been accumulated. At the end of 1994, arrears accounted for nearly half of the total stock of debt and were equivalent to almost a third of export earnings. Arrears on pre cut-off and post cut-off debt to Paris Club creditors amounted to 22.5 per cent of central government expenditure in 1994. Hence, unless Paris Club creditors grant the country the most generous rescheduling terms, the budgetary implications of debt servicing could jeopardize stabilization efforts and longer term development prospects of the Former Yugoslav Republic of Macedonia.

*The Chairman of the Paris Club*

PARIS, July 18, 1995

Mr Minister,

After a meeting held between representatives of the Paris Club Creditor Countries and your delegation, this July 17 and 18, 1995, an agreement was reached on the consolidation of the debt of your country, on the terms and conditions set forth in the attached document.

I would be grateful if you could confirm your agreement on the terms and conditions set forth in this document for the consolidation of the debt of your country.



Bertrand de MAZIERES

**Mr MILJOVSKI**  
**Minister of Finance**  
**of the Former Yugoslav Republic of Macedonia**



REPUBLIC OF MACEDONIA  
MINISTRY OF FINANCE

PARIS, July 18, 1995

Mr Chairman,

I have received your letter dated July 18, 1995.

I am in a position to confirm my agreement to the terms and conditions set forth for the consolidation of the debt of my country in the document attached to your letter, with the exception of the name of my country.

Sincerely yours,

Minister of Finance,

Dr Jane MILJOVSKI

THE CHAIRMAN OF THE PARIS CLUB

Attn: Habib Fetini

cc G. Reyes  
2 letters to  
RB

AGREED MINUTE  
ON THE CONSOLIDATION OF THE DEBT  
OF THE DEMOCRATIC PEOPLE'S REPUBLIC OF ALGERIA

**I - PREAMBLE**

1. The representatives of the Governments of Austria, Belgium, Canada, Denmark, Finland, France, Germany, Italy, Japan, the Netherlands, Norway, Portugal, Spain, Sweden, Switzerland, the United Kingdom and the United States of America, hereinafter referred to as "Participating Creditor Countries", met in Paris on July 19, 20 and 21, 1995 with representatives of the Algerian Government in order to examine the request to alleviate the Republic of Algeria's external debt service obligations. Observers of the International Monetary Fund, the International Bank for Reconstruction and Development, the Secretariat of the UNCTAD, the Organization for Economic Cooperation and Development and the European Commission also attended the meeting.

2. The Algerian delegation described the economic and financial difficulties faced by its country and its strong determination to reduce the economic and financial imbalances and to attain the targets of the program supported by the extended arrangement with the International Monetary Fund.

3. The representatives of the International Monetary Fund described the Republic of Algeria's economic situation and the major elements of the adjustment program adopted by the Algerian Government and supported by the extended arrangement with the International Monetary Fund approved by the Executive Board of the International Monetary Fund on May 22, 1995. This extended arrangement, covering the period ending on May 21, 1998, involves specific commitments in both the economic and financial fields.

4. The representatives of the Governments of the Participating Creditor Countries noted the measures of adjustment in the economic and financial program undertaken by the Algerian Government and they stressed the importance they attach to the continued and full implementation of this program.

**II - RECOMMENDATIONS ON TERMS OF THE REORGANIZATION**

In view of the serious payment difficulties faced by the Republic of Algeria, the representatives of the Participating Creditor Countries agreed to recommend to their Governments or their appropriate institutions that they provide, through rescheduling or refinancing, debt relief for the Republic of Algeria on the following terms :

**1. Debts concerned**

The debts to which this reorganization will apply are the following :

a) loans from Governments or appropriate institutions of the Participating Creditor Countries, having an original maturity of more than one year, and which were extended to the Algerian Government or its public sector or covered by the guarantee of the Algerian Government or its public sector, pursuant to an agreement concluded before September 30, 1993, including payments due under previous bilateral consolidations ;

Handwritten signatures and initials at the bottom of the page, including "RB" and "G. Reyes".

b) commercial credits guaranteed or insured by the Governments of the Participating Creditor Countries or their appropriate institutions, having an original maturity of more than one year, and which were extended to the Algerian Government or its public sector or covered by the guarantee of the Algerian Government or its public sector, pursuant to a contract or other financial arrangement concluded before September 30, 1993, including payments due under previous bilateral consolidations.

It is understood that debt service due as a result of debts described above in the present Agreed Minute and effected through special payment mechanisms or other external accounts is included in the present reorganization. Participating Creditor Countries will reschedule, refinance, or take other appropriate measures to ensure that this category of debt is treated in a manner comparable to other debt subject to the present Agreed Minute.

It is understood that debt service due as a result of consolidation agreements concluded according to the Agreed Minute dated June 1, 1994 is not affected by the present reorganization.

For the implementation of the present Agreed Minute, the Algerian public sector shall include the Government, regions and municipalities, public agencies, organizations or institutions and those enterprises in which, as of May 31, 1994, the above entities, alone or together, are directly or indirectly majority shareholders (more than 50%).

**2. Terms of the consolidation**

The debt relief will apply as follows :

a) 100% of the amounts of principal due from June 1, 1995 up to May 31, 1998 inclusive and not paid and 100% of the amounts of interest (excluding late interest) due from June 1, 1995 up to May 31, 1996 inclusive and not paid on loans and credits mentioned in paragraphs 1.a) and 1.b) above will be rescheduled or refinanced.

Repayment by the Algerian Government of the corresponding sums will be made as follows :

- 0.43% on November 30, 1999 ;
- 0.78% on November 30, 2000 ;
- 1.19% on November 30, 2001 ;
- 1.65% on November 30, 2002 ;
- 2.17% on November 30, 2003 ;
- 2.76% on November 30, 2004 ;
- 3.43% on November 30, 2005 ;
- 4.19% on November 30, 2006 ;
- 5.04% on November 30, 2007 ;
- 6.00% on November 30, 2008 ;
- 7.07% on November 30, 2009 ;
- 8.27% on November 30, 2010 ;
- 9.59% on November 30, 2011.
- 0.60% on May 31, 2000 ;
- 0.98% on May 31, 2001 ;
- 1.41% on May 31, 2002 ;
- 1.90% on May 31, 2003 ;
- 2.46% on May 31, 2004 ;
- 3.09% on May 31, 2005 ;
- 3.80% on May 31, 2006 ;
- 4.60% on May 31, 2007 ;
- 5.50% on May 31, 2008 ;
- 6.52% on May 31, 2009 ;
- 7.65% on May 31, 2010 ;
- 8.92% on May 31, 2011 ;

b) Late interest charges are those interest charges accruing between the contractual payment date of principal and interest due and not paid, and a date to be fixed in the bilateral agreements concluded for the implementation of the present Agreed Minute.

**3. Rate of interest**

The rates and the conditions of interest on the financial arrangements covered by the present Agreed Minute will be determined bilaterally between the Algerian Government and the Government or appropriate institutions of each Participating Creditor Country on the basis of the appropriate market rate.

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III - GENERAL RECOMMENDATIONS

1. In order to secure comparable treatment of public and private external creditors on their debts, the Algerian Government commits itself to seek from its external creditors, rescheduling or refinancing arrangements on terms comparable to those set forth in the present Agreed Minute for credits of comparable maturity, making sure to avoid inequality between different categories of creditors.

