



PRESS-RELEASE

PARIS CLUB CREDITORS AGREE ON THE EVIAN APPROACH

The representatives of the creditor countries usually taking part in Paris Club negotiations met in Paris on October 8, 2003 and agreed on a new approach to deal with non-HIPC countries.

In this context, and, in order to make a significant contribution to the current efforts to make the resolution of crises more orderly, timely and predictable, Paris Club creditors agreed to adopt a more tailored response to ensure that debt restructuring provides debtor countries with a debt treatment that reflects their financial needs and the objective of ensuring long lasting debt sustainability.

For countries who face a liquidity problem but are considered to have sustainable debt going forward, the Paris Club would design debt treatments on the basis of the existing terms. However, Paris Club creditors agreed that the rationale for the eligibility to these terms would be carefully examined, and that all the range built-into the terms including through shorter grace period and maturities, would be used to adapt the debt treatment to the financial situation of the debtor country. Countries with the most serious debt problems will be dealt with more effectively under the new options for debt treatments. For other countries, the most generous implementation of existing terms would only be used when justified.

For countries whose debt has been agreed by the IMF and the Paris Club creditor countries to be unsustainable, Paris Club creditors agreed that they would participate in a comprehensive debt treatment provided that these countries are committed to policies that will secure an exit from the Paris Club in the framework of an IMF arrangement, and to seeking comparable treatment from their other external creditors, including the private sector. Debt treatment would be delivered according to a staged process designed to maintain a strong link with economic performance and public debt management. In such cases, coordination between official and private creditors would be enhanced and could take the form of early consultations with the private sector on the issue of comparability of treatment of their respective claims.

To design the comprehensive debt treatment, Paris Club creditors will resort to a menu of options with a view to tailor their response to the debtor countries' situation according to the results of the debt sustainability analysis conducted in close coordination with the IMF. Debt reduction will continue to be considered only in exceptional cases and when the need is clearly demonstrated. Different types of flexible instruments would be used within the debt treatment in order to facilitate its tailoring over time. To ensure that the debt treatment captures the relevant scope of the debt and to facilitate new bilateral lending, the adjustment of the "cut-off date" will also be actively considered. To this end the guiding principle should be the ambition to seek debt sustainability while not undermining access to future credits.

The Paris Club was formed in 1956. It is an informal group of creditor governments from major industrialized countries. It holds negotiations with debtor countries to find coordinated and sustainable solutions to their payment difficulties and to agree on specific terms of restructuring of their debts. It also meets for a monthly "tour d'horizon" to overview pending issues concerning debtor countries.