PARIS CLUB RECENT ACTIVITY
QUICK REVIEW OF PARIS CLUB RECENT ACTIVITY
Key events in 2003-2004

1. Approval of the Evian approach in October 2003 (to date two countries examined under the new framework);

2. Implementation of the HIPC initiative including topping-up (6 countries at completion point);

Since March 2003, Paris Club creditors have concluded 9 agreements:

- **6 with HIPC** (Benin, Burundi, Guyana, Honduras, Mali, Nicaragua, Niger)
- **3 with non-HIPC** (Ecuador, Kenya, Dominican Rep.)
Since March 2003, Paris Club creditors have restructured $3.1 billion.
QUICK REVIEW OF PARIS CLUB RECENT ACTIVITY
HIPCs

Amounts treated in 2003-2004 : HIPCs

- Nicaragua: 58%
- Honduras: 13%
- Guyana: 9%
- Burundi: 3%
- Niger: 9%
- Mali: 6%
- Benin: 2%

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QUICK REVIEW OF PARIS CLUB RECENT ACTIVITY
non-HIPCs

Amounts treated in 2003-2004 : non-HIPCs

- Kenya: 56%
- Dominican Rep.: 31%
- Ecuador: 13%
QUICK REVIEW OF PARIS CLUB RECENT ACTIVITY

Debt swap reporting

- 13 Paris Club creditors concerned
- 41 debtor countries
- 272 operations for an amount of 6,3Md$

<table>
<thead>
<tr>
<th>Type of Debt Swap</th>
<th>Num of Operations</th>
<th>Num of Debtor Countries</th>
</tr>
</thead>
<tbody>
<tr>
<td>Others</td>
<td>13%</td>
<td></td>
</tr>
<tr>
<td>Aid &amp; Nature</td>
<td>47%</td>
<td></td>
</tr>
<tr>
<td>Equity</td>
<td>40%</td>
<td></td>
</tr>
</tbody>
</table>

Repartition by type of debt swap
PARIS CLUB RECENT ACTIVITY
DOMINICAN REPUBLIC
Presentation of the April 2004 agreement
DOMINICAN REPUBLIC
Background and context of the negotiation

- **Previous Paris Club agreements**
  - 1985: Classic terms and 280 M$ treated (fully repaid).

- **Context of the negotiation**
  - DR was facing a liquidity problem: financing gap was estimated around 300 M$.
  - Agreement negotiated in the framework of the Evian approach: sustainable branch existing terms.
  - DR was not any more eligible to Houston terms.
  - Significant private sector exposure.
DOMINICAN REPUBLIC
Structure of the long term external debt

External debt as at dec 2003: 5.4 Md$ 
- ST & past due obligations: 5%
- Multilateral: 30%
- Bilateral: 30%
- Private: 35%
DOMINICAN REPUBLIC
Maturities falling due in 2004

- Paris Club: 479 M$
- Multilateral creditors: 238 M$
- Commercial creditors: 285 M$
- Bilateral NPC creditors: 65 M$

Meeting with private sector representatives Paris, June 9th 2004
DOMINICAN REPUBLIC
Payments due to Paris Club Creditors in 2004

PCOD 43%

ST 3%

NPRD 10%

PRD 44%

ODA 25%

NODA 75%

ST 3%

NPRD 10%

PRD 44%

ODA 25%

NODA 75%
DOMINICAN REPUBLIC
Paris Club terms of treatment

- Agreement concluded on April 16, 2004 under classic terms.

- **Cut-off date**: June, 30 1984.


- **Rescheduling of principal and interest maturities**:
  - Non ODA & ODA: rescheduled over 12 years, 5 years grace.
  - 193 M$ have been rescheduled.
  - Comparability of treatment clause.
DOMINICAN REPUBLIC
Comparability of treatment

- Paris Club takes its share of the financing gap: the remaining financing gap has to be covered by the private sector in implementing a comparable treatment.
- Comparability of treatment will be assessed according to cash flow, NPV, Duration. New money can also be taken into account provided that it represents a comparable effort.
- Compliance with Comparability of Treatment clause will be assessed regularly.
- Agreement is contingent on implementation of IMF program and comparability of treatment.
PARIS CLUB RECENT ACTIVITY
KENYA
Presentation of the January 2004 agreement
KENYA
Background and context of the negotiation

