



## **PRESS RELEASE**

### **THE PARIS CLUB AND THE REPUBLIC OF CONGO CONCLUDE A DEBT RELIEF AGREEMENT**

Paris Club creditors agreed on 11 December 2008 with the Government of the Republic of Congo to alleviate its external public debt, following the approval by the International Monetary Fund (IMF) of a new three year arrangement under the Poverty Reduction and Growth Facility on 8 December 2008.

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 leads, over the three years consolidation period, to the cancellation of USD 805 million and the rescheduling of USD 155 million.

Several creditors intend on a bilateral basis to grant additional debt relief to the Republic of Congo beyond the terms set today in the Paris Club agreement.

The 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 Republic of Congo is also committed to seek comparable treatment from non Paris Club creditors. In this regard, Paris Club creditors welcomed the agreement reached by the Republic of Congo with its "London Club" creditors and called on all the other creditors of the Republic of Congo to deliver a comparable HIPC debt relief.

Paris Club creditor countries expressed their commitment to implement the final component of debt relief contemplated under the enhanced HIPC initiative, as soon as the Republic of Congo reaches the Completion Point.

### **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 Republic of Congo's debt were representatives of the governments of Belgium, Canada, Denmark, France, Germany, Italy, the Netherlands, the Russian Federation, Spain, Switzerland, the United Kingdom and the United States of America. Brazil also participated in this reorganisation.

Observers at the meeting were representatives of the governments of Japan and Norway, as well as the International Monetary Fund, the International Development Association, the Secretariat of the UNCTAD, the Organisation for Economic Co-operation and Development and the European Commission.

3. The delegation of the Republic of Congo was headed by Mr. Pacifique ISSOÏBEKA, Minister of Economy, Finance and Budget. The meeting was chaired by Mr. Benoît COEURÉ, Co Chairman 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 Republic of Congo's economic program is supported by a three year arrangement under the Poverty Reduction and Growth Facility approved by the International Monetary Fund on 8 December 2008. The Republic of Congo reached the decision point under the enhanced Heavily Indebted Poor Countries (HIPC) Initiative in March 2006.

2. The stock of debt owed to Paris Club creditors by the Republic of Congo as of 1<sup>st</sup> July 2008 was estimated to be more than USD 3.4 billion in nominal terms.

3. The cut off date (1st January 1986 for the Republic of Congo) is defined when a debtor country first meets with Paris Club creditors. The cut-off date is designed to protect credits granted by Paris Club creditors after this date. It is not changed in subsequent Paris Club treatments. In accordance with Paris Club rules, credits granted after this cut off date are in principle not subject to rescheduling or cancellation.

4. In accordance with Cologne terms, the credits granted under Official Development Assistance conditions before the cut off date are to be repaid over 40 years, with 16 years of grace, at interest rates at least as favourable as the original concessional rates applied to those loans. Regarding commercial credits, 90% of the pre-cut off date debt is cancelled, the remaining amounts being rescheduled over 23 years, with 6 years of grace.