

# PRESENTATION OF PARIS CLUB ACTIVITY IN 2002

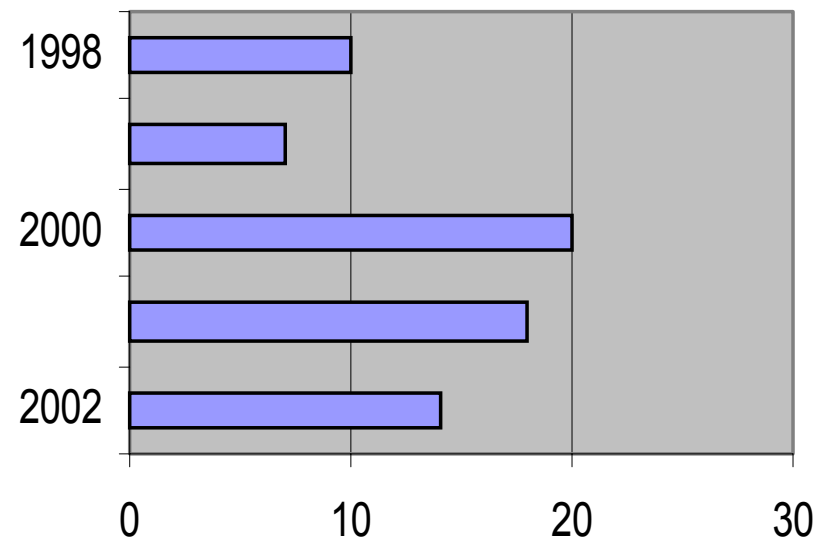


## A SURVEY OF 2002

**Paris Club creditors held 11 sessions and concluded 14 agreements :**

- **11 with HIPC countries,**
- **3 with non HIPC countries (Indonesia, Kyrgyz Republic and Jordan).**

