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ANNUAL REPORT 2008

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Foreword

Ramon Fernandez
Chairman of the Paris Club

It is a pleasure for me in my capacity of Paris Club Chairman to present the annual report of activity of the Paris Club. With this report, Paris Club members show their commitment to ensure in a fully transparent way their role in orderly sovereign debt restructuring. Transparency has been a key word for the Paris Club in 2008 as shown by the publication of the amount of Paris Club claims on all foreign countries on the Paris Club Web site for the first time this year. This move was intended to enhance transparency on debt data and to encourage every creditor, in particular major non Paris Club official creditors, to engage in a comprehensive debt reporting and disclosure process. Information sharing is indeed at the heart of any cooperative approach to assess risks of debt distress in a reliable manner and to help solve debt problems in developing countries.

In the context of the global financial crisis and of serious payment difficulties encountered by many countries faced by shocks on terms of trade, and especially on commodity prices, the Paris Club has demonstrated its pragmatic approach by granting when necessary exceptional treatments - for HIPCs and non-HIPCs - delivering immediate cash flow relief on top of usual terms of treatment.

In 2008, the Paris Club has also pursued its contribution to the Heavily Indebted Poor Countries (HIPC) initiative by delivering timely debt relief at each stage of the HIPC initiative. Landmarks have been reached in the HIPC initiative with Liberia and Togo reaching their decision point. The Paris Club has also accompanied various countries eligible for the HIPC initiative on the path to completion point by resuming debt relief treatments that had been interrupted due to difficulties encountered by those countries in meeting the targets set under previous IMF programs. Globally, in 2008, the amount of debt due by HIPCs and treated in the Paris Club framework amounted to USD 3.12 billion of which 1.6 billion has been cancelled.

Outside the scope of the HIPC intiative, the Paris Club has enacted the last phase of its agreement with Iraq by delivering the remaining 20% debt cancellation on a total of 80% stemming from the 2004 agreement with this country. This new stage recognizes the satisfactory implementation by Iraq of its economic program supported by an IMF arrangement and the progress made by Iraq in seeking a treatment comparable to that granted by the Paris Club by its other creditors. The Paris Club has also considered the situation of Djibouti under the so called «Evian approach» deemed to comprehensively treat debt repayment difficulties, especially by systematically analyzing whether countries are in a sustainable debt situation.

In order to give some perspective on the effects of Paris Club treatments, this annual report provides an analysis on two past Paris Club treatments and their impact on the economic situation of the countries concerned as well as on the poverty-reducing expenditures for HIPCs. Overall, there is no doubt that Paris Club debt relief has contributed to enlarge fiscal space and help beneficiary countries to mobilize additionnal public revenue for development purposes. I hope that readers will find this analysis informative.

I would also like to underline the increasing role of the Paris Club in international debates on debt issues. As a group of major sovereign creditors that has been involved in restructuring operations for more than 50 years, the Paris Club is particularly legitimate to contribute to these debates and has actively done so in 2008, especially in the context of the Doha conference. The Paris Club has particularly stressed the importance of completing debt relief initiatives through an upgraded participation from all major creditors. The Paris Club has also encouraged all creditors to endorse commitments to help prevent the action of litigating creditors against HIPCs and to safeguard long term debt sustainability through cautious lending and borrowing practices. I am pleased to say that views expressed by Paris Club creditors were reflected in the final Doha declaration.

Finally, I think the Paris Club has a crucial role to play in enhancing creditors' coordination to help deliver timely debt treatments. The Paris Club has therefore actively pursued a policy of outreach over the last few years by associating on a case-by-case basis significant non Paris-Club creditors to Paris Club negotiations and by engaging in a continued dialogue with «new» creditors, and especially emerging countries which are more and more actively lending to developing countries.

In the current economic circumstances that very seriously affect the prospect of emerging and developing countries, I believe that the Paris Club with its longstanding practice of coordinated solutions for debt issues will respond appropriately and continue to take its share of the multilateral efforts to mitigate the effects of the crisis, while preventing a new cycle of debt distress ■

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Introduction

The Paris Club is an informal group of nineteen official creditors. Its role is to find coordinated and sustainable solutions to the payment difficulties encountered by debtor nations.

Paris Club creditors grant debt treatment to debtor countries in the form of rescheduling, which is debt relief by postponement or, in the case of concessional rescheduling, of a reduction in debt service obligations.

The first meeting with a debtor country was held on 16 May 1956 when Argentina met its public creditors in Paris. Since then, the Paris Club has reached 408 agreements (excluding early repayment operations) with 86 debtor countries. These agreements have covered a total of more than USD 539 billion in nominal value since 1956.

Nevertheless, the Paris Club has remained strictly informal. It is a voluntary meeting of creditor countries seeking to treat the debt due to them by developing and emerging countries in a coordinated manner.

However, although the Paris Club has no legal basis or status, agreements are reached in accordance with a set of rules and principles agreed upon by its members. This way of operating encourages the conclusion of coordinated agreements.

In 2008, Paris Club creditors met eight times to discuss the external debt situation of debtor countries and methodological issues regarding the debt of developing and emerging countries ("Tour d'horizon" meetings). They also held six negotiation meetings with debtor countries.

This booklet presents the main features of the Paris Club's activities in 2008. The first chapter describes the debt treatment activities of the Paris Club. Chapter 2 focuses on the impact of past Paris Club debt treatments on the situation of debtor countries. Chapter 3 develops some general issues discussed in the framework of the Paris Club during the year.

Key developments in 2008

23 January
Conclusion of an agreement with Guinea

24 January
Conclusion of an agreement with The Gambia

17 April
Conclusion of an agreement with Liberia

11 June
Meeting of the Paris Club with representatives of other bilateral creditors and representatives of the private sector

11 June
Publication of the first annual report of the Paris Club

12 June
Conclusion of an agreement with Togo

17 September
Press release of Paris Club creditors following Argentina's announcement of its intention to pay in full its debt

1st October
Publication of the Paris Club contribution to the Doha conference on financing for development

16 October
Conclusion of an agreement with Djibouti

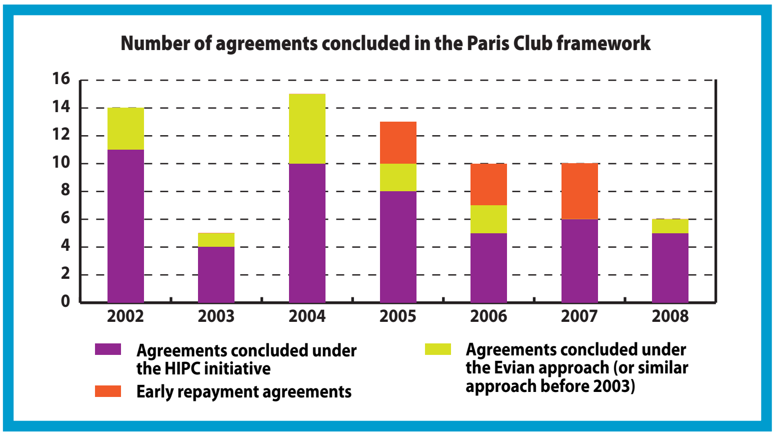
26 November
Publication of data on Paris Club claims

11 December
Conclusion of an agreement with Congo

22 December
Implementation of the third and final phase of the debt reduction in favour of Iraq

Paris Club debt treatment activity in 2008

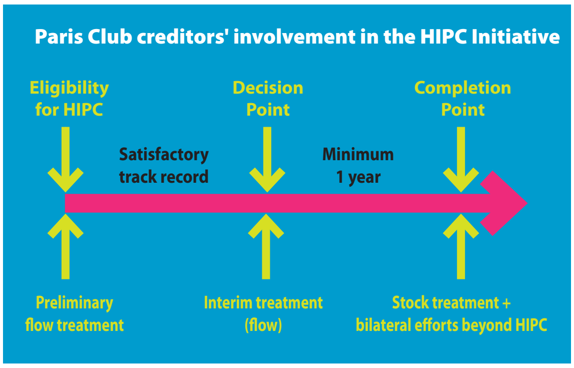
In 2008, Paris Club creditors held six negotiation meetings with debtor countries. Five agreements were concluded in the framework of the enhanced Heavily Indebted Poor Countries Initiative (HIPC initiative) and one agreement under the Evian approach.



