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# Record Removal Notice



<b>File Title</b> Paris Club - 95-08 (Nov. 15-17, 1995 meeting)		<b>Barcode No.</b>  1338029		
<b>Document Date</b> 17 November, 1995	<b>Document Type</b> Report			
<b>Correspondents / Participants</b>				
<b>Subject / Title</b> Summaries of Paris Club Discussions				
<b>Exception(s)</b> Information Provided by Member Countries or Third Parties in Confidence				
<b>Additional Comments</b>		<p>The item(s) identified above has/have been removed in accordance with The World Bank Policy on Access to Information. This Policy can be found on the World Bank Access to Information website.</p> <table border="1"><tr><td><b>Withdrawn by</b> Tonya Ceesay</td><td><b>Date</b> 20-Apr-16</td></tr></table>	<b>Withdrawn by</b> Tonya Ceesay	<b>Date</b> 20-Apr-16
<b>Withdrawn by</b> Tonya Ceesay	<b>Date</b> 20-Apr-16			

PARIS - 11/15/95

THE WORLD BANK/IFC/M.I.G.A.

# OFFICE MEMORANDUM

DATE: November 21, 1995

TO: Ms. Nawal Kamel, Chief, IECIF

FROM: R. P. Brigish, Operations Adviser, IECIF

EXTENSION: 33868

SUBJECT: **Paris Club Meeting, November 15-17, 1995 -- Back-to-Office Report**

1. The principal business this month was the rescheduling of the debt of **Cameroon**. One day was also spent preparing for discussions on a Multi-Year-Rescheduling Agreement (MYRA) with **Russia**. In the latter discussions, while some progress was made, no conclusions were reached and it was agreed to reconvene in either December, 1995 or January, 1996 to further the deliberations.

2. The tour d'horizon covered: **Bolivia, Congo, Croatia, Cuba, Guatemala, Guinea (Conakry) Ghana, Honduras, Madagascar, Nicaragua, Nigeria, Slovenia, Venezuela, and Zambia**. Summaries of these discussions are contained in country pages attached to this memorandum.

## **CAMEROON**

3. The discussions were protracted and difficult, not least because Cameroon had paid creditors little or nothing under their 1994 Paris Club agreement which had been accorded on Enhanced Toronto Terms. Creditors did concede that the authorities' room to maneuver was extremely limited, that they had taken a number of important decisions in the past year which indicated a stronger commitment to adjustment, and that therefore there were indications of an improved implementation of this agreement.

4. Cameroon was accorded a one-year agreement under Naples terms with a 50% reduction in debt or debt service to be accorded by those creditors which chose these options. In the event, though only one creditor took the debt reduction option, with three opting for the debt service reduction option. Eight creditors took the non-concessional option (providing for long-term rescheduling at market rates). The immediate cash-flow implications for Cameroon of this result are not too detrimental, given the grace periods permitted under the rescheduling terms. However, in the medium-term, the accumulation of interest at market rates during the grace period will be difficult for Cameroon, unless it succeeds in having the negotiated terms enhanced or topped up in subsequent reschedulings. For this to happen, strong adherence to IMF programs and to Paris Club agreements will be essential.

5. In another significant development, it was announced that there was now a consensus in the Paris Club to accord **Bolivia** a reduction of the stock of Paris Club debt.

### ***FUTURE MEETINGS***

6. The December, 1995 meeting is expected to reschedule the debts of **Gabon**, to consider a stock of debt operation for **Bolivia**. It will also review the results, after a year of implementation, of the Naples terms. In January, 1996, **Honduras** and **Russia** are expected to be on the agenda.

### **Distribution:**

**Messrs./Mmes.** (w/attachments) Baird (DECVP); Wilton (FRMRS); Kilby (SA1PF); Marshall, Chausse (AF1); Rogerson, Chevallier (AF3); Lafourcade, Okonjo-Iweala (AF4); Dervis, Noel (EC2); Segura, Dowsett-Coirolo (LA2); Isnman, Morrow, Nouvel (LA3); **Institutional ISC**.

**cc:** Messrs./Mmes. (w/o attachments): Kaji, Sandström, Frank, Lomax (EXC); Bruno (DECVP); Ahmed (IECDR); Jaycox, Kanbur (AFRVP); Reyes (IECDD); Rosenberg (AFRVP); Katz (AFTPS); Guerard (AF4DR); Cheetham, Walton, (EAPVP); Koch-Weser, Page (MNAVP); Wood, Salop (SASVP); Thalwitz, Selowsky (ECAVP); Huang, Mitra (EC3); Burki, Edwards (LACVP); Linn (FPRVP); Fukui (CFSVP); Wilson (FRSDR); Donovan (FRMDR); Rueda-Sabater, Lav (FRMRO); Pfeffermann (CEIED); Malloch Brown (EXTDR); Hudes (LEGMN); Handwerger, Wyss (Field Office, Paris); Jun, (IECIF); IEC Division Chiefs

AGREED MINUTE ON THE CONSOLIDATION  
OF THE DEBT OF THE REPUBLIC OF CAMEROON

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Shan  
John  
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I-A/ PREAMBLE

1. The representatives of the Governments of Austria, Belgium, Canada, Denmark, Finland, France, Germany, Italy, Japan, the Netherlands, Spain, Sweden, Switzerland, the United Kingdom and the United States of America hereinafter referred to as "Participating Creditor Countries", met in Paris on November 15 and 16, 1995 with representatives of the Government of the Republic of Cameroon in order to examine the request to alleviate the Republic of Cameroon's external debt service obligations. Observers of the International Monetary Fund, the International Bank for Reconstruction and Development, the Secretariat of the UNCTAD, the Organization for Economic Cooperation and Development and the European Commission also attended the meeting.

2. The Delegation of the Republic of Cameroon described the serious economic and financial difficulties faced by its country and the strong determination of the Republic of Cameroon's authorities to reduce the economic and financial imbalances and to attain the targets of the program supported by the stand by arrangement with the International Monetary Fund.

3. The representatives of the International Monetary Fund described the Republic of Cameroon's economic situation and the major elements of the adjustment program undertaken by the Government of the Republic of Cameroon, and supported by the stand by arrangement with the International Monetary Fund approved by the Executive Board of the Fund on September 27, 1995. This arrangement, covering the period ending on September 26, 1996, involves specific commitments in both the economic and financial fields.

4. The representatives of the Governments of the Participating Creditor Countries noted the strong measures of adjustment in the economic and financial program undertaken by the Government of the Republic of Cameroon and stressed the importance they attach to the continued and full implementation of this program and in particular, the revitalization of the productive sector of the economy and the improvement of public finances.

They took note of the Republic of Cameroon's chronic balance of payments problems and very heavy debt service obligations, in conjunction with very low per capita income, which were deemed, given the strong adjustment program noted above, to warrant exceptional treatment of the debt.

B/ DEFINITIONS

1. For the purpose of the present Agreed Minute, "the Appropriate Market Rate" means the rate, rounded to the nearest 1/16th of a point, and conditions of interest which will be determined bilaterally between the Government of the Republic of Cameroon and the Government or the appropriate institutions of each Participating Creditor Country.

2. The authenticated tables attached to the present Agreed Minute and referred to hereafter form an integral part of the present Agreed Minute. As concerns the repayment schedules indicated in Tables A1, A2, C1, and D1, it is understood that "semester" means a period of six successive months. The first semester referred to in the Tables is the period beginning on September 30, 1996. For each semester it is understood that the due date is the first day of the corresponding semester.

3. Late interest charges are those interest charges accruing between the contractual payment date of principal and interest due and not paid, and a date to be fixed in the bilateral agreements concluded for the implementation of the present Agreed Minute.

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## II- RECOMMENDATIONS ON TERMS OF THE REORGANIZATION

In view of the serious payment difficulties faced by the Republic of Cameroon, the representatives of the Participating Creditor Countries agreed to recommend to their Governments or their appropriate institutions that they provide, through rescheduling or refinancing, debt relief for the Republic of Cameroon on the following terms :

### 1. Debts concerned

The debts to which this reorganization will apply are the following :

a) loans from Governments or appropriate institutions of the Participating Creditor Countries, having an original maturity of more than one year, and which were extended to the Government of the Republic of Cameroon or covered by its guarantee, including payments due under previous bilateral consolidations, concluded before December 31, 1988 ;

b) commercial credits guaranteed or insured by the Governments of the Participating Creditor Countries or their appropriate institutions, having an original maturity of more than one year, and which were extended to the Government of the Republic of Cameroon or covered by its guarantee including payments due under previous bilateral consolidations, pursuant to a contract or other financial arrangement concluded before December 31, 1988 ;

c) repayments of principal and interest due as a result of the consolidation agreements concluded according to the Agreed Minutes dated May 24, 1989, and January 23, 1992 (excluding the amounts referred to in Article III, paragraph 8. a) of the January 23, 1992 Agreed Minute) ;

d) Repayments of principal and interest due as a result of the consolidation agreements concluded according to the Agreed Minute dated March 25, 1994 (excluding the amounts referred to in Article III, paragraphs 8. a) and 8. b))

It is understood that debt service, due as a result of debts described above in the present Agreed Minute and effected through special payment mechanisms or other external accounts, is included in the present reorganization. Participating Creditor Countries will reschedule, refinance or take other appropriate measures to ensure that this category of debt is treated in a manner comparable to other debt subject to this Agreed Minute.

### 2. Terms of the consolidation

The debt relief will apply as follows :

#### A/ As regards credits or loans granted or guaranteed by the Governments of France or its appropriate institutions

a) 50% of the amounts of principal and interest (excluding late interest) due from October 1, 1995 up to September 30, 1996 inclusive and not paid on credits, loans and consolidations mentioned in paragraphs 1.a), 1.b) and 1.c) above and not covered by paragraph C/ below will not need to be repaid by the Government of the Republic of Cameroon. The remaining 50% will be rescheduled or refinanced. Repayment by the Government of the Republic of Cameroon of the corresponding sums will be made as described in Table A1 attached to the present Agreed Minute ;

b) the rates and the conditions of interest on the rescheduling or refinancing arrangements covered by paragraph a) above will be determined bilaterally between the Government of the Republic of Cameroon and the Government or appropriate institutions of the Participating Creditor Country concerned on the basis of the Appropriate Market Rate.

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**B/ As regards credits or loans granted or guaranteed by the Governments of Austria, Spain and Switzerland or their appropriate institutions.**

a) 100% of the amounts of principal and interest (excluding late interest) due from October 1, 1995 up to September 30, 1996 inclusive and not paid on credits, loans and consolidations mentioned in paragraphs 1.a), 1.b) and 1.c) above and not covered by paragraph C/ below will be rescheduled or refinanced.