**Agreements concluded by Paris Club creditors**

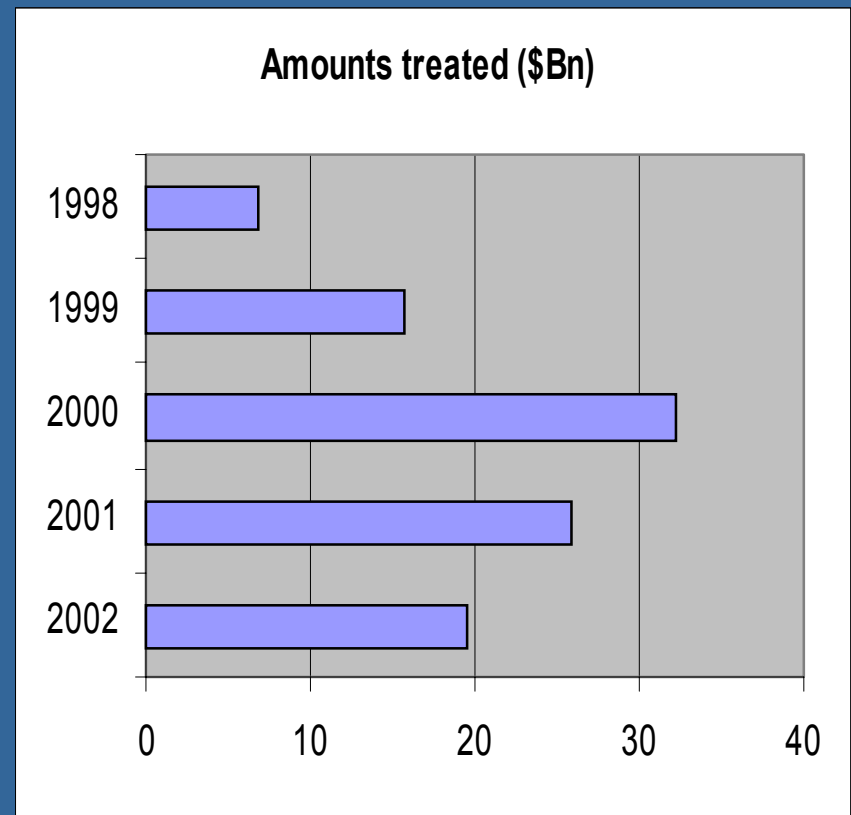


## A SURVEY OF 2002

**\$20 Bn of bilateral  
claims treated :**

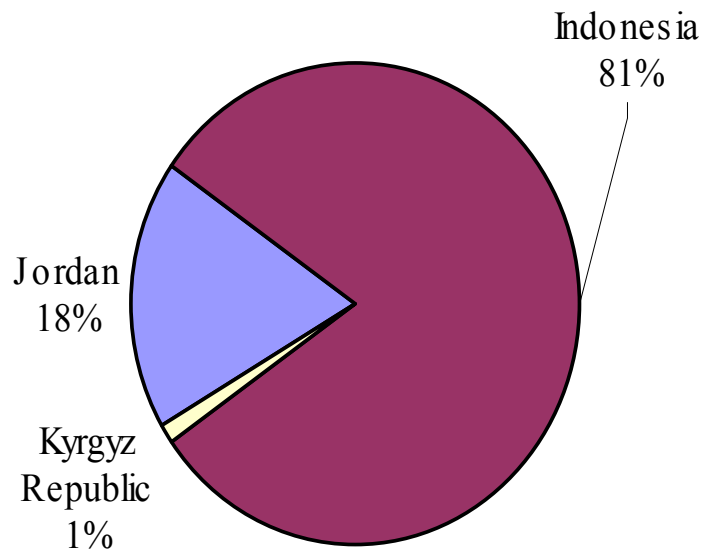
**- ow \$12,3 Bn  
cancelled,**

**- o/w \$7,2 Bn  
rescheduled.**

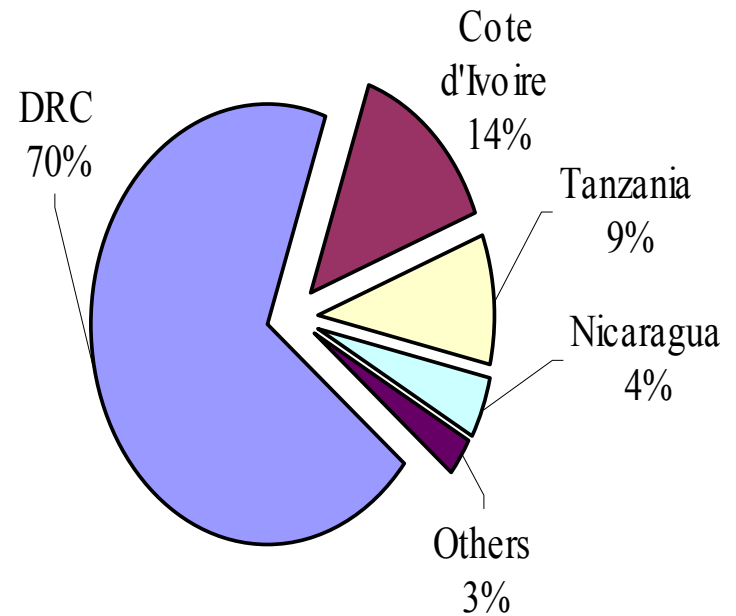


# A SURVEY OF 2002

**Amounts treated:  
non HIPC countries (\$6,7 Bn)**



**Amounts treated:  
HIPC countries (\$12,9 Bn)**



## A KEY CONTRIBUTION TO HIPC INITIATIVE

<b>AGREEMENTS CONCLUDED IN 2002 WITH HIPC COUNTRIES</b>		
<b>PRELIMINARY PERIOD AGREEMENTS</b>	<b>INTERIM PERIOD AGREEMENTS</b>	<b>STOCK TREATMENTS PURSUANT TO COMPLETION POINT</b>
<b>COTE D'IVOIRE (Lyon terms) DEMOCRATIC REPUBLIC OF CONGO (Naples terms)</b>	<b>ETHIOPIA GHANA RWANDA SIERRA LEONE ZAMBIA</b>	<b>BURKINA FASO MAURITANIA TANZANIA</b>

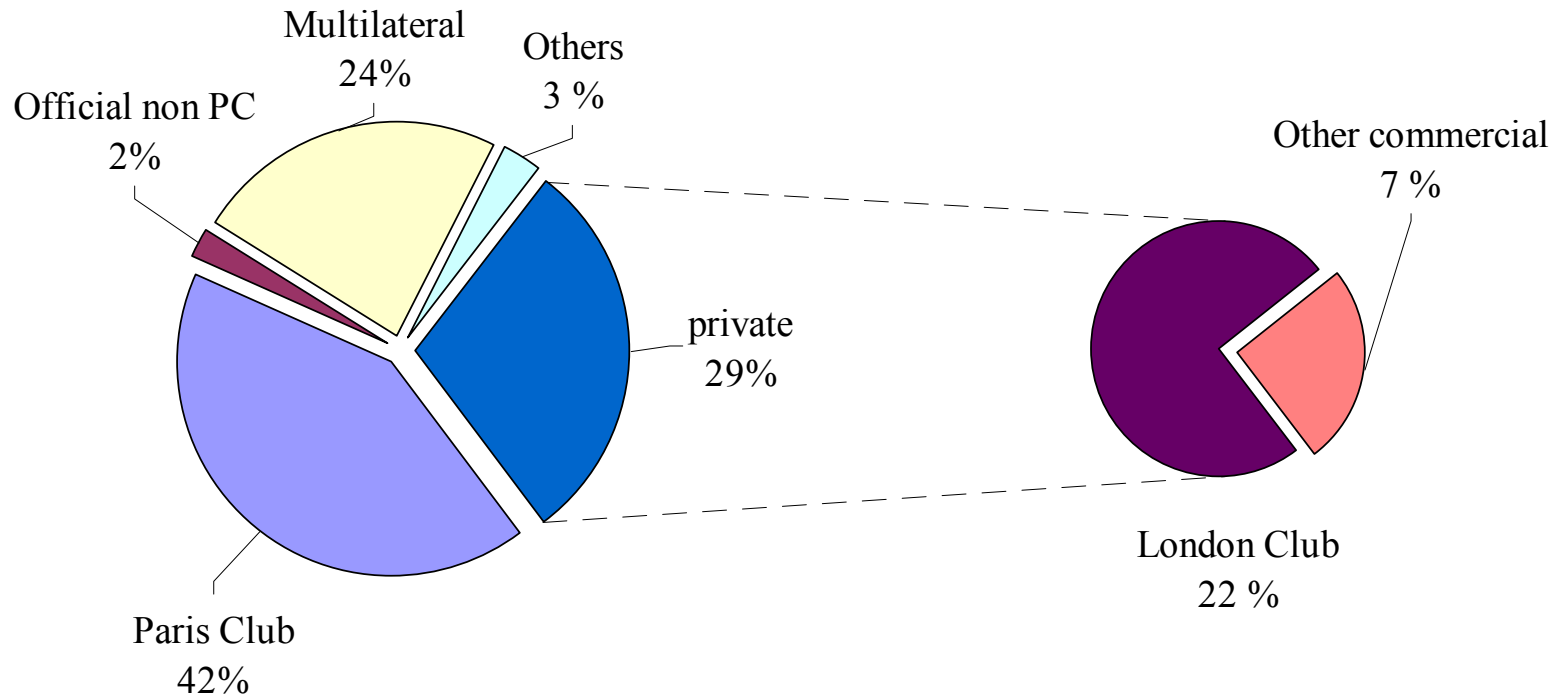
## **FOCUS ON THREE RECENT AGREEMENTS**

- **Federal Republic of Yugoslavia (FRY)**
- **Indonesia**
- **Hashemite Kingdom of Jordan**

