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PARIS CLUB
PRESS RELEASE

**THE PARIS CLUB AND GUINEA AGREE TO A DEBT RESTRUCTURING
UNDER THE ENHANCED HEAVILY INDEBTED POOR COUNTRIES INITIATIVE.**

Paris Club creditors agreed on May 15, 2001 with the Government of the Republic of Guinea to a restructuring of Guinea's public external debt. Given its track-record of reforms as well as the burden of its external indebtedness, Guinea reached in December 2000 its decision point under the enhanced HIPC Initiative. This Paris Club agreement also follows the International Monetary Fund's approval of a three year arrangement under the Poverty Reduction and Growth Facility on May 2, 2001.

This agreement consolidates roughly US\$ 151 million. It includes US\$ 18 million of arrears in principal and interest as at November 30, 2000 (of which 60% of ODA) and US\$ 133 million of maturities in principal and interest falling due from December 1, 2000 through March 31, 2004 (of which 40% of ODA).

The agreement is concluded under the so-called "Cologne terms" designed by Paris Club creditors for the implementation of the enhanced HIPC Initiative : pre-cut off date ODA credits are to be repaid over 40 years, with 16 years of grace, at interest rates at least as favourable as the original concessional rates applying to those loans ; pre-cut off date commercial credits falling due after the decision point are treated so as to reach a 90% cancellation rate taking into account previous cancellations undertaken by Paris Club creditors ; the remaining amounts are rescheduled over 23 years, with 6 years of grace, at market rates of interest (see attached table).

This interim relief will lead to the immediate cancellation by Paris Club creditors of about US\$ 70 million of Guinea's external debt, consistent with the implementation of the enhanced HIPC Initiative. These measures are expected to reduce debt service due to Paris Club creditors between December 1, 2000 and March 31, 2004 from US\$ 228 million to US\$ 83 million. The remaining payments consist of interest on the rescheduled amounts and of maturities on post-cut off date debt. Guinea is committed to devote the resources freed by the present exceptional treatment of the debt on priority areas identified in the country's poverty reduction strategy.

The creditor countries expressed their readiness to reduce Guinea's stock of debt, as soon as Guinea reaches the completion point under the enhanced HIPC Initiative.

Background notes

1. The Paris Club first met 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 Guinea's debt were representatives of the governments of Austria, Belgium, France, Germany, Italy, Japan, Norway, the Russian Federation, Spain, the United Kingdom and the United States of America. Brazil, which is an important creditor for Guinea, was also represented.

Observers at the meeting were representatives of the International Monetary Fund, the International Development Association, the Organization for Economic Cooperation and Development, the African Development Bank and the Secretariat of the U.N.C.T.A.D.

The delegation of the Republic of Guinea was headed by Mr Cheick Ahmadou CAMARA, Minister of Economy and Finance. The meeting was chaired by Mrs Stéphane PALLEZ, Assistant Secretary for European and International Affairs at the French Treasury at the Ministry of Economy, Finance and Industry, Co-President of the Paris Club.

Technical notes

1. Guinea's economic program is supported by a three year arrangement under the Poverty Reduction and Growth Facility approved by the International Monetary Fund on May 2, 2001.

The Republic of Guinea reached its decision point under the enhanced HIPC Initiative on December 22, 2000.

2. The total stock of Guinea's public sector debt was estimated as of December 31, 1999 to be US\$ 3.4 billion (source : IMF and IDA HIPC decision point document, dated November 29, 2000, published on the IMF web site www.imf.org). The stock of debt owed to Paris Club creditors as of November 30, 2000 was estimated to be US\$ 835 million out of which US\$ 551 million is pre-cut-off-date claims (30% is ODA) and US\$ 284 million is post-cut-off-date claims (96% is ODA) (source : Paris Club).

The cut-off date (January 1st, 1986 concerning Guinea) is used by Paris Club creditors for the sole internal purposes of the Paris Club agreement. Credits granted after this cut-off date are not subject to rescheduling. Thus, the cut-off-date helps restore access to credit for these debtor countries.

3. Interest rates to be applied on the restructuring are to be negotiated with each creditor country by the Government of Guinea in bilateral agreements implementing the Paris Club agreement. ODA loans will be rescheduled at a below-market interest rate not higher than the interest rate of the original credits. Other loans will be rescheduled at a market interest rate (known as "appropriate market rate") defined on the basis of risk-free rates for the currency considered, plus a management margin.

4. As in any Paris Club agreement, Guinea agreed to seek comparable treatment from non-Paris Club creditors. In the present case, the comparable treatment shall imply an equivalent assistance by non-Paris Club official creditors. The delegation of Guinea indicated its willingness to meet these creditors soon in order to negotiate the terms of a comparable rescheduling.