Repayment by the Government of the Republic of Cameroon of the corresponding sums will be made as described in Table A2 attached to the present Agreed Minute.

b) the rates and the conditions of interest on the rescheduling and refinancing arrangements covered by paragraph a) above will be determined bilaterally between the Government of the Republic of Cameroon and the Government or appropriate institutions of the Participating Creditor Countries on the basis of the Appropriate Market Rate and the reduction in net present value to be achieved on each category of debts as defined in paragraph c) below hereafter, according to Table B2 attached to the present Agreed Minute.

c) The reduction in net present value to be achieved is 50% on credits, loans and consolidations mentioned in paragraphs 1.a), 1.b), and 1.c) above.

**C/ As regards Official Development Assistance loans (ODA) granted by the Governments of the Participating Creditor Countries listed in paragraphs A/ and B/ above, or their appropriate institutions as well as the Governments of Finland and Japan or their appropriate institutions.**

a) The present paragraph applies to Official Development Assistance (ODA) loans, according to OECD definition, extended to the Government of the Republic of Cameroon by the Governments or appropriate institutions of the Participating Creditor Countries concerned by paragraphs A/ and B/ above as well as the Governments of Finland and Japan or their appropriate institutions, concluded before December 31, 1988, as well as to the consolidation of such loans concluded according to the Agreed Minutes dated May 24, 1989 and January 23, 1992 ;

b) recognizing the great value of contributions already made by the Participating Creditor Countries through various means in order to alleviate further the burden of servicing these debts, 100% of the amounts of principal and interest (excluding late interest) due from October 1, 1995 up to September 30, 1996 inclusive and not paid on loans and consolidations mentioned in paragraph a) above will be rescheduled or refinanced.

Repayment by the Government of the Republic of Cameroon of the corresponding sums will be made as described in Table D1 attached to the present Agreed Minute.

c) The rates and the conditions of interest on the rescheduling or refinancing arrangements covered by paragraph b) above will be determined bilaterally between the Government of the Republic of Cameroon and the Government or appropriate institutions of the concerned Participating Creditor Countries. These rates and conditions of interest should be at least as favourable as the concessional rate applying to those loans.

**D/ As regards credits or loans granted or guaranteed by the Governments of Belgium, Canada, Denmark, Germany, Italy, the Netherlands, Sweden, the United Kingdom and the United States of America or their appropriate institutions**

a) 100% of the amounts of principal and interest (excluding late interest) due from October 1, 1995 up to September 30, 1996 inclusive and not paid on credits, loans, and consolidations mentioned in paragraphs 1.a), 1.b) and 1.c) above will be rescheduled or refinanced.

Repayment by the Government of the Republic of Cameroon of the corresponding sums will be made as described in Table C1 attached to the present Agreed Minute.

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b) The rates and the conditions of interest applying on the rescheduling or refinancing arrangements covered by paragraph a) above will be determined bilaterally between the Government of the Republic of Cameroon and the Government or appropriate institutions of the concerned Participating Creditor Countries on the basis of an Appropriate Market Rate. As concerns the Official Development Assistance loans, it is understood that the rates and the conditions of interest should be at least as favourable as the concessional rates applying to those loans.

E/ As regards the amounts due and not paid as at September 30, 1995 on loans, credits and consolidations mentioned in paragraphs 1.a), 1.b) and 1.c) and as regards the consolidation agreement mentioned in paragraph 1.d) above :

a) 100 % of the amounts of principal and interest (including late interest) due as at September 30, 1995 inclusive and not paid on loans, credits and consolidations mentioned in paragraphs 1.a), 1.b), 1.c) and 1.d) will be rescheduled or refinanced.

b) 100 % of the amounts of principal and interest (excluding late interest) due from October 1, 1995 up to September 30, 1996 inclusive and not paid on the consolidation agreement mentioned in paragraph 1.d) above will be rescheduled or refinanced ;

Repayment by the Government of the Republic of Cameroon of the corresponding sums will be made as follows :

- 0,58 % on September 30, 1999 ;	- 0,76 % on March 31, 2000 ;
- 0,96 % on September 30, 2000 ;	- 1,17 % on March 31, 2001 ;
- 1,39 % on September 30, 2001 ;	- 1,63 % on March 31, 2002 ;
- 1,89 % on September 30, 2002 ;	- 2,16 % on March 31, 2003 ;
- 2,45 % on September 30, 2003 ;	- 2,76 % on March 31, 2004 ;
- 3,09 % on September 30, 2004 ;	- 3,44 % on March 31, 2005 ;
- 3,81 % on September 30, 2005 ;	- 4,20 % on March 31, 2006 ;
- 4,62 % on September 30, 2006 ;	- 5,07 % on March 31, 2007 ;
- 5,54 % on September 30, 2007 ;	- 6,04 % on March 31, 2008 ;
- 6,56 % on September 30, 2008 ;	- 7,12 % on March 31, 2009 ;
- 7,72 % on September 30, 2009 ;	- 8,34 % on March 31, 2010 ;
- 9,01 % on September 30, 2010 ;	- 9,69 % on March 31, 2011.

c) The rates and the conditions of interest on the financial arrangements covered by Article II.2, paragraph E/ of this Agreed Minute will be determined bilaterally between the Government of the Republic of Cameroon and the Government or appropriate institutions of each Participating Creditor Country on the basis of the appropriate market rate.

As regards Official Development Assistance loans, the rates and the conditions of interest should be at least as favourable as the concessional rates applying to those loans.

### 3. Debt swaps

On a voluntary and bilateral basis, the Government of each Participating Creditor Country or its appropriate institutions may sell or exchange, in the framework of debt for nature, debt for aid, debt for equity swaps or other local currency debt swaps :

(i) the amounts of outstanding loans mentioned in paragraph 1 above as regards official development aid loans and direct government loans ;

(ii) the amounts of other outstanding credits mentioned in paragraph 1 above, up to 10 % of the amounts of outstanding credits as of December 31, 1991 or up to an amount of 20 million US dollars, whichever is higher.

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**III- GENERAL RECOMMENDATIONS**

1. In order to secure comparable treatment of its debt due to all its external public or private creditors, the Government of the Republic of Cameroon commits itself to seek from all its external creditors debt reorganization arrangements on terms comparable to those set forth in the present Agreed Minute for credits of comparable maturity.

Consequently, the Government of the Republic of Cameroon commits itself not to accord any category of creditors -and in particular creditor countries not participating in the present Agreed Minute, commercial banks and suppliers - a treatment more favourable than that accorded the Participating Creditor Countries.

2. The Government of the Republic of Cameroon will seek to secure, from each of its creditor countries not participating in the present Agreed Minute, rescheduling or refinancing arrangements on terms comparable to those set forth in the present Agreed Minute. The Government of the Republic of Cameroon agrees not to accord any such creditor country repayment terms more favourable than those accorded to the Participating Creditor Countries.

3. The Government of the Republic of Cameroon agrees that it will promptly negotiate rescheduling or refinancing arrangements with all other creditors on credits of comparable maturity.

The Government of the Republic of Cameroon will inform in writing the Chairman of the Paris Club not later than April 30, 1996 of the progress made for this purpose in negotiations with other creditors.

4. The provisions set forth in this Agreed Minute do not apply to countries with principal and interest falling due during the reorganization period on debts specified in Article II, paragraph 2, including arrears, of less than SDR 500,000. The payments owed to these countries should be made on the original due dates. Payments already due and not paid should be made as soon as possible and, in any case, not later than June 30, 1996. Interest will be charged on those amounts.

5. Each of the Participating Creditor Countries agrees to make available, upon the request of another Participating Creditor Country, a copy of its bilateral agreement with the Government of the Republic of Cameroon which implements this Agreed Minute. The Government of the Republic of Cameroon acknowledges this arrangement.

6. Each of the Participating Creditor Countries agrees to inform the Chairman of the Paris Club of the date of the signature of its bilateral agreement, of the interest rates, of the amounts of debts involved and of any implementation of debt conversions in application of paragraph II-3. above. The Government of the Republic of Cameroon acknowledges this arrangement.

7. The Government of the Republic of Cameroon will inform the Chairman of the Paris Club of the content of its bilateral agreements with creditors mentioned in paragraphs 1., 2. and 3. above.

8. The Government of the Republic of Cameroon undertakes to pay all debt service due and not paid as at the date of the present Agreed Minute on loans, on credits or pursuant to contracts or other financial arrangements payable on cash terms, extended or guaranteed by the Governments of the Participating Creditor Countries or their appropriate institutions, and not covered by the present Agreed Minute as follows :

*[Handwritten signatures and initials at the bottom of the page, including names like M, RB, A, J.W., and others.]*

a) 100% of the amounts of principal and interest (including late interest) due as at September 30, 1995 inclusive and not paid on loans and credits having an original maturity of more than one year pursuant to a contract or other financial arrangement concluded after December 31, 1988 will be paid as follows :

- 33,33 % on January 31, 1996 ;
- 33,33 % on February 29, 1996 ;
- 33,34 % on April 30, 1996 ;

These amounts will not be subject to any further reorganization.

b) 100 % of the amounts of principal and interest (including late interest) due and not paid as at September 30, 1995 on the amounts referred to in Article III, paragraph 8. a) of the January 23, 1992 Agreed Minute and in Article III, paragraphs 8.a) and 8.b) of the March 25, 1994 Agreed Minute will be paid as follows :

- |                                |                                |
|--------------------------------|--------------------------------|
| - 12,5 % on March 31, 1996 ;   | 12,5 % on May 31, 1996 ;       |
| - 12,5 % on June 30, 1996 ;    | 12,5 % on July 31, 1996 ;      |
| - 12,5 % on August 31, 1996 ;  | 12,5 % on September 30, 1996 ; |
| - 12,5 % on October 31, 1996 ; | 12,5 % on November 30, 1996.   |

These amounts will not be subject to any further reorganization.

c) The other amounts due and not paid as at September 30, 1995 will be paid as soon as possible and, in any case, not later than June 30, 1996.

d) All other amounts will be paid on due dates.

Late interest will be charged on those amounts.

#### IV - IMPLEMENTATION

The detailed arrangements for the rescheduling or refinancing of the debts will be accomplished by bilateral agreements to be concluded by the Government or the appropriate institutions of each Participating Creditor Country with the Government of the Republic of Cameroon on the basis of the following principles :

1. The Government or the appropriate institutions of each Participating Creditor Country will :

- either refinance debts by placing new funds at the disposal of the Government of the Republic of Cameroon, according to existing payment schedules, during the reorganization period and for the above mentioned percentages of payment. These funds will be repaid by the Government of the Republic of Cameroon according to the terms and conditions set out in Article II, paragraph 2. above ;

- or reschedule the corresponding payments.