# 1 / FRY

## FOCUS ON THE COMPARABILITY OF TREATMENT

Structure of the long term external debt of FRY  
as at July 2001



# 1 / FRY

## PARIS CLUB TERMS OF TREATMENT

PHASE I	PHASE II	PHASE III
Immediate	Upon approval of the IMF three years arrangement	Upon successful implementation of the arrangement
Deferral until March 22, 2002  100 % capitalization of moratorium interests	<u>Non ODA</u> : 51% principal cancellation; remainder rescheduled over 22 years, 6 years grace;  <u>ODA</u> : rescheduling over 39 years, 16 years of grace  60 % capitalization of moratorium interests	topping non ODA up to 66% reduction
Activated December 2001	Activated May 2002	Expected May 2005



# 1 / FRY

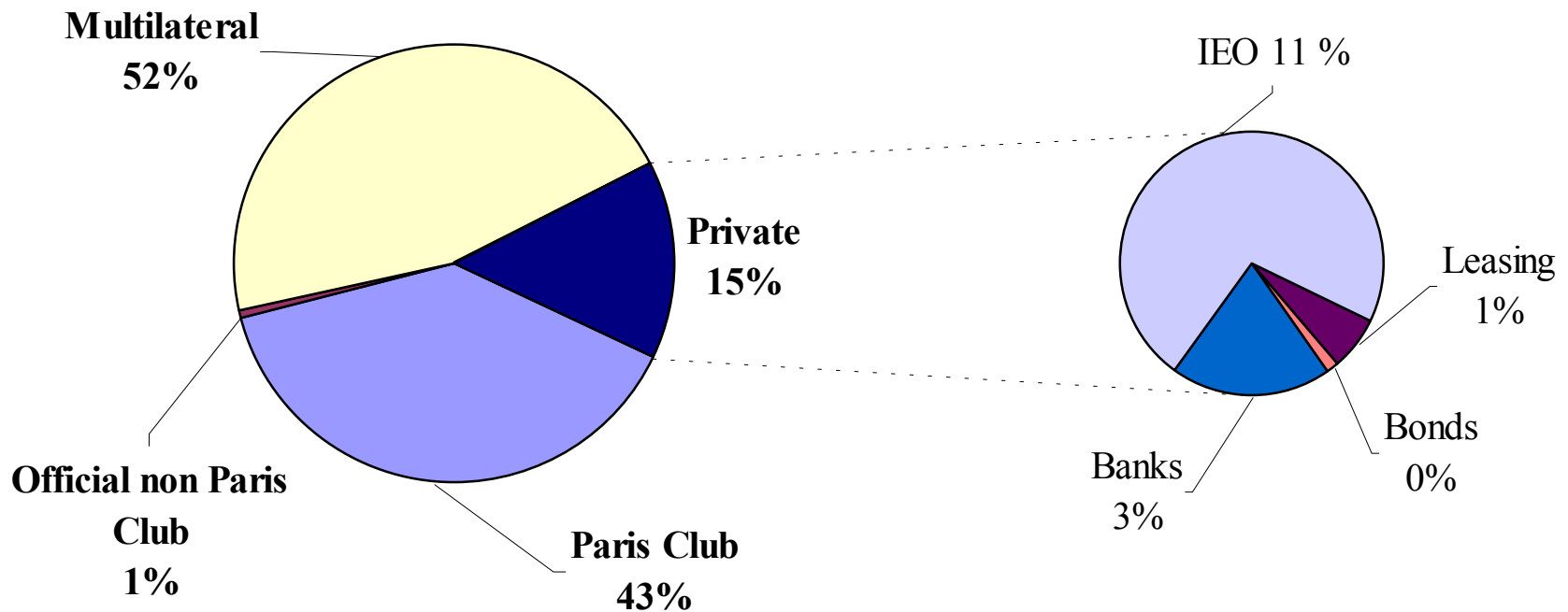
## SCOPE OF THE COMPARABILITY OF TREATMENT

<b>London Club</b>	Included	Negotiations have started but FRY has reported that proposals could not be considered as comparable to the Paris Club agreement and could not be accepted
<b>Others</b> (non -but implicitly- guaranteed debt of socially owned enterprises)	Included	Haircuts within the domestic bankruptcy procedures

# 2 / INDONESIA

## FOCUS ON THE COMPARABILITY OF TREATMENT

Structure of the long-term debt of Indonesia as at December 2001



## 2 / INDONESIA

# PARIS CLUB TERMS OF TREATMENT

**Agreement concluded on April 12, 2002 under Houston terms**

- **Cut-off date** : July, 1<sup>st</sup> 1997
  
- **Consolidation period** : April 1<sup>st</sup> 2002-December 31 2003
  
- **Rescheduling of principal and interest maturities** :
  - Non ODA : rescheduled over 20 years, 10 years grace
  - ODA : rescheduled over 18 years, 5 years grace

