



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 23 January 2008 with the Government of the Republic of Guinea to a restructuring of its external public debt, following the approval by the International Monetary Fund (IMF) of a new arrangement under the Poverty Reduction and Growth Facility on 21 December 2007.

For debts contracted before the cut-off date, 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. It consolidates around US\$ 300 million, of which US\$ 160 million comprises arrears and late interests. This leads to the immediate cancellation of US\$ 180 million and the rescheduling of around US\$ 120 million.

On an exceptional basis, considering Guinea's very limited capacity of payment, creditors have also agreed to defer until after 2010 the repayment of arrears accumulated by Guinea on short term and post-cut off date debts, as well as on part of the maturities falling due during the consolidation period under the post-cut off date debts.

These measures are expected to reduce the debt service (including the arrears) due by Guinea to Paris Club creditors between 1st January 2008 and 31 December 2010 from US\$ 415 million down to US\$ 37 million. The remaining payments consist of the interest due on the rescheduled and deferred amounts as well as part of the debt service on post-cut off date debt from January 2008.

Guinea is committed to devote the resources freed by this debt treatment to priority areas identified in the country's poverty reduction strategy paper. Guinea is also committed to seek comparable treatment from non Paris Club creditors.

Paris Club creditor countries expressed their readiness to reduce further Guinea's stock of debt to allow it to achieve debt sustainability, as soon as it reaches the completion point under the enhanced HIPC initiative.

Contact: Thomas COURBE, Secretary General of the Paris Club

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 Guinea's debt were representatives of the governments of Austria, Belgium, Brazil, Denmark, France, Germany, Italy, Japan, the Netherlands, Norway, the Russian Federation, Spain, the United Kingdom and the United States of America.

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

3. The delegation of Guinea was headed by Mr. Ousmane DORE, Minister for Economy, Finance and Planning. The meeting was chaired by Mr. Benoît COEURE, Co-Chairman 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. 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 21 December 2007. Guinea reached the decision point under the enhanced Heavily Indebted Poor Countries (HIPC) Initiative in December 2000.

2. The stock of debt owed to Paris Club creditors as of 1st January 2008 was estimated to be US\$ 830 million.

3. The cut off date (1st January 1986 for Guinea) is used by Paris Club creditors for the sole internal purposes of the Paris Club agreement. When a debtor country first meets with Paris Club creditors, the "cut off date" is defined and is not changed in subsequent Paris Club treatments and credits granted after this cut off date are not subject to rescheduling.