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PRESS-RELEASE

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

Paris Club creditors agreed on May 16, 2002 with the Government of the Republic of Ghana to a restructuring of its public external debt. Given its track-record of reforms as well as the burden of its external indebtedness, Ghana reached in February 2002 its decision point under the enhanced HIPC Initiative.

Given the small amounts of debt that would have been eligible otherwise, Paris Club creditors agreed on this occasion to modify Ghana's cut-off-date. This date was reset from January 1, 1983 to June 20, 1999.

This agreement consolidates roughly US\$ 160 million of which US\$ 100 million consist of commercial credits, corresponding to the pre-cut off date debt falling due from February 1, 2002 through November 30, 2002.

This 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). ODA credits, which amount to US\$ 60 million, will be rescheduled over 40 years including a 16 years grace period.

This interim relief shall lead to the immediate cancellation by Paris Club creditors of about US\$ 90 million of Ghana'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 February 1, 2002 and November 30, 2002 from US\$ 207 million to US\$ 46 million. The remaining payments consist notably of interest on the rescheduled amounts and of maturities on post-cut off date debt. Ghana 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.

Ghana agreed to seek comparable treatment from non Paris Club official creditors and private creditors.

The creditor countries expressed their readiness to extend this agreement after November 2002 as soon as Ghana concludes a new arrangement with the IMF and to reduce Ghana's stock of debt, as soon as Ghana 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. 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 Ghana's debt were representatives of the governments of Austria, Belgium, Canada, Finland, France, Germany, Italy, Japan, the Netherlands, Norway, Spain, Sweden, the United Kingdom and the United States of America.

Observers at the meeting were representatives of the governments of Denmark and the Russian Federation, as well as the International Monetary Fund, the International Development Association, the Secretariat of the UNCTAD and the Organization for Economic Cooperation and Development.

The delegation of Ghana was headed by Mr Yaw OSAFO-MAAFO, Minister of Finance. The meeting was chaired by Mr Ambroise FAYOLLE, Deputy Assistant Secretary at the Treasury of the French Ministry of Economy, Finance and Industry, Vice-President of the Paris Club.

Technical notes

1. Ghana's economic program is supported by a three year arrangement under the Poverty Reduction and Growth Facility approved by the International Monetary Fund on May 3, 1999.

The Republic of Ghana reached its decision point under the enhanced HIPC Initiative on February 22, 2002.

2. The total stock of Ghana's public sector debt was estimated as of end December 2000 to be US\$ 6 billion (source : IMF and IDA HIPC decision point document, dated February 5, 2002 published on the IMF web site www.imf.org and on the World Bank web site www.worldbank.org/hipc). The stock of debt owed to Paris Club creditors as of February 1, 2002 was estimated to be US\$ 1.8 billion out of which US\$ 1.5 billion is pre-cut-off-date claims, 75% being ODA credits. Post-cut-off-date debts amount to US\$ 0.3 billion out of which 67% are ODA claims (source : Paris Club).

The cut-off date (June 20, 1999) 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 to 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 Ghana in bilateral agreements implementing the Paris Club agreement. Commercial loans shall 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, Ghana 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 and private creditors. The delegation of Ghana indicated its willingness to meet these creditors soon in order to negotiate the terms of a comparable rescheduling.