



PRESS RELEASE

THE PARIS CLUB AGREES ON A REDUCTION OF THE DEBT OF THE REPUBLIC OF GUINEA-BISSAU IN THE FRAMEWORK OF THE ENHANCED HEAVILY INDEBTED POOR COUNTRIES INITIATIVE

The representatives of the Paris Club creditor countries met with representatives of the Government of the Republic of Guinea-Bissau on 10 May 2011 and agreed on a debt cancellation for the Republic of Guinea-Bissau following its Completion Point under the enhanced initiative for the Heavily Indebted Poor Countries (enhanced HIPC Initiative) reached on 16 December 2010.

Paris Club creditors noted the Republic of Guinea-Bissau's determination to continue to implement a comprehensive poverty reduction strategy and an ambitious economic program providing the basis for sustainable economic growth.

In order to contribute to restore the debt sustainability of the Republic of Guinea-Bissau, they decided to cancel USD 256 million in nominal terms, which represents the Paris Club's share of the effort in the framework of the enhanced HIPC Initiative. Creditors also committed on a bilateral basis to cancel an additional USD 27 million.

The Republic of Guinea-Bissau committed to use the resources freed by this debt treatment for priority areas (health, education and basic infrastructure) identified in the country's poverty reduction strategy.

Creditors welcomed and supported the Government of the Republic of Guinea-Bissau's commitment to seek comparable treatment from all their other external creditors (including other creditor countries and commercial creditors).

Background notes

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

Observers at the meeting were representatives of the governments of Brazil, Japan, Norway and the United States of America, as well as the International Monetary Fund (IMF), the International Development Association (IDA) 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, Finance and Industry.

Technical notes

1. The Republic of Guinea-Bissau's economic program is supported by an arrangement under the Extended Credit Facility approved by the Executive Board of the International Monetary Fund (IMF) on 7 May 2010.

2. The Republic of Guinea-Bissau's public external debt was estimated to be USD 1.07 billion as of end 2009 (source: IMF and IDA documents). The debt owed to Paris Club creditors was estimated to be USD 285 million as of 1st December 2010 (source: Paris Club).

3. IDA-administered EU loans are included in this treatment.