2. The Algerian Government will seek to secure from each of the creditor countries not participating in the present Agreed Minute rescheduling or refinancing arrangements on terms comparable to those set forth in the present Agreed Minute. The Algerian Government agrees not to accord any such creditor country repayment terms more favourable than those accorded to the Participating Creditor Countries.

3. The Algerian Government agrees that it will promptly negotiate rescheduling or refinancing arrangements with all other creditors on debts of a comparable term.

The Algerian Government will inform in writing the Chairman of the Paris Club not later than March 31, 1996 of the progress made for this purpose in negotiations with other creditors.

4. The provisions set forth in the present Agreed Minute do not apply to creditor countries with principal and interest falling due during the reorganization period on debts specified in Article II paragraph 2., of less than SDR 1,000,000. The payments owed to these countries should be made on the original due dates. Payments already due and not paid should be made as soon as possible and, in any case, not later than October 31, 1995.

5. Each of the Participating Creditor Countries agrees to make available, upon the request of another Participating Creditor Country, a copy of its bilateral agreement with the Algerian Government which implements the present Agreed Minute. The Algerian Government acknowledges this arrangement.

6. Each of the Participating Creditor Countries agrees to inform the Chairman of the Paris Club of the date of the signature of its bilateral agreement, of the interest rates and of the amounts of debts involved. The Algerian Government acknowledges this arrangement.

7. The Algerian Government will inform the Chairman of the Paris Club of the content of its bilateral agreements with creditors mentioned in paragraphs 1., 2. and 3. above.

8. The Algerian Government undertakes to pay all debt service due and not paid as at the date of the present Agreed Minute, on loans, on credits or pursuant to contracts or other financial arrangements payable on cash terms, extended or guaranteed by the Governments of the Participating Creditor Countries or their appropriate institutions, and not covered by the present Agreed Minute as soon as possible and, in any case, not later than October 31, 1995. Late interest will be charged on those amounts. All other amounts will be paid on due dates.

9. The Algerian Government will continue to allow unrestricted and immediate access to the foreign exchange required for servicing private sector debts owed to or guaranteed by the Participating Creditor Countries or their appropriate institutions.

*CV*

*FA*

*M*

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#### IV - IMPLEMENTATION

The detailed arrangements for the rescheduling or refinancing of the debts will be accomplished by bilateral agreements to be concluded by the Government or the appropriate institutions of each Participating Creditor Country with the Algerian Government on the basis of the following principles :

1. The Government or the appropriate institutions of each Participating Creditor Country will either :

- refinance debts by placing new funds at the disposal of the Algerian Government according to existing payment schedules during the reorganization period and for the above mentioned percentage of payment. These funds will be repaid by the Algerian Government according to the schedule mentioned above in paragraph II.2. ; or

- reschedule the corresponding payments.

2. All other matters involving the rescheduling or the refinancing of the debts will be set forth in the bilateral agreements which the Algerian Government and the Governments or the appropriate institutions of the Participating Creditor Countries will seek to conclude with the least delay and in any case before March 31, 1996.

Debts to be included in the bilateral agreements to be concluded pursuant to the provisions of the present Agreed Minute will be agreed upon between the Algerian Government and the Governments of the Participating Creditor Countries or their appropriate institutions.

As regards debts referred to in Article II or Article III paragraph 8., as the case may be, those for which insurance claims have been or will be paid out by an appropriate institution of a Participating Creditor Country will be deemed accepted for their entire value by the Algerian Government. They will be eligible for the provisions of the present Agreed Minute as soon as they are notified to the Algerian Government by the appropriate institutions of the Governments of the Creditor Countries. By mutual consent, one or more of these debts can be removed from the present Agreed Minute if, before May 31, 1996, evidence of its ineligibility is produced.

3. a) The provisions of the present Agreed Minute will continue to apply until June 30, 1996 inclusive provided that the Algerian Government continues to have an appropriate arrangement with the International Monetary Fund ;

b) the provisions of the present Agreed Minute will also continue to apply from July 1, 1996 up to June 30, 1997 provided that the Executive Board of the International Monetary Fund has completed before June 30, 1996 the review for the second year of the extended arrangement with the Algerian Government and provided that the Algerian Government has made on due date all payments to the Participating Creditor Countries referred to in the present Agreed Minute, in particular the amounts to be paid according to Article III paragraph 8. ;

c) the provisions of the present Agreed Minute will also continue to apply from July 1, 1997 up to May 31, 1998 provided that the Executive Board of the International Monetary Fund has completed before June 30, 1997, the review for the third year of the extended arrangement with the Algerian Government and provided that the Algerian Government has made on due date all payments to the Participating Creditor Countries referred to in the present Agreed Minute ;

d) for this purpose, the Algerian Government agrees that the International Monetary Fund will inform the Chairman of the Paris Club regarding the status of the Algerian Government's relations with the International Monetary Fund.

*cn/ab*

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4. The representatives of the Governments of each of the Participating Creditor Countries and of the Algerian Government agreed to recommend to their respective Governments or appropriate institutions that they initiate bilateral negotiations at the earliest opportunity and conduct them on the basis of the principles set forth herein.

Done in Paris, on July 21, 1995  
in two versions, English and French,  
both texts equally authentic

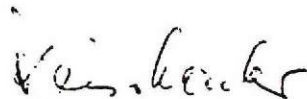
The Chairman  
of the Paris Club



The Head of the Algerian Delegation



Delegation of Austria



Delegation of Denmark



Delegation of Belgium



Delegation of Finland



Delegation of Canada



Delegation of France



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Delegation of Germany

*Jan Ullrich*

Delegation of Portugal

*F. L. Soares*

Delegation of Italy

*Debutoni*

Delegation of Spain

*[Signature]*

Delegation of Japan

渡辺達郎

Delegation of Sweden

*[Signature]*

Delegation of the Netherlands

*Wim van de*

Delegation of Switzerland

*[Signature]*

Delegation of Norway

*Tom Tjomsdal*

Delegation of the United Kingdom

*[Signature]*

Delegation of the United States of America

*[Signature]*



July 21, 1995

**PARIS CLUB**

**PRESS RELEASE**

**THE PARIS CLUB AGREES ON A DEBT RESTRUCTURING  
FOR ALGERIA**

1. The Paris Club Creditor Countries met on July 19, 20 and 21, 1995 with representatives of Algeria. The representatives of the Creditor Countries agreed to recommend to their Governments a reorganization of the maturities falling due during the period covered by Algeria's arrangement with the International Monetary Fund until May 31, 1998.

2. Representatives of the Participating Creditor Countries welcomed the efforts at economic recovery undertaken by the Algerian Government. They noted with satisfaction the adoption by the Algerian Government of an economic and financial program supported by an Extended Fund Facility with the International Monetary Fund approved by the Executive Board of the Fund on May 22, 1995. They thought it relevant to make, within this framework, a positive contribution to the improvement of the Republic of Algeria's external payments prospects in order to facilitate its economic recovery.

A significant amount of Algeria's external debt is restructured under this agreement.

3. The meeting was chaired by Mr. Christian NOYER, President of the Paris Club, Director of the French Treasury.

4. The Algerian delegation headed by Mr. Ahmed BENBITOUR, Minister of Finance, expressed its thanks to the Participating members of the Paris Club for their help in strengthening Algeria's economic and financial situation.



