

March 11, 2005



PRESS-RELEASE

THE PARIS CLUB REDUCES THE KYRGYZ REPUBLIC'S STOCK OF DEBT

Paris Club creditors agreed on March 11, 2005 with the Government of the Kyrgyz Republic to a reduction of its public 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 February 23, 2005. Given the commitment by the Kyrgyz authorities to policies that will secure an exit from the Paris Club and to seeking comparable treatment from their other external creditors, Paris Club creditors granted a comprehensive debt treatment under the Evian Approach.

This agreement cancels an equivalent of US\$ 124 million due on loans and credits contracted by the Kyrgyz Republic before August 31, 2001 ("cut-off-date", see attached technical notes) and of debts previously rescheduled in 2002 by the Paris Club. Moreover, it reschedules US\$ 431 million. This rescheduling shall be conducted according to the following terms: commercial credits are to be cancelled by 50%, the remaining 50% shall be repaid over 23 years of which 7 years of grace at Appropriate Market Rate. ODA credits are to be repaid over 40 years of which 13 years of grace at interest rates at least as favourable as the concessional rates applying to those loans.

To take into account the capacity of payment of the Kyrgyz Republic, moratorium interest due under this agreement shall be capitalized at 85% in 2005, 75% in 2006, 70% in 2007 and 65% in 2008. Those interest amounts shall be repaid over 23 years of which 7 years of grace.

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. It allows the Kyrgyz Republic to restore the sustainability of its external public debt taking into account comparable treatments that the Government of the Kyrgyz Republic is committed to seek from its other public external creditors.

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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 debt treatment 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 treatment.

Observers at the meeting were representatives of the Governments of Belgium, Canada, Italy, 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, the Secretariat of UNCTAD and the Organization for Economic Cooperation and Development.

3. The delegation of the Kyrgyz Republic was headed by Mr Bolot E. ABILDAEV, Minister of Finance. The meeting was chaired by Mr Jean-Pierre JOUYET, Chairman of the Paris Club.

Technical notes

1. The total stock of the Kyrgyz Republic's public sector debt was estimated to be US\$ 1920.3 million as of end September 2004 (source: IMF). The stock of debt owed to Paris Club creditors (Turkey included) was estimated to be US\$ 555.1 million as of February 1, 2005. Paris Club creditors' stock of debt is divided into US\$ 306.3 million in ODA claims and US\$ 248.8 million in non ODA claims (source: Paris Club creditors).

2. 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.