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International Monetary Fund  
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### **IMF and World Bank Announce US\$1.2 Billion in Debt Relief for Guinea-Bissau**

**WASHINGTON, D.C., Dec. 16, 2010**—The International Monetary Fund (IMF) and the World Bank's International Development Association (IDA) have decided to support US\$1.2 billion in debt relief for Guinea-Bissau. In addition to debt relief agreed at the decision point under the Enhanced Initiative for Heavily Indebted Poor Countries (HIPC), the Boards of Directors of both institutions<sup>1</sup> agreed to topping-up assistance, including from IDA and the African Development Bank (AfDB) Group, to further reduce the debt of Guinea-Bissau to 150 percent of exports at completion point.<sup>2</sup> In reaching the HIPC completion point, Guinea-Bissau also became eligible for further debt relief under the Multilateral Debt Relief Initiative (MDRI).

The Boards agreed that Guinea-Bissau has taken the necessary policy actions (“triggers”) to reach the completion point under the HIPC Initiative, a stage in which debt relief under both the HIPC Initiative and MDRI becomes irrevocable. These triggers included implementing a national poverty reduction strategy; maintaining macroeconomic stability; strengthening public expenditure management; improving education, healthcare and HIV/AIDS prevention; and demobilizing former combatants.

Debt relief for Guinea-Bissau will lead to debt service savings consisting in nominal terms<sup>3</sup> of US\$703.0 million from the HIPC Initiative, US\$107.9 million in expected additional assistance from Paris Club creditors beyond the HIPC Initiative, US\$230.3 million in

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<sup>1</sup> The IMF Executive Board met on December 13; the IDA Executive Board met on December 16.

<sup>2</sup> Other HIPCs that received this additional debt relief at completion point are Burkina Faso, Ethiopia, Malawi, Niger, Rwanda, and São Tomé and Príncipe.

<sup>3</sup> The *nominal value* of debt is the amount that the debtor owes to creditors at a moment in time; the *present value* is the discounted sum of all future debt service (principal and interest) at a specific market rate of interest (called the discount rate). In debt-reorganization discussions, the present value concept is used to measure, in a consistent manner, the burden sharing of debt reduction among creditors.

For further explanation [click here](#) to see entries for *Nominal Value* and *Present Value* in Appendix III—Glossary of External Debt Terms IMF, *External Debt Statistics: Guide for Compilers and Users*, (2003) IMF, Washington DC.

topping-up assistance, and US\$139.2 million from the MDRI. Debt relief from the IMF and IDA, the World Bank's fund for the poorest, will total US\$15.0 million and US\$347.2 million, respectively, with the remaining relief expected to come from bilateral, commercial, and other multilateral creditors. As a result of this relief, Guinea-Bissau's external debt outlook will improve significantly.

*“Reaching the HIPC completion point and getting debt relief demonstrates and recognizes the progress achieved by Guinea-Bissau in the last two years in strengthening macroeconomic policies and performance following a prolonged period of political instability,” said Paulo Drummond, IMF mission chief for Guinea-Bissau. “It will help Guinea-Bissau improve further its relations with its external creditors, send a positive signal to donors and potential investors, and greatly enhance debt sustainability.”*

*“This rewards the country's tremendous efforts to reestablish economic, social and institutional stability, and permits Guinea-Bissau and its partners to shift their focus toward meeting the enormous challenges of regaining what was lost over the past conflict-afflicted decades,” said Habib Fetini, World Bank Country Director for Guinea-Bissau. “There is great momentum of hope and we urge the authorities and the people of Guinea-Bissau to protect it and use it for further progress in terms of political stability and the rule of law, and break the vicious circle of economic and social degradation, political instability, and institutional destruction.”*

Guinea-Bissau becomes the 32<sup>nd</sup> country to reach the completion point under the HIPC Initiative. The completion point marks the end of the HIPC Initiative process, which started in December 2000 when the Executive Boards of the IMF and IDA agreed that Guinea-Bissau had met the requirements for reaching the decision point—a point in which countries start receiving debt relief on an interim basis.

#### **ANNEX (Note to Editors)**

**The HIPC Initiative.** In 1996, the World Bank and IMF launched the HIPC Initiative to create a framework in which all creditors, including multilateral creditors, can provide debt relief to the world's poorest and most heavily indebted countries to ensure debt sustainability, and thereby reduce the constraints on economic growth and poverty reduction imposed by the unsustainable debt-service burdens in these countries.

To date, 36 HIPC countries have reached their decision points, of which 32 (including Guinea-Bissau today and Togo on December 14) have reached the completion point.

**The MDRI.** Created in 2005, the aim of the Multilateral Debt Relief Initiative (MDRI) is to reduce further the debt of eligible low-income countries and provide additional resources to help them reach the Millennium Development Goals (MDGs). Under the MDRI, three multilateral institutions—the World Bank's International Development Association, the International Monetary Fund and the African Development Fund—provide 100 percent debt

relief on eligible debts to qualifying countries normally at the time they reach the HIPC Initiative completion point.

*For more information on Guinea-Bissau, please visit:*  
<http://www.imf.org/external/country/GNB/index.htm>

*For more information on debt relief, click:*

<http://www.imf.org/external/np/exr/facts/hipc.htm>,  
<http://www.imf.org/external/np/exr/facts/mdri.htm> and  
<http://go.worldbank.org/83PZB7FH80>

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