### **Background notes**

1. The Paris Club was formed in 1956. It is an informal group of Creditor Governments mainly from major industrialized countries (i.e. OECD). 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 Algeria's debt were representatives of the Governments of Austria, Belgium, Canada, Denmark, Finland, France, Germany, Italy, Japan, the Netherlands, Norway, Portugal, Spain, Sweden, Switzerland, the United Kingdom and the United States of America.

3. Observers of the International Monetary Fund, the International Bank for Reconstruction and Development, the Secretariat of the UNCTAD, the Organization for Economic Cooperation and Development and the European Commission also attended the meeting.

4. This restructuring applies to payments due under loans from, and credits guaranteed by Algeria's official creditors.

5. The arrangement concluded by Algeria with the International Monetary Fund was approved by the Fund's Executive Board on May 22, 1995 ; the three year arrangement under the Extended Fund Facility covers a period through May 1998.

**Contact :**  
Jérôme HAAS  
Secretary General of the Paris Club  
Tél : 33.1 44.87.73.61  
Fax : 33.1 40.04.16.91



**PROGRAMME DE REHABILITATION  
A MOYEN TERME DE  
L'ECONOMIE ALGERIENNE**

**Par Ahmed BENBITOUR  
MINISTRE DES FINANCES**

**CLUB DE PARIS  
JUILLET 1995**

Dans mon exposé l'an dernier, je vous ai présenté les quatre caractéristiques de l'économie Algérienne à savoir :

- 1 - Un pays à fort potentiel de développement et faisant face à de grands défis,
- 2 - Un pays qui a réalisé une percée remarquable dans le chemin des réformes économiques,
- 3 - Un pays qui a maintenu sa solvabilité et son image de marque sur les marchés financiers au prix de sacrifices importants à des moments cruciaux de son histoire,
- 4 - Un pays qui a besoin d'un traitement approprié de sa dette extérieure pour réussir dans sa stratégie de sortie de crise.

L'exposé détaillé de ces quatre caractéristiques, m'a permis de vous démontrer la nécessité de :

- a) **Réechelonner la dette extérieure** afin de réaliser un niveau de réserves officielles suffisant pour supporter la libéralisation du commerce extérieur et stabiliser le taux de change. Le ratio du service de la dette après réechelonnement devait être réduit durablement à un niveau raisonnable compatible avec les objectifs de croissance. Les termes de refinancement de la dette ne devraient pas aboutir à long terme à l'émergence de besoin de financement exceptionnel. Autrement dit, éviter de tomber dans un cycle répétitif de réechelonnement.
- b) Disposer d'une aide financière directe à la Balance des Paiements.
- c) Disposer de crédits commerciaux.

Je dois dire que l'esprit de coopération qui a animé nos travaux, la collaboration efficace des institutions multilatérales invitées, votre compréhension et votre soutien louable nous ont permis d'aboutir à un accord qui a marqué un premier pas fondamental dans l'atteinte de nos objectifs.

Les autorités Algériennes et moi-même vous en savons gré.

Nous avons également convenu d'une clause de bonne volonté pour nous retrouver cette année, afin de conclure un nouvel accord permettant de couvrir convenablement les besoins de financement de notre programme économique et financier de trois (3) ans qui a déjà bénéficié d'une facilité de financement élargie de la part du Fonds Monétaire International.

.../...



Voilà maintenant plus d'un an, que l'Etat Algérien travaille avec persévérance et ténacité à assurer la cohésion sociale et le dialogue politique d'une part et à améliorer l'efficacité et la compétitivité de l'économie d'autre part, tout ceci dans le contexte d'une double transition aux plans économique et politique (passage d'une économie administrée vers une économie de marché et passage d'un système de Parti unique vers le multipartisme); avec des manifestations sécuritaires portant atteinte aux personnes et aux biens; ce qui alourdit le coût social de l'ajustement.

Malgré, ce contexte difficile, des progrès remarquables ont été réalisés parce que l'Algérie fait certes face à des contraintes et des handicaps mais dispose de potentialités et atouts forts intéressants.

Parmi les contraintes et handicaps, il y a :

a) **La forte dépendance de l'extérieur** au niveau :

- **Des exportations des hydrocarbures** qui représentent plus de 95 % des recettes de la balance commerciale et qui connaissent des termes de l'échange défavorable au double niveau du prix et de la parité de la monnaie de référence.
- **De l'endettement extérieur** avec une courte maturité qui a débouché sur un ratio de service de la dette extérieure très élevé, des transferts nets importants au profit du reste du monde au prix d'une diminution draconienne de l'approvisionnement du pays avec sa conséquence sur le taux d'utilisation du capital disponible dans l'industrie et la pénurie des biens de consommations.
- **De la dépendance alimentaire** avec une facture annuelle de plus de 2 Milliards \$ d'importations de produits alimentaires.

b) **La démographie et la demande sociale induite** pour la satisfaction des besoins essentiels en emploi, santé, éducation, logement, eau, nutrition, urbanisation, environnement.

Par exemple, la population active est passée de 4,49 Millions de personnes en 1985 à 6,47 millions en 1993, enregistrant un accroissement de 1,98 millions de personnes, alors que la population occupée ne s'est accrue sur la même période que de 820.000 personnes aggravant ainsi le stock des chômeurs de 1,16 million de personnes. Durant la même période le taux de chômage a doublé.

.../...

Le nombre de logements disponibles est passé de 182 logements pour 1000 habitants au début des années 60 à 128 logements en 1977 et 129 logements aujourd'hui.

- c) **Les écarts de revenu et la stabilité sociale** en période de stabilisation macroéconomique et de l'ajustement structurel.

L'ajustement des prix relatifs à l'intérieur de l'économie par la suppression des subventions budgétaires accordées aux produits de première nécessité ainsi que l'ajustement des prix relatifs vis à vis de l'extérieur par la dévaluation s'accompagnent d'une baisse du pouvoir d'achat dont l'effet est immédiat alors que les mesures d'accompagnement par la mise en place d'un filet social avec un soutien direct et ciblé mettent plus de temps à donner leurs fruits. Il y a nécessairement un décalage au début de la mise en oeuvre du programme .

Parmi les potentialités et les atouts, il y a :

- a) - **Ressources humaines et jeunesse de la population** :

La population est composée de jeunes essentiellement. Cette jeunesse est de plus en plus instruite. Près du quart de la population se trouve dans les écoles depuis l'enseignement primaire jusqu'à l'enseignement supérieur et la formation professionnelle. Elle dispose également d'un potentiel de cadres bien formés et expérimentés, écartés de la gestion économique au fur et à mesure des changements des pouvoirs intervenus depuis l'indépendance. Ces cadres ayant réalisé "leur traversée du désert" sont prêts à relever le défi.

- b) - **Hydrocarbures** :

Le pétrole et le gaz algériens sont de qualité supérieure et bénéficient d'un bonus de prix sur les marchés (pétrole léger et ne contenant pas de soufre). Ils sont bien adaptés aux préoccupations d'environnement (peu polluants) et disponibles près des marchés de consommation (faibles coûts de transport). L'Algérie dispose de 1,5 Millions de Km<sup>2</sup> de domaine minier et reste très peu explorée.

