

11<sup>th</sup> April 2012



## **PRESS RELEASE**

### **THE PARIS CLUB AND THE REPUBLIC OF GUINEA CONCLUDE A DEBT RELIEF AGREEMENT**

Paris Club creditors agreed with the Government of the Republic of Guinea to alleviate its external public debt on 11<sup>th</sup> April 2012, following the approval by the International Monetary Fund (IMF) of a new three-year arrangement under the Extended Credit Facility on 24<sup>th</sup> February 2012. Participating creditors noted that following the crisis that the Republic of Guinea has gone through, the Government has quickly revived economic activity and resumed negotiations with the Paris Club.

The agreement was 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’s limited capacity of payment, creditors have also agreed to defer and reschedule over an eight-year period the repayment of maturities due by the Republic of Guinea on short term and post cut-off date debts; and, over a three-year period the arrears on those claims. They also agreed to defer all the interest due on the amounts treated.

Participating creditors welcomed these measures, which are expected to reduce the debt service (including the arrears) due from the Republic of Guinea to Paris Club creditors between 1st January 2012 and 31<sup>st</sup> December 2014 by more than 84% which corresponds to more than 344 million USD, of which more than 151 million USD cancelled.

The Government of the Republic of Guinea has committed to devote the resources freed up by this debt relief agreement to priority areas identified in the country’s Poverty Reduction Strategy. The Government of the Republic of Guinea has also committed to seek comparable treatment from its private and non-Paris Club bilateral creditors.

The Republic of Guinea is resolutely implementing its reform program, which should allow it to reach the Completion Point of the enhanced HIPC initiative as soon as possible, and thereby obtain the final component of relief on its debt by Paris Club creditors.

### **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 restructuring of the Republic of Guinea's debt were representatives of the governments of Austria, Belgium, Denmark, France, Germany, Italy, Japan, the Netherlands, Norway, the Russian Federation, Spain, the United Kingdom and the United States of America. Brazil also participated in this reorganization.

Observers at the meeting were representatives of the government of Switzerland, as well as the International Monetary Fund, the International Development Association, the African Development Bank and the Secretariat of the UNCTAD.

3. The delegation of the Republic of Guinea was headed by Mr. Kerfalla YANSANE, Minister of Economy and Finance. The meeting was chaired by Mr. Ramon FERNANDEZ, Chairman of the Paris Club.

### **Technical notes**

1. The Republic of Guinea's economic program is supported by a three year Arrangement under the Extended Credit Facility approved by the International Monetary Fund on 24<sup>th</sup> February 2012. The Republic of Guinea 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 as of 1<sup>st</sup> January 2012 was estimated to be more than USD 750 million in nominal terms.

3. The cut-off date (1<sup>st</sup> January 1986 for Guinea) 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.