



## **PRESS RELEASE**

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

Paris Club creditors agreed on 17 April 2008 with the Government of the Republic of Liberia to a restructuring of its external public debt, this country having reached its Decision Point under the enhanced initiative for the Heavily Indebted Poor Countries (enhanced HIPC Initiative) in March 2008.

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. This leads to the immediate cancellation of US\$ 254 million.

On an exceptional basis, considering Liberia's very limited capacity of payment, and provided that this country continues to implement satisfactorily an IMF supported program, no payments are expected from Liberia between 1<sup>st</sup> March 2008 and 31 December 2010, by which time Liberia is expected to have reached its HIPC Completion Point and received the remainder of the debt reduction envisioned under the HIPC initiative.

Several creditors intend on a bilateral basis to grant additional debt relief to Liberia beyond the terms set today in the Paris Club agreement.

Liberia is committed to devote the resources that otherwise would have gone to Paris Club creditors to priority areas identified in the country's poverty reduction strategy paper. Liberia is also committed to seek comparable treatment from non Paris Club creditors.

Paris Club creditor countries expressed their commitment to implement the final component of debt relief contemplated under the enhanced HIPC initiative, as soon as Liberia reaches the Completion Point. The IMF and the World Bank currently assume that the Paris Club will then have delivered total debt relief of approximately US\$ 1.3 billion in net present value terms.

### **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 reorganization of Liberia's debt were representatives of the governments of Belgium, Denmark, Finland, France, Germany, Italy, Japan, the Netherlands, Norway, Sweden, Switzerland, the United Kingdom and the United States of America.

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

3. The delegation of Liberia was headed by Ms. Antoinette M. SAYEH, Minister of Finance. The meeting was chaired by Mr. Benoît COEURÉ, Co Chairman of the Paris Club, Assistant Secretary at the Treasury and Economic Policy Department of the French Ministry of Economy, Industry and Employment.

### **Technical notes**

1. Liberia's economic program is supported by a three year arrangement under the Poverty Reduction and Growth Facility and an Extended Fund Facility, both approved by the International Monetary Fund on 14 March 2008. Liberia reached the decision point under the enhanced Heavily Indebted Poor Countries (HIPC) Initiative in March 2008.

2. The stock of debt owed to Paris Club creditors as of 1<sup>st</sup> January 2008 was estimated to be more than US\$ 1.5 billion in nominal terms, of which more than 97% consisted of arrears and late interest.

3. The cut off date (1st January 1983 for Liberia) is defined when a debtor country first meets with Paris Club creditors. It is not changed in subsequent Paris Club treatments. In accordance with Paris Club rules, credits granted after this cut off date are not subject to rescheduling or cancellation. In this case, on an exceptional basis, all these amounts were deferred until after 2011. The cut-off date is designed to protect credits granted by Paris Club creditors after this date. It therefore helps restore access to credit for debtor countries after a Paris Club treatment.

4. This agreement consolidates around US\$ 1043 million of which US\$ 1028 million comprises arrears and late interests. It cancels a total of US\$ 254 million and reschedules around US\$ 789 million. These rescheduled amounts will be addressed for debt relief when Liberia reaches Completion Point.

5. On an exceptional basis, creditors have also agreed to defer until after 2011 the repayment of arrears accumulated by Liberia on short term and post cut off date debts, the maturities falling due during the consolidation period under the post cut off date debts as well as all moratorium interest due during the consolidation period on the rescheduled and deferred amounts.