Agreements concluded in the framework of the Enhanced Heavily Indebted Poor Countries Initiative

In 1996, the international financial community recognized that the external debt situation of a number of low-income countries had become extremely difficult. As a result, their economic development prospects were seriously affected despite full use of traditional Paris Club rescheduling and debt reduction mechanisms together with continued provision of concessional financing and the implementation of sound economic policies. The creditors therefore agreed that the traditional measures were not sufficient to attain sustainable external debt levels within a reasonable period of time and without additional external assistance. The HIPC Initiative was then launched, and enhanced in September 1999.

The HIPC Initiative calls for coordinated action by the entire international financial community, including multilateral institutions, to reduce the external debt burden of these countries to sustainable levels. Eligibility for and progress under the initiative are assessed by the IMF and the World Bank. Each step of the HIPC initiative corresponds to a particular debt treatment granted by the Paris Club.



Preliminary Period. To qualify for assistance, a country must adopt adjustment and reform programs backed by the IMF and the World Bank and implement these programs satisfactorily for a period of time. During this period, it continues to receive debt relief from Paris Club creditors. The preliminary treatment (flow) is granted under Naples terms[1].

Decision Point. At decision point, the IMF and World Bank Executive Boards formally decide whether a country qualifies for HIPC relief and the international community undertakes to provide sufficient assistance through completion point (see below) so that the country can achieve sustainability of the debt calculated at decision point. The Paris Club usually grants interim relief between the decision point and the expected completion point (ie during the interim period) under Cologne terms (flow)[2].

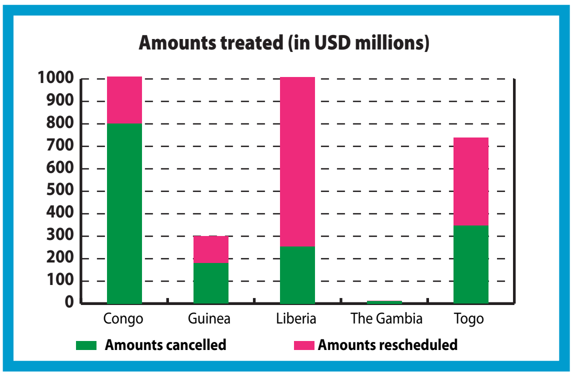
Completion Point. The remaining assistance necessary to reach debt sustainability, as defined at decision point, is provided at completion point. The Paris Club reduces the stock of eligible debt in net present value terms provided that there is fair burden sharing i.e. that other creditors provide at least a comparable treatment.

1 Under the Naples terms, 67% of amounts due under debts not granted under Official Development Assistance (ODA) conditions are cancelled, the remaining amounts are rescheduled over 23 years with a 6-year grace period. The amounts due under debts granted under ODA conditions are rescheduled over 40 years with a 16-year grace period.

2 Under the Cologne terms, 90% of amounts due under debts not granted under Official Development Assistance (ODA) conditions are cancelled, the remaining amounts are rescheduled over 23 years with a 6-year grace period. The amounts due under debts granted under ODA conditions are rescheduled over 40 years with a 16-year grace period.

Implementation of the HIPC Initiative (as of end 2008)

Post Completion point countries	Post Decision point countries	Pre Decision point countries
Benin	Afghanistan	Comoros
Bolivia	Burundi	Côte d’Ivoire
Burkina Faso	Central African Republic	Eritrea
Cameroon	Chad	Kyrgyz Republic
Ethiopia	Congo	Nepal
Gambia, The	Democratic Republic of Congo	Somalia
Ghana	Guinea	Sudan
Guyana	Guinea-Bissau	
Honduras	Haiti	
Madagascar	Liberia	
Malawi	Togo	
Mali		
Mauritania		
Mozambique		
Nicaragua		
Niger		
Rwanda		
Sao Tome		
Senegal		
Sierra Leone		
Tanzania		
Uganda		
Zambia		



In total, in 2008, around USD 3.12 billion were treated in the framework of Paris Club agreements with HIPC countries, of which USD 1.6 billion cancelled and USD 1.5 billion rescheduled.

Congo reached its decision point in March 2006 and was then granted an interim debt relief. However, the country failed to meet the targets set in its program with the IMF a few months later and the Paris Club debt treatment was suspended. In December 2008, Congo concluded a new program supported by an Arrangement under the Poverty Reduction and Growth Facility with the IMF. It was then granted a new interim debt relief by Paris Club creditors. The agreement concluded on 11 December 2008 treats around USD 1033 million, of which USD 805 million was cancelled and USD 155 million was rescheduled.

Guinea reached its decision point in December 2000 and was then granted an interim debt relief. However, in 2003, the country failed to meet the targets set in its program with the IMF and the Paris Club debt treatment was suspended. In December 2007, Guinea concluded a new program supported by an Arrangement under the Poverty Reduction and Growth Facility with the IMF. It was then granted a new interim debt relief by Paris Club creditors. The agreement concluded on 23 January 2008 treats around USD 300 million, of which USD 180 million was cancelled and USD 120 million was rescheduled. On an exceptional basis, considering Guinea’s very limited capacity of payment, creditors have also agreed to defer until after 2010 most of the remaining payments due to them by this country.

Liberia reached its decision point in March 2008 and was then granted an interim debt relief. The agreement concluded on 17 April 2008 treats around USD 1.043 billion, of which USD 254 million was cancelled and USD 789 million was rescheduled. On an exceptional basis, considering Liberia’s very limited capacity of payment, creditors have also agreed to defer until after 2011 all remaining payments due to them by this country.

The Paris Club's contribution to Liberia's Development - The point of view of Mr. Robert Powell , IMF mission chief for Liberia

Liberia is one of the poorest countries in Africa and among the poorest countries in the world. A 14-year civil war ending in 2003 had a devastating effect on Liberia's economy, reducing real GDP to about 40 percent of its pre-war level. On March 14, 2008, following a massive fund-raising effort involving 102 countries, the IMF Executive Board approved a range of measures to fully normalize financial relations with Liberia after more than two decades of protracted arrears to the IMF. It also approved three-year arrangements under the Poverty Reduction and Growth Facility (PRGF) and the Extended Fund Facility (EFF), concluded that Liberia should reach the decision point under the enhanced HIPC Initiative, and decided to extend interim HIPC assistance to Liberia.

Paris Club creditors agreed on April 17, 2008 to exceptional treatment of their claims on Liberia. These creditors were estimated to have held about 30 percent of the total debt stock of US$4.7 billion at the end of June 2007 (2,348 percent of exports). The agreement was concluded under Cologne terms and consolidated around US$1 billion, most of which comprised arrears and late interest. Under the agreement, total debt of US$254 million was cancelled and about US$789 million was rescheduled. The rescheduled amounts will be considered for debt relief when Liberia reaches the Completion Point. On an exceptional basis, given Liberia's very limited payment capacity, no payments are expected to Paris Club creditors from Liberia between March 1, 2008 and December 31, 2010, by which time Liberia is expected to have reached the HIPC Completion Point.

Liberia is committed to devoting the resources that otherwise would have gone to Paris Club creditors to priority areas identified in the Poverty Reduction Strategy. The strategy, published in April 2008, is built on four pillars i) consolidating peace and security, ii) revitalizing the economy, iii) strengthening governance and the rule of law, and iv) rehabilitating infrastructure and delivering services.

The Gambia reached its completion point under the initiative and was granted a debt stock treatment on 24 January 2008. The cancelled debt stock amounts to around USD 12 million.

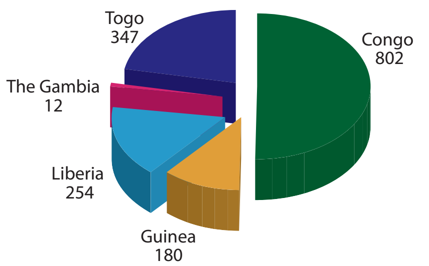
Togo was granted a preliminary debt relief in June 2008. This agreement treats around USD 739 million, of which USD 347 million was cancelled, the remaining amounts being rescheduled or deferred. On an exceptional basis, considering Togo's very limited capacity of payment further constrained by the sharp rise of commodities and food prices, creditors have also agreed to defer until after 2012 all remaining payments due to them by this country. Togo then reached its decision point under the initiative in November 2008 and the Paris Club granted a debt treatment under Cologne terms by written procedure in January 2009.

Negotiation meeting with Togo.

In addition to the five negotiation meetings described above, Paris Club creditors granted **Burundi** an extension of its interim relief. Burundi reached its decision point under the HIPC initiative in July 2005 and was then granted an interim debt relief. Burundi concluded a new program supported by an Arrangement under the Poverty Reduction and Growth Facility with the IMF in July 2008. The period covered by the interim debt relief was then extended up to June 2009, by written procedure as the completion point was expected to be reached a few months later.

