



PRESS-RELEASE

THE PARIS CLUB AND THE DEMOCRATIC REPUBLIC OF CONGO AGREE TO A DEBT RESTRUCTURING

Paris Club creditors agreed on 13 September 2002 with the Government of the Democratic Republic of Congo to a restructuring of its public external debt, following the approval of an arrangement under the Poverty Reduction and Growth Facility with the International Monetary Fund on 12 June 2002.

This agreement treats roughly US\$ 8 980 million, of which 16% are ODA loans. This amount consists of US\$ 8 490 million of arrears in principal and interest as at 30 June 2002 and US\$ 490 million of maturities in principal and interest falling due from 1 July 2002 up to 30 June 2005.

The agreement is concluded under the so-called "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 applying to those loans ; 67% of pre-cut off date commercial credits are cancelled, taking into account previous treatments 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).

This debt relief will lead to the immediate cancellation by Paris Club creditors of about US\$ 4 640 million of the Democratic Republic of Congo's external debt. These measures are expected to reduce debt service due to Paris Club creditors between 30 June 2002 and 30 June 2005 from around US\$ 9 090 million down to around US\$ 380 million. The remaining payments consist of a share of the interest due on the rescheduled amounts as well as debt service on post-cut off date debt from 2003 on.

The Government of the Democratic Republic of Congo has committed to seek from its other external creditors, i.e. non Paris Club bilateral creditors, banks and suppliers, a comparable treatment.

Paris Club creditors agreed to top-up the reduction rate to 90% (so called Cologne terms), as soon as the Democratic 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 DRC's economic programme and its poverty reduction strategy.

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 the Democratic Republic of Congo's debt were representatives of the governments of Austria, Belgium, Canada, France, Germany, Italy, Japan, the Netherlands, Norway, Spain, Switzerland, Sweden, the United Kingdom and the United States of America. Brazil, which is also a creditor of the Democratic Republic of Congo, was also represented.

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

The delegation of the Democratic Republic of Congo was headed by Mr Mbuyamu MATUNGULU, Minister of Economy, Finance and Budget. The meeting was chaired by Mr Ambroise Fayolle, Assistant Secretary for European and International Affairs at the French Treasury at the Ministry of Economy, Finance and Industry, Vice-President of the Paris Club.

Technical notes

1. An arrangement under the Poverty Reduction and Growth Facility in support of the Democratic Republic of Congo's economic program was approved by the International Monetary Fund on 12 June 2002.

2. The total stock of the Democratic Republic of Congo's public sector debt was estimated as of end 2001 to be US\$ 14.3 billion. The stock of debt owed to Paris Club creditors as at 30 June 2002 was estimated to be US\$ 9 703 million, out of which US\$ 8 671 million of pre-cut off date debt, and US\$ 1 032 million of post-cut off date debt.

The cut off date (30 June 1983 for the Democratic Republic of 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. Thus, the cut off date helps 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 the Democratic Republic of Congo in the bilateral agreements implementing the Paris Club agreement. ODA loans will be rescheduled at a below-market interest rate not higher than the interest rate of the original credits. Other 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. As in any Paris Club agreement, the Democratic Republic of Congo agreed to seek comparable treatment from non-Paris Club creditors. In the present case, the comparable treatment shall imply an equivalent assistance of non-Paris Club official creditors and of commercial creditors. The delegation of the Democratic Republic of Congo indicated its willingness to meet these creditors soon in order to negotiate the terms of a comparable rescheduling.