

June 13, 2001

PARIS CLUB
PRESS RELEASE

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

Paris Club creditors agreed on June 13, 2001 with the Government of the Republic of Chad to a restructuring of Chad's public external debt. Given its track-record of reforms as well as the burden of its external indebtedness, Chad reached in May 2001 its decision point under the enhanced HIPC Initiative. A three year arrangement under the Poverty Reduction and Growth Facility was approved by the International Monetary Fund on January 7, 2000.

This agreement consolidates roughly US\$ 15 million of commercial credits. It includes US\$ 3 million of arrears in principal and interest as at April 30, 2001 and US\$ 12 million of maturities in principal and interest falling due from May 1, 2001 through March 31, 2003.

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 commercial credits falling due after the 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\$ 10 million of Chad'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 May 1st, 2001 and March 31, 2003 from US\$ 17 million to US\$ 2.4 million. The remaining payments consist of interest on the rescheduled amounts and of maturities on post-cut off date debt. Chad is committed to devote 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 Chad's stock of debt, as soon as Chad reaches the completion point under the enhanced HIPC Initiative.

Contact : www.clubdeparis.org

Background notes

1. The Paris Club first met 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 Chad's debt were representatives of the governments of France, Germany, Italy, the Netherlands and the Russian Federation.

Observers at the meeting were representatives of the Governments of Spain and the United States of America, of the International Monetary Fund, the International Development Association, the Organization for Economic Cooperation and Development and the Secretariat of the U.N.C.T.A.D.

The delegation of the Republic of Chad was headed by Mr Mahamat Louani Goadi, Minister of Finance. The meeting was chaired by Mr Bruno Bézard, Deputy Assistant Secretary at the Treasury of the French Ministry of Economy, Finance and Industry, Vice-President of the Paris Club.

Technical notes

1. Chad's economic program is supported by a three year arrangement under the Poverty Reduction and Growth Facility approved by the International Monetary Fund on January 7, 2000.

The Republic of Chad reached its decision point under the enhanced HIPC Initiative on May 22, 2001.

2. The total stock of Chad's public sector debt was estimated as of December 31, 2000 to be US\$ 1.06 billion (source : IMF and IDA HIPC decision point document, dated May 4, 2001 published on the IMF web site www.imf.org : <http://www.imf.org/external/np/hipc/2001/tcd/tcddp.pdf> and on the World Bank web site www.worldbank.org/hipc) The stock of debt owed to Paris Club creditors as of May 1st, 2001 was estimated to be US\$ 44 million out of which US\$ 38 million is pre-cut-off-date commercial claims and US\$ 6 million is post-cut-off-date ODA claims (source : Paris Club).

The cut-off date (June 1st, 1989 concerning Chad) is used by Paris Club creditors for the sole internal purposes of Paris Club agreements. 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 Chad in bilateral agreements implementing the Paris Club agreement. Commercial 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, Chad agreed to seek comparable treatment from non-Paris Club creditors. In the present case, the comparable treatment shall imply an equivalent assistance by non-Paris Club official creditors. The delegation of Chad indicated its willingness to meet these creditors soon in order to negotiate the terms of a comparable rescheduling.