

PARIS CLUB RECENT ACTIVITY AND COUNTRY CASES



OUTLINE

- 1. Review of Paris Club recent activity**
- 2. Recent negotiations : Seychelles, Côte d'Ivoire**
- 3. Country cases : DRC, Argentina, Ecuador**

1. QUICK REVIEW OF PARIS CLUB RECENT ACTIVITY

Agreements concluded

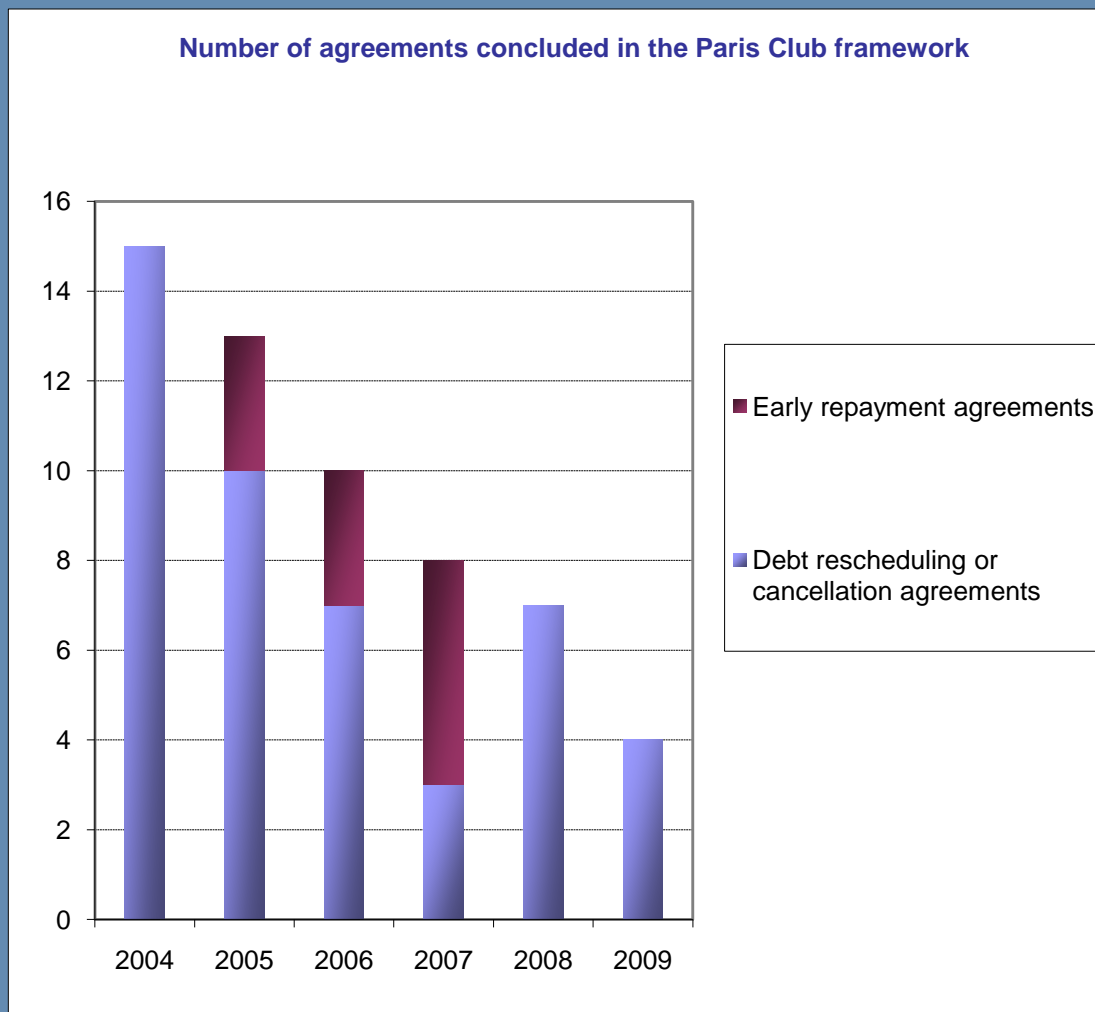
Since June 2008, Paris Club creditors have concluded:

- 4 agreements with HIPCs :

- decision point : Togo
- new interim treatment: Republic of Congo, Republic of Côte d'Ivoire