En effet, la densité de forage d'exploration qui se mesure par le nombre de puits au 10 000 Km<sup>2</sup> de domaine est très basse :

- Algérie : 9 puits aux 10 000 Km<sup>2</sup>;  
- Amérique du nord : 500 puits aux 10 000 Km<sup>2</sup>;

.../...

- Europe Occidentale : 45 puits aux 10 000 Km<sup>2</sup>;
- Europe de l'Est : 90 puits aux 10 000 Km<sup>2</sup>;

**La Production d'huile en Algérie est passée de : 1,17 Million barils/jour en 1978; à 0,750 Million barils/jour aujourd'hui.**

Autrement dit, de plus de 50 Millions de Tonnes à la fin de la décennie 70; la production annuelle se situe autour de 33 Millions de Tonnes aujourd'hui.

D'où :

**1er Objectif stratégique fondamental :**

Arrêter dans une première phase, le déclin de la production nationale d'hydrocarbures liquides, puis préparer les conditions de son redressement progressif vers un plateau de 60 Millions de Tonnes.

**2ème Objectif stratégique fondamental :**

Soutenir, le plus longtemps possible, le niveau projeté des exportations de gaz naturel de 60 Milliards m<sup>3</sup>/an à partir de 1996/97 et se préparer à une augmentation au delà de l'an 2.000.

D'où le programme :

- (i) Relance et intensification de l'effort d'exploration pour soutenir la production par un volume de réserves conséquent.
- (ii) Amélioration des conditions d'exploitation des gisements en cours de production :
  - AGE - (Association aux Gisements en Exploitation)
  - Performances de SONATRACH et autres sociétés de services.
- (iii) Développement des gisements découverts et non encore exploités :
  - Aïn Salah pour le gaz naturel,
  - La dizaine de gisements de gaz humide situés au Sud - Est de Hassi - R'Mel. Ces gisements en plus du gaz naturel, produisent du GPL et du condensat améliorant ainsi le profil, actuellement en baisse, de la production d'hydrocarbures liquides.

.../...

c) - **L'agriculture** :

L'agriculture algérienne présente un avantage de diversification important allant de l'agriculture des plaines côtières à l'agriculture saharienne en passant par l'agriculture de montagne et l'agriculture des steppes. Elle jouit d'avantages comparatifs dans la production du blé, de l'orge, des agrumes, des dattes, des olives, des légumes, de la vigne et des ovins.

Mais elle enregistre une faible pluviométrie et une mauvaise répartition des terres agricoles et du ruissellement des eaux de surface. Ceci nécessite une stratégie d'exploitation bien étudiée et des investissements conséquents.

d) - **Le développement des infrastructures** :

La superficie du pays 2,3 Millions Km<sup>2</sup>, sa géographie diversifiée, le développement économique enregistré, et la croissance démographique exercent une forte pression sur le développement des infrastructures de base :

- Réseau routier notamment autoroute Est-Ouest du Nord et autoroute Est-Ouest des hauts plateaux ( rocade ).
- Réseau de rail notamment les trains vers le Sud du pays.
- Aménagement urbain notamment réseau de ceinture des villes moyennes dans les hauts plateaux.
- Programme de barrages.

e)- **L'expérience acquise dans la mise en oeuvre des réformes au double plan économique et politique** : l'Algérie possède une expérience dans la mise en oeuvre des réformes.

Au plan institutionnel, les réformes ont touché l'autonomie des entreprises publiques, l'organisation du commerce extérieur et l'abolition des monopoles, la mise en valeur des terres, la réorganisation des modes de propriété dans l'agriculture, les relations de travail, les conditions de l'investissement privé...

Au plan macroéconomique, elles ont englobé la politique du crédit, les taux d'intérêt, le taux de change, la politique fiscale, la libération des prix, le filet social...

.../...

La politique macroéconomique s'adressait à la réduction de la demande excédentaire.

Effectivement, une réduction sensible de la demande était enregistrée, épongeant de ce fait une partie de la demande excédentaire.

De même que des progrès importants étaient réalisés. Nous pouvons citer :

La part des prix libres dans l'indice des prix à la consommation est passée de 10 % en 1988 à 77 % en 1993. Aujourd'hui, cette part est supérieure à 80 %. C'est un effort de libéralisation des prix substantiels. Ceci ne s'est tout de même pas accompagné d'une inflation galopante grâce à l'absorption de l'excédent monétaire. Le rapport de la masse monétaire (M2) au produit intérieur brut (PIB) est passé de 84 % en 1988 à 53 % en 1993. Au cours de la même période, le rapport entre le taux de change du marché parallèle et celui du marché officiel a baissé de 5 pour 1 à 2 pour 1. Aujourd'hui, il est inférieur à 2 pour 1.

Au plan fiscal, il y a eu la mise en place de la Taxe sur la Valeur Ajoutée (TVA), la simplification des impôts sur le revenu et la réforme du tarif douanier.

Partant de ce diagnostic et de cette expérience un programme économique a été conçu pour :

- Faire redémarrer la croissance économique pour lutter contre le chômage,
- Assurer la qualité de la croissance par le choix des secteurs à privilégier (agriculture, BTPH, PME exportatrice...),
- Faire converger le taux d'inflation intérieur vers celui des partenaires commerciaux extérieurs afin de stimuler la compétitivité de l'économie nationale.

**Au départ**, la reprise de la croissance sera supportée par l'agriculture (du fait d'une meilleure disponibilité de facteurs de production), par le Bâtiment et Travaux Publics et une meilleure utilisation des capacités de production disponibles dans le secteur industriel.

.../...

L'augmentation de la production dans le B.T.P. et l'Industrie viendra d'une meilleure disponibilité de facteurs de production importés (matières premières, demi-produits, pièces de rechange).

La meilleure utilisation des capacités disponibles dans le secteur industriel viendra :

- . **Au début**, d'une plus grande disponibilité des matières premières, demi-produits et pièces de rechange importés,
- . **Ensuite**, (au delà de 70 % de taux d'utilisation des capacités), il faut assurer la réhabilitation (ou encore la restructuration industrielle).

Nous partons du principe qu'il faut régler les problèmes de production d'abord, investir ensuite.

Cette réhabilitation s'appuiera sur toutes les possibilités :

- Audit et recommandations de mesures d'amélioration de performances;
- Coopération technique multiforme avec des partenaires étrangers;
- Contrat de management;
- Partenariat avec intéressement au résultat;
- Partenariat avec prise de participation au capital;
- Privatisation.

La recherche de partenariat, s'appuie sur les quatre critères suivants :

- \* Compétence reconnue dans le domaine technologique;
- \* Compétence reconnue dans le domaine du management;
- \* Mise à disposition des ressources en devises nécessaires aux investissements de réhabilitation le cas échéant;
- \* Possibilités d'ouverture sur le marché extérieur lorsqu'il s'agit de produits exportables.

.../...

**Il faut absolument amener les entreprises à assurer les impulsions au démarrage de transformations structurelles. C'est le point capital.**

**Par la suite**, les exportations reprendront le relais de moteur de la croissance, dans les hydrocarbures avec le programme des exportations de gaz, dans les autres secteurs à cause du nouveau taux de change favorable.