All HIPC countries whose debt has been treated in 2008 are committed to allocate the resources freed by the treatments to priority areas identified in the country's poverty reduction strategy.

Debt cancellations in 2008 / breakdown by countries (in USD millions)



Agreements concluded under the Evian approach

Paris Club creditors agreed in October 2003 on a new approach to deal with non-HIPCs. In this context, the Paris Club aims to take into account debt sustainability considerations, to adapt its response to the financial situation of debtor countries and to contribute to the efforts to make the resolution of financial crises more orderly, timely and predictable.

Djibouti concluded a new program supported by an Arrangement under the Poverty Reduction and Growth Facility with the IMF in September 2008. Paris Club creditors then granted Djibouti a debt treatment under the Evian approach. The agreement concluded on 16 October 2008 treats around USD 76 million, of which around USD 64 million is rescheduled under the Houston terms and USD 12 million is deferred on an exceptional basis, taking into account Djibouti's limited capacity of payment. As a consequence, the debt service due by Djibouti to its Paris Club creditors over the next three years has been reduced by 79%.

The Evian Approach

When a country approaches the Paris Club, the sustainability of its debt is examined in accordance with the IMF's standard debt sustainability analysis to check whether there might be a sustainability concern in addition to financing needs.
Specific attention is paid to the evolution of debt ratios over time as well as to the debtor country's economic potential; its efforts to adjust fiscal policy; the existence, durability and magnitude of an external shock; the assumptions and variables underlying the IMF baseline scenario; the debtor's previous recourse to Paris Club and the likelihood of future recourse. If a sustainability issue is identified, Paris Club creditors develop their own view on the debt sustainability analysis in close coordination with the IMF.
For countries that face a liquidity problem but are considered to have a sustainable external debt, the Paris Club design debt treatments on the basis of the existing standard terms of treatment. However, Paris Club creditors agreed that all the range of options, for example shorter grace periods and schedules of payments, would be used to adapt the debt treatment to the financial situation of the debtor country. Countries with the most serious debt problems will be dealt with more effectively under the new options for debt treatments. For other countries, the most generous implementation of existing terms would be used when justified.
For countries whose debt has been considered by the IMF and the Paris Club creditor countries as unsustainable, that are committed to policies that will secure an exit from the Paris Club in the framework of their IMF arrangements, and that commit to seek comparable treatment from their other external creditors, including the private sector, Paris Club creditors agreed that they would participate in a comprehensive debt treatment, on a case-by-case basis.
As of end 2008, Paris Club creditors granted debt treatments under the Evian Approach to ten countries: Djibouti, the Dominican Republic, Gabon, Georgia, Grenada, Iraq, Kenya, the Kyrgyz Republic, Moldova and Nigeria.

Argentina's announcement of its intention to pay in full its debt to the Paris Club

Argentina's President announced its intention to repay its defaulted debt towards Paris Club creditors in September 2008, using a similar scheme as for the repayment of the IMF debt in late 2005.

Paris Club creditors welcomed the announcement, since the payment would represent a very significant step towards the normalization of Argentina's relationship with all its external creditors.

Argentina has not yet fulfilled this commitment, and until the payment of all its arrears, Argentina is therefore still in arrears towards Paris Club creditors.

Completion of the Debt Reduction for Iraq

Paris Club creditors agreed with the Republic of Iraq on 21 November 2004 on a comprehensive debt treatment of its public external debt providing a total debt reduction of 80% in three phases.

The first two phases entered into force respectively on 21 November 2004 and on 23 December 2005 and already brought down the public external stock of debts due to Paris Club creditors by 60%.

The remaining third phase granting an additional 20% debt reduction was conditional upon successful completion, no later than 31 December 2008, of the last review of a 3-year implementation of upper-credit tranche arrangements with the IMF. In this regard, Paris Club creditors took note of the approval by the IMF Board of the second and last review of implementation by the Government of Iraq of the stand-by arrangement on 17 December 2008.

Furthermore, Paris Club creditors consider that the Government of Iraq has made its best efforts to seek comparable treatment from all its other external creditors, with the conclusion of comparable debt treatments with 58 out of 73 Iraq's sovereign creditors. Paris Club creditors urge the remaining 15 creditors of Iraq to follow suit.

As a result, Paris Club creditors decided to deliver the remaining 20% debt cancellation foreseen in the November 2004 agreement.

This final debt treatment reduces the total stock of debt due to Paris Club creditors to USD 7.8 billion.

Impact of past Paris Club debt treatments on the situation of developing countries

The impact of debt rescheduling and the case of the Dominican Republic

In its mission to find coordinated and sustainable solutions to the payment difficulties experienced by debtor countries, the Paris Club's main tool is debt rescheduling.

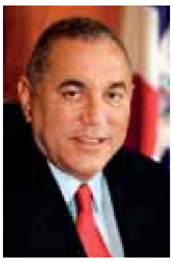
Debt rescheduling helps find a smooth, orderly path through short term liquidity constraints

When a country faces payment problems, due to difficulties for the government to roll-over its external debt or because of balance of payment and exchange rate problems, not being able to service its debt could lead to default situations with costly disruptive consequences. The Paris Club members, by rescheduling their claims and coordinating a rescheduling of other claims (bilateral, private) through the comparability of treatment principle, can avoid a default, and, by avoiding the costly irreversible effects attached to it, help find a solution that is beneficial both to creditors and the debtor country.

The case of the Dominican Republic

During the 2002-2004 crisis, the Paris Club contributed to financing the Stand-by arrangement signed in August 2003 with the IMF. A first debt treatment was granted, consisting of a rescheduling of payments falling due during the year 2004, which was then extended to the year 2005 for a total amount treated of USD 330 million.
The recovery from the crisis was fast. In 2005, growth was strong, inflation lower and unemployment decreasing. Following an Executive Board discussion at the IMF in 2008, the management of the IMF made the following statement:
"The Dominican Republic's recovery from the 2002-04 financial crisis has been impressive. The authorities are to be commended for their prudent macroeconomic and financial policies under the Fund-supported arrangement, which have helped to restore confidence and deliver rapid economic growth, single-digit inflation, declining debt ratios, a robust external position, and a strengthened financial sector."
Since then the country faced its debt obligations without problem.
The Minister of Finance agreed to answer some questions from the Secretariat of the Paris Club (see below).

2004-2005 Paris Club Renegotiations – Lic. Vincente Bengoa, Minister of Finance



In 2003, the Dominican Republic suffered a far-reaching macroeconomic crisis that impacted negatively on the financial sector. This in turn caused substantial fiscal imbalances that diminished the government's ability to meet its international financial commitments.
In 2004, the Dominican Government embarked on a stabilisation process that included signing a Stand-By Arrangement with the International Monetary Fund. One proposal was the renegotiation of the repayments of external debt service obligations for the purpose of easing restrictions on external liquidity, which affected the Government.

Consequently, the Dominican authorities embarked on a negotiation process with the Paris Club for the purpose of altering the financial clauses of a large share of our external public debt. The process was concluded with the signing of the Agreed Minutes of 16 April 2004 and of 21 October 2005. The said Minutes provided for the rescheduling of the payment of US$193 million and of US$137 million, respectively, for maturities due as of late 2003 to 31 December 2005, and for the extension of maturities on 12 years, with a 6-year grace period.

The Arrangement cleared the way for generating fiscal space in 2004 and 2005, so that social public expenditure could be maintained for the Dominican Republic's most vulnerable groups.

At the same time the Macroeconomic Stabilisation Plan jointly with the support from Paris Club member-nations helped the Dominican Republic improve its rank in OECD as well as risk classification agencies' Country Risk Classification. The consequence was the gradual reduction of interest rates, insurance premiums, and longer maturity dates granted for the funding of investment projects that would be contracted in the following years.

This has also led to a major turnaround in the confidence in Dominican instruments on the capital markets.

Renegotiations with the Paris Club also substantially contributed to the growth of the Gross Domestic Product that went from -0.3% in 2003 to 8.5% in 2007, and to the decrease of inflation that dropped from 42.66% to 8.88% during the same period. Similarly, local interest rates fell by approximately 1,500 basis points, thus stimulating domestic credit and local economic activity.

Last, the most significant impact of all these measures from the social standpoint was the recovery of poverty indicators and of employment, thus improving the quality of life of the Dominican population.

