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PRESS RELEASE

THE PARIS CLUB AND THE REPUBLIC OF GUINEA-BISSAU CONCLUDE A DEBT RELIEF AGREEMENT

Paris Club creditors agreed on 6 July 2010 with the Government of the Republic of Guinea-Bissau to alleviate its external public debt, following the approval by the International Monetary Fund (IMF) of a new three year arrangement under the Extended Credit Facility on 7 May 2010.

This agreement has been concluded under the so called “Cologne terms” designed by the Paris Club for the implementation of the HIPC initiative interim debt relief.

On an exceptional basis, considering the Republic of Guinea-Bissau’s limited capacity of payment, creditors have also agreed to defer until after 31 December 2012 the repayment of maturities due by the Republic of Guinea-Bissau on short term and post-cut off date debts, as well as a very significant part of the arrears on those claims. They also agreed to defer all the interest due on the amounts treated.

These measures are expected to reduce by more than 98% the debt service (including the arrears) due by the Republic of Guinea-Bissau to Paris Club creditors between 1st January 2010 and 31 December 2012.

Paris Club creditors also agreed to treat arrears subject to the Republic of Guinea Bissau’s performance under the IMF supported program in order to encourage the Republic of Guinea Bissau to reach completion point under the HIPC initiative.

The Republic of Guinea-Bissau is committed to seek comparable treatment from non Paris Club creditors. In this regard, Paris Club creditors called on all the other bilateral creditors of the Republic of Guinea-Bissau including Abu Dhabi, Algeria, Angola, Kuwait, Libya, Pakistan, Portugal, Saudi Arabia and Taiwan to deliver a comparable HIPC debt relief.

Background notes

1. The Paris Club was formed in 1956. It is an informal group of creditor governments from major industrialized countries.

2. The members of the Paris Club which participated in the restructuration of the Republic of Guinea-Bissau's debt were representatives of the governments of Belgium, Denmark, France, Germany, Italy, the Netherlands, the Russian Federation, Spain and the United Kingdom. Brazil also participated in this restructuration.

Observers at the meeting were representatives of the governments of Japan, Norway and the United States of America as well as the International Monetary Fund, the International Development Association, and the Secretariat of the UNCTAD.

3. The delegation of the Republic of Guinea-Bissau was headed by Mr. José Mário VAZ, Minister of Finance. The meeting was chaired by Mr. Remy RIOUX, Vice Chairman of the Paris Club, Deputy Assistant Secretary at the Directorate-General of the Treasury of the French Ministry of Economy, Industry and Employment.

Technical notes

1. The Republic of Guinea-Bissau's economic program is supported by a three year Arrangement under the Extended Credit Facility approved by the International Monetary Fund on 7 May 2010. The Republic of Guinea-Bissau reached the decision point under the enhanced Heavily Indebted Poor Countries (HIPC) Initiative in December 2000.

2. The stock of debt owed to Paris Club creditors by the Republic of Guinea-Bissau as of 1st January 2010 was estimated to be more than USD 240 million in nominal terms.

3. The cut off date (31 December 1986 for the Guinea-Bissau) is defined when a debtor country first meets with Paris Club creditors. The cut-off date is designed to protect credits granted by Paris Club creditors after this date. It is not changed in subsequent Paris Club treatments. In accordance with Paris Club rules, credits granted after this cut off date are in principle not subject to rescheduling or cancellation.

4. In accordance with Cologne terms, the credits granted under Official Development Assistance conditions before the cut off date are to be repaid over 40 years, with 16 years of grace, at interest rates at least as favourable as the original concessional rates applied to those loans. Regarding commercial credits, 90% of the pre-cut off date debt is cancelled, the remaining amounts being rescheduled over 23 years, with 6 years of grace.