Un volume d'importations plus élevé est prévu, ce qui va permettre une amélioration de la disponibilité des produits de consommation importés en plus des intrants destinés au secteur productif.

Le nouveau taux de change devrait renforcer la compétitivité sur le marché intérieur, des producteurs locaux vis-à-vis de la concurrence étrangère.

Les exportations hors-hydrocarbures, s'appuieront sur les petites et moyennes entreprises exportatrices du fait de leur souplesse et de leur appel à la main d'oeuvre (secteur intensif en main d'oeuvre).

Autrement dit, le réalignement des prix relatifs, suite à la dévaluation, vise à modifier la structure de la production nationale en faveur des biens échangeables (c'est à dire ceux qui font l'objet de commerce international) et ceux à forte intensité de main d'oeuvre (avantage comparatif).

Le nouveau code des investissements et l'agence pour la promotion et le soutien à l'investissement (APSI) avec guichet unique vont dans le sens de l'encouragement de l'investissement.

Mais, il faut rappeler que le nouveau taux de change et la libéralisation des prix pourraient impliquer un taux d'inflation élevé au départ même si toutes les précautions sont prises au niveau de politiques monétaire et budgétaire restrictives.

Les effets des politiques monétaire et budgétaire restrictives et du filet social amélioré sont nécessairement décalés alors que la dévaluation et la libéralisation des prix produisent leurs effets immédiatement.

Cette expérience a connu un élan remarquable depuis un an.

.../...

La réalisation du programme d'un an soutenu par un accord de confirmation a été influencée par des facteurs favorables et des facteurs défavorables.

Parmi, les facteurs favorables, je peux citer le rééchelonnement au Club de Paris.

Les facteurs défavorables ont concerné :

- La sécheresse dans l'agriculture;
- Les entreprises et les banques ont mis un certain temps à tirer profit de la libéralisation du commerce extérieur;
- Les banques étrangères se sont montrées plus réticentes à octroyer les garanties nécessaires au financement des importations;
- La baisse du Dollar E.U. par rapport aux monnaies des principaux fournisseurs;
- La hausse des taux d'intérêts mondiaux;
- L'augmentation des cours de certaines matières premières, surtout alimentaires.

Dans un tel contexte la reprise des importations s'est avérée plus lente que prévu, différant ainsi la reprise de la croissance économique.

Les conditions du financement exceptionnel au titre du rééchelonnement, l'aide directe à la Balance des Paiements (1,25 Milliards de dollars des E.U.) et la clause de bonne volonté pour des financements exceptionnels de trois ans permettent d'envisager une viabilité de la Balance des Paiements sur le moyen terme.

Malgré une baisse des recettes des exportations de - 1,2 Milliards \$ en 1994 par rapport à 1993; les importations ont augmenté de 1 Milliards \$ et les réserves du même ordre, atteignant 2,3 Milliards \$ à Mars 1995. Ceci grâce à un volume de financements exceptionnels de 5,6 Milliards \$, dont 4,4 milliards \$ au titre du rééchelonnement (y compris la dette privée).

Dans un tel contexte, le compte courant et le compte capital de la Balance des Paiements ont enregistré des soldes plus favorables malgré la baisse du dollar E.U., la hausse des taux d'intérêt sur les marchés financiers internationaux et l'augmentation des prix à l'importation.

La Banque d'Algérie a conduit une politique d'offre accrue et flexible des devises aux banques commerciales, en phase avec la libéralisation du régime de commerce extérieur et de change.

.../...



La situation des finances publiques et en particulier, l'évolution favorable du solde des opérations du Trésor, a constitué un autre appui appréciable à la politique flexible de taux de change.

Ce système de taux de change flexible doit mener, dans un délai raisonnable, à la convertibilité du Dinar, les étapes importantes déjà franchies à ce jour permettent d'envisager un marché interbancaire de change dès 1996.

Le déficit du Trésor a atteint seulement - 4,4 % du PIB en 1994 contre - 8,7 % en 1993.

La réduction du déficit du Trésor, hors fonds d'assainissement des entreprises à - 2,3 % du PIB en 1994, confirme l'amenuisement de l'effet d'éviction et par conséquent la libération de ressources pour le secteur productif. La croissance de la masse monétaire était de 15,8 % et celle des prix à la consommation à 29 %.

Il y a lieu de noter que la croissance de la masse monétaire en 1994, ne correspond pas à une croissance des signes monétaires dans l'économie, mais représente plutôt la contre-partie logique de l'expansion des avoirs extérieurs nets.

La reprise soutenue des importations, le rééquilibrage des prix relatifs et la viabilité de la Balance des Paiements, ont fait que le taux de change est actuellement à un niveau consistant avec un équilibre durable du marché de change.

En effet, le desserrement significatif des contraintes d'accès aux ressources en devises et en dinars est en phase avec l'arrêt de la récession en 1994 (le PIB réel ayant enregistré un recul de - 0,2 %) et une reprise de l'activité en 1995.

La stabilité de la parité du Dinar résulte donc, de l'effort de libéralisation du commerce extérieur et de change, de la poursuite de la stabilisation monétaire et de la modération salariale et budgétaire.

Un autre indice encourageant est reflété par la décélération de l'inflation tendancielle des prix à la consommation depuis cinq mois.

Il faut rappeler que l'inflation tendancielle se calcule en excluant l'effet immédiat sur les prix de la dévaluation (Pass-Through) et l'ajustement volontaire des prix relatifs (**suppression des subventions**).

.../...

Cet indice est le meilleur indicateur de la tendance de l'inflation, une fois les prix relatifs ajustés.

Les calculs (à confirmer) montrent qu'en cinq (5) mois (Octobre 1994 - Février 1995) le rythme annuel est de l'ordre de 13 %, contre un rythme de 26 % sur les six mois précédents (Avril / Septembre 1994).

Ces résultats positifs dans le chemin de la stabilisation macroéconomique doivent être poursuivis et approfondis dans le cadre d'un programme d'ajustement structurel.

En effet, un programme économique et financier de trois ans est indispensable parce que :

- a) Plusieurs actions ont déjà été prises en 1994 et seront poursuivies en 1995-1996; donc du point de vue de la difficulté de mise en oeuvre, un E F F de trois ans ou un Stand By d'un an, c'est la même chose.
- b) Le programme économique est bien conçu et a fait l'objet d'un soutien fort au niveau du Conseil d'Administration du Fonds Monétaire International.
- c) La qualité de mise en oeuvre du Stand By de 94-95 permet d'anticiper la mise en oeuvre réussie d'un programme de trois ans; d'autant plus que les mesures préconisées peuvent s'exécuter sans interférences politiques.
- d) Le type de financement obtenu dans le cadre de l'EFF (10 ans dont 5 années de grâce) est mieux adapté aux besoins de financement de la Balance des Paiements que celui du Stand By (5 ans dont 3 années de grâce).
- e) Malgré les progrès réalisés et qui se manifestent par l'arrêt de la récession et la réduction sensible de l'inflation tendancielle, les contraintes structurelles persistent :
  - Grande dépendance du secteur des hydrocarbures,
  - Poids toujours excessif du service de la dette extérieure,
  - Niveau intolérable du chômage surtout chez les jeunes,
  - La crise aiguë du logement;

D'où la nécessité de poursuivre et d'intensifier les efforts de réformes grâce à un programme d'ajustement structurel de trois ans.