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2. All other matters involving the rescheduling or the refinancing of the debts will be set forth in the bilateral agreements which the Government of the Republic of Cameroon and the Governments or the appropriate institutions of the Participating Creditor Countries will seek to conclude with the least delay and in any case before June 30, 1996.

3. Each Participating Creditor Country reserves the right to change its option chosen in the present Agreed Minute among options described in Article II paragraphs 2. A/ and 2. B/ hereabove not later than the date of the signature of the corresponding bilateral agreement.

4. To facilitate the implementation of the present Agreed Minute, the Government of the Republic of Cameroon will deposit in the special account established with the Banque de France, the equivalent of at least SDR 4.5 million at the end of each month, commencing on April, 1996 through August, 1996 inclusive. The Government of the Republic of Cameroon undertakes to have this Bank notify the Chairman of the Paris Club as soon as each deposit has been made. The total amount approximates the amounts estimated to be payable to all Participating Creditor Countries from October 1, 1995 up to September 30, 1996 inclusive under the terms of the bilateral agreements to be concluded pursuant to the present Agreed Minute. As specific payments under these agreements become due, the Government of the Republic of Cameroon will draw on the special account to meet these payments ; no drawing will be made on the special account for any other use before all payments due from October 1, 1995 up to September 30, 1996 inclusive under these agreements have been made. Any drawing on this account will be made after a previous 15-day notice to the above Bank, which this Bank will notify immediately to the Chairman of the Paris Club. This scheme could be continued by agreement between the parties.

5. In response to the request of the representatives of the Government of the Republic of Cameroon, the Participating Creditor Countries agreed in principle to a meeting to consider the matter of the Republic of Cameroon's debt service payments falling due after September 30, 1996 and relating to loans or credits pursuant to a contract or other financial arrangement concluded before December 31, 1988 provided :

- that the Republic of Cameroon continues to have an appropriate arrangement with the International Monetary Fund ;

- that the Republic of Cameroon has reached with other creditors effective arrangements meeting the conditions described in Article III paragraphs 1., 2. and 3. above and has reported in writing to the Chairman of the Paris Club, pursuant to Article III paragraphs 3. and 7. above ;

- and that the Republic of Cameroon has complied with all conditions set out in this Agreed Minute.

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6. If for the three years following the date of the signature of the present Agreed Minute, the Government of the Republic of Cameroon has maintained satisfactory relations with the Participating or Observer Creditor Countries, and notably fully implements all agreements signed with them and continues to have an appropriate arrangement with the International Monetary Fund, the Participating Creditor Countries agree in principle to consider holding a meeting on the matter of the Republic of Cameroon's stock of debt.

7. The provisions of Article II of the present Agreed Minute will come into force on March 31, 1996 provided that the Government of the Republic of Cameroon has made all payments due up to that date inclusive pursuant to Article III, paragraphs 8.a) and 8.b) of the present Agreed Minute and pursuant to Article III, paragraph 8.b) of the Agreed Minute dated March 25, 1994.

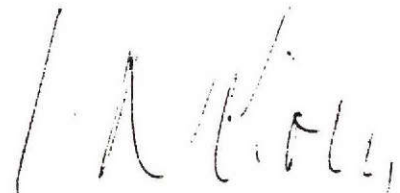
8. The representatives of the Government of each of the Participating Creditor Countries and of the Government of the Republic of Cameroon agreed to recommend to their respective Governments or appropriate institutions that they initiate bilateral negotiations at the earliest opportunity and conduct them on the basis of the principles set forth herein.

Done in Paris, on November 16, 1995  
in two versions, English and French,  
both texts equally authentic,

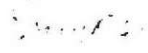
The Chairman  
of the Paris Club



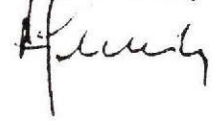
The Head of the delegation  
of the Republic of Cameroon



Delegation of Austria



Delegation of Italy



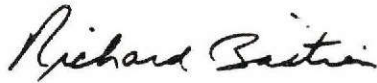
Delegation of Belgium



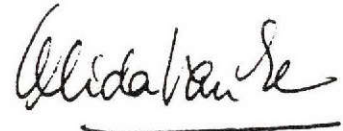
Delegation of Japan

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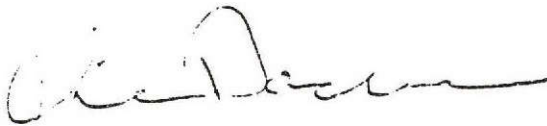
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Delegation of the Netherlands



Delegation of Denmark



Delegation of Spain



Delegation of Finland



Delegation of Sweden



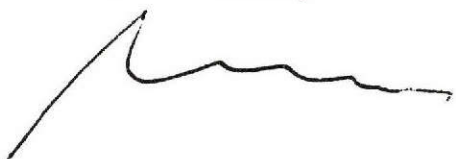
Delegation of France



Delegation of Switzerland



Delegation of Germany



Delegation of the United Kingdom



Delegation of the United States of America



**PARIS CLUB**  
**PRESS RELEASE**

**THE PARIS CLUB AGREES A DEBT RESTRUCTURING  
FOR THE REPUBLIC OF CAMEROON**

1. The Paris Club met on November 16, 1995 with representatives of the Republic of Cameroon. The representatives of the Creditor Countries agreed to recommend to their Governments a reorganization of the maturities falling due during the period covered by Cameroon's arrangement with the International Monetary Fund.

2. The representatives of the Creditor Countries noted that the Republic of Cameroon's low per capita income and heavy debt burden call for strong adjustment efforts together with generous treatment of debt.

The representatives of the Creditor Countries welcomed the implementation by the Government of the Republic of Cameroon of an economic and financial program supported by a stand by arrangement with the International Monetary Fund.

The agreement implements the "Naples Terms" agreed in December 1994 for the treatment of the poorest and most indebted countries.

3. In a voluntary manner, each Creditor Country may also undertake limited debt for nature, debt for aid, debt for equity swaps or other local currency swaps.

4. Creditor Countries also agreed under certain conditions to hold a meeting to consider, after a period of three years, the matter of the Republic of Cameroon's stock of eligible debt.

### 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 members of the Paris Club which participated in the Reorganization were representatives of the Governments Austria, Belgium, Canada, Denmark, Finland, France, Germany, Italy, Japan, the Netherlands, Spain, Sweden, Switzerland, the United Kingdom and the United States of America.
3. Observers at the meeting were representatives of the Governments of the International Monetary Fund, the International Bank for Reconstruction and Development, the Secretariat of the UNCTAD, the Organization for Economic Cooperation and Development and the European Commission.
4. The delegation of the Republic of Cameroon headed by Mr. Justin NDIORO, Minister of Economy and Finance, expressed its thanks to the Participating members of the Paris Club for their help in strengthening the Republic of Cameroon's economic and financial situation.
5. The meeting was chaired by Mr Bertrand de MAZIERES, Deputy Assistant Secretary at the Treasury at the Ministry of Economy, Vice President of the Paris Club.
6. The arrangement concluded by Cameroon with the International Monetary Fund was approved by the Fund's Executive Board on September 27, 1995 ; the stand by arrangement covers a period through September 1996.

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## CAMEROON

Paris Club, November 15, 1995

### Statement by the World Bank Representative

1. Cameroon is a potentially rich country. It grew by over 7 percent per annum in real terms from independence to the mid 1980s. Growth of oil production, however, spared it the need to adjust to the terms of trade shocks of the 1970s and early 1980s. But from 1986 onwards, Cameroon had not only to adjust to the decline in the prices of coffee and cocoa, and the appreciation of the CFAF; it encountered a major oil shock as well: a collapse in price and, simultaneously, the onset of declining production. From 1988-1993, it attempted to implement an internal adjustment strategy -- ultimately unsuccessful -- which included a 45 percent cut in the civil service wage bill that was unique in the CFA zone.

2. Since then, and in particular following the January 1994 devaluation of the CFA franc, Cameroon has undertaken substantial adjustment -- although not without considerable procrastination and internal political difficulties. Trade and prices are for the most part liberalized. The coffee and cocoa sectors have been largely liberalized; the labor investment, forestry and procurement codes have been revised. Public enterprises are now subject to the same management and operating rules as private enterprises, and they no longer benefit from budgetary subsidies. Agricultural input subsidies have also been eliminated. The tax system is being revised both with respect to tariff and indirect taxes (the UDEAC reform, essentially completed) and direct taxes (in process). In short, Cameroon is now one of the most open economies in Africa.

3. The economy has responded well since the devaluation with growth attaining 3.3 percent in FY95. The Government would like to double per capita income and consumption in the next twenty years, which would require much higher annual growth rates averaging 6.3 percent or more. To this end, its strategy has three main components:

- **attain macroeconomic stability**: improved public resource management (higher revenues, better tax administration and procurement; more resources for key development sectors and infrastructure; civil service restructuring; privatization);
- **promote private sector development, especially exports**: export development, financial sector restructuring, more regulatory and judicial reform; etc.;
- **raise living standards especially for the poor**: support for small-holder agriculture; improve water supply in rural areas; increase provision of basic social services; decentralization of public services; increased supply of basic and generic drugs; more resources for women, especially girls' education.

4. The pattern of growth is expected to change compared to the past: the oil sector will essentially disappear over the next decade. Industry is expected to grow at 8-10 percent, agriculture between 4 and 5 percent. The share of industry should rise to 16 percent of GDP over the next few years. Growth is expected to be more labor intensive and will generate much needed employment. Non-oil exports are projected to grow substantially.

5. The Cameroonian authorities are aware that increasing the growth rate over the 3.3 percent rate attained in FY95 will be daunting, given the enormous constraints the country faces. The oil sector will continue its decline, the financial sector is distressed, infrastructure is dilapidated and aggregate demand remains depressed. Moreover, the burden of external debt is such that Cameroon may not be able to grow out of it without substantial debt relief. In FY96, external debt amounts to about 116 percent of GDP; the debt/exports ratio on a present value basis is over 300. Scheduled debt service is equivalent to some 47 percent of exports and over 90 percent of fiscal revenues. Interest payments alone amount to 6 percent of GDP.

