

World Bank Supports Nicaragua's \$1.4 Billion Cash Buy-Back Offer for External Commercial Debt

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Washington, December 5, 2007- The World Bank Group today welcomed the announcement that the government of Nicaragua and its creditors have agreed to a cash buy-back of more than US\$1.3 billion of the country's commercial external debt. This announcement is a major step forward under a US\$1.4 billion cash buy-back offer being implemented with the support of a grant of up to US\$61 million from the World Bank's Debt Reduction Facility (DRF).

"This operation will ensure further debt relief to Nicaragua and is an important step forward in stabilizing the country's financial relationships with the investment community," said Pamela Cox, World Bank Vice President for Latin America and the Caribbean. "The Facility's support to the buy back is part of the World Bank's commitment to help heavily indebted poor countries eliminate their commercial debt."

The Government of Nicaragua announced that from the overall amount of eligible claims of US\$ 1.4 billion, more than US\$ 1.3 billion were tendered and accepted for redemption by Nicaragua at a price of 4½ % of the current value of the claims, with the participation of more than 99% of financial institutions; and all four of the commercial financial institutions holding court judgments against Nicaragua. The first closing is expected to take place in mid December 2007. A second closing is scheduled to take place during the first quarter of 2008 and is expected to secure further debt relief from creditors who are still finalizing their tenders.

"We welcome the decision by commercial creditors to drop their court judgments and accept the government's offer," said Danny Leipziger, World Bank Vice President for Poverty Reduction and Economic Management and Chairman of the Debt Reduction Facility Oversight Committee. "This is fully consistent with the debt relief provided by official creditors to Nicaragua and shows that there are responsible commercial creditors who are willing to play by the rules."

The grant of up to US\$61 million from the DRF is financed by contributions from Finland, the Netherlands, Norway, the Russian Federation, Sweden, and the United Kingdom as well as from the net income of the International Bank for Reconstruction and Development (IBRD).

The Debt Reduction Facility provides grants to Heavily Indebted Poor Countries, known as HIPCs, to buy back - at a deep discount - the debts owed to external, commercial creditors. It also finances the legal and financial advice needed to implement such buybacks. Since its inception, the DRF has supported 23 earlier completed buyback operations, extinguishing about US\$8 billion of external commercial debt. By reducing sovereign debt burdens, the DRF facilitates the improvement of debt relief burden sharing by creditors under the HIPC Initiative and helps countries normalize their external financial relations.

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For more on the World Bank's support for Heavily Indebted Poor Countries, please visit: www.worldbank.org/debt

For more on World Bank in Nicaragua, please visit: www.worldbank.org/nicaragua