.../...

Le programme devant s'appuyer sur :

- . L'amorce d'une réorganisation en profondeur du système de protection sociale,
- . La poursuite d'un dialogue constructif avec les partenaires sociaux,
- . Un large soutien de la communauté financière internationale, y compris un nouveau rééchelonnement au **CLUB DE PARIS**.

**L'objectif de ce programme économique de trois ans est de mettre en place les systèmes de gestion de l'économie pour assurer :**

- a) Une croissance économique soutenue et à fort contenu d'emploi.

Il est ainsi anticipé une croissance annuelle moyenne de 5 % du PIB hors-hydrocarbures en termes réels, pour absorber l'augmentation annuelle de la population active de 4 %.

- b) La stabilité financière et le soutien du niveau de vie des catégories sociales les plus vulnérables.

Il s'agit de poursuivre la politique de rigueur financière pour faire converger l'inflation à la fin du programme vers celle des partenaires de l'Algérie.

Il faut rappeler que l'inflation pénalise davantage les couches les plus vulnérables de la population d'une part et détériore la position compétitive de l'économie par rapport à l'étranger d'autre part.

La convergence de l'inflation vers celle des partenaires commerciaux et la stabilité du taux de change aident à écarter des éléments d'incertitude importants dans le dialogue social en réduisant les anticipations inflationnistes.

- c) Une viabilité de la Balance des Paiements. Pour assurer un approvisionnement convenable de l'économie dans le cadre du Stand By, il s'est avéré nécessaire de supporter un déficit important du compte courant extérieur.

.../...

Maintenant, il faut envisager, à terme, la réduction de ce déficit, tout en assurant un niveau d'importations de biens et services, compatible avec l'objectif de croissance, le déficit devrait baisser de 8 % du PIB en 1995 à 1,7 % du PIB en 1999.

D'où la nécessité de négocier des termes de rééchelonnement favorables et l'obtention de financements multilatéraux au cours des trois années du programme.

- d) L'augmentation progressive de la participation de l'épargne nationale au financement de l'investissement et l'amélioration de l'efficacité de l'investissement. L'augmentation de l'épargne nationale sera de 3 % du PIB d'ici 1997/1998.

L'augmentation de l'épargne nationale sera réalisée grâce à la limitation de la croissance des dépenses courantes.

De tels efforts devraient permettre de redistribuer les ressources en faveur du secteur productif et de contribuer ainsi à une croissance réelle de la consommation par tête des ménages au cours de la réalisation du programme.

Par rapport, au programme d'un an qui a servi de base à l'accord de confirmation (stand by); ce programme économique et financier de trois ans se présente comme :

- Une **continuité**, dans les domaines de la politique monétaire, des finances publiques, de la libération des prix, et du financement de la Balance des Paiements;
- Un **approfondissement**, dans les domaines de la libéralisation du commerce extérieur, des échanges et des paiements; de la réforme du système bancaire et financier; du filet social et des questions sociales.
- Une **ouverture** dans les domaines de l'amélioration des conditions de l'offre et de la compétitivité de l'économie algérienne (restructuration des entreprises publiques et développement du secteur privé; agriculture; logement; marché du travail; environnement; fiabilité des données statistiques).

.../...

Continuité, approfondissement, ouverture, autrement dit, mise en oeuvre frontale du programme.

Dans de telles conditions, les mesures macroéconomiques et institutionnelles réduisent considérablement le risque de son interruption et renforceront la Balance des Paiements ainsi que la capacité du pays à faire face à ses obligations financières; en toutes circonstances.

Comme souligné tout au long de cet exposé, ce programme a besoin d'un soutien très fort de la part de la communauté financière internationale.

Les différents points soulevés expliquent chacun les termes de la requête.

- :-

**EN CONCLUSION**, la mise en oeuvre réussie du programme de l'Accord de Confirmation tant au plan des mesures macroéconomiques (**gestion rigoureuse de la demande et politique salariale modérée**) qu'au plan des mesures structurelles (**libéralisation de l'économie et établissement des mécanismes de marché**) marque un pas décisif dans la réhabilitation de l'économie Algérienne et un encouragement à la poursuite des réformes.

Mais les financements extérieurs et plus spécialement l'endettement extérieur continuent d'exercer une contrainte principale à la croissance.

C'est pourquoi, l'option réechelonnement a été retenue par le Gouvernement Algérien.

C'est là où le Gouvernement sollicite l'appui de ses principaux partenaires.

La relaxation de cette contrainte est bien entendu accompagnée d'un approfondissement des réformes appuyé par une Facilité de Financement Elargie du Fonds Monétaire International.

Ensemble, nous veillerons à ce que ce programme de redressement crucial ne soit pas contrarié par un traitement inapproprié de la dette extérieure.

\* \* \*

Le 19 juillet 1995

FONDS MONETAIRE INTERNATIONAL

ALGERIE

Présentation au Club de Paris

Le 22 mai dernier, le Conseil d'Administration du Fonds monétaire international a approuvé le programme de réformes économiques et financières adoptées par les autorités algériennes pour la période avril 1995 - mars 1998. Ce programme poursuit le processus de réformes engagé en avril 1994 dans le cadre de l'accord de confirmation. Il bénéficie d'un important appui financier du Fonds au titre du mécanisme élargi de crédit, pour un montant de 1 169,28 millions de DTS, soit environ 1,8 milliards de dollars.

1. Performance sous l'accord de confirmation

• Le programme d'ajustement appuyé par l'accord de confirmation (avril 1994 - mars 1995) s'est déroulé de façon très satisfaisante dans un contexte politique particulièrement difficile. Tous les critères de réalisation ont été respectés et toutes les mesures structurelles prévues au programme ont bien été appliquées, parfois plus tôt que prévu dans le calendrier initial. Les résultats en matière de croissance économique ont été quelque peu décevants, non seulement à cause de la sécheresse qui a de nouveau frappé l'agriculture, mais aussi à cause de l'inertie des entreprises publiques face aux nouvelles possibilités offertes par la libéralisation du commerce. Le programme soutenu par l'accord de confirmation a toutefois permis d'endiguer la récession économique, d'éliminer les pénuries des produits de base, de réduire nettement les pressions inflationniste et d'accroître les réserves officielles de change.

• Les politiques mises en oeuvre pour obtenir ces bons résultats ont reposé sur un resserrement de la gestion de la demande et sur la rigueur salariale. Le déficit du Trésor a été réduit de plus de moitié à 2,8 pour cent du PIB, le crédit bancaire a été sensiblement comprimé, les taux d'intérêt ont été maintenus à des niveaux élevés, et le taux de change s'est déprécié de plus de 54 pour cent en termes réels. La poursuite d'une forte coopération entre l'Etat et les partenaires sociaux a permis de contenir l'augmentation des salaires dans la fonction publique, ce qui a contribué à une baisse des salaires réels de plus de 10 pour cent entre avril 1994 et mars 1995.

• Parmi les mesures structurelles introduites dans le cadre de l'accord de confirmation, il convient plus particulièrement de citer: l'introduction d'une politique de taux de change flexible, la libéralisation

quasi-totale du commerce extérieur, le passage de la plupart des produits de base au régime des prix libres, et la réduction des subventions à la consommation. Des progrès sensibles ont également été accomplis en matière de restructuration des entreprises publiques, de réforme bancaire, et de renforcement du filet de protection sociale.

