

January 24, 2001

**PARIS CLUB**  
**PRESS RELEASE**

**THE PARIS CLUB AND CAMEROON AGREE TO A DEBT RESTRUCTURING  
UNDER THE ENHANCED HEAVILY INDEBTED POOR COUNTRIES INITIATIVE.**

Paris Club creditors agreed on January 24, 2001 with the Government of the Republic of Cameroon to a restructuring of its public external debt. Given its strong track-record of reforms as well as the burden of its external indebtedness, Cameroon reached in October 2000 its decision point under the enhanced HIPC Initiative. This Paris Club agreement also follows the International Monetary Fund's approval of a Poverty Reduction and Growth Facility on December 21, 2000.

This agreement consolidates roughly US\$ 1.3 billion. This amount is broken down between US\$ 0.2 billion in arrears as of December 31, 2000 and US\$ 1.1 billion of maturities in principal and interest falling due from January, 1, 2001 up to December 31, 2003 (of which about 17% is Official Development Assistance loans).

The agreement is concluded under the so-called "Cologne terms" designed by Paris Club creditors for the implementation of the enhanced HIPC Initiative : pre-cut off date ODA credits are to be repaid over 40 years, with 16 years of grace, at interest rates at least as favourable as the original concessional rates applying to those loans ; pre-cut off date commercial credits falling due after decision point are treated so as to reach a 90% cancellation rate taking into account previous cancellations undertaken by Paris Club creditors ; the remaining amounts are rescheduled over 23 years, with 6 years of grace, at market rates of interest (see attached table).

This interim relief will lead to the immediate cancellation by Paris Club creditors of about US\$ 0.9 billion of Cameroon's external debt, consistent with the implementation of the enhanced HIPC Initiative. These measures are expected to reduce debt service due to Paris Club creditors between January 1, 2001 and December 31, 2003 from US\$ 1.25 billion down to around US\$ 0.25 billion. The remaining payments consist of interests on the rescheduled amounts and of maturities on post-cut off date debt. Cameroon is committed to use the resources freed by the present exceptional treatment of the debt on priority areas identified in the country's poverty reduction strategy.

The creditor countries expressed their readiness to reduce Cameroon's stock of debt, as soon as Cameroon reaches the completion point under the enhanced HIPC Initiative.

### **Background notes**

1. The Paris Club was formed in 1956. It is an informal group of creditor governments from major industrialized countries. It meets on a monthly basis in Paris with debtor countries in order to agree with them on restructuring their debts.

2. The members of the Paris Club which participated in the reorganization of Cameroon's debt were representatives of the governments of Austria, Belgium, Canada, Denmark, France, Germany, Italy, Japan, the Netherlands, Sweden, Switzerland, the United Kingdom and the United States of America.

Observers at the meeting were representatives of the governments of the Russian Federation and Spain as well as the International Monetary Fund, the International Bank for Reconstruction and Development, the Secretariat of the U.N.C.T.A.D., the Organization for Economic Cooperation and Development and the European Commission.

The delegation of the Republic of Cameroon was headed by Mr Edouard AKAME MFOUMOU, Minister of Economy and Finance. The meeting was chaired by Mrs Stéphane PALLEZ, Assistant Secretary for European and International Affairs at the Treasury of the French Ministry of Economy, Finance and Industry, Co-Présidente of the Paris Club.

### **Technical notes**

1. The Poverty Reduction and Growth Facility concluded by Cameroon with the International Monetary Fund was approved by the Fund's Executive Board on December 21, 2000.

The Republic of Cameroon reached its decision point under the enhanced Debt Initiative in October 2000..

2. The total stock of Cameroon's public sector debt was estimated as of June 30, 1999 to be US\$ 7.8 billion. The stock of debt owed to Paris Club creditors was estimated to be US\$ 5.4 billion out of which US\$ 4.1 billion is pre-cut-off-date claims (out of which 20% is ODA loans) and US\$ 1.3 billion is post-cut-off-date claims (source : IMF staff report dated September 19, 2000 published on the IMF web site [www.imf.org](http://www.imf.org)).

The cut-off date (December 31, 1988 for Cameroon) is used by Paris Club creditors for the sole internal purposes of the Paris Club agreement. When a debtor country first meets with Paris Club creditors, the "cut-off- date" is defined and is not changed in subsequent Paris Club treatments and credits granted after this cut-off- date are not subject to rescheduling. Thus, the cut-off-date helps restore access to credit for these debtor countries.

3. Interest rates to be applied on the restructuring are to be negotiated with each creditor country by the Government of Cameroon in bilateral agreements implementing the Paris Club agreement. ODA loans will be rescheduled at a below-market interest rate not higher than the interest rate of the original credits. Other loans will be rescheduled at a market interest rate (known as "appropriate market rate") defined on the basis of risk-free rates for the currency considered, plus a management margin.

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