## 2 / INDONESIA

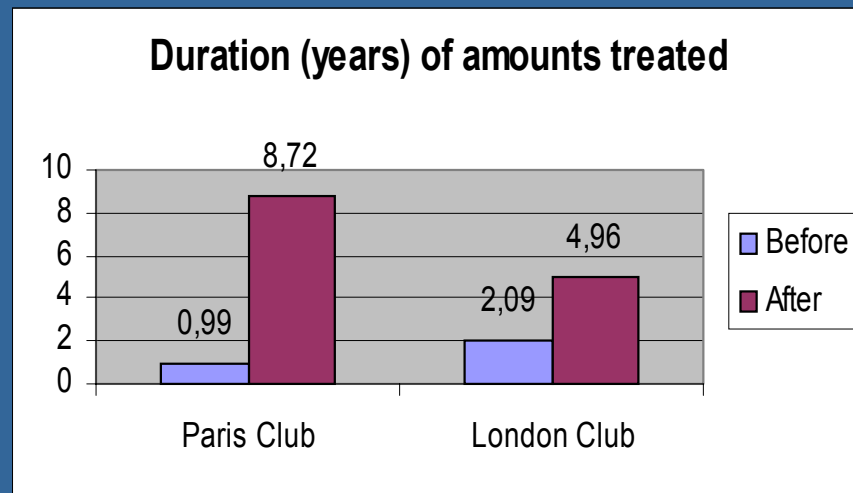
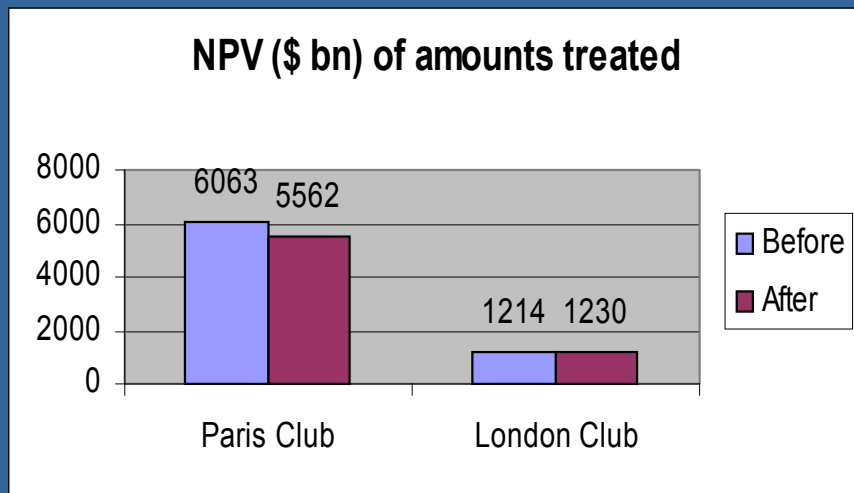
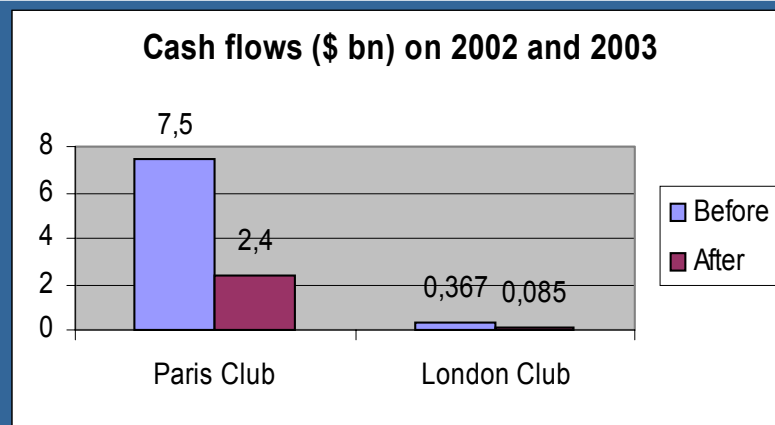
### SCOPE OF THE COMPARABILITY OF TREATMENT

<b>Leasing</b>	Excluded	not included in Paris Club agreement
<b>Yankee Bond IEO</b>	Excluded	cost-benefit analysis suggested exclusion of Yankee bond and difficulty of restructuring led to exclusion of IEO, but, in principle, bonds and IEOs not exempt from comparability of treatment.
<b>Syndicated loans</b>	Included	<p>agreement within the London Club on June 7th 2002 :</p> <ul style="list-style-type: none"> <li>- rescheduling of 100 % of principal maturities falling due under the consolidation period</li> <li>- extension of the bullet repayments falling due beyond the consolidation period in 2004 and 2005</li> </ul>

## 2 / INDONESIA

# ASSESEMENT OF THE COMPARABILITY OF TREATMENT

- Paris Club creditors considered the London Club agreement as broadly comparable on the basis of a multi-criteria analysis and taking into account the deferral of post consolidation amounts



# 3 / JORDAN

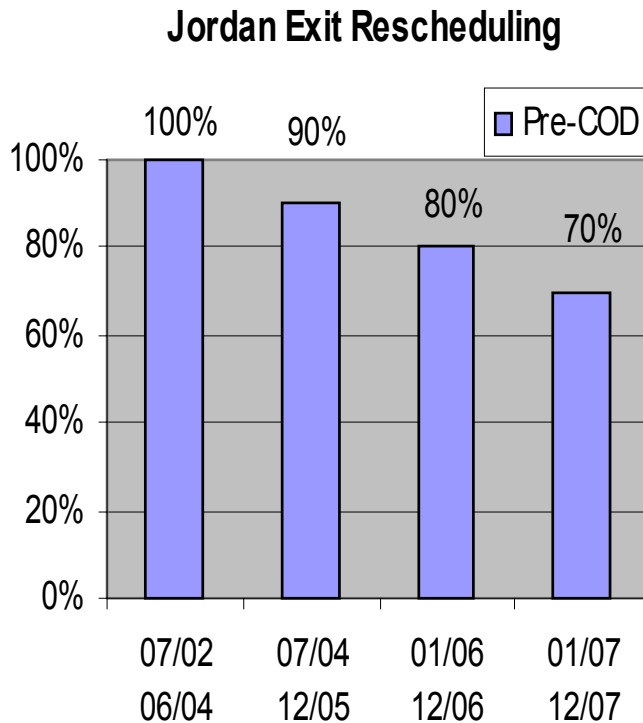
## BACKGROUND OF THE TREATMENT

- **IMF BACKGROUND :**
  - IMF EFF : April 15, 1999 – July 02, 2002
  - IMF SBA : July 03, 2002 – July 02, 2004
- **AGREEMENT WITH PARIS CLUB CREDITORS**
  - July 10, 2002
  - Amounts treated : \$1,2bn of Pre-COD flows  
(COD = January 01, 1989)
  - Specific terms : exit treatment

