



PRESS-RELEASE

THE PARIS CLUB AND THE KYRGYZ REPUBLIC AGREE TO A DEBT RESTRUCTURING

Paris Club creditors agreed on March 7, 2002 with the Government of the Kyrgyz Republic to a restructuring of its external debt. This agreement follows the International Monetary Fund's approval of the Kyrgyz Republic's arrangement under the Poverty Reduction and Growth Facility on December 6, 2001.

This agreement consolidates roughly US\$ 99 million due on loans, credits and consolidations contracted by the Kyrgyz Republic before August 31, 2001 ("cut-off-date", see attached technical notes). This amount consists of principal and interest falling due from December 6, 2001 up to December 5, 2004 (of which US\$ 23 millions are ODA loans).

The rescheduling is conducted according to the following terms : ODA credits are to be repaid over 20 years, with 10 years of grace, at interest rates at least as favourable as the concessional rates applying to those loans ; commercial credits are to be repaid over 20 years, with 5 years of grace with progressive repayment, at the appropriate market rate (the repayment profile of the restructured amount is attached); moratorium interest on the consolidation is capitalised up to 50% for the first year, 60% for the second year and 70% for the third year.

This agreement is expected to reduce debt service due to Paris Club creditors during 2002, 2003 and 2004 from US\$ 101 million to US\$ 5,6 million, which consists mainly of payments of interest on the rescheduled amounts.

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

This debt restructuring will make an important positive contribution to the Kyrgyz Republic's economic outlook. After a comparable effort from other creditors, this rescheduling will satisfy the Kyrgyz Republic's financing requirements for 2002, 2003 and 2004. The Kyrgyz Republic commits to seek such comparable treatment from its other public and private external creditors.

Creditors agreed in principle to consider a concessional treatment of the stock of the external debt upon successful implementation of the current IMF three-year arrangement and the Paris Club agreement, and approval of an appropriate follow-up medium term arrangement with the IMF.

Background notes

1. The Paris Club was formed in 1956. It is an informal group of creditor governments from major industrialized countries (i.e. OECD). 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 were representatives of the governments of Denmark, France, Germany, Japan and the Russian Federation. Turkey, a major creditor of the Kyrgyz Republic, also participated in the debt rescheduling.

Observers at the meeting were representatives of the Governments of Canada, Italy, Switzerland, the United Kingdom, and the United States of America as well as the International Monetary Fund, the International Bank for Reconstruction and Development, the European Bank for Reconstruction and Development and the Organization for Economic Cooperation and Development.

3. The delegation of the Kyrgyz Republic was headed by Mr Bolot ABILDAEV, Minister of Finance. The meeting was chaired by Mr Ambroise FAYOLLE, Deputy Assistant Secretary at the French Treasury at the Ministry of Economy, Finance and Industry, Vice-President of the Paris Club.

Technical notes

1. A loan under the Poverty Reduction and Growth Facility in support of the Kyrgyz Republic's economic program was approved by the International Monetary Fund on December 6, 2001.

2. The total stock of the Kyrgyz Republic's public sector debt was estimated to be US\$ 1.5 billion as of end 2000. The stock of debt owed to Paris Club creditors was estimated to be US\$ 449.7 million as of November 30, 2001 (source: Paris Club creditors). Paris Club creditors' stock of debt is divided into US\$ 225.6 million in ODA claims and US\$ 224.15 million in non ODA claims.

3. The cut-off-date is used by Paris Club creditors for the sole internal purpose 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 future rescheduling. Thus, the cut-off-date helps restore access to credit for debtor countries facing liquidity problems. Concerning the Kyrgyz Republic, the cut-off date was set at August 31, 2001.

4. Interest rates to be applied on the restructuring are to be negotiated with each creditor country by the Government of the Kyrgyz Republic in bilateral agreements implementing the Paris Club agreement. Official development assistance loans will be rescheduled at below-market interest rates not higher than the interest rates on 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, the Government of the Kyrgyz Republic agreed to seek comparable treatment from non-Paris Club creditors. In the present case, the comparable treatment shall imply an equivalent contribution of non Paris Club external official creditors and private creditors to the financing gap during the consolidation period (2002-2004). The Kyrgyz Republic delegation indicated its willingness to meet these creditors soon in order to negotiate the terms of a future rescheduling.