PRESS RELEASE

PARIS CLUB REDUCES HONDURAS' DEBT

1. The representatives of the Paris Club creditor countries met on May 12, 2005 and agreed to recommend to their Governments a reduction of Honduras' stock of debt.

The representatives of the creditor countries took note that Honduras had reached the Completion point under the enhanced initiative for the Heavily Indebted Poor Countries (enhanced HIPC initiative) on April 5, 2005. They welcomed Honduras' 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 Honduras' debt sustainability, they decided to cancel US$ 206 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 to Honduras so that the stock of the debt owed to Paris Club creditors will be reduced by a further US$ 855 million in nominal terms.

As a result of this agreement and additional bilateral assistance, Honduras' debt to Paris Club creditors will be reduced from US$ 1474 million to US$ 413 million.

3. Honduras 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 Honduran Authorities' commitment to seek comparable treatment from all their other external creditors (including other creditor countries as well as commercial creditors).

www.clubdeparis.org
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 Honduras’ debt were representatives of the Governments of Canada, Denmark, France, Germany, Italy, Japan, the Netherlands, Spain, Switzerland and the United States of America.

Observers at the meeting were representatives of the Governments of Norway and the United Kingdom as well as the International Monetary Fund (IMF), the International Development Association (IDA), and the Secretariat of UNCTAD.

The delegation of Honduras was headed by Mr. William Chong Wong, Minister of Finance. The meeting was chaired by Mr. Ramon Fernandez, Deputy Assistant Secretary at the Treasury and Economic Policy Department of the French Ministry of Economy, Finance and Industry, Vice President of the Paris Club.

Technical notes

1. Honduras’ economic program is supported by an arrangement under the Poverty Reduction and Growth Facility (PRGF).

2. Honduras’ public external debt was estimated to be US$ 4.8 billion in nominal value as at end 2003 (source: IMF and IDA document, dated March 9, 2005 to be published on the IMF web site www.imf.org). The debt owed to Paris Club creditors as of March 1, 2005 was estimated to be US$ 1474 million in nominal value (source: Paris Club May 2005).