6. To address these constraints, domestic savings -- first and foremost public, but also private -- must rise sharply. In his recent speeches to the population, the President has stressed the need for further adjustment, and has taken steps to improve revenue mobilization in Customs and SNH, the petroleum company. He has also widened the scope of the privatization program and accelerated its pace.

7. We strongly support Cameroon's strategy of export-led private sector development coupled with vastly improved public resource mobilization and management. It is clear, however, that the realization of the Government's program will also require exceptional financial assistance from foreign donors -- in the form of debt relief and new money.

8. In this context, the Bank's Assistance Strategy, has three key objectives:

- consolidate the benefits of the devaluation;
- create a climate favorable for private sector development; and
- alleviate poverty.

Based on Cameroon's needs, we are proposing an exceptional IDA contribution of \$470 million over the next three years, (including supplemental credits (IDA reflows)), 80 percent of which would be devoted to balance of payments support and adjustment lending. Investment lending would be a residual and concentrate on transport, agriculture, and education sectors.

9. However, resources will be disbursed only against clear demonstration of continued Government commitment to reform in the form of on-time compliance with agreed actions and debt-service payment. In both regards, the authorities have now begun to establish something of a track-record. But they must stay the course and improve their

performance vis-à-vis all of their partners. In this regard, they have requested the Bank to organize a Consultative Group meeting in the near future.

10. In conclusion, Cameroon has a daunting task ahead of it. The Government realizes this and has begun -- belatedly, it must be said -- to realize the gravity of its predicament, and the need to deepen the reform program and fundamentally change the nature of economic life in Cameroon. The hands of the reformers can only be strengthened by the provision of additional exceptional foreign assistance at this time.

## Paris Club Meeting on Cameroon

November 15, 1995

### Statement by the Fund Staff Representative

1. Cameroon's adjustment program for fiscal year 1995/96 (July/June) is supported by a 12-month stand-by arrangement in an amount equivalent to SDR 67.6 million (50 percent of quota), which was approved by the Fund on September 27, 1995. The first purchase under the stand-by arrangement was made on October 2, 1995, in an amount equivalent to SDR 8.5 million. The program, cast in a medium-term framework, is aimed at deepening the adjustment process and paving the way for sustained economic recovery. The Cameroonian authorities have also initiated work on a policy framework paper (PFP) and they intend to request as soon as possible that the stand-by arrangement be replaced with a three-year ESAF arrangement.

2. Following two decades of sustained economic expansion, Cameroon's economy entered a phase of steady economic decline in the second half of the 1980s and early 1990s, owing largely to a substantial deterioration in the external terms of trade, a sharp appreciation of the currency in real effective terms, and a decline in oil output. Earlier attempts to reverse the economic decline through internal adjustment measures, which focused on deep wage cuts in the civil service in 1993 and structural reforms, were unsuccessful. In January 1994, following the devaluation of the CFA franc, the Cameroonian authorities adopted a comprehensive adjustment program, which was supported by an 18-month stand-by arrangement from the Fund. Financial

support was also obtained from the World Bank, the African Development Bank, the European Union, and France. Official creditors in the Paris Club agreed to reschedule Cameroon's external debt service obligations in March 1994. The devaluation resulted in considerable gains in competitiveness, which prompted an expansion in the tradable goods sector that was stronger than anticipated. However, despite these favorable developments, weak policy performance in both the fiscal and structural areas caused the program to veer quickly off track. In this context, Cameroon failed to honor the commitments under the 1994 Paris Club agreement.

3. In August 1994, the Cameroonian authorities adopted a revised adjustment program for 1994/95, which aimed at addressing the major slippages that had occurred in the previous year and at providing impetus to the reform process. Credible steps were taken toward restoring fiscal viability, which entailed a major revenue-raising drive and the maintenance of a tight lid on government expenditure. With the effective implementation of new tax measures and the strengthening of tax administration, total government revenue increased by 55 percent and the primary fiscal balance improved by 5 percentage points of GDP, to a surplus of about 3 percent of GDP in 1994/95. Propelled in large part by a substantial improvement in the tradable goods sector, real GDP turned around from nearly a decade of decline to a growth of more than 3 percent in the year ended in June 1995. Consumer price inflation slowed to 13 percent, compared with 34 percent in the previous year.

4. The 1995/96 program reinforces the reform efforts and aims at achieving real GDP growth of 5 percent, lowering inflation to about 8 percent, and reducing the external current account deficit (excluding grants) to about 2.5 percent of GDP. A substantial strengthening of the fiscal position is being sought through enhanced revenue mobilization, strict control over the Government's wage bill, and a redirection of other current expenditure and public investment in favor of education, health, and infrastructure maintenance. To ensure progress toward fiscal sustainability, the Government's budget for 1995/96 targets a reduction of the overall fiscal deficit (excluding grants) by 2.5 percentage points of GDP to below 2 percent of GDP, and a near doubling of the primary fiscal surplus, to some 5 percent of GDP.

5. The Government's stabilization efforts are being complemented by structural reforms, with a view to improving resource allocation and unlocking Cameroon's considerable growth potential. Civil service reform, aimed at improving efficiency in public administration, has started with the completion of the new organizational and staffing plans in three ministries in June-October 1995. These plans should be completed for four other ministries by end-November 1995, resulting in a total retrenchment of about 6,000 civil servants (some 4 percent of government personnel). The timetable for the civil service reform in all other ministries has also been established, and it is expected that these reforms will be completed in 1996. A number of important steps have also been taken toward economic liberalization. In July 1995, the reference producer prices and stabilization

mechanisms for cocoa and robusta coffee were abolished. The national oil company's (SNH) monopoly over crude oil supply to the national oil refinery (SONARA) was eliminated, and progress was made in improving the transparency of the SNH's operations through the availability of regularly updated financial accounts. In addition, the prices of domestic petroleum products were adjusted to reflect higher taxes. In the financial sector, the Government intends to restructure major banks through recapitalization and mergers, and divest its minority shareholdings in other banks. Furthermore, the Government intends to privatize over the coming year a number of public enterprises and give greater autonomy and accountability to managers in those that remain in the Government's portfolio, while strengthening supervision and monitoring of their operations.

6. Progress made so far in the implementation of the program has been encouraging. A recent Fund staff mission to Cameroon, which reviewed economic developments and policies during the first quarter of 1995/96, found that the program is broadly on track, including the execution of the Government's budget. Since the start of the program, Cameroon has remained current on post-cutoff-date debt service and has reduced post-cutoff-date debt arrears to Paris Club member countries. Most recently, a payment of CFAF 33 billion was made to the Paris Club, which includes inter alia the partial settlement of arrears on short-term and post-cutoff-date debt. Thus, it is expected that the first review under the program will be completed soon, assuming that external financing can be assured.

7. Cameroon has started its long and difficult journey toward restoring financial viability and laying the foundations for the resumption of sustainable economic growth. The authorities realize that a steadfast implementation of all aspects of the program is crucial for re-establishing international confidence and obtaining much-needed external financial support. The availability of adequate assistance on a timely basis will be critical to the program's success. Largely reflecting the weight of the external imbalances and debt service payments arrears that have built up since the mid-1980s, the external financing needs of Cameroon's 1995/96 program have been estimated at CFAF 890 billion. Part of the financing has already been identified from Cameroon's main multilateral and bilateral creditors, but a residual financing gap of some CFAF 510 billion remains. Hence, the authorities are seeking debt rescheduling from Paris Club and other official creditors to facilitate the effective implementation of the program. The staff of the Fund believes that the authorities' program for 1995/96 represents a major effort in reducing the country's sizable financial imbalances, which deserves the support of the international community.



**PARIS CLUB MEETING ON CAMEROON  
15 NOVEMBER 1995**

**STATEMENT BY THE UNCTAD REPRESENTATIVE**

I would like to concentrate my remarks on four important aspects of Cameroon's financial situation.

First, I believe that it is important to stress the considerable improvement in the country's fiscal performance. In the past fiscal year, the primary fiscal balance registered a surplus of some 3 per cent of GDP, against a deficit of more than 2 per cent in the preceding year. This represents a remarkable shift in domestic resource mobilization equivalent to 5 per cent of GDP, an achievement which is rarely recorded in one single year either in developing or developed countries. This public savings effort has contributed to a massive external resource surplus of 6 per cent of GDP. This surplus mirrors a net transfer of resources from Cameroon to the rest of the world, a transfer which is, however, at odds with the country's state of development and its investment needs.

The second point I would like to mention relates to the burden of external debt on Cameroon's fiscal accounts and balance of payments. In the current fiscal year, scheduled debt service alone - excluding arrears - would absorb almost 90 per

cent of government revenue. The fiscal impact of the external debt is particularly relevant in an economy such as Cameroon's, which lacks independent monetary and exchange rate policies. On the balance of payments front, in the absence of rescheduling, the current debt service ratio, exceeding 40 per cent, is clearly unsustainable. This ratio would reach about 90 per cent, if all existing arrears had to be cleared. As a result, the country is confronted with a huge financing gap, amounting to close to 7 per cent of GDP in the current fiscal year. This gap would have to be filled by debt relief. The financing gaps, although smaller, are likely to persist until the year 2000, even in the rather optimistic scenario of export commodity prices remaining at the currently high levels.

The third issue I would like to raise is the structure of Cameroon's external debt, where the so-called non-reschedulable debt looms large, thus contributing to the financial crisis. Multilateral debt alone today accounts for roughly 20 per cent of the stock of debt and for about 22 per cent of scheduled debt service. Moreover, since 1992 net transfers on multilateral debt have been negative.

Finally, let me mention the role of the Paris Club in assisting the country in its adjustment efforts. Such a role is crucial, as Paris Club creditors account for some 45 per cent of Cameroon's scheduled debt service for the current fiscal year. With a GNP per capita of about \$500 in 1994, Cameroon deserves the most favourable treatment of its debt service obligations under the Naples terms. Its financing gap is so wide that a deferral is needed for the non-reschedulable debt. The Paris Club's contribution to Cameroon's external financing needs would have to be accompanied by a considerable expansion in programme financing from bilateral and multilateral donors. But a lasting solution to Cameroon's external debt problem will eventually require a stronger concerted effort by all its creditors. This should involve a major reduction in the stock of debt owed to both Governments and commercial banks, followed by a substantial multilateral debt relief.