The impact of debt cancellations and the case of Cameroon

Since 1988, the Paris Club has participated in the international community effort to restore sustainability in countries in debt distress by delivering debt cancellations. These cancellation efforts are a way to unwind debt distress or default situations in an orderly fashion, benefiting at the end to both creditors and debtor countries. Debt forgiveness a priori help spurs economic activity in the debtor country. The example of Cameroon can help give insight on such an impact. Moreover, the record of debt cancellation by the Paris Club can also be used to assess the quantitative impact of debt cancellation on growth.

Debt cancellation can spur growth through different channels

Indeed, the situation of debt distress or default of a country, have costs to both the country and its creditors. For creditor countries, these costs are mainly the absence of any payment in the case of a default or the uncertainty of the time at which the country will default in the case of a debt distress situation. On top of this, there are additional costs stemming from hampering of trade and cooperation between creditors and debtors. For a debtor country, being in default or close to default entails reputational cost and costs associated with limited access to new external financing.

Debt cancellation can incur cost to the debtor country, through a negative signalling effect, but has many positive effects. As it alleviates debt service, it releases the constraints on budget balance and allows new expenditures and tax cuts. Another positive effect is the possibility of accommodating shocks by borrowing money at lower cost (or simply the possibility of borrowing). In a more general way, the normalization of a country's financial situation or its emergence from debt distress removes a lot of uncertainty from a lender's point of view which benefits economic activity.

This positive effect can end up being favourable to the creditor country, by restoring a normal debt service (on the remaining debt stock) and promoting better economic relations.

The case of Cameroon

In 2006, when Cameroon reached the completion point of the HIPC initiative and then benefited from Multilateral Debt Relief Initiative (MDRI), the country benefited from very substantial debt relief efforts from the international financial community, bringing its public debt from more than 60% of GDP in 2004 to about 10% in 2008. Cameroon is committed to spend the future amounts cancelled in conformity with the HIPC process.

The implementation of the Poverty Reduction Strategy Paper during the HIPC interim period helped achieve the necessary reforms to fight poverty. The main achievements are the following ones: an improvement of external and fiscal performance; government's efforts to diversify the economy by implementing programs in the rural, industrial, and financial sectors; progress in the information and communication technology sectors; significant efforts in the education sector. These reforms helped release the full effect of debt cancellations and helped foster economic development on the way toward the Millennium Development Goals.

The public debt of Cameroon is now considered at low risk of debt distress by the IMF and the World Bank. The policy of the authorities succeeded in improving growth, especially non-oil, while preserving fiscal sustainability. According to the last review of the Poverty Reduction and Growth Facility in February 2009, the economy is showing some sign of resilience facing the global slowdown.

The Minister of Finance of Cameroon agreed to make a statement on what was achieved through the HIPC-MDRI process (see opposite).

Impact of debt cancellations on poverty-reduction expenditures in Cameroon
Lazare Essimi MENYE, Minister of Finance

After having reached its completion point in April 2006, Cameroon benefited from debt relief granted under the HIPC initiative and MDRI, respectively by bilateral and multilateral creditors. The total debt cancellations amounted to 3,380 billion CFA francs, reducing the debt stock from 4,416 billion CFA francs as of end June 1999 to 1,098 billion CFA francs as of end December 2006.

The resources resulting from these debt cancellations were in priority aimed at financing social projects, approved in the framework of the fight against poverty, in particular in the sectors of education, health and infrastructures.

Major accomplishments have been achieved in the six sectors that profited from these resources. These achievements are described below.

EDUCATION: recruitment of more than 20,000 primary school teachers, distribution of 2.57 million of school textbooks, building and equipment of 5 884 classrooms for primary and secondary schools, enhancement of the capacities of universities of medicine, of three engineers training colleges and of two teacher training colleges.

HEALTH: building of 120 integrated health centres, of 117 houses for doctors during their service obligations, 129 water drill holes, acquisition of millions of doses of vaccines, of 152 all-terrain vehicles, of 462 motorbikes and 250 bikes in the framework of the extended vaccination program, recruitment of 4,058 health personnel, contribution to the medical care of 59,742 persons infected with the HIV virus and of 25,021 tubercular patients, building of 26 centres for the diagnosis and the treatment of tuberculosis, acquisition of more than 2 millions of mosquito nets distributed to pregnant women free of charge, 4,750 surgical operations of patients suffering from cataract, contribution to the medical care of 16,628 patients suffering from cancer, training of 450 doctors and nurses for children diseases and obstetrical emergency care, treatment of 570,000 children suffering from schistosomiasis and helminthiasis (intestinal parasites).

INFRASTRUCTURE: maintenance and rehabilitation of 3,500 kilometres of country roads, rehabilitation of urban roads in particular in Yaoundé and Douala, improvement of the sanitation and opening up of the deprived areas of these two cities.

RURAL DEVELOPMENT: supplying of 2,799 drinking waterholes in rural areas, building of 334 new electric networks, creation of 7,500 hectares of palm trees for oil, training of 3,579 country brigades for medical intervention for cocoa and coffee plants and treatment of 105,000 hectares of cocoa plants that led to a 43%

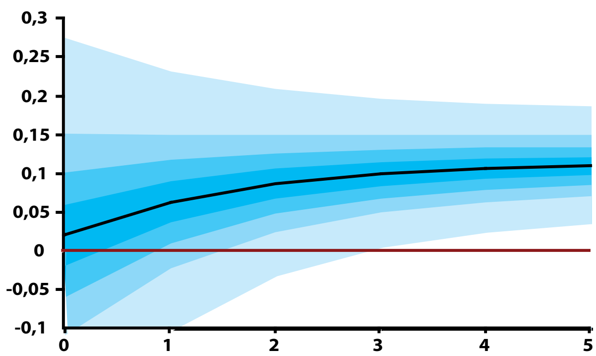
increase of the production, distribution of 3,500 tons of enhanced maize seeds, creation of 8,397 hectares of banana trees for a production of 238,306 tonnes of banana.

SOCIAL DEVELOPMENT: regeneration and construction of 123 social centres, with a 1 billion CFA francs allowance granted for women, rehabilitation of 12 centres for difficult childhood, building of 2 campsites for pigmies, launching of a program for the creation of 125 enterprises and the construction of 10 multifunctional centres for young people, construction of a institute for Arts and Culture.

GOVERNANCE: 40 audit missions realized by the Contrôle Supérieur de l'Etat, rehabilitation of 24 prisons, construction of 6 buildings of offices and housing for administrative authorities in enclosed and border areas, support for the decentralization process and the electoral system, establishment of a brigade in charge of the control of the follow-up of the physical and financial execution of HIPC projects.

As regards fiscal expenditures, for the implementation of the HIPC program, the credits provided for in the budgets of the various ministerial departments in favour of the beneficiary sectors amount to 543.3 billion of CFA francs. Cumulated fiscal commitment as of 30 September 2008 amounted to 385.3 billion of CFA francs and the payments made at the same date amounted to 295.2 billion of CFA francs.

Figure 2 : cancellation of an amount representing 1% of GDP- Impact on the growth rate of the debtor country



This fan chart represents, for each year after the decision of cancellation (year 0), the distribution of the impact (the lightest blue envelope represents the 95% confidence interval).

The Paris Club Secretariat attempted to assess in a more systematic way what could be the overall impact of Paris Club debt cancellations on growth. According to this study, 1% of GDP of debt cancellation comes with a medium term increase of 0,1 percentage point of the annual growth rate (see Annex 4).

General issues discussed in the framework of the Paris Club in 2008

Doha conference on financing for development

The Financing for Development Review Conference took place in Doha (Qatar) from 29 November to 2 December 2008 under the aegis of the United Nations. Its main purpose was to draw up a shared assessment of the implementation of the Consensus reached in Monterrey (Mexico) in 2002 and to sketch out renewed priorities in response to new challenges, in particular against the backdrop of a rapidly deteriorating global economic outlook.
As a group of major sovereign creditors that has been involved in restructuring operations for countries facing debt problems over more than 50 years, the Paris Club was particularly well placed to provide substantive inputs in debt related discussions in this Conference on Development.
Consequently, Paris Club creditors decided to make their own contribution to the negotiation chapter dealing with external debt, which was released two months ahead of the Conference (19 September 2008).
It covers a wide scope of relevant issues, with a particular focus on:
- completing debt relief initiatives through an upgraded participation of all major creditors in the provision of debt cancellation ;
- encouraging all creditors to endorse firm commitments to help prevent litigation against HIPCs, like the ones taken on by the Paris Club as soon as in 2007 ;
- safeguarding long-term debt sustainability through cautious lending and borrowing practices based on international guideposts, like the Debt Sustainability Framework (DSF) ;
- enhancing information sharing and coordination amongst creditors.

