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## **PRESS RELEASE**

### **THE PARIS CLUB AND TOGO CONCLUDE A DEBT RELIEF AGREEMENT**

Paris Club creditors agreed on 12 June 2008 with the Government of the Togolese Republic 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 21 April 2008.

This agreement, concluded under the so called "Naples terms", leads to the immediate cancellation of USD 347 million.

On an exceptional basis, considering Togo's very limited capacity of payment further constrained by the sharp rise of commodities and food prices, and provided that this country continues to implement satisfactorily an IMF supported program, no payments are expected from Togo between 1<sup>st</sup> April 2008 and 31 March 2011.

Togo 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. Togo is also committed to seek comparable treatment from its non Paris Club creditors.

Paris Club creditor countries commended the reforms implemented by Togo and expressed their commitment to alleviate further its external public debt as soon as it reaches its decision point under the enhanced Heavily Indebted Poor Countries Initiative.

### **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 Togo's debt were representatives of the governments of Austria, Belgium, Canada, Denmark, France, Germany, Italy, Japan, the Netherlands, Spain, Sweden, Switzerland and the United Kingdom.

Observers at the meeting were representatives of the governments of the Russian Federation and of 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 Togo was headed by Mr. Adji Otèth AYASSOR, Minister of Economy and Finance. The meeting was chaired by Mr. Julien RENCKI, Vice Chairman of the Paris Club, Deputy Assistant Secretary at the Treasury and Economic Policy Department of the French Ministry of Economy, Industry and Employment.

### **Technical notes**

1. Togo's economic program is supported by a three year arrangement under the Poverty Reduction and Growth Facility and an Extended Fund Facility, both approved by the International Monetary Fund on 21 April 2008.

2. The debt treated in this agreement amounts to USD 739 million in nominal value of which USD 347 million are cancelled and the remaining amounts are rescheduled or deferred.

3. The cut off date (1st January 1983 for Togo) 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 not subject to rescheduling or cancellation. In this case, on an exceptional basis, all these amounts were deferred until after March 2012.

4. In accordance with Naples 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, 67% of the pre-cut off date debt is cancelled, the remaining amounts being rescheduled over 23 years, with 6 years of grace.

5. On an exceptional basis, creditors have also agreed to defer until after March 2012 the repayment of arrears accumulated by Togo on short term and post cut off date debts, the maturities falling due during the consolidation period under the post cut off date debts as well as all moratorium interest due during the consolidation period on the rescheduled and deferred amounts.