**EXPOSE DE MONSIEUR Justin NDIORO,  
MINISTRE DE L'ECONOMIE ET DES FINANCES  
DE LA REPUBLIQUE DU CAMEROUN,  
CHEF DE LA DELEGATION CAMEROUNAISE  
A LA REUNION DU CLUB DE PARIS  
DU 15 NOVEMBRE 1995**

- **MONSIEUR LE PRESIDENT,**
- **MONSIEUR LE REPRESENTANT DU FONDS MONETAIRE INTERNATIONAL,**
- **MONSIEUR LE REPRESENTANT DE LA BANQUE MONDIALE,**
- **MONSIEUR LE REPRESENTANT DE LA BANQUE AFRICAINE DE DEVELOPPEMENT,**
- **MONSIEUR LE REPRESENTANT DE LA CONFERENCE DES NATIONS UNIES SUR LE COMMERCE ET LE DEVELOPPEMENT,**
- **MONSIEUR LE REPRESENTANT DE L'ORGANISATION DE COOPERATION ET DE DEVELOPPEMENT ECONOMIQUE,**
- **MONSIEUR LE REPRESENTANT DE LA COMMISSION EUROPEENNE,**
- **HONORABLES REPRESENTANTS DES PAYS ET ORGANISMES PARTICIPANTS AU CLUB DE PARIS,**
- **MESDAMES ET MESSIEURS,**

JE VOUDRAIS, AVANT TOUTE CHOSE, VOUS TRANSMETTRE LES REMERCIEMENTS ET LA RECONNAISSANCE DU GOUVERNEMENT DE LA REPUBLIQUE DU CAMEROUN, POUR AVOIR ACCEPTE DE VOUS REUNIR, AFIN D'EXAMINER NOTRE REQUETE POUR UN QUATRIEME ACCORD DE REECHELONNEMENT DE LA DETTE EXTERIEURE BILATERALE VIS-A-VIS DES PAYS CREANCIERS DU CAMEROUN, MEMBRES DU CLUB DE PARIS.

C'EST EN MARS 1994, QU'A LA SUITE DE L'ACCORD DE CONFIRMATION DU FONDS MONETAIRE INTERNATIONAL EN APPUI AU PROGRAMME ECONOMIQUE ET FINANCIER DU CAMEROUN ASSIS SUR LA DEVALUATION DU FRANC CFA, VOUS VOUS ETIEZ REUNIS AVEC LES REPRESENTANTS DU GOUVERNEMENT DE MON PAYS, POUR EXAMINER NOTRE TROISIEME DEMANDE D'ALLEGEMENT DU SERVICE DE LA DETTE EXTERIEURE.

L'INSUFFISANCE DES PERFORMANCES DU CAMEROUN DANS LE CADRE DU PROGRAMME STAND-BY DE FEVRIER 1994, NOTAMMENT SUR LE PLAN DES FINANCES PUBLIQUES, AVAIT ENTRAINE UN DERAPAGE TOUT A FAIT LOGIQUE DANS L'EXECUTION DE L'ACCORD DE CONSOLIDATION DE NOTRE DETTE EXTERIEURE, CONCLU LE 25 MARS 1994 AVEC LES PAYS CREANCIERS MEMBRES DU CLUB DE PARIS.

EN EFFET, DES LE MOIS DE JUIN 1994, IL ETAIT APPARU, LORS DE LA PREMIERE REVUE TRIMESTRIELLE DE L'ACCORD DE CONFIRMATION CONCLU LE 17 MARS 1994 AVEC LE FMI, QUE LES RESULTATS EN MATIERE DE FINANCES PUBLIQUES ETAIENT RESTES NETTEMENT EN DEÇA DES OBJECTIFS DU PROGRAMME. EN PARTICULIER, LE NIVEAU DES RECETTES BUDGETAIRES DEMEURAIT TROP BAS, ET NE PERMETTAIT PAR CONSEQUENT PAS DE FAIRE CONVENABLEMENT FACE AUX ENGAGEMENTS DE L'ÉTAT, TANT A L'INTERIEUR QUE VIS-A-VIS DE L'EXTERIEUR.

EN ACCORD AVEC LES SERVICES DU FONDS MONETAIRE INTERNATIONAL, LES AUTORITES CAMEROUNAISES AVAIENT ALORS MIS EN PLACE UN PROGRAMME DE REFERENCE AUX OBJECTIFS PLUS REALISTES. L'EXECUTION SATISFAISANTE DES PRINCIPAUX VOILETS DE CE PROGRAMME DE REFERENCE A PERMIS D'ENGAGER DES DISCUSSIONS AVEC LE FONDS POUR UN NOUVEL ACCORD DE CONFIRMATION, QUI A FINALEMENT ETE CONCLU LE 27 SEPTEMBRE 1995, POUR COUVRIR LA PERIODE ALLANT DU 1ER JUILLET 1995 AU 30 JUIN 1996, CORRESPONDANT A L'ANNEE FISCALE 1995/96 DE LA REPUBLIQUE DU CAMEROUN.

POUR L'ANNEE FISCALE 1994/95, QUI COINCIDAIT AVEC LA PERIODE COUVERTE PAR LE PROGRAMME DE REFERENCE CONCLU AVEC LES SERVICES DU FONDS, LES AUTORITES CAMEROUNAISES ONT MIS EN OEUVRE D'IMPORTANTES MESURES FISCALES QUI, CONJUGUEES AVEC DES ACTIONS VIGOUREUSES DE REDYNAMISATION DES ADMINISTRATIONS D'ASSIETTE ET DE RECOUVREMENT, ONT PERMIS D'AMELIORER SUBSTANTIELLEMENT LE NIVEAU DES RECETTES BUDGETAIRES.

LE NIVEAU DES RECOUVREMENTS DE RECETTES BUDGETAIRES, BIEN QU'EN TRES FORTE AUGMENTATION EN 1994/95 (534 MILLIARDS DE FRANCS CFA, CONTRE 354 MILLIARDS DE FRANCS CFA EN 1993/94), NE PERMETTAIT TOUJOURS PAS DE COUVRIR L'ENSEMBLE DES CHARGES. SI LE PAIEMENT DES SALAIRES DES AGENTS PUBLICS, APRES LES BAISSSES ALLANT JUSQU'A 50 % POUR CERTAINES CATEGORIES DE PERSONNELS QU'ILS ON SUBI EN 1993/94, EST REDEVENU REGULIER, IL N'EN EST PAS ENCORE DE MEME DES AUTRES CATEGORIES DE DEPENSES (DEPENSES DE FONCTIONNEMENT DES ADMINISTRATIONS HORS SALAIRES, DEPENSES D'INVESTISSEMENT PUBLIC, SERVICE DE LA DETTE PUBLIQUE INTERIEURE ET EXTERIEURE) QUI NE SONT COUVERTES QUE PARTIELLEMENT.

AU PLAN INTERIEUR, IL EN RESULTE NOTAMMENT UNE SITUATION PREOCCUPANTE DES SERVICES SOCIAUX DE BASE QUE SONT L'EDUCATION ET LA SANTE, AINSI QU'UNE FORTE DEGRADATION TOUT AUSSI NEFASTE DES INFRASTRUCTURES DE TRANSPORT. LE SERVICE DE LA DETTE EXTERIEURE, MALGRE LES EFFORTS DU TRESOR PUBLIC QUI FONT DIRE A CERTAINS AU CAMEROUN QUE TOUTES LES RECETTES DE L'ETAT Y SONT ENGLOUTIES AU DETRIMENT DES CHARGES INTERIEURES, N'EST EN REALITE ASSURE QU'A UNE TRES FAIBLE PROPORTION DES ENGAGEMENTS CONTRACTUELS. VOUS ETES ASSEZ BIEN PLACES POUR LE SAVOIR.

EN REALITE, ET COMME POUR DE NOMBREUX AUTRES PAYS AFRICAINS EN BUTTE AUX DIFFICULTES ECONOMIQUES, LA CHARGE DE LA DETTE PUBLIQUE INTERIEURE ET EXTERIEURE DU CAMEROUN PEUT ETRE QUALIFIEE D'EXCESSIVE AU REGARD DE LA SITUATION ACTUELLE, ET EN DEPIT DES AMELIORATIONS ENREGISTREES SUR LE PLAN DES FINANCES PUBLIQUES.

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LE PROGRAMME ECONOMIQUE ET FINANCIER DU CAMEROUN APPROUVE LE 27 SEPTEMBRE 1995 PAR LE CONSEIL D'ADMINISTRATION DU FMI SOUS FORME D'UN ACCORD DE CONFIRMATION TRADUIT LA VOLONTE DES AUTORITES CAMEROUNAISES DE POURSUIVRE LES EFFORTS DE REDRESSEMENT DE L'ECONOMIE NATIONALE. IL VISE GLOBALEMENT A REALISER UN TAUX DE CROISSANCE DE 5 % ET A MAINTENIR L'INFLATION EN DESSOUS DE 8 %. CES OBJECTIFS SONT A LA PORTEE DE L'ECONOMIE CAMEROUNAISE LORSQU'ON SAIT QUE NOUS SOMMES PARTIS D'UN NIVEAU DE CROISSANCE NEGATIVE DE -4 % EN 1993/94 A UNE CROISSANCE POSITIVE EN TERMES REELS D'UN PEU PLUS DE 3 % EN 1994/95. PENDANT LE MEME TEMPS, L'INFLATION AVAIT ETE RAMENEE DE 34 % A 13 %. POUR Y PARVENIR, LE PROGRAMME REPOSE SUR LES PRINCIPAUX AXES SUIVANTS :

#### **I - UN RENFORCEMENT SUBSTANTIEL DES FINANCES PUBLIQUES :**

LE RENFORCEMENT DES FINANCES PUBLIQUES PASSE PAR LE RELEVEMENT DES RECETTES, NOTAMMENT PAR L'ELARGISSEMENT DE L'ASSIETTE FISCALE ET PAR LE RENFORCEMENT CONTINU DES ADMINISTRATIONS FISCALES. LES DIFFERENTES MESURES Y AFFERENTES ONT ETE RETENUES DANS LA LOI DE FINANCES 1995/96.

CE RENFORCEMENT PASSE EGALEMENT PAR LA MOBILISATION DU POTENTIEL DE DEVELOPPEMENT A LONG TERME DU CAMEROUN. POUR CE FAIRE, CE PROGRAMME ET LA LOI DE FINANCES QUI EN CONSTITUE LE SUPPORT PRIVILEGIE CONSACRENT UNE REORIENTATION DES DEPENSES DE L'ÉTAT VERS LES SECTEURS PRIORITAIRES QUE SONT L'EDUCATION, LA SANTE, L'ENTRETIEN DES INFRASTRUCTURES ET LES SECTEURS RURAUX (AGRICULTURE ET ELEVAGE).

