



PRESS RELEASE

**THE PARIS CLUB AND DJIBOUTI
AGREE TO A DEBT RESTRUCTURING**

Paris Club creditors and the Government of Djibouti agreed on 16 October 2008 to a restructuring of the external debt of this country. This agreement follows the International Monetary Fund's approval of Djibouti's arrangement under the Poverty Reduction and Growth Facility on 17 September 2008.

This agreement treats approximately USD 76 million, of which USD 58 million comprises arrears and late interest. USD 64 million will be rescheduled and USD 12 millions will be deferred.

This agreement was concluded under the so called "Houston terms" with exceptional additional measures considering Djibouti's limited capacity of payment.

This agreement is expected to reduce debt service due to Paris Club creditors during the IMF-supported programme from USD 85 million to USD 19 million, i.e. a 79% reduction.

This debt restructuring will make an important contribution to Djibouti's economic outlook. After comparable effort from other creditors, this rescheduling will satisfy Djibouti's financing needs for the next three years.

In this context, Djibouti is committed to seek comparable treatment from its non Paris Club creditors.

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 Djibouti's debt were representatives of the Governments of Belgium, France, Germany, Italy and Spain.

Observers at the meeting were representatives of the Governments of Canada, Japan, the Netherlands, Norway, the Russian Federation, the United Kingdom and the United States of America, as well as the International Monetary Fund, the International Development Association, the African Development Bank and the Secretariat of the UNCTAD.

3. The delegation of Djibouti was headed by Mr. Simon Mibrathu, Secretary General in the Ministry of Economy, Finance and Planning and in charge of Privatisation. 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. Djibouti's economic program is supported by a three year arrangement under the Poverty Reduction Growth Facility approved by the International Monetary Fund on 17 September 2008.

2. The stock of debt owed to Paris Club creditors as of 1st August 2008 was estimated to be around USD 100 million in nominal terms, of which more than 60% consisted of arrears and late interest.

3. The cut-off date (31 March 1998 for Djibouti) is defined when a debtor country first meets with Paris Club creditors. It is not changed in subsequent Paris Club treatments. In accordance with Paris Club rules, credits granted after this cut-off date are not subject to rescheduling or cancellation. On an exceptional basis, these credits can however be deferred. 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 so-called Houston terms, ODA debts granted before the cut-off date are to be repaid over 20 years with 10 years of grace, at interest rates at least as favourable as the concessional rates applying to those loans; commercial credits granted before the cut off date are to be repaid over 15 years, with 8 years of grace, at the Appropriate Market Rate

5. On an exceptional basis, creditors have also agreed to defer the repayment of arrears accumulated by Djibouti on short-term and post cut-off date debts as well as all moratorium interest due during the consolidation period on the rescheduled amounts.