PRESENTATION OF PARIS CLUB ACTIVITY IN 2002

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

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

- Indonesia: 81%
- Jordan: 18%
- Kyrgyz Republic: 1%

Amounts treated: HIPC countries ($12.9 Bn)

- Cote d'Ivoire: 70%
- DRC: 14%
- Tanzania: 9%
- Nicaragua: 4%
- Others: 3%
A KEY CONTRIBUTION TO HIPC INITIATIVE

<table>
<thead>
<tr>
<th>AGREEMENTS CONCLUDED IN 2002 WITH HIPC COUNTRIES</th>
</tr>
</thead>
<tbody>
<tr>
<td>PRELIMINARY PERIOD AGREEMENTS</td>
</tr>
<tr>
<td>COTE D'IVOIRE (Lyon terms) DEMOCRATIC REPUBLIC OF CONGO (Naples terms)</td>
</tr>
</tbody>
</table>
FOCUS ON THREE RECENT AGREEMENTS

- Federal Republic of Yugoslavia (FRY)
- Indonesia
- Hashemite Kingdom of Jordan
Structure of the long term external debt of FRY as at July 2001

- Paris Club: 42%
- Multilateral: 24%
- Official non PC: 2%
- Private: 29%
- Others: 3%
- Other commercial: 7%
- London Club: 22%
<table>
<thead>
<tr>
<th>PHASE I</th>
<th>PHASE II</th>
<th>PHASE III</th>
</tr>
</thead>
<tbody>
<tr>
<td>Immediate</td>
<td>Upon approval of the IMF three years arrangement</td>
<td>Upon successful implementation of the arrangement</td>
</tr>
<tr>
<td>Deferral until March 22, 2002</td>
<td>Non ODA: 51% principal cancellation; remainder rescheduled over 22 years, 6 years grace; ODA : rescheduling over 39 years, 16 years of grace 60 % capitalization of moratorium interests</td>
<td>topping non ODA up to 66% reduction</td>
</tr>
<tr>
<td>Activated December 2001</td>
<td>Activated May 2002</td>
<td>Expected May 2005</td>
</tr>
<tr>
<td>London Club</td>
<td>Included</td>
<td>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</td>
</tr>
<tr>
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<td>----------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>Others (non-but implicitly- guaranteed debt of socially owned enterprises)</td>
<td>Included</td>
<td>Haircuts within the domestic bankruptcy procedures</td>
</tr>
</tbody>
</table>
Structure of the long-term debt of Indonesia as at December 2001

- Multilateral: 52%
- Official non Paris Club: 1%
- Paris Club: 43%
- Private: 15%
- Bonds: 3%
- IEO: 11%
- Leasing: 1%
- Private: 15%
- IEO: 11%
- Leasing: 1%
- Private: 15%
- IEO: 11%
- Leasing: 1%
2 / INDONESIA
PARIS CLUB TERMS OF TREATMENT

Agreement concluded on April 12, 2002 under Houston terms

- **Cut-off date**: July, 1st 1997
- **Consolidation period**: April 1st 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
### SCOPE OF THE COMPARABILITY OF TREATMENT

<table>
<thead>
<tr>
<th>Leasing</th>
<th>Excluded</th>
<th>not included in Paris Club agreement</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yankee Bond</td>
<td>Excluded</td>
<td>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.</td>
</tr>
<tr>
<td>IEO</td>
<td>Included</td>
<td>agreement within the London Club on June 7th 2002:</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- rescheduling of 100% of principal maturities falling due under the consolidation period</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- extension of the bullet repayments falling due beyond the consolidation period in 2004 and 2005</td>
</tr>
</tbody>
</table>

**Third Meeting with Private creditors**

PARIS, March 10, 2003
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
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
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**
  - 1991, 1992 still active
  - All under classic terms

![Graph showing amounts treated in $million]

*Paris Club Secretariat estimates*
ARGENTINA CREDITORS’ EXPOSURE

Federal Government Debt
$119 billion as at 2002

Paris Club & IMF estimates

- Treasury Bills & Bonds: 43%
- Multilaterals: 27%
- Official Creditors: 7%
- Short term: 6%
- Bank & Other: 17%
- Paris Club: 5%
- Other Bilaterals: 2%
- Treasury Bills & Bonds: 43%
- Bank & Other: 17%
### ARGENTINA

#### PARIS CLUB CREDITORS’ EXPOSURE

<table>
<thead>
<tr>
<th>PC creditors claims on Argentina</th>
<th>PC creditors claims on Argentina’s public sector</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>$9,6 billion</strong>&lt;br&gt;Outstanding amounts &amp; arrears&lt;br&gt;November 2002</td>
<td><strong>$6,3 billion</strong>&lt;br&gt;Outstanding amounts &amp; arrears&lt;br&gt;November 2002</td>
</tr>
<tr>
<td>Private Sector&lt;br&gt;35%</td>
<td>NPRD&lt;br&gt;10%</td>
</tr>
<tr>
<td>Official Sector&lt;br&gt;65%</td>
<td>POST&lt;br&gt;COD&lt;br&gt;52%</td>
</tr>
</tbody>
</table>

- **Paris Club Secretariat estimates**

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Third Meeting with Private creditors  
PARIS, March 10, 2003
PARIS, March 10, 2003
Third Meeting with Private creditors

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
I. 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.

II. Paris Club

- December 13, 2000 Agreement

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

- Commercial: 11%
- Multilateral (WB, AfDB): 12%
- PC: 77%
- NPRD: 10%
- post COD: 4%

IMF estimates

PARIS, March 10, 2003
CURRENT SITUATION

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%
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
  - Aggregation and jurisdictional features across instruments
  - Poses the question of the treatment of official bilateral claims and the role of the Paris Club
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