LE RENFORCEMENT DES FINANCES PUBLIQUES DOIT S'ACCOMPAGNER DE LA RESTAURATION DE LA CREDIBILITE DU TRESOR. AUSSI, LE REGLEMENT DE LA DETTE INTERIEURE OCCUPE-T-IL UNE PLACE DE CHOIX PARMIS LES ACTIONS ET MESURES PRECONISEES. UNE STRATEGIE A ETE MISE EN PLACE POUR SON TRAITEMENT. CELLE-CI INCLUT LA TRITISATION DE CERTAINES COMPOSANTES DE CETTE DETTE.

**II - UNE POLITIQUE MONETAIRE ADAPTEE, QUI VISE A ASSURER UN MEILLEUR SOUTIEN DU SECTEUR BANCAIRE AUX ACTIVITES DE PRODUCTION, SANS REMETTRE EN CAUSE LA MAITRISE DE L'INFLATION.**

**III - DES REFORMES STRUCTURELLES DE GRANDE ENVERGURE :**

CELLES-CI VISENT A CONSOLIDER L'ASSAINISSEMENT DE L'ENVIRONNEMENT DES ACTIVITES ECONOMIQUES, ASSAINISSEMENT ENGAGE EN VUE DE PERMETTRE AUX OPERATEURS ECONOMIQUES DE MENER LEURS ACTIVITES DANS UN CADRE EXPURGE DE TOUTES LES DISTORSIONS QUI OBERENT LA COMPETITIVITE. DANS CE CONTEXTE, L'ETAT SE LIMITERA ESSENTIELLEMENT A SES FONCTIONS D'AGENT DE REGULATION.

L'ECONOMIE CAMEROUNAISE SE CARACTERISE AUJOURD'HUI PAR UNE LIBERALISATION AVANCEE DES ACTIVITES DE PRODUCTION ET DE COMMERCIALISATION, QU'ILLUSTRENT NOTAMMENT LA RESTRUCTURATION DESORMAIS ACHEVEE DES FILIERES CAFE ET CACAO ET LA LIBERALISATION TOTALE DES ACTIVITES D'IMPORTATION.

LA REFORME DE LA FONCTION PUBLIQUE SERA POURSUIVIE DANS SA DIMENSION DE MAITRISE DES EFFECTIFS, A TRAVERS LA MISE EN OEUVRE DES PLANS D'ORGANISATION ET D'EFFECTIFS DES MINISTERES. L'ACTION DES AUTORITES DANS CE DOMAINE S'EST TRADUIT, AU COURS DES SIX DERNIERS MOIS, PAR LE LICENCIEMENT DE 2000 AGENTS POUR UN PREMIER GROUPE DEJA DE TROIS MINISTERES, EN PLUS DES NOMBREUX DEPARTS A LA RETRAITE NON COMPENSES PAR DES RECRUTEMENTS.

LE DESENGAGEMENT PROGRESSIF DE L'ETAT DU SECTEUR DES ENTREPRISES PUBLIQUES ET PARAPUBLIQUES, ET LE RENFORCEMENT DE L'AUTONOMIE DE CELLES DEVANT RESTER DANS LE PORTEFEUILLE DE L'ETAT, CONSTITUENT EGALEMENT DES AXES MAJEURS DU PROGRAMME.



LE SECTEUR PETROLIER FAIT L'OBJET D'UNE REFORME EN PROFONDEUR, QUI SE TRADUIT PRINCIPALEMENT PAR UNE TOTALE TRANSPARENCE DES ACTIVITES ET DE LA GESTION DU HOLDING PETROLIER DE L'ETAT, LA SOCIETE NATIONALE DES HYDROCARBURES (SNH), ET LA LIBERALISATION DE LA FOURNITURE DES PRODUITS PETROLIERS SUR LE MARCHE INTERIEUR CAMEROUNAIS.

POUR QUE LA POLITIQUE MONETAIRE MARQUE TOUTE SON EFFICACITE TEL QUE LE PRECONISE LE PROGRAMME, IL EST IMPERATIF QUE LE SECTEUR FINANCIER SOIT RESTRUCTURE DANS SA GLOBALITE. CETTE IMPORTANTE REFORME INSCRITE DANS LE PRESENT PROGRAMME, ET CONÇUE EN ETROITE CONCERTATION AVEC LA BANQUE MONDIALE, ENTRERA TRES PROCHAINEMENT DANS SA PHASE DE MISE EN OEUVRE.

LE QUATRIEME ACCORD MET ENFIN UN ACCENT PARTICULIER SUR LE VOLET SOCIAL DE LA POLITIQUE DE RELANCE, AU-DELA DE LA REORIENTATION DE LA DEPENSE PUBLIQUE.

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AU 30 SEPTEMBRE 1995, SOIT DONC AU TERME DU PREMIER TRIMESTRE DE L'EXERCICE 1995/96, PERIODE COUVERTE PAR LA PREMIERE REVUE TRIMESTRIELLE DU PROGRAMME POUR LAQUELLE UNE MISSION DU FMI VIENT DE SEJOURNER AU CAMEROUN, LES RESULTATS SUIVANTS ONT ETE ENREGISTRES :

#### **DANS LE DOMAINE DES FINANCES PUBLIQUES**

LE CRITERE DU PROGRAMME SUR LES FINANCES PUBLIQUES, AVEC UN OBJECTIF DE SOLDE BUDGETAIRE PRIMAIRE CUMULE DE 61 MILLIARDS DE FRANCS CFA POUR LE PREMIER TRIMESTRE DE L'EXERCICE, A ETE ATTEINT. LA REALISATION A EN EFFET ETE DE 64 MILLIARDS DE FRANCS CFA.

LES RECOUVREMENTS DE RECETTES ONT ATTEINT 144 MILLIARDS DE FCFA, SOIT 2 MILLIARDS DE FCFA DE PLUS QUE LA PREVISION DU PROGRAMME, TANDIS QUE LES DEPENSES HORS SERVICE DE LA DETTE ETAIENT BIEN MAITRISEES.

### EN MATIERE D'INFLATION

L'EVOLUTION DES PRIX ENREGISTREE DEPUIS LE DEBUT DE L'ANNEE 1995 EST PLUS FAVORABLE QUE CELLE QUI AVAIT ETE PREVUE LORS DE LA PREPARATION DU PROGRAMME CONCLU AVEC LE FONDS MONETAIRE INTERNATIONAL. LE RESULTAT EN TERME D'INFLATION POUR L'EXERCICE 1995/96, DEVRAIT SE SITUER ASSEZ NETTEMENT EN DESSOUS DES 8% VISES PAR LE PROGRAMME.

### S'AGISSANT DU COMMERCE EXTERIEUR :

LES RESULTATS DU PREMIER TRIMESTRE DE L'EXERCICE 1995/96 FONT RESSORTIR UNE AUGMENTATION SIGNIFICATIVE DES EXPORTATIONS (+7,7 % EN QUANTITE ET +13 % EN VALEUR PAR RAPPORT AU PREMIER TRIMESTRE DE L'EXERCICE PRECEDENT), ET SURTOUT UNE REPRISE VIGOUREUSE DES IMPORTATIONS (+100,6 % EN QUANTITE ET +75 % EN VALEUR).

LA TRES FORTE AUGMENTATION DES IMPORTATIONS SE TRADUIT PAR UNE DIMINUTION DE L'EXCEDENT COMMERCIAL ET DU TAUX DE COUVERTURE DES IMPORTATIONS PAR LES EXPORTATIONS.

### SITUATION MONETAIRE :

L'EVOLUTION DES AGREGATS MONETAIRES DU CAMEROUN POUR LA PERIODE DE JUILLET A SEPTEMBRE 1995 A ETE FAVORABLE AU RESPECT DES CRITERES MONETAIRES DE L'ACCORD STAND-BY.

TOUTEFOIS, LA MASSE MONETAIRE CONTINUE DE DECROITRE, TRADUISANT UNE BAISSSE PREOCCUPANTE DE LA CONFIANCE VIS-A-VIS DU SYSTEME BANCAIRE. EN PARTICULIER, LES AVOIRS EXTERIEURS NETS DU SYSTEME BANCAIRE SE SONT NETTEMENT DETERIORES ( - 336 MILLIARDS DE FRANCS CFA A FIN SEPTEMBRE 1995 CONTRE - 288 MILLIARDS DE FRANCS CFA A FIN JUIN 1995). LES OBJECTIFS DU PROGRAMME MONETAIRE POUR LES DEUX DERNIERS TRIMESTRES DE L'EXERCICE ET LA POLITIQUE A METTRE EN OEUVRE SERONT DEFINIS DE MANIERE A CORRIGER LES DERAPAGES ENREGISTRES.

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AFIN DE CONSOLIDER LES RESULTATS POSITIFS ENREGISTRES DEPUIS L'ANNEE FISCALE 1994/95, NOTAMMENT EN MAINTENANT UNE CROISSANCE SOUTENUE DES ACTIVITES ECONOMIQUES, LES AUTORITES CAMEROUNAISES SOUHAITENT APPORTER AU SECTEUR PRIVE, NOUVEAU MOTEUR DE LA CROISSANCE, L'APPUI DONT IL A UN IMPERIEUX BESOIN, EN PARTICULIER DANS LE DOMAINE DES INFRASTRUCTURES DE BASE. ELLES SOUHAITENT EGALEMENT RETABLIR PROGRESSIVEMENT LA QUALITE DES SERVICES SOCIAUX FONDAMENTAUX DE L'EDUCATION ET DE LA SANTE, QUI FONT AUJOURD'HUI DEFAUT A UNE GRANDE PARTIE DE LA POPULATION APPAUVRIE PAR LA LONGUE RECESSION QU'A CONNUE LE PAYS A PARTIR DU MILIEU DES ANNEES 80.

C'EST ICI QUE SE POSE DANS TOUTE SON ACUITE, LA QUESTION DU FINANCEMENT DU PROGRAMME CONCLU AVEC LE FONDS MONETAIRE INTERNATIONAL. LA STRUCTURE DES CHARGES AUXQUELLES L'ETAT DOIT FAIRE FACE FAIT RESSORTIR LE POIDS PARTICULIEREMENT ELEVE DE LA DETTE EXTERIEURE, DONT LE SERVICE POUR L'EXERCICE 1995/96, HORS REGLEMENT D'ARRIERES, REPRESENTE 88 % DES RESSOURCES BUDGETAIRES INTERNES, OU 46 % DES RECETTES TOTALES D'EXPORTATIONS.