## 2. Principaux objectifs du nouveau programme avec l'Algérie

• Le programme des autorités algériennes pour les trois prochaines années continue à avoir pour but de réduire l'acuité du chômage et de la crise du logement tout en allégeant le fardeau de la dette. Il s'articule autour de quatre objectifs principaux:

a. Le retour durable à une croissance soutenue et à fort contenu d'emplois afin d'absorber l'accroissement de la population active et de préserver le consensus dégagé auprès des partenaires sociaux en faveur de la transition vers une économie de marché;

b. La convergence rapide de l'inflation vers les normes des principaux pays partenaires de l'Algérie d'ici la fin de la période du programme;

c. L'amortissement du coût de l'ajustement pour les catégories sociales les plus défavorisées grâce au renforcement supplémentaire du filet social;

d. Le rétablissement, d'ici la fin du programme, de la viabilité de la balance des paiements, ce qui signifie que l'Algérie ne devrait plus avoir besoin de recourir à des financements exceptionnels après 1998. A cet égard, le déficit du compte courant de la balance des paiements devrait diminuer de manière substantielle et les réserves brutes de change devraient se maintenir aux environs de l'équivalent de trois mois d'importations, tout en cherchant à réduire le fardeau du service de la dette extérieure.

## 3. Aperçu sur les politiques mises en oeuvre durant le programme

• La réalisation de ces objectifs suppose un approfondissement des réformes structurelles qui ont été entamées lors de l'accord "stand-by" afin d'achever le processus d'intégration à l'économie mondiale et la transition vers une économie de marché. Les politiques décrites dans la lettre d'intention des autorités algériennes nous paraissent, à cet égard, tout à fait adaptées. Ces politiques s'articulent autour de quatre axes principaux:

a. Tout d'abord, le programme doit permettre d'achever le processus de libéralisation du régime des changes, du commerce extérieur, et des prix intérieurs. Un marché interbancaire des changes sera introduit d'ici la fin 1995, et les restrictions touchant les opérations invisibles seront progressivement levées afin d'assurer la convertibilité du dinar pour

les transactions courantes. La libéralisation des prix intérieurs sera achevée et les subventions à la consommation ne pouvant pas faire l'objet d'un ciblage effectif seront éliminées.

b. Ensuite, le programme continue également à s'appuyer sur une gestion rigoureuse de la demande globale. En particulier, le déficit des opérations du Trésor sera de nouveau réduit en 1995/96, avant de laisser la place à des excédents budgétaires à partir de 1996/97. La réalisation de ces excédents sera facilitée par l'augmentation des exportations de gaz, la mise en oeuvre d'une réforme fiscale et par les économies budgétaires qui pourront être faites à la suite de la revue des dépenses publiques qui est actuellement conduite en collaboration avec la Banque mondiale. Les autorités comptent par ailleurs poursuivre leur politique monétaire rigoureuse qui a déjà commencé à porter ses fruits à travers une réduction substantielle des pressions inflationnistes et l'émergence de taux d'intérêt réels positifs.

c. Le renforcement prévu de la balance des paiements sera facilité par la poursuite d'une politique flexible de changes afin d'inciter la substitution aux importations et d'encourager les exportations du secteur non pétrolier. La réalisation des objectifs de la balance des paiements suppose également: i) l'achèvement, en temps voulu, des projets d'expansion des capacités d'exportation de gaz, ii) l'absence d'évolution défavorable des prix du pétrole ou des taux d'intérêt mondiaux, et, iii) l'obtention de financements extérieurs adéquats.

d. Enfin, le programme comporte d'importantes mesures structurelles destinées à accroître l'efficacité du secteur productif, notamment grâce à une participation accrue du secteur privé à l'offre de biens et services marchands. La restructuration des entreprises publiques sera poursuivie en collaboration avec la Banque mondiale, à travers l'octroi de l'autonomie de gestion à toutes les entreprises publiques viables en vue de leur privatisation éventuelle, sans qu'aucune limite ne soit imposée sur l'ampleur de la participation du secteur privé à leur capital. Les entreprises publiques non viables seront éventuellement mises en liquidation. D'autres actions seront aussi prises pour s'attaquer aux rigidités structurelles touchant la construction et le financement du logement. La recapitalisation des banques commerciales publiques en collaboration avec la Banque mondiale, devrait aussi faciliter la participation du secteur privé local ou étranger, en vue d'accroître l'efficacité de l'intermédiation financière en Algérie.

#### 4. Exécution du programme

• En raison du contexte politique particulièrement difficile auquel continue à faire face l'Algérie, un certain nombre de questions ont été soulevées sur la capacité des autorités à mettre en oeuvre un programme d'ajustement structurel au cours des trois prochaines années. A ce sujet, je voudrais faire plusieurs observations:



a. Les autorités algériennes ont amplement démontré leur capacité à exécuter des mesures d'ajustement difficiles dans le cadre du programme soutenu par l'accord de confirmation. Une politique courageuse a en particulier été mise en oeuvre en matière de relèvement des prix administrés et de maîtrise des salaires, notamment grâce au soutien accordé aux réformes en cours par les partenaires sociaux.

b. Tout comme le programme soutenu par l'accord de confirmation, le nouveau programme est conçu autour de mesures macroéconomiques et institutionnelles relativement faciles à exécuter telles que la libéralisation des prix et du commerce extérieur. Les actions préalables incluses dans le nouveau programme ont toutes été mises en oeuvre avant l'examen par le Conseil d'administration du Fonds de la nouvelle requête de l'Algérie.

c. Nous avons établi avec les autorités algériennes un excellent climat de confiance et de coopération qui facilitera le suivi du programme. Au-delà des contacts journaliers avec les autorités qui nous permettent de suivre de très près la mise en oeuvre du programme, nous avons en outre mis en place un système de cinq revues semestrielles qui porteront notamment sur le cadre macroéconomique, l'état d'avancement des réformes structurelles, et le financement de la balance des paiements.

• Le nouveau programme des autorités comporte bien sûr certains risques à la fois de nature politique et économique.

a. Au plan politique, la situation sécuritaire et l'incertitude qui continuent d'affecter l'Algérie minent la confiance des investisseurs potentiels aussi bien en Algérie qu'à l'étranger. Cette confiance, qui est nécessaire à une reprise soutenue de la croissance économique, ne pourra être rétablie qu'à condition d'un retour à la paix civile. Il importe par conséquent que des progrès tangibles soient rapidement réalisés dans la voie d'un règlement politique de la crise intérieure.

b. Au plan économique, le fait que les recettes extérieures courantes continuent à provenir presque exclusivement des exportations d'hydrocarbures expose fortement l'économie algérienne au risque d'une baisse du prix du pétrole. De plus, suivant les hypothèses du programme, le service de la dette continuera à absorber pas moins de 45 pour cent des exportations à la fin 1998. Le ratio du service de la dette devrait même remonter jusqu'à 60 pour cent entre 1998 et l'an 2001, en raison du poids des engagements extérieurs accumulés par le passé, notamment envers les institutions multilatérales, et de la structure de l'endettement à moyen terme de l'Algérie. Théoriquement, un tel poids du service de la dette n'est pas impossible à gérer pour un pays comme l'Algérie étant donné que les recettes d'exportation sont surtout le reflet de la rente pétrolière et ne nécessitent que relativement peu d'intrants importés. Il contribue toutefois à rendre la balance des paiements extrêmement vulnérable à une évolution défavorable de la conjoncture internationale sur deux fronts. D'une part, une éventuelle hausse des taux d'intérêt mondiaux augmenterait

directement le fardeau de la dette. D'autre part, une dépréciation du dollar vis-à-vis des monnaies des autres pays industrialisés--telle que celle qui a eu lieu récemment--accroîtrait la valeur en dollars du service de la partie de la dette libellée dans les monnaies appréciées.

