



**PRESS RELEASE**

**THE PARIS CLUB AND THE REPUBLIC OF SEYCHELLES AGREE ON  
A NOMINAL DEBT STOCK CANCELLATION OF 45%**

The representatives of Paris Club creditors and the representatives of the Government of the Republic of Seychelles met on 15 and 16 April 2009 and agreed on a comprehensive treatment of the Seychelles' public external debt.

The delegation of the Republic of Seychelles described the challenging economic and financial situation faced by its country and presented the main measures for recovery included in the program of the Government of the Republic of Seychelles, supported by the Stand-By Arrangement approved by the International Monetary Fund on 14 November 2008. Paris Club members took note of the strong commitment of the Government of the Republic of Seychelles to implement the economic reforms under this program and reaffirmed their support. They recognized the efforts already made by the Government of the Republic of the Seychelles since the beginning of the IMF supported program.

They also welcomed the comprehensive debt reduction plan that the Government of the Republic of Seychelles is committed to implement with all its external creditors.

The representatives of the Creditor Countries, aware of the exceptional situation of the Republic of Seychelles and of its limited repayment capacity over the coming years, agreed on a debt treatment to ensure its long term debt sustainability. To this end, they recommended that their Governments deliver an exceptional treatment providing a total amount of debt cancellation of 45% in nominal terms in two phases. The remaining amounts will be rescheduled over 18 years, including a 5-year grace period. They also agreed to defer part of payments due in the coming years (moratorium interest).

A comparable treatment from all other bilateral and external commercial creditors of Seychelles will be necessary to ensure debt sustainability. The Republic of Seychelles has committed to seek such a treatment. Paris Club creditors will closely monitor this process.

### **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 Seychelles' debt were representatives of the governments of Belgium, France, Germany, Italy, Japan, the Russian Federation, Spain and the United Kingdom. Observers at the meeting were representatives of the government of Canada, Finland, the Netherlands, Norway and the United States of America, as well as the International Monetary Fund (IMF), the International Bank for Reconstruction and Development (IBRD), the Secretariat of UNCTAD and the European Commission. South Africa also participated in this reorganization.

3. The delegation of the Republic of Seychelles was headed by Mr. Danny FAURE, 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. Seychelles' economic program is supported by a two-year Stand-By Arrangement concluded on 14 November 2008.

2. Seychelles' public debt was estimated to be USD 760 million as of end 2008. The debt owed to creditor countries participating in this agreement was estimated to be USD 163 million at the same date.

3. The 45% cancellation in nominal terms delivers a 50% cancellation in NPV terms with a discount rate equal to the 6-month CIRR average for the consolidated debt at the time of the negotiation.