- Previous Paris Club agreement
  - 1994: 549 m$ in arrears (mainly non-ODA claims) rescheduled over 7 years (incl. 1 year grace period)
  - 2000: 25 m$ in arrears and 225 m$ in maturities treated under Houston terms (rescheduled over 18 years incl. 4 for non-ODA and 20 years incl. 10 for ODA)

- Context of the negotiation
  - First case to be treated under the Evian approach
  - Considered as sustainable ⇒ Implementation of existing terms
  - Eligible to Naples but no cancellation was provided: Non concessional terms sufficient to meet the financial needs and Kenya was willing to preserve its access to private financing
KENYA
Structure of the long term external debt

Structure of Kenya's debt as at December 2003

- Multilateral creditors: 59%
- Paris Club: 35%
- NPRD: 18%
- Post: 11%
- Official non-Paris Club creditors: 5%
- Commercial creditors: 1%

Meeting with private sector representatives Paris, June 9th 2004
KENYA
Paris Club terms of treatment

- Agreement concluded on January 15, 2004 under Houston terms
  - **Cut-off date**: December 31st, 1991
  - **Consolidation period**: January 1st, 2004 - December 31st, 2006
  - **Rescheduling of 350 M$** (17 m$ of arrears and 336 m$ of maturities)
    - ODA: rescheduled over 20 years, 10 years grace
    - Non ODA: rescheduled over 15 years, 5 years grace
  - **Exit treatment**:
    - **Decreasing consolidated amounts**: 82% of total maturities in 2004, 77% in 2005 and 67% in 2006
Late and partial implementation of comparability of treatment after 2000 PC agreement

- Agreements with private creditors were concluded in end 2003 and less than 50% of private creditors have contributed.
- For creditors that have contributed, comparability of treatment with Paris Club was satisfactorily implemented.

Paris Club 2004 agreement calls for additional effort from private creditors

- PRGF financing requires a comparable treatment from private creditors.
- Specific trigger clause included in PC 2004 agreement: full implementation of agreement contingent upon comparability of treatment which will be regularly assessed.
PARIS CLUB PERSPECTIVES

Meeting with private sector representatives Paris, June 9th 2004
ARGENTINA & THE EVIAN APPROACH

Meeting with private sector representatives Paris, June 9th 2004
**BACKGROUND IN THE PARIS CLUB**

- Paris Club 1st ever agreement in 1956
- 7 treatments for a total of $8.8bn
- 2 cycles of debt restructuring:
  - **60’s**
    - 1956, 1962, and 1965
    - Amounts treated < $500m
    - PC 1962 and PC 1965 under classic terms
  - **mid 80’s & 90’s**
    - 1985, 1987, 1989, and 1992 (which is still active)
    - Amounts treated > $1.5bn
    - All under classic terms

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**Amount of Argentina's debt treated in the Paris Club ($m)**

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount (in millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>PC 92</td>
<td>1500</td>
</tr>
<tr>
<td>PC 89</td>
<td>2000</td>
</tr>
<tr>
<td>PC 87</td>
<td>2200</td>
</tr>
<tr>
<td>PC 85</td>
<td>2300</td>
</tr>
<tr>
<td>PC 80</td>
<td>2000</td>
</tr>
<tr>
<td>PC 75</td>
<td>1500</td>
</tr>
<tr>
<td>PC 70</td>
<td>1200</td>
</tr>
<tr>
<td>PC 65</td>
<td>1000</td>
</tr>
<tr>
<td>PC 62</td>
<td>600</td>
</tr>
<tr>
<td>PC 56</td>
<td>500</td>
</tr>
</tbody>
</table>