# 3 / JORDAN TERMS OF TREATMENT

## EXIT TREATMENT

### DEBTS TREATED



### REPAYMENT PROFILE

- **\$1,17bn out of \$2bn due to the Paris Club during the period 07/02 – 12/07**

- \$650m falling during the SBA
- \$550m falling during the period 07/2004 – 12/2007

- **~ \$270m ODA :**
  - 21 years rescheduling
  - 12 years grace period

- **~ \$930m Non-ODA :**
  - 19 years rescheduling
  - 5 years grace period

## **3 / JORDAN EXIT TREATMENT FEATURES**

### **➔ Addressing medium-term financing needs in the context of IMF exit strategy:**

- **Fills the financing needs of Jordan during the SBA (100% Pre-COD are consolidated during the SBA period)**
- **PC creditors agree to consolidate maturities due until December 2007 to contribute to Jordan medium term financing needs**

### **➔ Phasing out**

- **Rescheduling of a decreasing share of amounts originally due (90%, 80% & 70%)**
- **Same repayment terms as previous agreement (principal repayment of commercial credits starts in 2007)**

### **➔ A regular monitoring**

- **Treatment phased following the SBA annual-review,**
- **then IMF monitoring of Jordan's performance**



## 2003 AGENDA



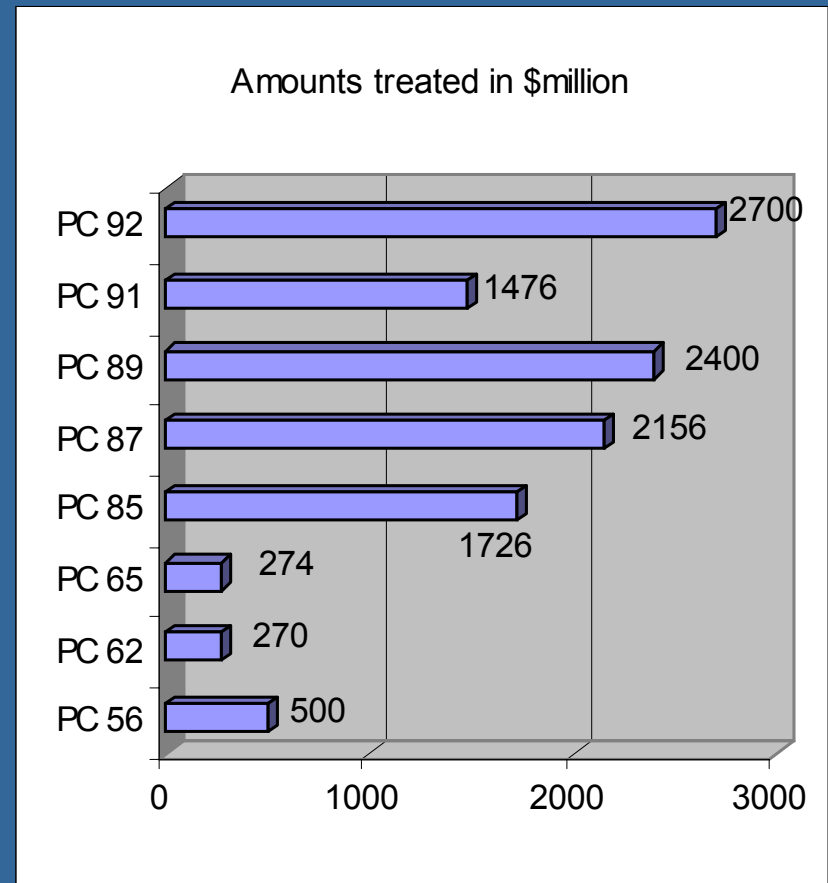
# FOCUS ON TWO DEBTOR COUNTRIES

- Argentina
- Nigeria

# 1 / ARGENTINA

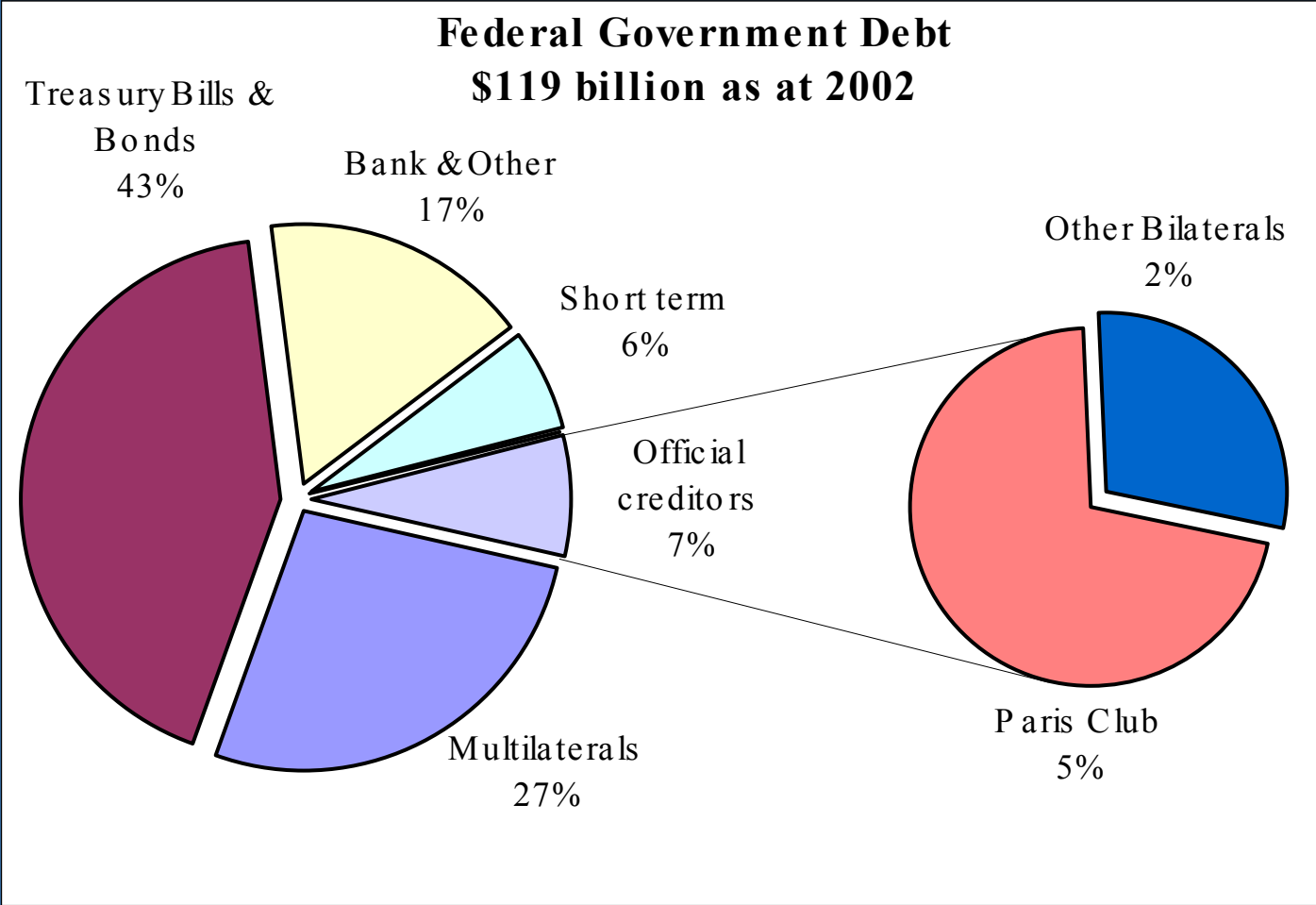
## BACKGROUND IN THE PARIS CLUB

- 60's agreements
  - Paris Club's first-ever agreement with a debtor country in 1956
  - 2 following agreements in 1962 and 1965
- mid 80's & 90's agreements
  - Agreements in 1985, 1987, 1989 fully repaid
  - 1991, 1992 still active
  - All under classic terms



*Paris Club Secretariat estimates*

# 1 / ARGENTINA CREDITORS' EXPOSURE



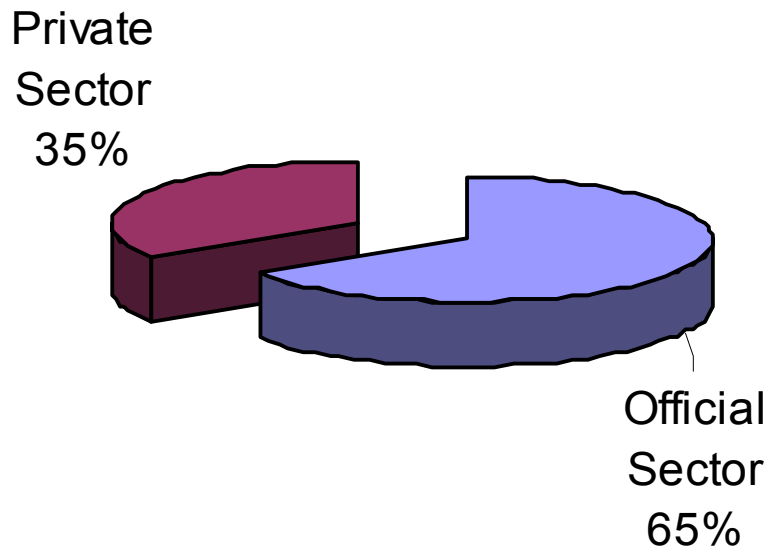
*Paris Club & IMF estimates*

# 1 / ARGENTINA

## PARIS CLUB CREDITORS' EXPOSURE

### PC creditors claims on Argentina

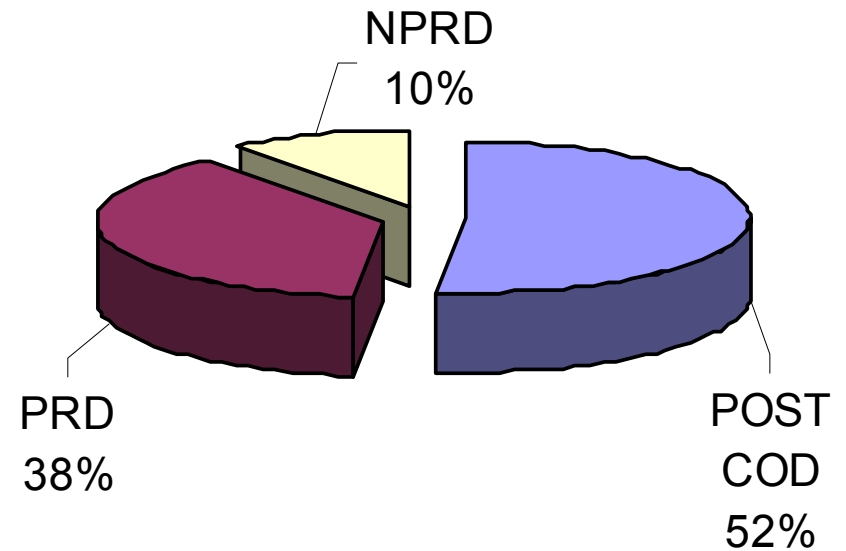
**\$9,6 billion**  
Outstanding amounts & arrears  
November 2002



