



## **PRESS RELEASE**

### **THE PARIS CLUB AND THE CENTRAL AFRICAN REPUBLIC AGREE TO A DEBT RESTRUCTURING OF US\$ 36 MILLION**

Paris Club creditors agreed on 20 April 2007 with the Government of the Central African Republic (CAR) to a restructuring of its external public debt. This agreement follows the approval by the International Monetary Fund (IMF) of an arrangement under the Poverty Reduction and Growth Facility on 22 December 2006 and the examination by the IMF and the World Bank (International Development Association) of the preliminary document under the Enhanced Heavily Indebted Poor Countries Initiative in March 2007.

This agreement covers US\$ 36.1 million, of which US\$ 28.4 million consists of arrears and late interest. It leads to the cancellation of US\$ 9.9 million.

This agreement reschedules arrears as of 30 November 2006 and maturities falling due during the consolidation period (1<sup>st</sup> December 2006 – 30 November 2009) under the so called “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.

Considering the very limited capacity of payment of the Central African Republic, the creditors have also agreed on an exceptional basis to defer the repayment of arrears accumulated by the CAR on short term and post-cut off date debts and of moratorium interest due under the rescheduling. These amounts will be repaid between 2010 and 2015.

These measures are expected to reduce debt service (including the arrears) due to Paris Club creditors between 1<sup>st</sup> December 2006 and 30 November 2009 from US\$ 36.1 million down to zero.

Paris Club creditors agreed in principle to increase the cancellation rate to 90% for commercial credits (“Cologne terms”), as soon as the Central African Republic reaches its Decision point under the enhanced debt initiative for the Heavily Indebted Poor Countries.

The Central African Republic is committed to seek comparable treatment from 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 the Central African Republic's debt were representatives of the governments of Austria, Belgium, Denmark, France, Germany, Italy, Japan, the Netherlands, the Russian Federation, Switzerland, the United Kingdom and the United States of America.

Observers at the meeting were representatives of the governments of Canada and Norway, as well as the International Monetary Fund, the International Development Association, the African Development Bank and the Secretariat of the UNCTAD.

The delegation of the Central African Republic was headed by Mr. Nicolas NGANZE DOUKOU, Deputy Minister for Finance and Budget. The meeting was chaired by Mr. Ramon FERNANDEZ, Vice-Chairman of the Paris Club, Deputy Assistant Secretary at the Treasury and Economic Policy Department of the French Ministry of Economy, Finance and Industry.

### **Technical notes**

1. The Central African Republic's economic program is supported by a three year arrangement under the Poverty Reduction and Growth Facility approved by the International Monetary Fund on 22 December 2006. The preliminary document under the Enhanced HIPC Initiative for the Central African Republic was approved by the Executive Boards of the IMF and the IDA respectively on 14 and 8 March 2007.

2. The stock of debt owed to Paris Club creditors as of 1<sup>st</sup> December 2006 was estimated to be US\$ 68 million.

3. Maturities on commercial debts falling due between 1<sup>st</sup> December 2006 and 30 November 2009 will be treated so as to reach a 67% 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. Credits granted under Official Development Assistance (ODA) will be rescheduled over 40 years including a 16 year grace period.

4. The cut off date (1<sup>st</sup> January 1983 for the Central African Republic) 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.