



PRESS RELEASE

THE PARIS CLUB AND THE REPUBLIC OF IRAQ AGREE ON DEBT RELIEF

The representatives of the member countries of the Paris Club met from November 17 to November 21 and agreed on November 21, 2004 with the representatives of the Republic of Iraq on a comprehensive debt treatment of the public external debt owed to them providing a total amount of debt reduction of 80 % in three phases.

The Iraqi delegation described the challenging economic and financial situation faced by its country and presented the main measures for recovery included in the program of the Iraqi Government and supported by the Emergency Post Conflict Assistance approved by the Board of the International Monetary Fund on September 29, 2004. Paris Club members took note of the strong commitment of the Government of Iraq to implement the policies required under this program and reaffirmed their support.

The representatives of the Creditor Countries, aware of the exceptional situation of the Republic of Iraq and of its limited repayment capacity over the coming years, agreed on a debt treatment to ensure its long term debt sustainability. To this end, they recommended that their Governments deliver the following exceptional treatment:

- an immediate cancellation of part of the late interest representing 30% of the debt stock as at January 1, 2005. The remaining debt stock is deferred up to the date of the approval of an IMF standard programme. This cancellation results in the write-off of 11.6 billion US dollars on a total debt owed to the Paris Club of 38.9 billion US dollars;

- as soon as a standard IMF programme is approved, a reduction of 30% of the debt stock will be delivered. The remaining debt stock will be rescheduled over a period of 23 years including a grace period of 6 years. This step will reduce the debt stock by another 11.6 billions US dollars increasing the rate of cancellation to 60%;

- Paris Club Creditors agreed to grant an additional tranche of debt reduction representing 20% of the initial stock upon completion of the last IMF Board review of three-years of implementation of standard IMF programmes.

This debt treatment would reduce the total debt stock from 38.9 billion to 7.8 billion US dollars.

On a voluntary basis, each creditor country may also undertake debt swaps.

The Republic of Iraq has committed to seek comparable treatment from its other external 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 Iraq's debt were representatives of the governments of Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Italy, Japan, the Netherlands, the Republic of Korea, the Russian Federation, Spain, Sweden, Switzerland, the United Kingdom and the United States of America. Observers at the meeting were representatives of the government of Norway as well as the International Monetary Fund (IMF), the International Bank for Reconstruction and Development (IBRD), the Secretariat of UNCTAD, the European Commission and the Organization for Economic Cooperation and Development (OECD).

The delegation of Iraq was headed by Mr. Adil A. Mahdi, Minister of Finance. The meeting was chaired by Mr. Jean-Pierre Jouyet, Chairman of the Paris Club.

Technical notes

1. Iraq's economic program is supported by an Emergency Post Conflict Assistance.

2. Iraq's public debt was estimated to be US\$ 120.2 billions in nominal value as at end 2004. The debt owed to Paris Club creditors as of December 31, 2004 was estimated to be US\$ 38.9 billions in nominal value.

3. The repayment profile will be posted on the Paris Club web site.

RESCHEDULING PROFILE "DEBT REDUCTION" OPTION	
2005	0,00%
2006	0,00%
2007	0,00%
2008	0,00%
2009	0,00%
2010	0,00%
July 1, 2011	2,94%
January 1, 2012	2,94%
July 1, 2012	2,94%
January 1, 2013	2,94%
July 1, 2013	2,94%
January 1, 2014	2,94%
July 1, 2014	2,94%
January 1, 2015	2,94%
July 1, 2015	2,94%
January 1, 2016	2,94%
July 1, 2016	2,94%
January 1, 2017	2,94%
July 1, 2017	2,94%
January 1, 2018	2,94%
July 1, 2018	2,94%
January 1, 2019	2,94%
July 1, 2019	2,94%
January 1, 2020	2,94%
July 1, 2020	2,94%
January 1, 2021	2,94%
July 1, 2021	2,94%
January 1, 2022	2,94%
July 1, 2022	2,94%
January 1, 2023	2,94%
July 1, 2023	2,94%
January 1, 2024	2,94%
July 1, 2024	2,94%
January 1, 2025	2,94%
July 1, 2025	2,94%
January 1, 2026	2,94%
July 1, 2026	2,94%
January 1, 2027	2,94%
July 1, 2027	2,94%
January 1, 2028	2,94%

RESCHEDULING PROFILE "DEBT SERVICE REDUCTION" OPTION	
2005	0,00%
2006	0,00%
2007	0,00%
2008	0,00%
2009	0,00%
2010	0,00%
July 1, 2011	0,37%
January 1, 2012	0,39%
July 1, 2012	0,41%
January 1, 2013	0,44%
July 1, 2013	0,46%
January 1, 2014	0,49%
July 1, 2014	0,51%
January 1, 2015	0,54%
July 1, 2015	0,57%
January 1, 2016	0,60%
July 1, 2016	0,63%
January 1, 2017	0,66%
July 1, 2017	0,70%
January 1, 2018	0,73%
July 1, 2018	0,77%
January 1, 2019	0,81%
July 1, 2019	0,85%
January 1, 2020	0,90%
July 1, 2020	0,94%
January 1, 2021	0,99%
July 1, 2021	1,04%
January 1, 2022	1,10%
July 1, 2022	1,15%
January 1, 2023	1,21%
July 1, 2023	1,27%
January 1, 2024	1,33%
July 1, 2024	1,40%
January 1, 2025	1,47%
July 1, 2025	1,54%
January 1, 2026	1,62%
July 1, 2026	1,70%
January 1, 2027	1,78%
July 1, 2027	1,87%
January 1, 2028	1,96%
July 1, 2028	2,05%
January 1, 2029	2,15%
July 1, 2029	2,26%
January 1, 2030	2,37%
July 1, 2030	2,48%
January 1, 2031	2,60%
July 1, 2031	2,73%
January 1, 2032	2,86%
July 1, 2032	3,00%
January 1, 2033	3,15%
July 1, 2033	3,30%
January 1, 2034	3,46%
July 1, 2034	3,62%
January 1, 2035	3,80%
July 1, 2035	3,98%
January 1, 2036	4,17%
July 1, 2036	4,37%
January 1, 2037	4,58%
July 1, 2037	4,80%
January 1, 2038	5,07%

To deliver the 30% debt reduction in Net Present Value (NPV) linked to the approval of the standard IMF programme, Paris Club Creditors can choose between a debt reduction option and a debt service reduction option. This latter option results in a longer rescheduling profile of 33 years including a grace period of 6 years.