



PRESS-RELEASE

THE PARIS CLUB AND THE REPUBLIC OF COTE D'IVOIRE **AGREE TO A DEBT RESTRUCTURING**

Paris Club creditors met on April 9 and 10, 2002 and agreed with the Government of the Republic of Côte d'Ivoire 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 March 27, 2002.

This agreement treats roughly US\$ 1.82 billion, of which 27% are ODA loans. This amount consists of US\$ 1.06 billion of arrears in principal and interest and late interest as at March 31, 2002 and US\$ 0.76 billion of maturities in principal and interest falling due from April 1, 2002 up to December 31, 2004.

The agreement is concluded under the so-called "Lyon 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; 80% of pre-cut off date commercial credits are cancelled, 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.

This debt relief will lead to the immediate cancellation by Paris Club creditors of about US\$ 911 million of the Republic of Côte d'Ivoire's external debt. These measures are expected to reduce debt service due to Paris Club creditors between April 1, 2002 and December 31, 2004 from around US\$ 2.26 billion down to around US\$ 750 million.

Paris Club creditors agreed to top-up the reduction rate of the agreement to 90% (so-called "Cologne terms") as soon as the Republic of Côte d'Ivoire has reached its decision point under the Enhanced Debt Initiative for the Heavily Indebted Poor Countries.

In the present case, this Paris Club deal makes provision for comparable treatment of the private sector in anticipation of a further treatment in the context of the enhanced HIPC initiative.

Background notes

1. The Paris Club was formed in 1956. It is an informal group of Creditor Governments mainly from major industrialized countries (i.e. OECD). It meets on a monthly basis in Paris with debtor countries in order to agree with them on restructuring their debts.

2. The Representatives of the Governments of Austria, Belgium, Brazil, Canada, France, Germany, Italy, Japan, the Netherlands, Norway, Spain, Switzerland, the United Kingdom and the United States of America participated in the Reorganization.

3. Observers at the meeting were representatives of the International Monetary Fund, the International Bank for Reconstruction and Development, the African Development Bank, the Secretariat of the UNCTAD and the Organization for Economic Cooperation and Development.

4. The delegation of the Republic of Côte d'Ivoire was headed by Mr Bohoun BOUABRE, Minister of Finance.

5. The meeting was chaired by Mr Jean-Pierre JOUYET, Director of the French Treasury at the Ministry of Economy, Finance and Industry, Chairman of the Paris Club.

Technical notes

1. An arrangement under the Poverty Reduction and Growth Facility in support of Côte d'Ivoire's economic program was approved by the International Monetary Fund on March 27, 2002.

2. The total stock of the Republic of Côte d'Ivoire's public sector debt was estimated as of December 31, 2001 to be US\$ 10.5 billion (source: IMF PRGF document, dated March 11, 2002 to be published on the IMF web site www.imf.org). The stock of debt owed to Paris Club creditors as at January 31, 2002 was estimated to be US\$ 4.16 billion, out of which US\$ 2.66 billion of pre-cut off date debt, and US\$ 1.5 billion of post-cut off date debt.

The cut off date (July 1, 1983 for the Republic of Côte d'Ivoire) 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 Republic of Côte d'Ivoire 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 Republic of Côte d'Ivoire agreed to seek comparable treatment from non-Paris Club creditors. In the present case, the comparable treatment shall imply assistance provided by commercial creditors. The delegation of the Republic of Côte d'Ivoire indicated its willingness to meet these creditors soon in order to negotiate the terms of a future treatment.