Most of the views expressed by Paris Club creditors were eventually reflected in the final Doha Declaration:
- on all creditors contributing to debt relief : "we underline that heavily indebted poor countries eligible for debt relief will not be able to enjoy its full benefits unless all creditors, including public and private, contribute their fair share and become involved in the international debt resolution mechanisms to ensure the debt sustainability of low-income countries" (§ 58) ;
- on litigating creditors: "we are deeply concerned about increasing vulture fund litigation. In this respect, we welcome recent steps taken to prevent aggressive litigation against HIPC-eligible countries, including through the enhancement of debt buy-back mechanisms and the provision of technical assistance and legal support, as appropriate, by the Bretton Woods institutions and the multilateral development banks. We call on all creditors not to sell claims on HIPC to creditors that do not participate adequately in the debt relief efforts" (§ 60) ;
- on debt sustainability: "preserving long-term debt sustainability is a shared responsibility of lenders and borrowers. To this end, we encourage the use of the joint IMF/World Bank Debt Sustainability Framework by creditors and debtors, as appropriate" (§ 64) ;
- on transparency: "to strengthen transparency and accountability amongst all parties" (§ 61).

Paris Club and Doha Conference : the point of view of O. de Rojas, Director, UN FfD Office, Executive Secretary of the Doha Conference

The Follow-up International Conference on Financing for Development to Review the Implementation of the Monterrey Consensus held in Doha, Qatar, at the end of 2008, recognized and welcomed, the progress that has been made since 2002 in the provision of debt relief under HIPC/MDRI. Paris Club members have been major contributors under those initiatives. The review process associated with the conference also recognized the challenges that remain in dealing with the external debt of non-HIPC and post-conflict countries. Similarly, another emerging problem touched upon is that some of the countries that received debt relief under the HIPC initiative have had rising levels of debt service. Member States also voiced their concerns about debt sustainability and recognized that a policy response was needed in the emerging scenario with falling commodity prices and the worsening world economy.

In parallel to this, a new debate has emerged on the enhancement of official debt restructuring mechanisms, as a result of the increase in contributions by developing countries in funding development in the South, and of the growing importance of private debt in total external debt. All these pose new challenges in debt relief and debt sustainability, including the need to keep sustainability frameworks under review.

The Co Chairman of the Paris Club, Benoît Coeuré was a speaker at the Round Table on External Debt in Doha and, referring to many of these challenges, stated that the Paris Club is ready to revisit its own principles wherever appropriate and learn from experience. For example, it has recently taken steps to become more transparent through data sharing and Paris Club debt data is now available on its website and an annual report of activities is also in the offing. The presence of the Paris Club at the Doha conference and its written contribution were welcomed by all participants.

Publication of Paris Club claims on foreign sovereign and other public debtors

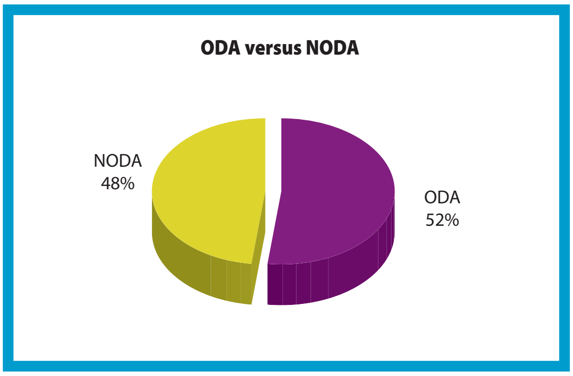
In its contribution for the Doha Conference on Financing for Development, the Paris Club called for increasing transparency of debt data, while pointing out that lack of openness and insufficient coordination between creditors may cause misperceptions and limit the accuracy of debt distress risk assessments.

Information sharing is needed both to assess each creditor's share in the total stock of developing countries' public external debt and to track new lending flows to developing countries on an ongoing basis. At an aggregate level, transparency helps identify global trends and major players in financing flows towards developing countries. At country level, information sharing between creditors is key to have a comprehensive overview of the country's overall indebtedness, to develop a reliable assessment of potential risks of debt distress and to allocate debt relief efforts between creditors in case repayment difficulties arise. Transparency is thus at the heart of any cooperative approach to solve debt problems in developing countries. Due to lack of debt management capacity, some debtor countries partly rely on data supplied by their creditors to get the full picture of what they owe to external creditors.

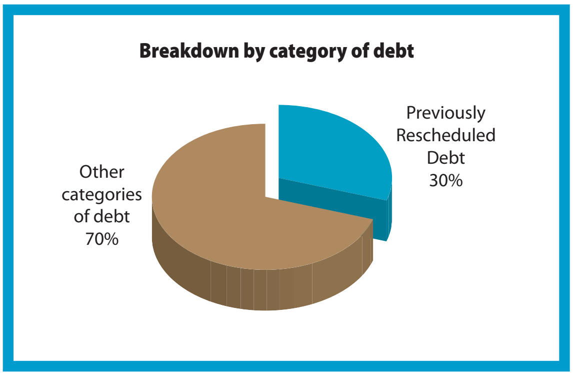
In this context, Paris Club members have decided to release aggregated data on their claims on foreign states, with a split between Official Development Assistance (ODA) claims and non-Official Development Assistance claims. The data will be updated yearly.

As a result, on 26 November 2008, for the first time since its inception more than 50 years ago, the Paris Club published the amount of its claims on foreign countries.

The published data show that, as of 1st September 2008, the total of Paris Club claims, excluding late interest, amounts to USD 330.2 billion, of which USD 172.5 billion of ODA claims and USD 157.7 billion of non-ODA claims. The country by country data are available in Annex 2.

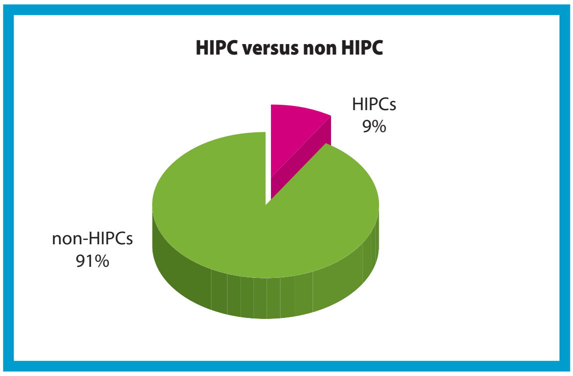


The table contains comprehensive data that cover the full range of claims held by Paris Club members on any sovereign countries and public entities. It therefore encompasses very different categories of debtors, around half of which have always fully serviced their debt due to Paris Club members. Only 85 of the 157 debtor countries listed in the published table have already negotiated an agreement with the Paris Club, covering only part of their debt.

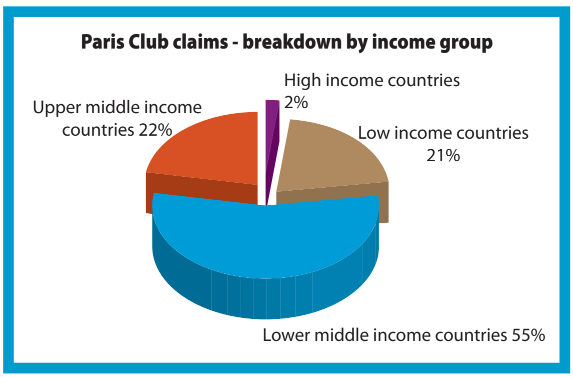


In this context, approximately 30% of the total of Paris Club claims correspond to debt that has previously been rescheduled under a Paris Club agreement.

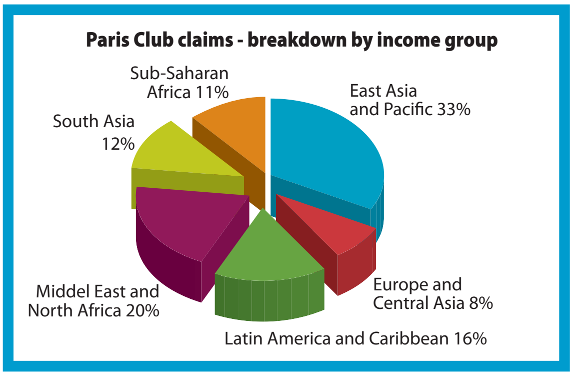
Thanks to the important debt cancellations already granted by Paris Club creditors[4], only 9% of Paris Club claims are owed by countries that are eligible for the Heavily Indebted Poor Countries (HIPC) initiative. In addition to that, Paris Club creditors intend to cancel most of the remaining claims on countries that implement poverty-reducing and other economic reforms under the enhanced Heavily Indebted Poor Countries (HIPC) Initiative and through additional bilateral debt relief efforts.



