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PARIS CLUB
PRESS RELEASE

THE PARIS CLUB AND UKRAINE AGREE TO A DEBT RESTRUCTURING

Paris Club creditors agreed on July 13, 2001 with the Government of Ukraine to a restructuring of Ukraine's external debt, following the approval on December 19, 2000 by the Executive Board of the International Monetary Fund of an extension of the arrangement under the Extended Fund Facility approved on September 4, 1998.

This agreement consolidates roughly US\$ 580 million due on loans contracted by Ukraine before December 31, 1998 ("cut-off-date", see attached technical notes). This amount consists of principal arrears and maturities due from December 19, 2000 through September 3, 2002.

The rescheduling is structured on the following terms : credits are to be repaid over 12 years, with 3 years of grace, in 18 equal and successive semi-annual payments.

This agreement is expected to reduce debt service due to Paris Club creditors during 2001 and 2002 from an initial amount of around US\$ 800 million to around US\$ 285 million after rescheduling, which consists mainly of payments of interest due on existing loans, payments of interest on the rescheduled amounts and payments falling due after the end of the consolidation period in 2002.

This debt restructuring will make an important positive contribution to Ukraine's economic outlook. This rescheduling will satisfy Ukraine's financing requirements for 2001 and 2002, taking into account comparable treatment that Ukraine has obtained or has committed to seek from other external creditors.

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 France, Germany, Italy, Japan and the United States of America.

Observers at the meeting were representatives of the Governments of Austria, Belgium, Canada, Denmark, the Netherlands, Norway, the Russian Federation, Spain, Sweden and Switzerland as well as the International Monetary Fund, the International Bank for Reconstruction and Development, the Secretariat of the UNCTAD, the Organization for Economic Cooperation and Development, the European Commission and the European Bank for Reconstruction and Development.

3. The delegation of Ukraine was headed by Mr Ihor MITYUKOV, Minister of Finance. The meeting was chaired by Mrs Stéphane PALLEZ, Assistant Secretary for European and International Affairs at the French Treasury at the Ministry of Economy, Finance and Industry, Co-President of the Paris Club.

Technical notes

1. A loan under the Extended Fund Facility in support of Ukraine's economic program was approved by the International Monetary Fund on September 4, 1998, has been extended on December 19, 2000 and covers the period up to September 4, 2002.

2. The total stock of Ukraine's public sector debt was estimated as of December 31, 1999 to be US\$ 12.437 billion (source : IMF document dated December 15, 2000 published on the IMF web site www.imf.org). The stock of debt owed to Paris Club Participating creditor countries as at January 1, 2000 was estimated to be US\$ 1,1 billion (source: Paris Club creditors). Paris Club Participating creditor countries' stock of debt is divided into US\$ 1 billion in pre cut off date claims and US\$ 100 million in post cut off date 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 Ukraine, the cut-off date was set at December 31, 1998.

4. Interest rates to be applied on the restructuring are to be negotiated with each creditor country by the Government of Ukraine in bilateral agreements implementing the Paris Club agreement (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, Ukraine agreed to seek comparable treatment from non-Paris Club creditors. In the present case, Paris Club creditors understand that it shall imply an equivalent contribution of non Paris Club official creditors to the financing gap during the consolidation period (2001- 2002). The Ukrainian delegation indicated its willingness to meet these creditors soon in order to negotiate the terms of a future rescheduling.