



## **PRESS-RELEASE**

### **PARIS CLUB CREDITORS AND JORDAN CONCLUDE AN EXIT AGREEMENT**

The Paris Club and the Hashemite Kingdom of Jordan agreed on July 10, 2002 on an exit treatment that enables Jordan to graduate from Paris Club rescheduling.

Paris Club creditors and Jordan agree that given Jordan's economic situation, the implementation of the programme supported by the current Stand-by Arrangement with the International Monetary Fund (IMF) and the exit treatment agreed today are sufficient to enable the Government of Jordan to fully service its debt to Paris Club creditors. The Government of Jordan commits not to seek further treatments from the Paris Club once this exit agreement is implemented.

This treatment supports the continuing efforts on economic recovery undertaken by Jordan under the current Stand-by Arrangement and fully fills the financing needs of Jordan during the Stand-by Arrangement. In that perspective, 100% of pre cut off date debt maturities falling due during the period of the current IMF arrangement, i.e. from July 2002 to July 2004, will be rescheduled.

Moreover, considering Jordan's commitment to exit from Paris Club rescheduling and taking into account the good performance of Jordan under the previous Paris Club Agreed Minutes and under IMF Arrangements, considering also the expectation that Jordan will graduate from further IMF Arrangements and in order to contribute to Jordan's financial sustainability, Paris Club Creditors agree to consolidate maturities due until December 31, 2007. For the period following the present Arrangement with the IMF, the treatment will be granted by Paris Club creditors based on strong IMF involvement through semi-annual monitoring of Jordan's performance. The Paris Club treatment will take into account a decreasing share of amounts originally due. Thus, 90% of all pre cut off date debt maturities falling due between July 2004 and December 2005, 80% in 2006 and 70% in 2007 will be treated.

Under this exit treatment, approximately USD 1.2 billion are to be rescheduled out of around USD 2 billion originally due between July 1, 2002 and December 31, 2007.

The rescheduling is conducted according to the following terms : ODA credits are to be repaid until December 31, 2023, with amortisation starting July 31, 2014 ; the interest rate shall be at least as favorable as the concessional rates applying to those loans. Commercial credits are to be repaid until December 31, 2021, with amortisation starting June 30, 2007, at the appropriate market rate (the repayment profile of the restructured amount is attached).

Moreover, on a voluntary and bilateral basis, Participating Creditors Countries may sell or exchange, in the framework of debt for nature, debt for aid, debt for equity swaps or other local currency debt swaps, all the pre cut off ODA loans as well as the pre cut off date commercial credits (up to 30% of the amounts of outstanding credits as of December 31, 1991 or up to an amount of 40 million SDR, whichever is higher).

## **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 Jordan's debt were representatives of the governments of Austria, Belgium, Canada, Denmark, France, Germany, Italy, Japan, Spain, Switzerland and the United Kingdom.

3. Observers at the meeting were representatives of Governments of Finland, Norway, the Russian Federation and the United States of America, as well as of the IMF, the International Bank for Reconstruction and Development and the Secretariat of the UNCTAD.

4. The delegation of Jordan was headed by H.E. Dr Michel Marto, Minister of Finance. The meeting was chaired by Ms 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. The two-year Stand-by arrangement concluded by Jordan was approved by the Executive Board of the IMF on July 3, 2002.

2. The total stock due by Jordan and its public sector was estimated as of December 31, 2001 to be US\$ 7.3 billion (source : IMF). The stock of debt due to Paris Club creditors was estimated to be US\$ 4.1 billion as of June 30, 2002 out of which US\$ 2.3 billion is pre-cut-off-date claims (out of which 23% is ODA loans) and US\$ 1.8 billion is post-cut-off-date claims (out of which 86% is ODA loans).

The cut-off date (January 1, 1989) 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 debtor countries facing liquidity problems.

3. The debt restructured under the present exit agreement amounts to approximately US\$ 1.2 billion (exchange rate as of June 30, 2002), of which US\$ 270 million in ODA loans

4. Interest rates to be applied on the restructuring are to be negotiated with each creditor country by Jordan in 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.

5. As in any Paris Club agreement, Jordan committed to seek comparable treatment from public and private external creditors that are not participating in this agreement and have not fulfilled a comparable effort.