

April 12, 2002

**OFFICIAL CREDITOR**  
**COUNTRIES OF INDONESIA**

PRESS RELEASE

**THE GROUP OF OFFICIAL CREDITOR COUNTRIES OF THE REPUBLIC OF INDONESIA AGREES TO A DEBT RESCHEDULING FOR INDONESIA**

The Group of Official Creditor Countries of the Republic of Indonesia agreed on April 12, 2002 on a restructuring of the external debt service of the Government of the Republic of Indonesia to further support the continuing efforts on economic recovery undertaken by the Government of the Republic of Indonesia under the current IMF arrangement.

The agreement follows the International Monetary Fund's approval on January 28, 2002 of the extension until end 2003 of the arrangement under the Extended Fund Facility approved by the Executive Board of the International Monetary Fund on February 4, 2000.

The maturities in principal and interest of the external debt of the Government of the Republic of Indonesia and Bank Indonesia owed to the Group of Official Creditor Countries of Indonesia, falling due from April 1<sup>st</sup>, 2002 to December 31<sup>st</sup>, 2003, amounted before the rescheduling to US\$ 7,5 billion of which US\$ 5,4 billion is debt eligible to rescheduling.

The agreement treats these maturities according to the financing needs of the Republic of Indonesia. The debt service due to the Group of Official Creditor Countries of the Republic of Indonesia during the period covered by the agreement will comprise essentially the payment of the maturities on the previously rescheduled debt, the post cut-off debt and the moratorium interest on the consolidation, which will not exceed US\$ 2,7 billion.

The rescheduling is conducted according to the following terms : ODA credits are to be repaid over 20 years, including 10 years of grace, at interest rates at least as favorable as the concessional rates applying to those loans ; commercial credits are to be repaid over 18 years, including 5 years of grace with progressive repayment, at the appropriate market rate (the repayment profile of the restructured amount is attached).

The Republic of Indonesia commits to seek comparable treatment from its other external creditors. After careful examination however, the Group of official creditor countries of Indonesia agreed that a restructuring maturities falling due under the interbank exchange offers and the so-called Yankee bond was not practical. Creditors stressed the importance for Indonesia to secure private flows in order to ensure medium-term sustainability.

The agreement represents a substantial positive contribution to the financing of the economic program supported by the IMF.

Each creditor, on a voluntary and bilateral basis, may also undertake debt for nature, debt for aid, debt for equity swaps or other currency debt swaps.

### **Background notes**

1. The members of the Group of Official Creditor Countries of Indonesia which participated in the treatment of the debt were representatives of the Governments of Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Italy, Japan, the Netherlands, Norway, the Republic of Korea, Spain, Sweden, Switzerland, the United Kingdom and the United States of America.

2. Observers were representatives of the International Monetary Fund, the International Bank for Reconstruction and Development, the Asian Development Bank, the Secretariat of the UNCTAD and the Organization for Economic Cooperation and Development.

3. The delegation of the Republic of Indonesia was headed by Mr Dorodjatun Kuntjoro-Jakti, Coordinating Minister for Economic Affairs, assisted by Mr Boediono, Minister of Finance.

4. The meeting was chaired by Mr Ambroise Fayolle, Deputy Assistant Secretary for International and European Affairs at the French Treasury at the Ministry of Economy, Finance and Industry, and Vice-President of the Paris Club.

### **Technical notes**

1. An arrangement under the Extended Fund Facility was approved by the International Monetary Fund on February 4, 2000.

2. The total stock of the Republic of Indonesia sovereign external debt was estimated to be US\$ 75.9 billion as of December 2001 (source : IMF). The stock of debt owed to Paris Club creditors as at January 31, 2002 was estimated to be US\$ 41.357 billion, out of which US\$ 34.995 billion of pre-cut off date debt, and US\$ 6.362 billion of post-cut off date debt.

The cut off date (July 1, 1997 for the Republic of Indonesia) 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 the Republic of Indonesia 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, the Republic of Indonesia agreed to seek comparable treatment from non-Paris Club creditors. In the present case, the comparable treatment shall imply assistance provided by commercial creditors. The delegation of the Republic of Indonesia pledged to meet these creditors soon in order to negotiate the terms of a future treatment.