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PRESS RELEASE

THE PARIS CLUB AND THE UNION OF COMOROS AGREE TO A DEBT RESTRUCTURING UNDER THE ENHANCED HEAVILY INDEBTED POOR COUNTRIES INITIATIVE

Paris Club creditors and the Government of the Union of Comoros agreed on 13 August 2010 to a further restructuring of its external public debt following the Union of Comoros' reaching the Decision Point under the enhanced Heavily Indebted Poor Countries initiative on 21 and 29 June 2010.

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.

As agreed in the agreement concluded in November 2009, a further reduction of 50% will be applied to the debt service of the Union of the Comoros from the date of the Decision Point.

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

The Union of Comoros is committed to funnel the resources freed up by debt relief, that otherwise would have gone to Paris Club creditors, to priority areas identified in the country's poverty reduction strategy paper. It is also committed to seeking comparable treatment from non Paris Club creditors.

Paris Club creditor countries expressed their commitment to implementing the final stage of debt relief, as soon as the Union of Comoros reaches the Completion Point under the enhanced HIPC initiative.

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 Union of the Comoros's debt were representatives of the governments of Belgium, Denmark, France, Germany, Italy, the Netherlands and the United Kingdom.

Technical notes

1. An arrangement under the Extended Credit Facility in support of the Union of the Comoros's economic program was approved by the International Monetary Fund on 21 September 2009.

2. The total stock of the Union of the Comoros's public sector debt was estimated as of 2009 to be US\$ 254 million (source: IMF and World Bank). The stock of debt owed to Paris Club creditors as at 1st August 2009 was estimated to be US\$ 16 million.

3. In accordance with Cologne terms, the credits granted under Official Development Assistance conditions before the cut-off date are to be repaid over 40 years, with 16 years of grace, at interest rates at least as favorable as the original concessional rates applied to those loans. Regarding commercial credits, 90% of the pre-cut-off date debt is cancelled, the remaining amounts being rescheduled over 23 years, with 6 years of grace.