*Paris Club Secretariat estimates*
CREDITORS’ EXPOSURE

Federal Government Debt Outstanding as of end 2003: $180bn

IMF estimates

Breakdown of the federal government debt by type of creditor

Quasi monies bonds 1%

Private creditors - Non performing debt 53%

Multilaterals 18%

Bilateral 4%

Other 2%

Private creditors - Performing debt 22%

IMF estimates

Breakdown of the federal government debt by type of creditor

Quasi monies bonds 3,7 $ bn

Private creditors - Non performing debt 95,2 $ bn

Multilaterals 31,8 $ bn

Bilateral 6,5 $ bn

Other 3,7 $ bn

Private creditors - Performing debt 39 $ bn

Meeting with private sector representatives Paris, June 9th 2004
- Paris Club Outstanding amount as of September 1st, 2003: $5,9bn
- Out of which $970m in arrears

Breakdown of Paris Club debt
Outstanding amount as at 09/03

- POST: 54%
- PRD: 37%
- NPRD: 9%

Paris Club Secretariat estimates

Breakdown of Paris Club debt
Outstanding amount as at 09/03

- POST: $3,2bn
- PRD: $2,17bn
- NPRD: $539m

Paris Club Secretariat estimates
# ARGENTINA
## CURRENT SITUATION

### IMF
- 3 year SBA
- $13,3bn
- Covering the period Sept 03 – Sept 06
- Approved on Sept 20, 2003
- 1st & second reviews approved on Jan 28 and March 22, 2004

### Paris Club
- SBA assumes a Paris Club flow treatment
- Sept 03 : financing assurances to the IMF in support of the SBA
- 24/09/03 : meeting between the Secretariat and Argentina
- Nov 03 : data reconciliation between the GoA and its main PC creditors
- Nov 03 : PC creditors agreed to assess the problem of Argentina under the Evian approach
- Invitation to negotiate in Dec 03
RATIONALES FOR THE EVIAN APPROACH

Paris Club response to debt distress partly inadequate

✓ Inability to address sustainability problems
  → Take into account debt sustainability considerations

✓ Standardized terms could be more or less “generous” than the debtor country needs
  → Tailor debt treatments to the situation of the debtor country

✓ Need for enhanced involvement of the private sector
  → Further coordination with private creditors
### RATIONALES FOR THE EVIAN APPROACH (1)

#### Address sustainability problems

<table>
<thead>
<tr>
<th>Before</th>
<th>After</th>
</tr>
</thead>
<tbody>
<tr>
<td>Identification of a financing gap in the context of an IMF supported programme</td>
<td>Examination of the sustainability of the debt at the stage of the financing assurances</td>
</tr>
</tbody>
</table>

- **Financing gap** is to be fulfilled through a satisfactory implementation of the IMF programme

- **Paris Club creditors** give **financing assurances** to the IMF to help close the gap

- Paris Club creditors negotiate with the debtor country on the **basis of the capacity to pay analysis (CAPA)**

- **Liquidity problem** treated on the basis of the existing terms tailored to the financial situation of the debtor

- **Sustainability problem** could be treated through a **comprehensive debt treatment** if the country is committed to policies that will secure
  - an exit from the Paris Club
  - comparable treatment
# RATIONALES FOR THE EVIAN APPROACH (2)

<table>
<thead>
<tr>
<th>Adapt Paris Club response to the situation of countries</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Before</strong></td>
</tr>
<tr>
<td>- standard terms only</td>
</tr>
<tr>
<td>- <strong>Classic</strong> terms</td>
</tr>
<tr>
<td>- <strong>Houston</strong> terms (high degree of heterogeneity)</td>
</tr>
<tr>
<td>- eligibility: Gdp/cap, level/struct. of debt</td>
</tr>
<tr>
<td>- no cancellation / cash flow relief</td>
</tr>
<tr>
<td>- <strong>Naples</strong> terms</td>
</tr>
<tr>
<td>- eligibility IDA-only</td>
</tr>
<tr>
<td>- 67% debt reduction of eligible claims</td>
</tr>
<tr>
<td>- Increasing use of <strong>ad hoc treatments</strong> to fix the situation</td>
</tr>
<tr>
<td><strong>After</strong></td>
</tr>
<tr>
<td>- Tailored rescheduling</td>
</tr>
<tr>
<td>- Possibility of comprehensive treatments when debt is unsustainable</td>
</tr>
<tr>
<td>- Delivered according to a <strong>staged process</strong></td>
</tr>
<tr>
<td>- Could take <strong>various forms</strong> and include different types of <strong>flexible instruments</strong></td>
</tr>
<tr>
<td>- <strong>Active policy of adjusting the cut-off date</strong></td>
</tr>
</tbody>
</table>