➤ completion point : Burundi

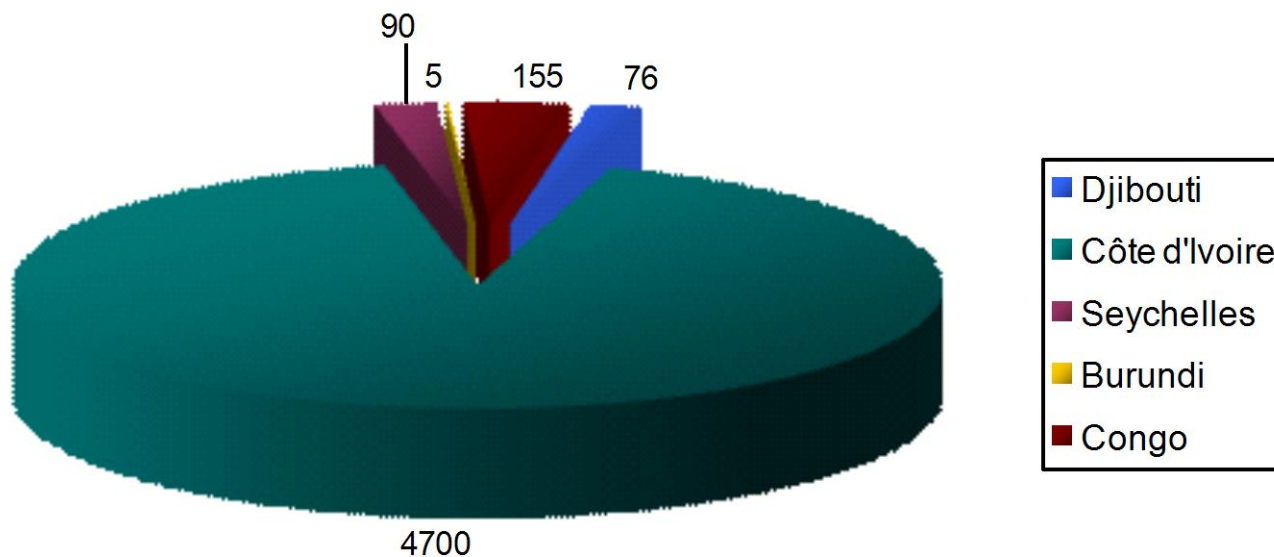
- 2 agreements with non HIPCs (Seychelles and Djibouti)



1. QUICK REVIEW OF PARIS CLUB RECENT ACTIVITY

Debt rescheduling

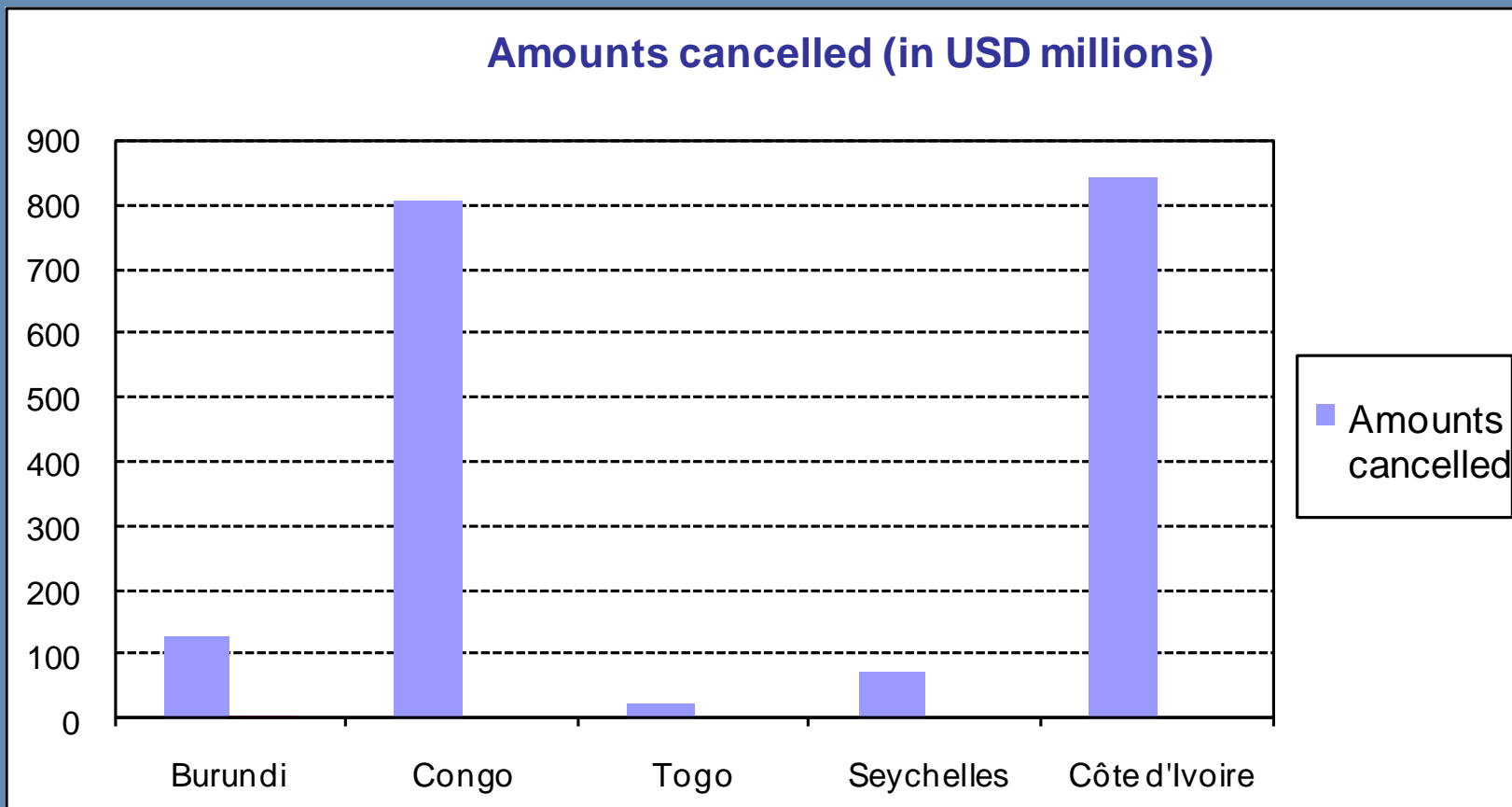
Breakdown by countries (in USD millions)