LE STOCK DE LA DETTE EXTERIEURE DU CAMEROUN REPRESENTE 101 % DU PIB EN VALEUR COURANTE, OU 82 % EN VALEUR ACTUALISEE NETTE. CES RATIOS, VOUS EN CONVIENDREZ AVEC MOI, SONT INSUPPORTABLES POUR UNE ECONOMIE DESTABILISEE COMME CELLE DU CAMEROUN.

DANS CE CONTEXTE, ET COMPTE TENU DE L'INSUFFISANCE DES RESSOURCES INTERNES POUR FAIRE FACE A TOUTES LES CHARGES, LE GOUVERNEMENT CAMEROUNAIS SOUHAITE OBTENIR DE SES PARTENAIRES UN ALLEGEMENT A DES CONDITIONS EXCEPTIONNELLES, AUSSI CONCESSIONNELLES QUE POSSIBLE, DE SA DETTE BILATERALE AUPRES DU CLUB DE PARIS, TEL QU'EXPRIME DANS LA REQUETE ADRESSEE A CET EFFET AU PRESIDENT DU CLUB DE PARIS LE 31 OCTOBRE 1995.

PLUS CONCRETEMENT, CES CONDITIONS SERAIENT LES SUIVANTES :

1. POUR LES ARRIERES ET LES ECHEANCES COURANTES DES PRETS OBTENUS AVANT LA DATE BUTOIR, C'EST-A-DIRE AVANT LE 31 DECEMBRE 1988, ANNULATION DE 67 % DES MONTANTS DUS EN PRINCIPAL ET EN INTERETS ; REECHELONNEMENT DES 33 % RESTANTS SUR UNE PERIODE DE 23 ANS DONT 6 ANS DE DIFFERE.
2. S'AGISSANT DES PRETS POST DATE BUTOIR, NOUS SOUHAITERIONS OBTENIR UN REAMENAGEMENT DES ARRIERES ET DES ECHEANCES COURANTES TANT EN PRINCIPAL QU'EN INTERETS SUR UNE PERIODE DE 10 ANS DONT 3 ANS DE DIFFERE.
3. LE PAIEMENT DE LA DETTE A COURT TERME SERAIT ETALE SUR UNE PERIODE DE 8 ANS DONT 3 ANS DE DIFFERE.
4. NOUS SOUHAITERIONS QUE LA PERIODE DE CONSOLIDATION SOIT CELLE ALLANT DU 1ER OCTOBRE 1995 AU 31 DECEMBRE 1996, LES ARIERES AUXQUELS JE ME REFERE ETANT CEUX ACCUMULES AU 30 SEPTEMBRE 1995.

MONSIEUR LE PRESIDENT,

HONORABLES REPRESENTANTS DES PAYS ET ORGANISMES CREANCIERS ET AMIS,

POUR SORTIR DE LA CRISE ECONOMIQUE ET RETROUVER UN CHEMIN DE CROISSANCE SAIN ET DURABLE, LE CAMEROUN COMPTE EVIDEMMENT SUR SES EFFORTS PROPRES, MAIS COMME PAR LE PASSE, IL SAIT POUVOIR COMPTER EGALEMENT SUR L'APPUI DECISIF QUE LES GOUVERNEMENTS DE VOS PAYS RESPECTIFS LUI ONT TOUJOURS APORTE.

JE VOUS REMERCIE DE VOTRE AIMABLE ATTENTION.

**THE MEDIUM-TERM PROSPECTS FOR THE  
MANAGEMENT OF NIGERIA'S EXTERNAL DEBT**

**BY**

**DR. PAUL A. OGWUMA, OFR  
GOVERNOR  
CENTRAL BANK OF NIGERIA**

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**An Address Delivered on the Occasion of the Annual  
Luncheon of the Franco-Nigerian Chamber of Commerce  
and Industry, Lagos, 21st September, 1995.**

The Chairman, Franco-Nigerian Chamber of Commerce & Industry  
Your Excellencies, Members of the Diplomatic Corps,  
Distinguished Members of the Franco-Nigerian  
Chamber of Commerce & Industry,  
Ladies & Gentlemen,

I should like to begin by expressing my deep appreciation to the Chamber for inviting me as the guest speaker at this annual luncheon. I also consider it a privilege for me to have been allowed to select the subject of my address. After careful consideration, I have decided to speak on the important subject of managing Nigeria's external debt. Specifically, I wish to dwell on the topic, "The Medium-Term Prospects for the Management of Nigeria's External Debt".

2. As you are all aware, Nigeria's external debt burden has constituted a major constraint on economic performance in recent years and an objective appraisal indicates a continuation of this trend unless concrete remedial measures are adopted to minimise the constraints. The subject is certainly topical and worthy of discussion in a business forum such as this. The address will highlight the antecedents to Nigeria's current debt problem and the efforts made so far to address it. It will also assess the debt situation in the medium-term in the light of current economic developments, including the prospects for its effective management and the policy implications. Finally, I intend not only to sensitize you on the magnitude of the problem, but also to indicate in what ways your members could support our efforts to deal with the debt overhang.

3. Let me start this discussion by stating some facts which may be obvious but which, nevertheless, need recapitulation in order to put the subject in proper perspective. External debts arise from loans and credit procured by the residents of a country from the rest of the world intended to bridge the savings/investment gap. When such resources are

productively deployed, they do not constitute a problem or a drain on future resources. In order to ensure sustainability of debt servicing, borrowing countries need to adopt efficient external debt management strategies which entail carefully planned schedules of external debt acquisition, deployment and retirement. An external debt problem usually exists when more and more of current resources are deployed to service loans. It is internationally accepted that when the debt service ratio, that is, the proportion of debt service to the exports of goods and services is lower than or equal to 10 per cent, a debt problem does not arise. As the ratio grows to about 20 per cent, the tolerable limit of debt service is approached while beyond 20 per cent a debt crisis would set in. This is why countries try to limit their debt service ratio to between 10 and 20 per cent through appropriate debt management strategies.

OVERVIEW OF NIGERIA'S EXTERNAL DEBT PROBLEM

4. Nigeria's current external debt problem can be appraised from the perspectives of the debt stock and debt service payment obligations, both of which have assumed alarming proportions in the last ten years. It is quite instructive to note that the country's debt stock was just some US\$3.5 billion in 1980. However, this has grown by leaps and bounds to stand at \$29.4 billion at the end of December, 1994. In the same vein, the debt service payments have risen substantially from a mere 0.8 per cent of export earnings in 1980 to 40.9 per cent in 1994.

5. The genesis of Nigeria's debt problem can be traced to 1978 when loans worth more than \$1.8 billion were obtained from the Euromarket. This changed the character of Nigeria's debt with the structural shift from concessional debts to medium term international capital market loans with tougher repayment terms. Over the years, this pattern of contracting new

loans for development purposes continued, so that by 1983, the debt stock had risen to \$11.9 billion. But of more importance is the fact that the funds that were borrowed to finance development projects were diverted to financing deficits in later years, as oil export revenues fell sharply and government rather than embarking on expenditure slicing, chose to use external borrowing to finance the gap. A large proportion of the debt was not only in the form of medium-term loans contracted at floating interest rates, but also their maturities were heavily concentrated at periods that coincided with dwindling oil revenues. Consequently, debt service obligation in 1984 was about 200 per cent of the stock of available external reserves and over 25 per cent of export revenue.

6. The accumulated arrears of 1982 to 1983 which were reconciled and accepted as public debt some years later contributed to the exacerbation of the debt problem as the debt stock rose to \$27.5 billion in 1992 and debt service ratio also increased further to 65.4 per cent. In addition, because the debts were denominated in European and Japanese currencies which tended to appreciate against the dollar, their values in dollar terms also increased. Nigeria's external debt outstanding at the end of 1994 comprised the debt owed to the Paris and London clubs and other categories of creditors accounting for 62.2, 7.1, and 30.7 per cent of the total, respectively.

7. The debt stock and the debt service ratio have continued to increase for a number of factors. These include the structural shift in the composition of outstanding debts to international capital market (ICM) in the late 1970's and also to short term debts as against multilateral/bilateral sources which are usually more concessional. On institutional or creditor basis, the relatively large share of Paris Club debts vis-a-vis the London



Club debt in Nigeria's outstanding debt constituted another problem. This is because re-scheduling terms under the Paris Club are tighter and more stringent than those of the London Club. The deployment of short-term funds into long-term project financing constituted another external debt problem while upward movements in international interest and exchange rates have put upward pressure on the debt stock.

8. Apart from the increasing external debt service ratio, other indicators of external debt problem showed deteriorating trends. For instance, the ratio of external debt service to external reserves increased steadily from 1980 to 1989, while external debt/export ratio has consistently exceeded 100 per cent since 1982. While actual debt service ratio exceeded 20 per cent (the tolerable limit) between 1984 and 1992 and recorded lower levels in 1993 and 1994, the scheduled debt service ratio ranged between 40.9 and 65.4 per cent in the period 1990 - 1994.

9. It is needless to emphasise that the external debt profile has constituted a major bottleneck to our economic growth. When the scheduled debt commitments were duly serviced, a large portion of current resources was deployed to servicing past consumption with little left for current investment. As a result, the rate of economic growth and development had been impaired and the provision of social welfare services compromised. The inability to service the debts as and when due has provoked the hostility of external creditors leading to the low credit rating of the country. This has also discouraged the inflow of foreign capital and created a wide financing gap in the balance of payments owing to exceptional financing items in respect of debt service payments which were deferred. The low level of foreign exchange receipts and the high proportion devoted to debt service payments have reduced the level of

domestic economic activities, with serious consequences for domestic capacity utilization and production. In the absence of appreciable economic growth, the debt burden has continued to increase while the debt service capacity has continued to decline, thus exacerbating the vicious circle of external debt.

#### MANAGEMENT OF THE EXTERNAL DEBT SO FAR

10. Let me recapitulate some of the actions taken so far to address the external debt problem. With the re-emergence of trade arrears in 1982, concerted efforts were made towards ascertaining the magnitude of such arrears. Having reasonably known the magnitude, the first and second refinancing agreements for trade debts worth \$2,112.1 million were concluded in 1983, while the third agreement involving the issuance of promissory notes commenced in November, 1984. By 1986, debts involved in the two refinancing agreements had been fully liquidated. Meanwhile, the limit of external debt servicing has been pegged at 30 per cent since 1983 in order to make more resources available for servicing the domestic economy.