Meeting with private sector representatives Paris, June 9th 2004
### PSI in the debt restructuring process

<table>
<thead>
<tr>
<th>Before</th>
<th>After</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Comparability of treatment</strong></td>
<td><strong>Comparability of treatment &amp; inter-creditor coordination</strong></td>
</tr>
<tr>
<td>- Clause: debtor country commits to seek from all its external creditors an agreement based on <em>terms comparable</em> and reports regularly</td>
<td>- Ex ante commitment from the debtor country</td>
</tr>
<tr>
<td></td>
<td>- Dialogue will continue and could take the form of <em>early consultations</em></td>
</tr>
<tr>
<td></td>
<td>- Clause: debtor country commits to seek from all its external creditors an agreement based on <em>comparable terms</em> and reports regularly on implementation</td>
</tr>
<tr>
<td></td>
<td>- Ex post assessment without specific consultations: analysis based on cash flows, NPV &amp; duration</td>
</tr>
<tr>
<td>- Ex post assessment without specific consultations: analysis based on cash flows, NPV &amp; duration</td>
<td></td>
</tr>
<tr>
<td>- Increasing transparency (regular meetings, web site)</td>
<td></td>
</tr>
</tbody>
</table>

**Meeting with private sector representatives Paris, June 9th 2004**
ARGENTINA & THE EVIAN APPROACH

1 / IS ARGENTINA’s DEBT SUSTAINABLE?

2 / DEBT TREATMENT UNDER THE EVIAN APPROACH
ARGENTINA & THE EVIAN APPROACH

- Is Argentina's debt sustainable and does Argentina need a comprehensive treatment?

- Is Argentina committed to policies that will secure an exit from the Paris Club in the framework of an IMF arrangement and committed to seek a comparable treatment from its other creditors?
**ARGENTINA & THE EVIAN APPROACH**

<table>
<thead>
<tr>
<th>Evian approach's criteria</th>
<th>Eligibility</th>
</tr>
</thead>
<tbody>
<tr>
<td>Is Argentina's debt unsustainable?</td>
<td>Strong presumptions</td>
</tr>
<tr>
<td></td>
<td>• Debt to GDP ratio projections</td>
</tr>
<tr>
<td></td>
<td>• Financing gap projections and sensitivity analysis</td>
</tr>
<tr>
<td></td>
<td>• Impact of the crisis on Argentina's economic potential</td>
</tr>
<tr>
<td>Is Argentina committed to policies that will secure an exit from the Paris Club and comparable treatment?</td>
<td>Close monitoring for the period Sept 03- March 04</td>
</tr>
<tr>
<td></td>
<td>Declarations of the GoA to seek comparable treatment</td>
</tr>
<tr>
<td></td>
<td>Key elements and reforms formulated at a later stage</td>
</tr>
</tbody>
</table>
OPTIONS FOR ARGENTINA’S DEBT TREATMENT UNDER THE EVIAN APPROACH

Is Argentina's debt sustainable?
Yes

Is Argentina eligible to a comprehensive debt treatment?
Yes

Phase 1/
Flow treatment

Phase 2/
Comprehensive debt treatment if Argentina meets the conditions

Appropriate terms
PARIS CLUB PERSPECTIVES

Meeting with private sector representatives Paris, June 9th 2004
IRAQ
On going work in the Paris Club
IRAQ

- Context of the involvement of the Paris Club
- Assessment of Iraq’s debt
- Modalities of treatment of Iraq’s debt
IRAQ
Context of the involvement of the Paris Club

- United Nations Resolutions:
  - **687 (1991)** § 16: debts and obligations arising prior to August, 2\textsuperscript{nd} 1990 will be addressed through normal mechanisms
  - **1483 (2003)** § 15: welcomes the readiness of creditors, including those of the Paris Club, to seek a solution to Iraq’s sovereign debt problem
IRAQ
Context of the involvement of the Paris Club