Total: USD 4,166 billion

1. QUICK REVIEW OF PARIS CLUB RECENT ACTIVITY

Amounts cancelled (June 08 - June 09)



2. RECENT NEGOTIATIONS

Restructuring of Seychelles debt- April 2009

- ❑ After a long period of default, new political commitment for economic reforms with the assistance of the Fund
- ❑ One of the biggest debt/GDP ratio for MIC
- ❑ Challenging restructuring:
 - Large share of private debt
 - Mostly bonds with many bondholders
 - Bankrupt creditors
 - No Paris Club track record
- ❑ Evian Approach with a focus on comparable treatment : Short flow treatment (up to September 2009) and staged stock treatment, linked to implementation of comparability of treatment.

2. RECENT NEGOTIATIONS Côte d'Ivoire- May 2009

□ A difficult case due to:

- The amount of debt involved: 4,7 Bn treated in May 2009, most of it in arrears.
- The limited capacity of payment of Côte d'Ivoire. Therefore the Paris Club have accepted to provide exceptional liquidity facility (deferral on PCOD, capitalisation of interest).

□ Commitments taken by Côte d'Ivoire authorities on comparability of treatment:

- According to IMF assessment, efforts requested under HIPC to restore sustainability already achieved for London Club creditors by the 1998 restructuring.
- Rescheduling of private claims is expected in terms comparable to that of the PC in order to accommodate the limited capacity of payment of Côte d'Ivoire.

3. COUNTRY CASES

Democratic Republic of Congo

- HIPC country, off-track since 2006
- Cooperation agreement signed by China involving new financing and coupling investment and mining and infrastructure.
- Objective of the Paris Club :
 - allowing DRC to mobilize the financing resources necessary for its development
 - While benefiting from the HIPC debt relief
- IMF financing requires that other new financing are consistent with long term debt sustainability => issue of concessionality and sovereign guarantee.
- Feasibility study is being prepared

- Meanwhile, the IMF assists the country with a 200M\$ ESF

3. COUNTRY CASES

Argentina

- On 2 September 2008, announcement by President Kirchner of the full repayment of Paris Club debt.
- Same scheme as for the IMF repayment: using the Central Bank international reserves (USD 47 Bn at that time).
- In parallel, opening of contacts with some “holdout” creditors.
- In the context of the crisis, discussions on-hold with Paris Club.

3. COUNTRY CASES

Ecuador

- ❑ President Corréa set a commission in 2006 to audit Ecuador's external debt which issued a report late 2008
- ❑ According to this commission, most of the debt is illegal, illegitimate or bears irregularities, because of :
 - Loan granted to a dictatorship
 - Usury interest rate or interest capitalisation
 - Loans granted to a country lacking the capacity to repay
 - Clauses restraining Ecuador's sovereignty by imposing economic reforms
- ❑ Default in December 2008 on the 2012 and 2030 bonds (seen as the most odious debt).
- ❑ Exchange offers launched earlier this year at a price of 35 cts. High participation rate (91%).