

December 15, 2000



AGREEMENT BETWEEN THE PARIS CLUB AND GABON

Paris Club creditors agreed on December 15, 2000 with the Government of the Republic of Gabon to a restructuring of its public external debt. This agreement follows the International Monetary Fund's approval of a Stand-By Arrangement on October 23, 2000.

The agreement provides for the rescheduling of roughly US \$532 million out of a total of US \$686 million of arrears due to Paris Club creditors as of September 30, 2000. In addition, Gabon agreed to pay maturities on all external debts as they fall due.

The amounts rescheduled will be paid over 12 years of which 3 are grace at market rates of interest with rising payment profile (see attached table). Post-cut-off-date arrears and 65% of arrears under the latest Paris Club agreement must be paid before February 28, 2001, with the remainder of these arrears to be paid by July 31, 2001. Finally, late interest accrued will be capitalised and paid in four equal quarterly instalments ending on April 30, 2002.

Each creditor may also undertake, on a voluntary and bilateral basis, debt for nature, debt for aid, debt for equity swaps or other debt swaps.

This debt restructuring will make an important contribution to improving Gabon's economic outlook and will satisfy Gabon's financing requirements during the period of its current IMF Stand-By Arrangement (October 2000 to April 2002). This agreement will enter into force on February 28, 2001 provided payments on maturities are made on due date and provided clearance of post-cut-off-date arrears and payment of the first instalment on arrears resulting from the 1995 Paris Club agreement.

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 Gabon's debt were representatives of the governments of Belgium, Canada, France, Germany, Italy, Japan, the Netherlands, Spain, the United Kingdom and the United States of America. Brazil, which is an important creditor of Gabon, also attended the meeting.

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

The delegation of the Republic of Gabon was headed by Mr Emile DOUMBA, Minister of Finance, Economy, Budget and Privatisation. The meeting was chaired by Mr Bruno BEZARD, Deputy Assistant Secretary at the Treasury of the French Ministry of Economy, Finance and Industry, Vice President of the Paris Club.

Technical notes

1. The stand-by arrangement concluded by Gabon with the International Monetary Fund was approved by the Fund's Executive Board on October 23, 2000.

2. The total stock of Gabon's public sector debt owed to Paris Club creditors is estimated to be US\$ 2,600 million as of May 1st, 2000. Paris Club creditors' stock of debt consists of US\$ 2,175 million pre-cut-off-date claims (out of which 6.7% ODA) and US\$ 435 million post-cut-off-date claims (out of which 17% ODA).

The cut-off date (July 1st, 1986 for Gabon) 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 debtor countries facing liquidity problems.

3. Interest rates to be applied on the restructuring are to be negotiated with each creditor country by the Government of Gabon in bilateral agreements implementing the Paris Club agreement. 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. The impact of this rescheduling on the net present value of the restructured claims is estimated to be, using a discount rate based on current spreads for emerging market debt, a 34% reduction. The impact of this rescheduling on the duration (discounted average maturity) of restructured claims is estimated to be a 7.0 year increase using the Paris Club appropriate market rate as a discount rate and a 6.25 year increase using the emerging market spreads.

5. As in any Paris Club agreement, Gabon agreed to seek comparable treatment from non-Paris Club creditors. In the present case, the comparable treatment shall imply an equivalent contribution of non-Paris Club official creditors to the financing gap during the period of the IMF program from October 23, 2000 up to April 22, 2002. The Gabonese delegation indicated its willingness to meet these creditors soon in order to negotiate the terms of a comparable rescheduling.