*Paris Club Secretariat estimates*

### PC creditors claims on Argentina's public sector

**\$6,3 billion**  
Outstanding amounts & arrears  
November 2002



*Paris Club Secretariat estimates*

# 1 / ARGENTINA

## CURRENT SITUATION

### IMF

- **6 month transitional programme** concluded on January 24 for the period January – June 2003...
- ... **based on a transitional SBA** : new purchases cover only maturities falling due during the period of the arrangement (January 24 – August 31)

### Paris Club

- Has given financing assurances to the IMF in support of the transitional programme
- Reconciliation of data started
- At this stage : Deferral of arrears and all maturities falling due during the period of the arrangement, postponed beyond the consolidation period on a short term basis
- At the next stage : a broader negotiation would in principle engage on the basis of the IMF successor arrangement

## 2 / NIGERIA

### BACKGROUND IN THE PARIS CLUB

#### IMF

- Conclusion of a SBA agreement that ended in July 2001 and was extended until October 2001.
- No agreement on a program reached since then.

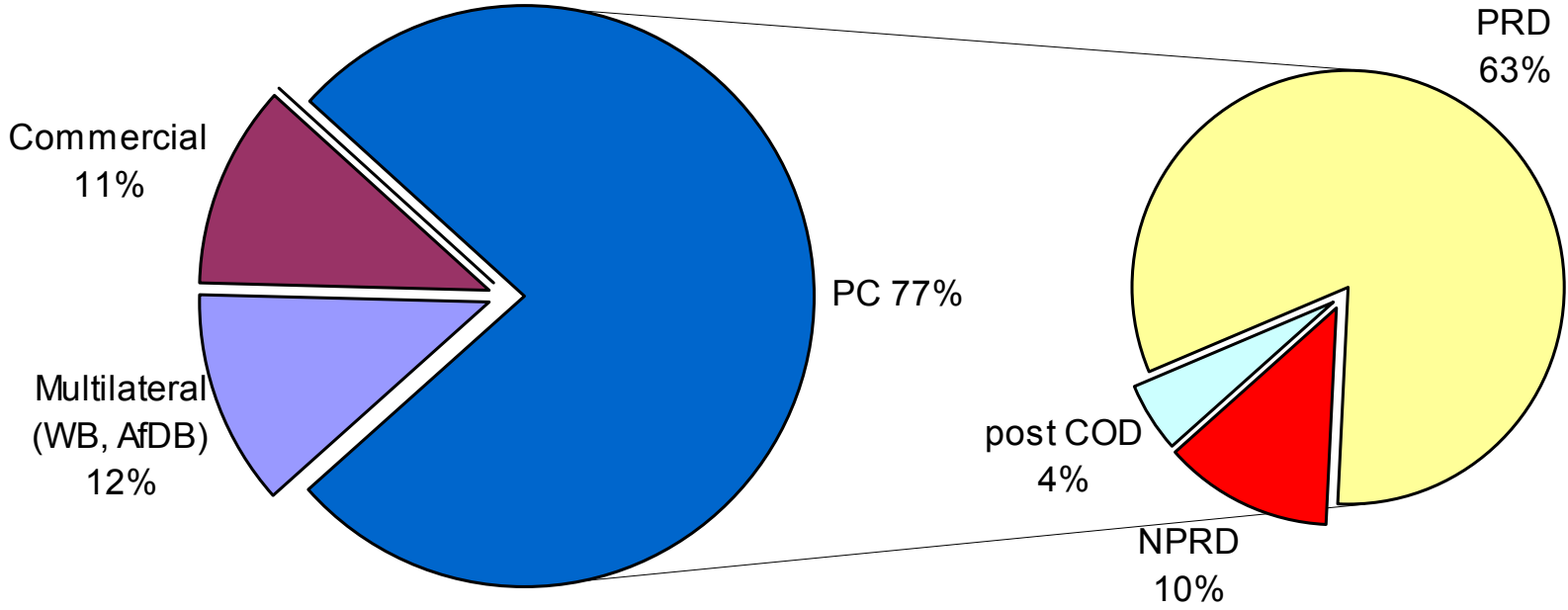
#### Paris Club

##### December 13, 2000 Agreement

- Following the conclusion of the SBA in August 2000.
- A major rescheduling : \$ 23Bn treated out of which \$ 21Bn in arrears.
- Concluded under Houston terms.
- Consolidation period ended as at end July, 2001.