Nearly one third of the Paris Club claims are held on emerging market countries from Asia, Africa and South America that are members of the G20.
The charts below show the breakdown of Paris Club claims by region and by income group using World Bank classification.



4 The Paris Club contribution to HIPC debt relief amounts to USD 26 billion in end-2007 NPV terms for the 33 post-decision point HIPCs (50% of the overall assistance), of which:
- USD 18.8 billion granted to the 23 post-completion point HIPCs, with USD 11.5 billion corresponding to 100% of the debt relief effort committed by the Paris Club within HIPC and an additional USD 7.4 billion provided within bilateral efforts by Paris Club members beyond HIPC ;
- USD 7.1 billion committed in the end as part of HIPC assistance to all 10 interim HIPCs. The Paris Club has already provided preliminary and interim HIPC debt relief to those countries and some Paris Club members extend additional debt relief beyond usual HIPC assistance once decision point has been reached.



The Paris Club outreach policy

One of the major events in 2008 has been the Paris Club carrying further its outreach policy towards major private and sovereign creditors that are not members of the Paris Club.

In their submission for the Doha Conference on Financing for Development (19 November 2008), Paris Club creditors reiterated their commitment to advancing coordination with other creditors in order to shore up the representativeness of the Paris Club and to preserve the efficiency of its action.

The annual meeting with representatives of private creditors took place on 11 June 2008 and was for the first time attended by officials from sovereign creditors, including Brazil, China (China Ex-Im Bank), Israel, Kuwait (Kuwait Investment Authority), South Africa, South Korea, Turkey and the United Arab Emirates (Abu Dhabi Fund for Development). The event provided for a first round of discussions amongst all major developing countries' creditors on a number of issues, including specific country-cases (Argentina, Congo, Sudan, Iraq…) and cross-cutting subjects (South/South financing flows, impact of then fledgling market turmoil on market access developing countries).

The Chairman of the Paris Club finally proposed to move ahead with two permanent working groups:

1. A working group co-steered by the Paris Club and the IIF (Institute of International Finance) aimed at capturing the magnitude of litigation against HIPCs and investigating possible additional remedial measures by the international community.

One of the outcomes will be the release of a survey to improve the understanding of the litigating creditors' issue on the basis of updated figures.

2. Another one established by the Paris Club with all major sovereign creditors, with a view to pursuing and deepening the dialogue on external debt-related issues.

This working group represents a unique forum gathering the most significant developing countries' sovereign creditors dealing with a broad and encompassing set of issues related to sovereign debt, ranging from debt restructuring to debt sustainability in post debt relief low-income countries.

Participants met in Paris on 27 October 2008. 11 countries which are not members of the Paris Club were represented: Bulgaria, Brazil, China, India, Israel, Kuwait, Romania, South Africa, South Korea, Turkey and the United Arab Emirates. Three main subjects were addressed:

- The status of implementation of the HIPC initiative: technicalities on the provision of debt relief for different debt categories ("pre- and post-cut-off date") and calculation of debt reduction factors were discussed. Participants also raised the impact of the ongoing financial crisis on debt relief prospects. The global slowdown might affect the supply of debt relief by sovereign creditors who face economic hardship and at the same time increase the needs on the debtor's side due to deteriorating debt ratios.

- Burden sharing amongst creditors: one sovereign creditor's representative emphasized the need to provide major creditors with an opportunity to express their views ahead of Paris Club debt restructuring operations. Participants favored strengthening "upstream" coordination between the Paris Club and all other major creditors before any debt treatment is granted, in order for all creditors to have a comprehensive overview of

The point of view of Mr. Memduh Aslan AKÇAY, Director General, Turkish Treasury

Since its inception in 1956, Paris Club has been a unique platform for debt rescheduling transactions amongst the sovereigns. In this regard, we attach great importance to Paris Club as it builds a solid ground for debtors and creditors by generating solutions for payment difficulties of debtor countries. As a non member country taking part in debt rescheduling transactions of Paris Club, with the role of a debtor in the past and a current lender country, we expect to enhance our relations with Paris Club in the near future through active participation in Paris Club's meetings and debt negotiations.
Debt treatments provided by Paris Club created a highly efficient mechanism by helping low income countries to improve their economic performance and alleviate poverty. However, addressing complex challenges of debt restructuring has become more complicated as the global economy is passing through a serious financial crisis. In this environment, debt restructuring operations gain more importance since low income countries tend to be more prone to adverse impacts of financial crisis. On the other hand, recent global crisis provides an opportunity for international creditors to identify and address the inefficiencies in debt restructuring mechanisms.
The coming years will certainly bring new challenges against building a solid framework for debt crisis resolutions. Growing number of countries facing debt crisis requires coordinated action of member and non member creditors under Paris Club. In this context, debt restructurings should ensure fair burden sharing among creditors according to their financial capabilities. Along the same lines, collective and synchronized efforts of all creditors will enhance the efficiency and transparency of future debt treatments.
Paris Club has always been responsive to the needs of debtor countries by establishing fundamental principles to effectively conduct debt negotiations and treatments. We believe that Paris Club will play the same significant role and continue to make further improvements in current debt restructuring mechanisms.

credit exposure on the debtor country and to have the opportunity to make suggestions on the design of debt restructuring schemes.
- Participation of non Paris Club sovereign creditors in Paris Club negotiations as a practical step forward in advancing dialogue between creditors: participants agreed to consider setting up an informal network, with a view to sharing information inter alia on upcoming negotiations within the Paris Club.
On this basis, non-Paris Club countries would then decide whether or not to apply for participation in the negotiations

The comparability of treatment challenges

Comparability of treatment is one of the five key principles of the Paris Club (see in Annex 3).
The Paris Club agreements include a "comparability of treatment" clause, which aims to ensure balanced treatment of the debtor country's debt by all external creditors. In accordance with this clause, the debtor country undertakes to seek from non-multilateral creditors, in particular other official bilateral creditor countries that are not members of the Paris Club and private creditors (mainly banks, bondholders and suppliers), a treatment on terms comparable to those granted in the Paris Club agreement.
In the framework of the Heavily Indebted Poor Countries initiative, comparability of treatment is particularly crucial for the long term success of the initiative, as achieving and maintaining a sustainable debt burden requires that all creditors grant debt relief in line with the common reduction factor (as calculated by the IMF).
The "comparability of treatment" clause helps debtor countries to obtain debt relief from non-Paris Club creditors as favorable as that granted by Paris Club creditors.
During the last two years, while stressing more vigorously the importance they attached to the respect of the comparability of treatment principle, Paris Club creditors have strongly enhanced their action in order to facilitate the implementation of

the comparability of treatment clause, in particular as regards HIPCs.

First, the content of the clause itself was enhanced. In particular, debtor countries having reached their Decision Point under the HIPC initiative commit to create a structure dedicated to negotiations with their non-Paris Club creditors. Moreover, they have to report to the Paris Club Chairman on a regular basis on the progress made in negotiating comparable debt relief with their other creditors. This facilitates the follow-up on the status of implementation of the clause.

In parallel, Paris Club creditors recognized that it can be difficult for debtor countries to obtain comparable treatment from their other creditors by themselves, due to technical or sometimes political difficulties.

In this context, the Chairman of the Paris Club wrote to the Managing Director of the IMF and to the President of the World Bank, pointing out that technical assistance and capacity building in debt management are crucial for a better implementation of the comparability of treatment and stressing that Paris Club creditors think that technical assistance that the two institutions provide to debtor countries should include some debt management capacity building.

On its side, the Secretariat of the Paris Club regularly helps debtor countries, when appropriate, to initiate contacts with non-Paris Club bilateral creditors or to assess if a creditor's debt relief offer respects the comparability of treatment. If a debtor country indicates that it has real difficulties in organising debt relief negotiations with a specific creditor, an official letter from the Paris Club can be sent to the relevant creditor inviting him to respond favorably to the request of the debtor country.

Finally, since January 2008, HIPCs receive a document explaining in a clear and simple manner what comparability of treatment means and what precise financial efforts (in percentage of cancellation) are required from the various categories of other creditors under the HIPC framework. This document is drafted in such a manner that it could be circulated by the debtor country to all its other creditors.

The Paris Club Secretariat has been particularly active on these issues in 2008. It has especially been in constant dialogue with the Central African Republic and Guinea in order to help them in their negotiations with their non Paris Club creditors following the Paris Club agreements concluded with these countries respectively in June and December 2007 and in January 2008.