11. Nigeria forged ahead in the quest to reduce its debt burden in respect of medium/long-term debts through various restructuring schemes, including debt rescheduling, debt buy-back and debt conversion. The original terms on which the promissory notes were issued under the third refinancing agreement were reviewed as a result of the difficulties encountered by Nigeria in fulfilling the terms. Under the original agreement, a maturity period of six years was set for the \$4.8 billion worth of debts with a grace period of 2½ years and an interest rate of 1 per cent above the average of the rates quoted by the leading international

banks. In the revised terms, the repayment period was extended to 22 years with an overall return of 5 per cent per annum.

12. Negotiations to restructure the London Club debts worth \$5.8 billion commenced in 1986, while the agreement was signed on November 23, 1987. Out of the \$5.8 billion restructured, \$2.8 billion was refinanced while \$3.0 billion was rescheduled. A major breakthrough in the London Club rescheduling arrangement was achieved in January 1992, when Nigeria secured a buy-back deal. Under the agreement, about 62 per cent of the debt was bought back at 40 cents for one dollar while the remaining 38 per cent was backed by US Treasury collateralized par bonds maturing after 30 years.

13. However, the Paris Club debts that are owed to official creditors have continued to be a source of concern. The Paris Club of official creditors have so far extended some rescheduling concessions to Nigeria which have generally failed to address the root of the debt problem. Under the December 1986 and March 1989 agreements, interest payments that fell due within a period of 15 months were consolidated and rescheduled, an operation that effectively capitalised the interest payments. A third effort in January 1991, stretched out the repayment period of due debts on terms applicable to medium income and heavily debt-distressed countries. The non-application of the Toronto and Trinidad Terms as well as the Poland/Egypt concessions and the debt write-off applicable to the poorest countries, made it impossible for real benefits to accrue to Nigeria from the various rescheduling exercises with the Paris Club. The short consolidation period and non-acceptance of multi-year rescheduling and debt write-offs are major problems that Nigeria has been contending with.

14. Another important initiative taken to reduce Nigeria's debt burden was the introduction of the Debt Conversion Programme (DCP) in 1988. The scheme was meant to convert debts into equity investment in Nigeria. Under the DCP, applications worth \$5.4 billion have been received since 1988, with approvals in principle of \$2.6 billion and actual conversions of \$815.1 million. Although some debts have been extinguished under the scheme, the total amount is rather small when compared to the stock of outstanding debts. Be that as it may, the DCP still remains a veritable vehicle for channelling foreign investments into the economy and attracting back flight capital provided the general economic environment gradually improves.

15. With all the rescheduling efforts and the various schemes aimed at reducing Nigeria's external debt burden, the outstanding debt stock remains high. The debt stock declined from \$33.4 billion in 1991 to \$27.5 billion in 1992 as a result of the debt buy-back arrangement with the London Club. With further capitalization of interest payments by the Paris Club, the debt stock increased to \$28.7 and \$29.4 billion in 1993 and 1994, respectively.

16. I should point out that Nigeria has achieved remarkable success in its rescheduling agreements with the London Club. The problem remains the Paris Club debt that accounts for the bulk of Nigeria's outstanding debt stock. The non-rescheduling clause for its interest payments, short consolidation period and single-year rescheduling arrangement make the Paris Club terms unduly burdensome. If the Paris Club were to accept terms similar to the London Club's, Nigeria's debts would have been substantially reduced and debt servicing obligations reduced to the tolerable level of 20 per cent if not the more acceptable level of 10 per

cent. The Paris Club debts have become a major hurdle in the management of the Nigerian economy not only because of the size but also because of the influence of the Club in the international economy. The Paris Club insists that Nigeria must be given a "clean bill of health" by the International Monetary Fund (IMF) and the World Bank before it can enter into further rescheduling negotiations with her.

17. The two Bretton Woods institutions are, therefore, demanding from Nigeria a credible Economic Restructuring Programme and a commitment that the implementation would be transparent before giving approval to the country's programme. Until a Medium-Term Economic Restructuring Programme is agreed between Nigeria and the two institutions, the Paris Club might continue to ignore debt restructuring moves by Nigeria. As we all know, the Paris Club countries are also powerful members of the Bretton Woods Institutions. As of today, therefore, the outstanding issues in resolving the debt crisis facing Nigeria include an acceptable Medium-Term Economic Restructuring Programme for Nigeria, without which Nigeria's debt with the Paris Club cannot be restructured, and the acceptance of Nigeria's status as a low income country eligible for IMF's extended and enhanced ESAF and by extension the Paris Club's debt reduction options for the poorest debt distressed countries.

#### ASSESSMENT OF NIGERIA'S EXTERNAL DEBT SITUATION IN THE MEDIUM-TERM

18. In assessing Nigeria's external debt prospects for the medium term, we might first consider the possibility that the present critical debt situation persists. Nigeria's debt service payment profile is currently estimated at an annual average of \$5.0 billion or 46.8 per cent of total annual export revenue, contrasting with an average of about 20 per cent for all developing countries. Clearly, this rate cannot be sustained by the

economy at the current level of foreign exchange earnings. In the medium term, the situation may become even more precarious, if export revenues remain at the current level. In addition, because a large portion of Nigeria's debt is in the form of medium-term loans with floating interest rates and a heavy concentration of maturities, bunching of payments obligations will occur. Consequently, deferment in debt service payments which has characterized the management of Nigeria's external debt since 1982 might persist. Such deferments have been principally responsible for the financing gaps in Nigeria's balance of payments, leading to unsustainable current account position and increased pressure on the external sector.

19. The compounded debt overhang under the above worst-case scenario, would result in unpleasant consequences for the economy. First, Nigeria's credibility and credit-worthiness might be damaged. This would lead to reduction in inflow of new investment and especially development finance funds with the result that many viable development projects would not be executed. The problem would not only be a major disincentive to direct foreign investment, it would also deny Nigerian importers short-term credit lines needed to keep production and supply of goods at acceptable levels. In effect, imports might need to be prepaid several months before delivery and serious supply shortages might ensue. The lingering problem of capital flight would worsen leading to more speculative practices in the foreign exchange market and the attendant continued depreciation of the Naira would further fuel the inflationary pressures in the economy.

PROSPECTS FOR EFFECTIVE MANAGEMENT OF NIGERIA'S  
EXTERNAL DEBT AND THE POLICY OPTIONS

20. Fortunately, however, there are solutions to these seemingly intractable problems if only we took the necessary initiatives. This is because just as there is a vicious cycle of debt overhang, there is also a virtuous cycle for breaking out of it. One viable solution to Nigeria's debt problem in the medium-term, is the successful conclusion of the agreement on the Medium-Term Economic Restructuring Programme with the IMF and the World Bank. This exercise would certainly start a process that could lead to genuine debt and debt service reduction. In addition, such a step would induce an sustained inflow of new capital through increased export revenue, foreign direct investment and concessional development finance which would ensure that the debt service obligations in the medium-term do not go out of step with the country's capacity to pay. There is no doubt that the path to achieving an appropriate and efficient strategy for managing Nigeria's external debt would be rough. For instance, it should be noted that a track record of credible performance is required of Nigeria before a clean bill of health is given to the country as a basis for negotiations on the medium-term economic programme. In addition, Nigeria would need to negotiate at the appropriate time with each creditor country on one to one basis on the terms and conditions of the agreement for each category of loan. These, no doubt, appear quite arduous but they are not insurmountable.

21. In the light of Nigeria's present socio-economic circumstances, an effective external debt management strategy for the country in the medium-term should include the following elements:

22. The first is that Nigeria must embrace and implement credible economic policy measures in the medium-term aimed at achieving

macroeconomic stability, promoting transparency and accountability in economic management and enhancing the confidence of foreign investors. The second element of our debt management strategy, which is indeed a corollary of the first, is the need for consistency in our economic policies and measures. Frequent shifts in economic policy have caused more problems for the economy than those they initially sought to address especially in the recent past. Consistency in policy would restore the confidence of creditors and enhance Nigeria's credibility and credit-worthiness. In this regard, the market-based economic policy measures being currently pursued need to be sustained to ensure that we are not left out in the scheme of things.

23. The third element is to ensure political and social stability in Nigeria. This in itself should enable us Nigerians enjoy the fruits of development efforts. Also, that conducive environment would attract new inflow of funds into the economy. Inflow of foreign direct investment and other autonomous funds as well as concessionary loans for development purposes can be assured only in a stable polity. In that connection, I wish to stress that the successful conclusion of Nigeria's political transition programme would usher in a stable social/political environment that should engender economic stability and growth. Fourthly, as the economic and political environment improves, our ability to expand the Debt Conversion Programme will be greatly enhanced. Since its inception in 1988, Nigeria's Debt Conversion Programme has facilitated a modest reduction in the country's debt stock and debt service payment obligations. In addition, the linkage effect has been felt in the areas of domestic production, employment and exports. Its continued use as a



means of further reducing external debt obligations and to serve as a catalyst for reviving the domestic economy is highly desirable.

#### CONCLUDING REMARKS

24. In concluding this address, I should like to make the point that Nigeria's debt crisis could have been avoided if loans were properly contracted and deployed to self-liquidating and economically viable projects. Such project-tied loans would have generated goods and services and future income streams to amortise the loans.

25. A viable external debt management strategy would encompass a number of elements including having external borrowing guidelines to ensure orderliness; borrowing on concessional terms; multi-year rescheduling; debt and debt-service reduction; and the inflow of new money.

26. In spite of the various strategies pursued by Nigeria to deal with the external debt problem, the debt overhang persists. The conclusion is that some or even a substantial portion of the debt are either unpayable or will not be repaid. Let me stress for the avoidance of doubt that the statement made above does not imply an advocacy for a debt cartel or debt repudiation; such a strategy would be unwise and counterproductive. However, given the prevailing massive debt stock and the huge debt service requirements at a time when the country's foreign exchange receipts have continued to show only modest growth, it is clear that the external debt problem would persist if not deteriorate, with deferments resulting in interest capitalisation, increased debt stock, increased debt service obligations and more deferments, in an un-ending vicious circle of debt. This situation calls for a new sense of realism of shared concerns and responsibilities between Nigeria and her external creditors. On the

part of Nigeria, there is need to sustain the economic reform/deregulation thrust and put in place a credible Medium-Term Economic Programme as well as the transition to civil democratic polity. For the external creditors, there is need for greater flexibility and more tangible concessions in terms of massive debt cancellation or write-off to the extent of about 80%, multi-year rescheduling as well as the provision of new money. The improving policy and macroeconomic environment in Nigeria, especially with the various initiatives taken under the auspices of the 1995 Budget, and the enhanced prospects for economic growth and trade expansion should engender a more flexible and supportive stance by her external creditors. If that happens, the stage would have been set for a more viable external debt management regime.

I thank you all for your kind attention.