



PRESS RELEASE

THE PARIS CLUB AND THE DEMOCRATIC REPUBLIC OF CONGO AGREE TO A DEBT RESTRUCTURING UNDER THE ENHANCED HEAVILY INDEBTED POOR COUNTRIES INITIATIVE

Paris Club creditors agreed on 25 February 2010 with the Government of the Democratic Republic of Congo to a restructuring of its external public debt, following the approval by the International Monetary Fund (IMF) of a new three-year arrangement under the Extended Credit Facility on 11 December 2009.

This agreement has been concluded under the so called "Cologne terms" designed by the Paris Club for the implementation of the HIPC initiative interim debt relief. It treats around USD 2,957 million (arrears and maturities) and leads to the cancellation of USD 1,310 million and the rescheduling of around USD 1,647 million over the period of the IMF program.

On an exceptional basis, considering the Democratic Republic of Congo's limited capacity of payment, creditors have also agreed to defer until after 1st July 2012 the repayment of maturities due by the Democratic Republic of Congo on short term and post-cut off date debts, as well as a significant part of the arrears on those claims. They also agreed to defer all the interest due on the amounts treated.

These measures are expected to reduce by 97% the debt service (including the arrears) due by the Democratic Republic of Congo to Paris Club creditors between 1st July 2009 and 30 June 2012.

The Democratic Republic of Congo is committed to devote the resources that otherwise would have gone to Paris Club creditors to priority areas identified in the country's poverty reduction strategy paper. The Democratic Republic of Congo is also committed to seek comparable treatment from its non Paris Club creditors.

Paris Club creditors expressed their readiness to reduce further the Democratic Republic of Congo's stock of debt to allow it to achieve debt sustainability, as soon as it 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.

2. The members of the Paris Club which participated in the reorganization of the Democratic Republic of Congo's debt were representatives of the governments of Austria, Belgium, Canada, Denmark, France, Germany, Italy, Japan, the Netherlands, Norway, the Russian Federation, Spain, Sweden, the United Kingdom and the United States of America. Brazil also participated in this reorganisation.

Observers at the meeting were representatives of the International Monetary Fund, the International Development Association and the African Development Bank.

3. The delegation of the Democratic Republic of Congo was headed by Mr. César LUBAMBA NGIMBI, Minister of Urban Development and Housing. The meeting was chaired by Ms. Delphine d'AMARZIT, Co Chairperson of the Paris Club, Assistant Secretary at the Treasury and Economic Policy Department of the French Ministry of Economy, Industry and Employment.

Technical notes

1. The Democratic Republic of Congo's economic program is supported by a three year arrangement under the Extended Credit Facility approved by the International Monetary Fund on 11 December 2009. The Democratic Republic of Congo reached the decision point under the enhanced Heavily Indebted Poor Countries (HIPC) Initiative in July 2003.

2. The stock of debt owed to Paris Club creditors as of 30 June 2009 was estimated to be USD 6,920 million.

3. The cut off date (30 June 1983 for the Democratic Republic of Congo) is used by Paris Club creditors for the sole internal purposes of the Paris Club agreement. In accordance with Paris Club rules, credits granted after this cut off date are not subject to rescheduling or cancellation. The cut-off date is designed to protect credits granted by Paris Club creditors after this date. It therefore helps restore access to credit for debtor countries after a Paris Club treatment.

4. Under the Cologne terms, amounts due under debts not granted under Official Development Assistance (ODA) conditions 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 a 6-year grace period. The amounts due under debts granted under ODA conditions are rescheduled over 40 years with a 16-year grace period.