What does comparability of treatment mean?

Paris Club creditors do not expect the debtor's agreements with its other creditors to exactly match the terms of the Paris Club's own agreement. Instead, given the diversity of creditors, they require that the debtor seek terms "comparable" with the Paris Club's agreement. They also require the debtor to share with them the results of its negotiations with other creditors.

In practice, Paris Club creditors take a broad-based approach in their assessment as to whether a debtor has met the comparability of treatment requirement. Factors for assessing comparability include, for each type of creditor, changes in nominal debt service, net present value and duration of the restructured debt. No kind of debt instrument is inherently protected from treatment. However, Paris Club creditors do consider on a case-by-case basis whether mitigating factors argue against demanding comparable treatment from a particular creditor or on a particular debt instrument. They can make exceptions, for example, when the debt only represents a small proportion of the country's debt burden and when restructuring would unduly interfere with the smooth running of trade. Short-term trade finance is generally excluded from Paris Club rescheduling.

Non-Paris Club official bilateral creditors grant medium or long-term loans generally similar to those provided by Paris Club creditors. Consequently, non-Paris Club official bilateral creditors often restructure on terms very similar to those agreed within the Paris Club. These creditors may also participate in Paris Club treatments and, under these circumstances, apply exactly the same treatment as that applied by Paris Club creditors.

By contrast, debt instruments held by external private creditors are more diverse. There is a long track record of international banks rescheduling their exposures to sovereign borrowers, often through the so-called "London Club" or ad-hoc creditors committees. The Paris Club's experience is that it can be more difficult to make a direct comparison between the efforts of creditors that choose to reschedule flows and those that restructure their stock of debt. For example, in recent cases where debtors have sought financial relief from bondholders, the debtors have offered new bonds in exchange for the existing instrument. As a general rule, comparability of treatment is assessed on the basis of the effect of private treatments compared with the effect of Paris Club treatments (in terms of duration, net present value and flow relief).

By insisting on the respect of the comparability of treatment clause, Paris Club creditors ensure that their claims are not subordinated to those of other creditors and that their financial interests are preserved. Moreover, applying such a clause helps ensure that the agreed debt treatment reaches its intended goal of putting countries' debt burdens on a sustainable path.

ANNEXES

Annex 1
Key Features of the Paris Club

Who are the members of the Paris Club?

There are nineteen permanent Paris Club members: Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Ireland, Italy, Japan, the Netherlands, Norway, Russian Federation, Spain, Sweden, Switzerland, the United Kingdom and the United States of America.

Other official creditors can also take part in Paris Club debt negotiations provided that the permanent members and the debtor country agree. Creditors participating in debt negotiations agree to act in good faith and to respect the Paris Club's rules and principles. They fully take part in the decision process and in the elaboration of the consensus. If they sign the agreement that formalizes the debt treatment granted to a debtor country, they have to conclude bilateral agreements that implement this Paris Club agreement. However, exceptionally, if they consider that they will not be able to implement the terms and conditions agreed upon by the other Paris Club creditors and the debtor, they can withdraw from the negotiation. Brazil, Israel, Portugal and South Korea are the creditor countries associated with the Paris Club that have participated in the largest number of negotiations.

Last but not least, international institution observers also attend Paris Club negotiation meetings. In particular, International Monetary Fund and World Bank representatives attend every single Paris Club meeting. They do not take part in decisions but they are asked to present their views on the debtor's economic and financial situation.

The Paris Club Secretariat.

How does the Paris Club work?

The Chairman of the Paris Club is traditionally the head of the French Treasury. His deputies serve as co chairman and vice chairman. A permanent **Secretariat** run by a twelve-person team of French Treasury officials was set up at the end of the 1970s. Four deputies assist the Secretary General of the Paris Club with country cases and general issues.

Creditor countries meet ten times a year for negotiations to discuss the external debt situation of debtor countries and methodological issues regarding the debt of developing countries (**"tour d'horizon" meetings**). These meetings are held in Paris.

Negotiation meetings are organized when requested by a debtor country. A debtor country approaches the Paris Club for a negotiation when it has concluded an agreement with the IMF on a program that shows that the country is unable to meet its debt obligations and thus needs a new payment arrangement with its external creditors. As the Paris Club is not an institution, creditor countries taking part in the debt treatment sign the Agreed Minutes, also signed by the representative of the debtor country, which is a recommendation to their governments to negotiate and sign a legally binding bilateral agreement with the debtor country.

Annex 2

Amounts due to Paris Club creditor countries by foreign sovereign and other public debtors as of 1st September 2008

The table below aggregates the amounts due to the Paris Club from sovereign and other public debtors as of 1st September 2008.

These claims are held either by the Paris Club member States directly, or through their appropriate institutions (especially export credit or official development aid agencies) on behalf of the member States.

The table contains comprehensive data that cover the full range of claims held by Paris Club members on any sovereign countries and public entities. It therefore encompasses very different categories of debtors, around half of which have always fully serviced their debt due to Paris Club members. Only 85 of the debtor countries listed in the table have already negotiated agreements with the Paris Club. A significant part of the countries listed below are very unlikely to apply for debt relief in the future given their current macroeconomic prospects.

The stock of claims is aggregated at a debtor country level. Official Development Assistance (ODA) claims and non-Official Development Assistance claims are indicated separately.

The total of Paris Club claims, excluding late interest, amounts to USD 330.2 billion, of which USD 172.5 billion of ODA claims and USD 157.7 billion of non-ODA claims.

Paris Club's claims as of 1st September 2008 (in USD million)

Debtor country	Outstanding Debt (Official Development Assistance)	Outstanding Debt (non-Official Development Assistance)	TOTAL
Afghanistan	97	844	941
Albania	386	38	424
Algeria	1 569	5 052	6 621
Angola	254	769	1 024
Antigua and Barbuda	8	69	78
Argentina	957	5 515	6 472
Armenia	257	0	257
Azerbaijan	457	30	487
Bahrain	0	84	84
Bangladesh	1 996	78	2 074
Barbados	19	0	19
Belarus	58	1 694	1 752
Belize	11	1	12
Benin	35	26	61
Bolivia	207	2	209
Bosnia and Herzegovina	186	599	785
Botswana	50	0	50
Brazil	1 120	1 737	2 857
Bulgaria	247	403	650
Burkina Faso	102	0	103
Burundi	130	2	132
Cambodia	551	1 406	1 957
Cameroon	1 328	25	1 353
Cape Verde	23	18	41
Central African Republic	2	52	54
Chad	10	49	58
Chile	175	30	205
China	22 444	4 807	27 251
Colombia	263	316	579
Comoros	3	8	11
Congo, Republic of the...	490	2 464	2 954
Costa Rica	218	22	240
Côte d'Ivoire	3 551	3 123	6 673
Croatia	31	119	149

Debtor country	Outstanding Debt (Official Development Assistance)	Outstanding Debt (non-Official Development Assistance)	TOTAL
Cuba	270	29 422	29 692
Cyprus	5	0	5
Czech Republic	0	72	72
Democratic People's Republic of Korea	142	9 403	9 544
Democratic Republic of the Congo	2 223	3 858	6 081
Djibouti	73	17	89
Dominica	123	9	132
Dominican Republic	374	477	851
Ecuador	676	701	1 377
Egypt	11 229	7 533	18 762
El Salvador	651	39	690
Equatorial Guinea	0	86	86
Eritrea	100	0	100
Ethiopia	275	163	438
Fiji	18	2	20
Gabon	173	467	640
Gambia	3	1	4
Georgia	265	123	387
Ghana	359	2	361
Greece	0	424	424
Grenada	4	15	18
Guatemala	292	0	292
Guinea	295	399	695
Guinea-Bissau	10	106	116
Guyana	6	0	6
Haiti	80	108	187
Honduras	161	4	165
Hungary	1	183	184
India	15 425	3 560	18 985
Indonesia	26 599	9 601	36 200
Iran, Islamic Republic of...	259	1 029	1 287
Iraq	335	16 446	16 781
Israel	1 186	1 052	2 238
Jamaica	453	30	482
Jordan	2 140	181	2 322
Kazakhstan	760	165	924
Kenya	1 750	320	2 070
Kyrgyzstan	332	203	536
Lao People's Democratic Republic	79	393	472
Latvia	6	0	6
Lebanon	426	546	972
Lesotho	23	0	23
Liberia	143	470	613
Libyan Arab Jamahiriya	0	4 547	4 547
Madagascar	173	123	296
Malawi	20	6	26
Malaysia	2 613	1 088	3 701
Maldives	13	0	13
Mali	61	15	76
Malta	2	0	2
Mauritania	71	29	100
Mauritius	126	38	164
Mexico	1 061	388	1 449
Mongolia	427	186	614
Montenegro	44	131	175
Morocco	4 193	151	4 343
Mozambique	196	172	368
Myanmar	2 598	629	3 227
Namibia	170	25	195
Nepal	206	2	208
Nicaragua	78	140	218
Niger	0	4	4
Nigeria	0	7	7
Oman	0	1 609	1 609
Pakistan	9 331	3 628	12 959
Panama	133	3	136