##### 5. Financement du programme

• Le succès du programme dépend également de la mobilisation de financements extérieurs en quantité suffisante. La libéralisation du commerce extérieur, la satisfaction des objectifs du programme en termes de croissance et de reprise dans le secteur du bâtiment, ainsi que le développement du programme d'investissements gaziers rendent nécessaire le maintien d'un niveau adéquat d'importations pendant la durée du programme. Les projections réalisées par les services du Fonds retiennent l'hypothèse que le volume des importations -hors biens alimentaires et biens d'équipement du secteur des hydrocarbures- augmentent en moyenne d'environ 7 pour cent par an d'ici à 1998. Il s'agit là d'une hypothèse plutôt conservatrice puisque le volume projeté en 1997/98 pour ces importations resterait très nettement inférieur à celui atteint en 1990.

• Le rapport soumis récemment au conseil d'administration du Fonds devrait servir de base à l'appui financier des organismes multilatéraux et à la requête de rééchelonnement de la dette publique extérieure soumise par les autorités algériennes. Néanmoins, il est important de noter que les projections pour la balance des paiements contenues dans le rapport sont fondées pour les déboursements sur le stock de la dette extérieure fin 1993. Ces projections n'ont pu tenir compte, ni des mouvements récents intervenus sur le marché mondial des devises et des matières premières, ni de l'évolution récente des taux d'intérêt mondiaux. Le dollar des Etats-Unis s'est sensiblement déprécié par rapport aux monnaies des autres partenaires principaux de l'Algérie. Le prix du pétrole a légèrement augmenté et les taux d'intérêt mondiaux sont moins élevés que prévu. Enfin, une estimation du soutien financier accordé par les organismes internationaux sur la base des déboursements anticipés mènerait à une révision à la baisse des flux multilatéraux. Dans l'ensemble, ces différents facteurs ainsi qu'une réestimation de l'échéancier de la dette en fonction des tirages effectués en 1994 semblent avoir affaibli la position extérieure de l'Algérie. Les autorités Algériennes ont déjà pris des mesures d'ajustement appropriées notamment par le jeu du taux de change. Néanmoins, dans le contexte d'une libéralisation totale du commerce extérieur cet ajustement a ses limites, notamment par le besoin de satisfaire les autres objectifs macro-économiques du programme tels que l'inflation et la croissance. Afin de réaliser les objectifs de croissance économique aussi bien que ceux de la balance des paiements, un certain équilibre devrait être trouvé entre l'effort d'ajustement et les financements extérieurs. Les services du Fonds estiment que les autorités algériennes ont adopté un programme d'ajustement macroéconomique et structurel solide, qui mérite entièrement le soutien financier de la communauté internationale.

## ALGERIA

### Paris Club Meeting

July 19, 1995

#### Statement by World Bank Representative

In spite of political difficulties, Algeria has achieved considerable progress during the last two years in stabilizing the economy and initiating structural reforms aimed at creating a more efficient and more competitive market-based economy. Backed by a strong support from the international financial community, in particular last year's rescheduling of Algeria's bilateral external debt, the Algerian authorities are implementing successfully a stabilization program under an IMF Stand By Arrangement in 1994. The overall budget deficit was reduced by 3.3 percent of GDP between 1993 and 1994 and will be further reduced by 2.8 percent of GDP this year, with the aim of achieving budget surpluses in the following years. The exchange rate was adjusted significantly, which, combined with a large fall in real wages, has contributed to enhanced competitiveness. While the effects of the reforms will necessitate a longer period to translate into higher and sustainable levels of growth, the trough seems nevertheless to be behind us. There are good indications of a pick-up of growth in the non-oil economy this year, thanks to available imported inputs, and also to a good agricultural year. Growth in the agriculture sector is expected to reach around 9% and that of the services and construction sectors more than 4%, which will bring the GDP growth rate to close to 5% in 1995.

On the structural adjustment side, major reforms were undertaken by the Algerian authorities, supported by a World Bank Economic Rehabilitation Loan (ERL) approved in January. The major thrust of the ERL was to support a broad program of policy reforms to accelerate Algeria's economic liberalization process and help meet the basic needs of the population. Trade restrictions were significantly eliminated and the payment system was liberalized. Domestic prices were freed, and subsidies have been substantially reduced. Progress was achieved in the financial restructuring of public enterprises and banks, supported by two World Bank structural adjustment loans: the Enterprise and Financial Structural Adjustment Loan (EFSAL) and the ERL. More than 400 public enterprises have become autonomous, and a legal framework for selling state owned companies' assets was introduced. Eighty eight enterprises were liquidated and a pilot privatization operation was launched.

The next phase of our support for Algeria, in coordination with the IMF and the rest of the international financial community, will focus on (i) deepening the on-going reforms (in particular reforms of the financial sector, and public enterprises) and going beyond the legislation stage in the implementation of a more significant privatization program to consolidate the gains accomplished; (ii) achieving reforms of sectors with high growth and employment potential and with equity implications, in particular in the housing and agricultural sectors; and (iii) strengthening the social safety net to ease the potential transitory effects of reforms on the poorer segments of the population and to facilitate industrial restructuring. A structural adjustment loan is currently under preparation to advance the overall framework for the move to a market economy; two sector adjustment loans will support critical policy changes in the agriculture and

housing sectors; and a loan is currently under discussion with the Algerian authorities would strengthen the social safety net.

To contribute to meeting the financing needs of Algeria, the share of balance of payments support in our lending program will reach three quarters of the total in fiscal year 1996. World Bank disbursement level has also increased during the last two years and has accelerated significantly. Disbursement of Balance of Payments support loans, such as EFSAL/EXIM and Economic Rehabilitation Support loans has been greatly facilitated by using new simplified disbursement procedures; and the two loans will be fully disbursed over the next one or two months. The same simplified procedures are being discussed for some other investment loans. On-going restructuring of our lending portfolio will also contribute to accelerate disbursements.

The Algerian Government has established an excellent record in its stabilization efforts and in successfully implementing the first phase of structural reforms. In the pursuit of re-establishing sustainable macroeconomic balances, and restoring its economy to sustained growth, the Algerian authorities deserve the support of all its external creditors. The rescheduling under consideration today constitutes an important and decisive component of the financing plan necessary to achieve these objectives.



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<b>Document Date</b> 18 July, 1995	<b>Document Type</b> Report			
<b>Correspondents / Participants</b>				
<b>Subject / Title</b> Summaries of Paris Club Discussions				
<b>Exception(s)</b> Information Provided by Member Countries or Third Parties in Confidence				
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