

December 16, 2004



## **PRESS-RELEASE**

### **THE PARIS CLUB CANCELS US\$ 1 680 MILLION AND RESCHEDULES US\$ 1 340 MILLION OF CONGO'S DEBTS**

Paris Club creditors agreed on December 16, 2004 with the Government of the Republic of Congo to a restructuring of its public external debt, following the approval of an arrangement under the Poverty Reduction and Growth Facility by the International Monetary Fund on December 6, 2004. This agreement is the result of the economic and financial recovery effort made by the Republic of Congo in the course of the last two years.

This agreement treats a total amount of US\$ 3 020 million of debt, cancelling US\$ 1 680 million and rescheduling US\$ 1 340 million. This amount consists of arrears (including late interest) as of September 30, 2004 and of maturities falling due from October 1, 2004 up to September 30, 2007.

The agreement is concluded under the Naples terms: pre-cut off date ODA credits 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; 67% of pre-cut off date commercial credits are cancelled; the remaining amounts are rescheduled over 23 years, with 6 years of grace, at appropriate market rates. On an exceptional basis, this agreement also defers a very substantial part of the moratorium interest due under this rescheduling and reprofiles over 3 years arrears on credits extended since 1986.

These measures are expected to reduce debt service (including the arrears) due to Paris Club creditors between October 1, 2004 and September 30, 2007 from around US\$ 3 730 million down to around US\$ 770 million.

Paris Club creditors agreed to increase the cancellation rate to 90% (Cologne terms), as soon as the Republic of Congo has reached its decision point under the enhanced Debt initiative for the Heavily Indebted Poor countries. Creditors stressed the importance they attached to the continued satisfactory implementation of the Republic of Congo's economic programme and its poverty reduction strategy.

The Government of the Republic of Congo has committed to seek comparable treatment from its other external creditors.

### **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 treatment of the Republic of Congo's debt were representatives of the governments of Belgium, Brazil, Canada, Denmark, France, Germany, Italy, the Russian Federation, Spain, Switzerland, the United Kingdom and the United States of America.

Observers at the meeting were representatives of the government of Japan, as well as the International Monetary Fund, the International Bank for Reconstruction and Development, the African Development Bank and the Secretariat of the UNCTAD.

The delegation of the Republic of Congo was headed by Mr. Rigobert Roger ANDELY, Minister of Economy, Finance and Budget. The meeting was chaired by Mrs. Odile RENAUD-BASSO, Deputy Secretary at the Treasury Department of the French Ministry of Economy, Finance and Industry, Co Chairman of the Paris Club.

### **Technical notes**

1. An arrangement under the Poverty Reduction and Growth Facility in support of the Republic of Congo's economic program was approved by the International Monetary Fund on December 6, 2004.

2. The total stock of the Republic of Congo's external public sector debt was estimated as of end 2003 to be US\$ 8 570 million (source: IMF documents dated November 22, 2004 published on the IMF website [www.imf.org](http://www.imf.org)). The stock of debt owed to Paris Club creditors as of September 30, 2004 was estimated to be US\$ 4 690 million.

3. The cut off date (January 1, 1986 for Congo) 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.