Debtor country	Outstanding Debt (Official Development Assistance)	Outstanding Debt (non-Official Development Assistance)	TOTAL
Papua New Guinea	318	0	318
Paraguay	419	9	428
Peru	2 418	1 245	3 663
Philippines	10 532	2 191	12 723
Poland	98	4 471	4 569
Portugal	11	1	11
Qatar	0	8	8
Republic of Korea	259	30	289
Republic of Moldova	67	176	242
Romania	396	673	1 068
Saint Kitts and Nevis	10	0	10
Saint Lucia	23	0	23
Saint Vincent and the Grenadines	18	0	18
Sao Tome and Principe	1	22	23
Saudi Arabia	0	9	9
Senegal	58	74	132
Serbia	409	2 176	2 585
Seychelles	63	29	92
Sierra Leone	74	0	74
Slovakia	84	12	95
Slovenia	6	0	6
Somalia	691	871	1 562
South Africa	242	3	245
Sri Lanka	4 338	66	4 404
Sudan	1 368	3 535	4 902
Suriname	12	19	31
Swaziland	81	3	84
Syrian Arab Republic	1 353	1 271	2 624
Tajikistan	15	306	321
Thailand	5 416	271	5 687
The former Yugoslav Republic of Macedonia	99	5	103
Togo	76	654	731
Tonga	2	0	2
Trinidad and Tobago	2	0	2
Tunisia	2 785	140	2 924
Turkey	4 015	1 763	5 779
Turkmenistan	52	195	246
Uganda	29	3	31
Ukraine	44	1 749	1 793
United Arab Emirates	0	18	18
United Republic of Tanzania	253	22	275
Uruguay	118	290	408
Uzbekistan	827	237	1 065
Vanuatu	5	0	5
Venezuela, Bolivarian Republic of...	95	596	692
Viet Nam	7 092	1 064	8 156
Yemen	442	1 306	1 748
Zambia	9	228	237
Zimbabwe	1 197	887	2 084
Others	83	1 150	1 233
TOTAL	**172 478**	**157 685**	**330 163**

Disclaimer:

Although every effort has been made to ensure the accuracy of the information it contains, this table does not constitute a document of record.
In particular, some of the claims have not been reconciled with debtor countries. In addition to that, the amounts indicated do not include late interest due to Paris Club creditors by debtor countries in partial or full default of payment. The non publication of the amounts of late interest does not bring into question the existence and validity of these late interest amounts and the fact that they have to be paid. The table also does not include certain older, pre-1945 sovereign debts. A significant part of the claims held by Paris Club members are denominated in currencies other than the US dollar. The amounts in the table are therefore subject to fluctuations of exchange rates. This table is provided for informative purpose only. It is updated yearly. The Paris Club shall not be liable for the use and interpretation of the information provided in this table.

Annex 3
Key Principles of the Paris Club

All Paris Club agreements are built on **five key principles**. These five principles underpin the common discipline that creditors agree to respect at all times in order to ensure maximum efficiency of their collective action vis-à-vis debtor countries and other creditors.

The Five Key Principles underlying Paris Club Agreements

Case-by-case
The Paris Club makes decisions on a case-by-case basis in order to tailor its action to each debtor country's individual situation. This principle was consolidated by the Evian Approach.

Consensus
Paris Club decisions cannot be taken without a consensus among the participating creditor countries.

Conditionality
Debt treatments are granted to countries that need debt relief and adopt appropriate reforms to solve their payment difficulties. In practice, conditionality is met when an appropriate program supported by the IMF demonstrates the need for debt relief.

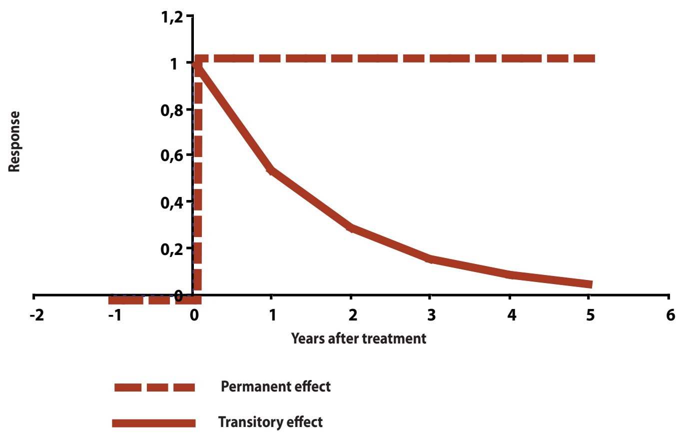
Solidarity
All members of the Paris Club should act as a group in their dealings with a given debtor country and be sensitive to the effect that the management of their particular claims may have on the claims of other members.

Comparability of treatment
The debtor country that signed an agreement with its Paris Club creditors should not accept from its non-Paris Club creditors terms of treatment of its debt less favorable for the debtor than those agreed within the Paris Club.

Annex 4

Quantitative impact of debt cancellations on economic growth

Figure 1 : Profile of response to cancellation used



The Paris Club grants debt cancellation through Naples and Cologne terms for HIPC countries, or through the so-called Evian approach, when it is necessary to restore sustainability and under specific conditions. Using the full record of these debt cancellations, it is possible to assess their quantitative impact on economic growth.

The model used, makes the following assumptions: the growth $y_{i,t}$ of a country *i* at time *t* (in years after the date of the cancellation) can be decomposed into four components.

– An idiosyncratic *constant term*: c_i which reflect the average level of growth in a specific country.

– A *transitory* effect: $a_i T_i$, which represents the short term impact of the cancellation scaled by the size of the cancellation in percentage of GDP: a_i.

– A *permanent* effect: *aiPi*, which represents the permanent impact of the cancellation scaled by the size of the cancellation in percentage of GDP: a_i.

– An error term which is assumed to be a Gaussian white noise: $\varepsilon_{i,t}$

The model can hence be written:

$$y_{i,t} = c_i + \alpha a_i T_t + \beta a_i P_i + \varepsilon_{i,t}$$

, with α and β being the multiplicators of respectively the transitory and permanent effect.

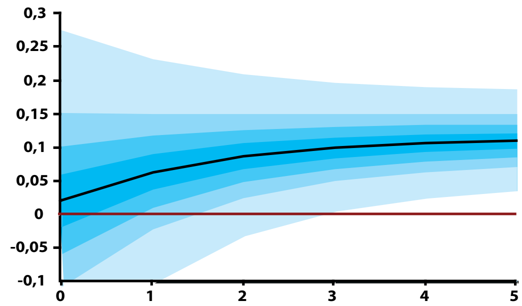
The permanent effect profile is 0 before the cancellation and 1 after. The *transitory* effect is modelled by an exponentially decreasing profile (after the date of the cancellation) with decay coefficient γ.

By estimating the model, using *Maximum-likelihood estimation*, we can have a quantitative assessment of the impact to measure for each year after the debt treatment.

The short-run impact is quite moderate (+2 basis points) and not statistically significant, whereas the medium-run impact is significantly positive (+10 basis points). This shows that the impact of debt cancellations is significant but takes some times (about 3 years) to materialize.

This measure should not be interpreted as the effect of debt relief from the Paris Club alone because of private sector involvement, through the comparability of treatment principle, and – in the case of HIPC countries – multilateral efforts. Nevertheless it gives a good picture of the overall impact of debt relief operations in which the Paris Club is involved.

Figure 2 : cancellation of an amount representing 1% of GDP- Impact on the growth rate of the debtor country



This fan chart represents, for each year before or after the decision of cancellation, the 50th, 60th, 70th, 80th and 95th percentile of the distribution of the impact assuming the model.

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The Paris Club Secretariat can be contacted at the following address:
Secrétariat du Club de Paris
Direction générale du Trésor et de la politique économique
139, rue de Bercy - Télédoc 551
75572 Paris Cedex 12
France

More information are available on the Paris Club website

http://www.clubdeparis.org

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