



PRESS RELEASE

THE PARIS CLUB CANCELS ALMOST 100% OF MALAWI'S DEBT

1. The representatives of the Paris Club creditor countries met on 19 October 2006 and agreed to recommend to their Governments a substantial reduction of Malawi's stock of debt.

The representatives of the creditor countries took note that Malawi had reached the Completion Point under the enhanced initiative for the Heavily Indebted Poor Countries (enhanced HIPC Initiative) on 31 August 2006. They welcomed Malawi's determination to implement a comprehensive poverty reduction strategy and an ambitious economic programme providing the basis for sustainable economic growth.

2. In order to contribute to restore Malawi's debt sustainability, they decided to cancel US\$ 137 million in nominal terms, which represents the Paris Club's share of the effort in the framework of the enhanced HIPC Initiative.

Most creditors also committed on a bilateral basis to grant additional debt relief of US\$ 217 million in nominal terms to Malawi.

As a result of this agreement and additional bilateral assistance, Malawi's debt to Paris Club creditors will be reduced from US\$ 363 million to US\$ 9 million in nominal terms.

3. Malawi committed to allocate the resources freed by the present treatment of the debt to priority areas identified in the country's poverty reduction strategy. Creditors welcome and support the Malawian Authorities' commitment to seek comparable treatment from all their other external creditors (including other creditor countries as well as commercial creditors).

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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 Malawi's debt were representatives of the Governments of Austria, Belgium, Denmark, France, Germany, Italy, Japan, the Netherlands, Norway, Spain, Sweden and the United Kingdom.

Observers at the meeting were representatives of the Governments of Canada, the Russian Federation and the United States of America, as well as the International Monetary Fund (IMF), the International Development Association (IDA), the African Development Bank and the Secretariat of UNCTAD.

The delegation of Malawi was headed by Mr. Goodall E. GONDWE, Minister of Finance. The meeting was chaired by Mr Ambroise FAYOLLE, Assistant Secretary at the Treasury and Economic Policy Department of the French Ministry of Economy, Finance and Industry, Co-President of the Paris Club.

Technical notes

1. Malawi's economic program is supported by an arrangement under the Poverty Reduction and Growth Facility (PRGF).

2. Malawi's public external debt was estimated to be US\$ 3 billion in nominal value as at end 1999 (source: IMF and IDA documents). The debt owed to Paris Club creditors as of 1 August 2006 was estimated to be US\$ 363 million in nominal value (source: Paris Club, August 2006). IDA-administered EU loans are included in this treatment.