- **G7 communiqués and consensus in 2003:**
  - **April:** Calls for the early engagement of the Paris Club
  - **September:** Call upon the Paris Club to make its best efforts to complete the restructuring of Iraq’s debt before the end of 2004 and urge all non-Paris Club creditors to cooperate
IRAQ
Context of the involvement of the Paris Club

- **Paris Club creditors** first steps:
  - **Data collection**: 21 bn $, almost exclusively in arrears, plus a similar amount of late interest
  - **Press release**: Paris Club creditors indicated that they were not expecting Iraq to be in a position to resume payments to them before end 2004
  - **Technical meeting with Iraqis in Beirut in March 2004**
IRAQ
Assessment of Iraq’s debt

- Iraq’s public debt includes:
  - Central government debt
  - Public sector debt.
IRAQ
Assessment of Iraq’s debt

Total debt around 125 $ bn (end-2003)
(including estimated late interest)

- **Paris Club**: 34%
- **Official non-Paris Club**: 54%
- **Private**: 12%
- **Multilateral**: 0%
IRAQ
Assessment of Iraq’s debt

Total debt towards the Paris Club around $21,000bn (excluding late interest)

- Japan: 21%
- Russia: 16%
- France: 14%
- Germany: 11%
- United States: 10%
- Italy: 8%
- United Kingdom: 4%
- Canada: 3%
- Austria: 4%
- Others: 9%
- Austria: 4%
- Canada: 3%
- Others: 9%
Characteristics of Iraq’s debt to the Paris Club:

- All claims reported were concluded before August 2, 1990
- Almost all the claims reported by creditor countries are commercial
- More than 99% of the debt is in arrears
- Late interest represent an amount similar magnitude of all debts
Consequences on Paris Club debt treatment:

- **All the debt should be eligible** (presumably all debt preCOD)
- **All the debt should be treated on the same basis** (e.g. no distinction ODA/non ODA)
IRAQ
Modalities of Iraq’s debt treatment

- A specific framework has been set up for war reparations:
  - Reparations are dealt with by UNCC (2.64 million claims registered by UNCC for a total amount of 350 bn $; 98% of claims have been treated and 17.5 bn $ paid under oil for food programme)
  - UNSC resolution 1483 of May 20th 2003 (§21): 5% of oil proceeds will be deposited into the UNCC
IRAQ
Modalities of Iraq’s debt treatment

- With a view to negotiate a debt treatment in 2004, Paris Club creditors will:
  - Develop their own opinion on the IMF debt sustainability analysis
  - Expect Iraq to conclude a programme with the IMF
  - Assume a treatment based on comparable terms from all Iraq’s external creditors
PARIS CLUB PERSPECTIVES
ANGOLA
Paris Club views
Two “informal” treatments with some Paris Club creditors:

- **1987**: rescheduling of arrears on 6 years - outside the framework of an IMF arrangement / Angola was not a member of the IMF at that time

- **1989**: rescheduling of arrears and maturities on 10 years on the eve of Angola’s admission to the IMF and based on a quasi-IMF program

Widespread accumulation of arrears towards Paris Club creditors since the early 1990s:

- Paris Club debt stock on Angola: 4 Bn$

- Arrears: 2 Bn$
ANGOLA
PARIS CLUB VIEWS

- Angola sends conflicting signals to the international financial community:
  - Willingness to improve its relations with the IMF...
    - Progress in transparency: publication of last article IV, auditing of oil receipts,...
    - Apparent willingness to come to an agreement with the IMF (SMP followed by a PRGF)
  - ...While acceleration of oil-guaranteed new borrowing:
    - US $ 1.5 bn contracted over the past year
    - June 2004: US $ 2.5 bn currently in negotiation
  - Selected default: only the oil-guaranteed loans are regularly serviced
ANGOLA
PARIS CLUB VIEWS

- Paris Club strategy towards Angola → promoting a sustainable and long term solution to Angola external debt situation
  - Maintaining incentives for Angola to reach an agreement with the IMF
  - Preserving conditionality and solidarity among creditors
  - Once the pre-conditions are met, Paris Club will assess the sustainability of Angola’s debt and provide a tailored treatment, if necessary, under the Evian approach.