

November 17, 2001



PRESS-RELEASE

THE PARIS CLUB AND THE FEDERAL REPUBLIC OF YUGOSLAVIA AGREE TO A DEBT RESTRUCTURING

Paris Club creditors agreed on November 16, 2001 with the Government of the Federal Republic of Yugoslavia to a restructuring of its public external debt, following the approval of a Stand-By agreement with the International Monetary Fund on June 11, 2001.

This restructuring treats the total stock of debt due to the Paris Club, or roughly US\$ 4.5 billion.

The agreement is concluded under specific terms :

- in a first phase, 100% of the debt contracted before December 20, 2000 will be deferred ;
- in a second phase, scheduled for March 2002, when the Federal Republic of Yugoslavia has obtained a 3-year arrangement from the IMF, 51% of the commercial debt will be cancelled in NPV terms. The remaining amounts will be rescheduled over 22 years, with 6 years of grace, at market rates of interest ; 60% of the interest charged on the rescheduling until March 2005 will be capitalised ;
- at the successful completion of the IMF arrangement, the Federal Republic of Yugoslavia can benefit from an additional 15% commercial debt reduction in NPV terms, bringing the total debt reduction to 66%, provided its payment's track record is satisfactory ;
- following the first phase deferral, pre-cut off date ODA credits are to be repaid over 39 years, with 16 years of grace, at interest rates at least as favourable as the original concessional rates applying to those loans.

This debt relief will lead to the cancellation by Paris Club creditors of about US\$ 3 billion of the Federal Republic of Yugoslavia's external debt. Between March 2002 and March 2005, these measures are expected to contain debt service due to Paris Club creditors to under US\$ 100 million a year. The Federal Republic of Yugoslavia commits itself to seek comparable treatment from its other external creditors.

This restructuring will support the Federal Republic of Yugoslavia in its efforts to restore the conditions for growth and achieve debt sustainability.

