June 13, 2003

PRESS-RELEASE

THE PARIS CLUB AGREES TO A RESCHEDULING OF ECUADOR'S DEBT

On June 13, 2003, the Paris Club concluded an agreement with the Government of the Republic of Ecuador. This agreement consolidates around $ 81 million of principal maturities falling due to official bilateral creditors between March 1, 2003 and March 31, 2004, of which 85% are commercial loans.

The Paris Club agreement follows the International Monetary Fund's approval of the Stand-by Arrangement on March 21, 2003 and completes the financing expectations during the period. The consolidation is expected to make an important positive contribution to Ecuador's economic outlook and to strengthen its debt sustainability.

The rescheduling is conducted under the so-called "Houston terms": non-ODA credits are to be repaid over 18 years, including 3 years of grace and progressive payments, at the appropriate market rate; ODA credits are to be repaid over 20 years, including 10 years of grace, at a rate at least as favourable as the concessional rates applying to those loans.

This rescheduling is expected to reduce debt service due to Paris Club creditors between March 1, 2003 and March 31, 2004 to $ 272 million. Amounts paid include notably post-cut-off date maturities and flows on the previous Paris Club agreement concluded in September 2000 as well as moratorium interest on the consolidations.

The Paris Club Creditors agreed to continue to monitor closely the external debt situation of the country notably on the basis of an updated debt sustainability analysis by the IMF in 2004.

On a voluntary and bilateral basis, each creditor may also undertake debt for nature, debt for aid, debt for equity swaps or other debt swaps.

As in any Paris Club agreement, Ecuador agreed to seek comparable treatment from non-Paris Club categories of creditors.

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 Ecuador's debt were representatives of the governments of Canada, France, Germany, Israel, Italy, Japan, Norway, Spain, the United Kingdom and the United States of America.

Observers at the meeting were representatives of the governments of Belgium, Brazil, Denmark and the Russian Federation as well as the International Monetary Fund (IMF), the International Bank for Reconstruction and Development, the Inter-American Development Bank, the Secretariat of the UNCTAD and the Organization for Economic Cooperation and Development.

The delegation of Ecuador was headed by Mr. Mauricio POZO, Minister of Economy and Finance. The meeting was chaired by Mrs Stéphane PALLEZ, Assistant Secretary for European and International Affairs at the French Treasury of the Ministry of Economy, Finance and Industry, Co-Chairperson of the Paris Club.

Technical notes

1. A Stand By Arrangement was approved by the International Monetary Fund on March 21, 2003.

2. The total stock of Ecuador's external public sector debt was estimated as of end 2002 to be US$ 11.4 billion (source : IMF Staff Report for the 2003 Article IV Consultation and Request for SBA, published on the IMF web site on April 7, 2003, www.imf.org). The stock of debt owed to Paris Club creditors as at January 1st, 2003 was estimated to be US$ 2 730 million, out of which US$ 1 300 million of pre-cut off date debt, and US$ 1 430 million of post-cut off date debt.

The cut off date (January 1, 1983 for Ecuador) is used by Paris Club creditors for the sole internal purposes of the Paris Club agreement. When a debtor country first meets with Paris Club creditors, the "cut off date" is defined and is not changed in subsequent Paris Club treatments and credits granted after this cut off date are not subject to rescheduling. Thus, the cut off date helps restore access to credit for these debtor countries.

3. Interest rates to be applied on the restructuring are to be negotiated with each creditor country by the Government of Ecuador in the bilateral agreements implementing the Paris Club agreement. ODA loans will be rescheduled at a below-market interest rate not higher than the interest rate of the original credits. Other loans will be rescheduled at a market interest rate (known as "appropriate market rate") defined on the basis of risk-free rates for the currency considered, plus a management margin.

4. As in any Paris Club agreement, Ecuador agreed to seek comparable treatment from non-Paris Club creditors. In the present case, the comparable treatment shall imply an equivalent contribution on those obligations due to private creditors which do not result from previous consolidation deemed comparable.