



**PRESS RELEASE**

**THE PARIS CLUB AGREES TO REDUCE NICARAGUA'S DEBT BY US\$ 902 MILLION  
IN NET PRESENT VALUE TERMS UNDER THE ENHANCED HIPC INITIATIVE**

1. The representatives of the Paris Club creditor countries met on March 3 and 4, 2004 and agreed to recommend to their Governments a reduction of Nicaragua's stock of debt.

The representatives of the creditor countries took note that, given Nicaragua's strong commitment to economic and structural reforms and the burden of its external indebtedness, it has reached on January 23, 2004 its Completion Point under the Enhanced Debt Initiative for the Heavily Indebted Poor Countries (Enhanced HIPC Initiative).

They welcomed Nicaragua's determination to implement a broad-based and sound economic program which should provide the basis for sustainable economic growth and comprehensive poverty reduction.

2. They decided to cancel US\$ 902 million in net present value (NPV) terms which represents the Paris Club share of the effort, as defined by the IMF and the IDA, in the framework of the Enhanced HIPC Initiative.

It is estimated that committed additional bilateral efforts by Paris Club creditors will further reduce Nicaragua's stock of debt by at least US\$ 142 million in net present value terms.

In total, since end 1999, the debt due by Nicaragua to Paris Club creditor countries has been reduced in nominal terms by 96% (more than US\$ 1,620 million) and the annual debt service has been reduced from around US\$ 37 million to about US\$ 1.5 million.

The representatives of the creditor countries also agreed to include in the negotiation of Nicaragua's debt a voluntary debt swap clause.

3. Furthermore, Nicaragua is committed to devote the resources freed by the present treatment of the debt to priority areas identified in the country's poverty reduction strategy and to seek at least comparable treatment from all its other external creditors (including other creditor countries as well as commercial creditors). Paris Club Creditors emphasized the importance they attach to non-Paris Club creditors providing a treatment at least as favourable to Nicaragua.

4. Nicaragua is the 10<sup>th</sup> country to complete the Paris Club process of debt reduction 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 Nicaragua's debt were representatives of the governments of Australia, Austria, France, Germany, Italy, Japan, the Netherlands, the Russian Federation, Spain, the United Kingdom and the United States of America. Israel also took part in this reorganization.

Observers at the meeting were representatives of the governments of Belgium and Denmark as well as the International Monetary Fund (IMF), the International Development Association (IDA), the Inter-American Development Bank and the Secretariat of the UNCTAD.

The delegation of Nicaragua was headed by Mr. Eduardo Montealegre R., Minister of Finance. The meeting was chaired by Mr. Ramon Fernandez, Deputy Assistant Secretary at the Treasury of the French Ministry of Economy, Finance and Industry, Vice-President of the Paris Club.

### **Technical notes**

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

Nicaragua reached its completion point under the Enhanced HIPC Initiative on January 23, 2004.

2. Nicaragua's public debt was estimated to be US\$ 6,689 million in face value as at end 2002 (source: IMF and IDA documents, dated January 6 and 29, 2004 forthcoming on the IMF web site [www.imf.org](http://www.imf.org) and on the World Bank web site [www.worldbank.org/hipc](http://www.worldbank.org/hipc)).

3. As in any Paris Club agreement, Nicaragua agreed to seek comparable treatment from non-Paris Club creditors and commercial creditors. The delegation of the Republic of Nicaragua indicated its willingness to meet these creditors soon in order to negotiate the terms of a future treatment.