



**PRESS RELEASE**

**PARIS CLUB CREDITORS CANCEL 100% OF THE DEBT  
OF THE DEMOCRATIC REPUBLIC OF SAO TOME AND PRINCIPE**

1. The representatives of the Paris Club creditor countries met on 24 May 2007 and agreed to recommend to their Governments a substantial reduction of the stock of debt of the Democratic Republic of Sao Tome and Principe, this country having reached its Completion Point under the enhanced initiative for the Heavily Indebted Poor Countries (enhanced HIPC Initiative) in March 2007.

They welcomed the Democratic Republic of Sao Tome and Principe 's determination to implement a comprehensive poverty reduction strategy and an ambitious economic programme providing the basis for sustainable economic growth.

2. In order to contribute to restore the debt sustainability of the Democratic Republic of Sao Tome and Principe, Paris Club creditors decided to cancel US\$ 23.9 million in nominal terms, representing the Paris Club's share of the effort in the framework of the enhanced HIPC Initiative, thus reducing to US\$ 0.6 million in nominal terms the debt owed to Paris Club creditors by the Democratic Republic of Sao Tome and Principe.

Paris Club creditors also committed on a bilateral basis to grant additional debt relief to Sao Tome, leading to a full cancellation of the Democratic Republic of Sao Tome and Principe's debt towards them.

3. The Democratic Republic of Sao Tome and Principe committed to allocate the resources freed by the present treatment of the debt to priority areas identified in the country's poverty reduction strategy. The authorities of the Democratic Republic of Sao Tome and Principe committed to seek comparable treatment from all their other external creditors (including other creditor countries as well as 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 debt of the Democratic Republic of Sao Tome and Principe were representatives of the Governments of Belgium, France, Germany, Spain and the Russian Federation.

Observers at the meeting were representatives of the Government of Canada, Italy, Japan and the United States, as well as the International Monetary Fund (IMF) and the International Development Association (IDA).

The delegation of the Democratic Republic of Sao Tome and Principe was headed by Mrs Maria dos Santos TEBUS TORRES, Vice Prime Minister and Minister of Planning and Finance. The meeting was chaired by Mr Ambroise FAYOLLE, Co-President of the Paris Club, Assistant Secretary at the Treasury and Economic Policy Department of the French Ministry of Economy, Finance and Employment.

### **Technical notes**

1. The Democratic Republic of Sao Tome and Principe economic program is supported by an arrangement under the Poverty Reduction and Growth Facility (PRGF).

2. The Democratic Republic of Sao Tome and Principe 's public external debt was estimated to be US\$ 294 million in nominal value as at end 1999 (source: IMF and IDA documents). The debt owed to Paris Club creditors was estimated to be US\$ 28.2 million as of end 1999 and US\$ 24.5 million in nominal value as of 1st March 2007 (source: Paris Club).