# 2 / NIGERIA CREDITORS' EXPOSURE

**Nigeria External debt  
(32 Bn\$)**

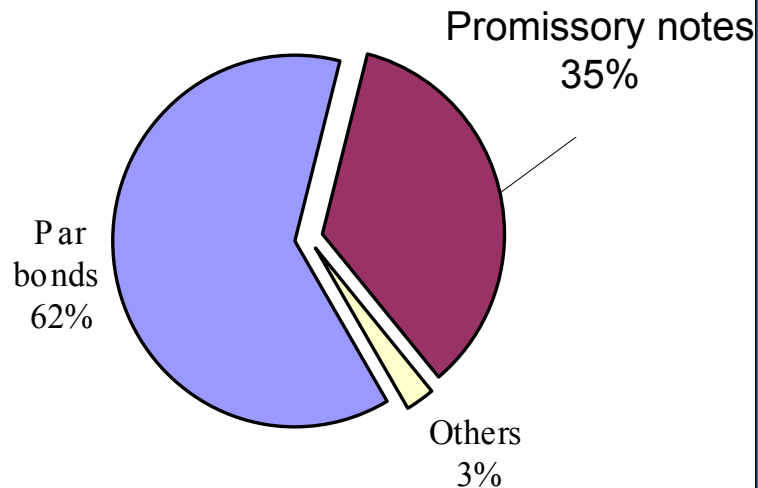


*IMF estimates*



## 2 / NIGERIA CURRENT SITUATION

**Commercial debt**  
(3,2 \$Bn, before buy-back)



*IMF estimates*

### Commercial creditors

- **Regular payments to commercial creditors (Par bonds and Promissory notes).**
- **Buy-back operation launched in November 2002 on the Par Bonds.**
- **Buy-back price : 67%**
- **Stripped price : 23%.**
- **Participation rate : 29%**

## **2 / NIGERIA CURRENT SITUATION**

### **Paris Club**

- **Implementation of the 2000 agreement :**
  - **Signature of bilateral agreements started late and are still not completed**
  - **Almost no payments in 2002 and accumulation of arrears**
  - **Breach in the principle of equity of treatment among creditors :**
    - **Selective default to Paris Club creditors while full repayments of private creditors,**
    - **Buy back operation offered to a category of creditors at a time of default to others.**



# RELATIONS BETWEEN THE PARIS CLUB AND PRIVATE SECTOR



# Current proposals concerning sovereign restructurings...

- **Collective action clauses :**

- proposals of model clauses from the G10 and private creditors ("Gang of six")
- progress in the implementation of CAC (Mexico 2012 Global)

- **Code of good conduct :**

- complement to CACs based on negotiating principles
- proposals from Banque de France and private creditors (Gang of seven)

- **SDRM :**

- overcome the problem of aggregation among different types of claims and within a same type of claims (Bonds)
- Initial proposal has evolved towards a jurisdictional mechanism relying on the action of a super-majority of the creditors and providing for "targeted stays" on litigation

## ... from a Paris Club point of view

- **CACs and Code of Good Conduct can enhance the implementation of comparable treatment, within the limits of :**
  - An instrument by instrument logic (CACs)
  - The informal, voluntary nature of the framework (CoGC)
- **The SDRM**
  - Agregation and jurisdictional features across instruments
  - poses the question of the treatment of official bilateral claims and the role of the Paris Club

# Paris Club and the SDRM

## (1) Different logics...

- **The Paris Club features ensure that**
  - Official creditors can coordinate their negotiations in a credible way (importance of the solidarity principle)
  - While at the same time the creditors sovereignty is not legally limited
  - A corpus of rules and long cooperation experience helps make it work
- **If applied to official claims, the SDRM, as a “statutory approach”, has a very different logic :**
  - Qualified majority vote across the whole creditor class vs consensus across a selected membership
  - Mutual veto between creditor classes vs making the debtor commit to comparable treatment

## ... but positive reactions to the proposal

- **Members have generally welcomed the proposal and valued the input to the discussion on crisis resolution**
  
- **The Paris Club has stated its openness to examine the future relation with the SDRM**
  - Paris Club members considered there would be a role for the Paris Club in any case
  - They felt that seeking a consensus on a binary solution was not necessary at this stage...
  - ... but decided to work in parallel :
    - on the core principles that would need to be preserved in case of an inclusion
    - on the modalities of coordination with the SDRM



# **Paris Club and the SDRM**

## **(2) Core principles to preserve under the SDRM**

- **Preserving sovereignty**
  - Need for taking into account the specificity of sovereign claims
  
- **Maximizing recoveries – the role of conditionality**
  - Debt treatments subjected to the implementation of an IMF supported program
  
- **In addition to these core principles, creditors were particularly keen on relying on an efficient process**
  - Avoid blocking points and instability of decisions

# Paris Club and SDRM

## (3) Modalities of *coordination with the SDRM*

- **An exclusion of the Paris Club from the SDRM would not entail a protection of official creditors**
  - Private creditors could reject an agreement under the SDRM, if the agreement negotiated in parallel with official creditors is not acceptable
  - Paris Club would continue to apply the comparability of treatment clause
- **SDRM would facilitate inter-creditor coordination**
  - Information procedures, notably on how the debtor intends to treat the claims not covered by the SDRM, would structure the dialogue
  - Duly recognized creditor committees would become credible interlocutors

# Improving inter-creditor dialogue

## (1) Where are we ?

- **Paris Club transparency policy**

- Website launched in 2001 [www.clubdeparis.org](http://www.clubdeparis.org), regularly updated

- **Regular “policy consultations” with private sector representatives**

- annual meetings since 2001

- **Ex ante consultations prior to Paris Club negotiation : a one case experience (Indonesia – April 2002)**

- Nature of the consultation
- Lessons of the experience : positive aspects and limits

# Improving inter-creditor dialogue

## (2) The way forward

- **Consolidate existing practices**
  - Paris Club members are opened to continue to hold Plenary meetings
- **Clarify the conditions for a balanced dialogue**
  - The identification of legitimate interlocutors and the assurances of “good conduct” on each side is essential
  - The current proposals can facilitate the dialogue in this regard
- **Enhanced consultations** in cases where PSI is a critical issue ?
  - Terms of the debate