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Dates: 05/19/1994 - 06/27/1994

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THE WORLD BANK

Washington, D.C.

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Paris Club - 94-01 (Country Notes and Correspondence Concerning May30-June 4 Paris Club Meeting)

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THE WORLD BANK

ROUTING SLIP		DATE: June 23, 1994	
NAME		ROOM. NO.	
M. Baird		S 9-055	
A. Bhattacharya		Q 4-035	
G. Reyes		S 8-145	
H. Wiehen, F. Levy (EC1)		H5-049& 5-109	
K. Dervis, M. Noel (EC2)		H11067	
R. Steckhan, P. Meo (LA1)		I7-015 & 7-059	
E. Segura, R. Lacey (LA2)		I8-305 & 8-369	
P-C Loh, D. Dowsett-Coirolo (LA4)		Q7-039 & 7-117	
Institutional Files		E 3-200	
	URGENT		PER YOUR REQUEST
	FOR COMMENT		PER OUR CONVERSATION
	FOR ACTION		NOTE AND FILE
	FOR APPROVAL/CLEARANCE		FOR INFORMATION
	FOR SIGNATURE		PREPARE REPLY
	NOTE AND CIRCULATE		NOTE AND RETURN
RE: Paris Club Meeting: May 30 - June 4, 1994			
REMARKS:			
Attached are outstanding country notes and correspondence concerning the May Paris club meeting.			
FROM Ronald Brigish		ROOM NO. S 8-051	EXTENSION 33868



Record Removal Notice



File Title Paris Club - 94-01 (Country Notes and Correspondence Concerning May30-June 4 Pairs Club Meeting)		Barcode No. 1234099
Document Date 30 May, 1994	Document Type Report	
Correspondents / Participants		
Subject / Title Summaries of Paris Club Discussions		
Exception(s) Information Provided by Member Countries or Third Parties in Confidence		
Additional Comments		The item(s) identified above has/have been removed in accordance with The World Bank Policy on Access to Information. This Policy can be found on the World Bank Access to Information website.
		Withdrawn by Tonya Ceesay
		Date 4/20/2016



MINISTERIO DE ECONOMIA Y FINANZAS
DESPACHO MINISTERIAL

OFICIO No. 024-94-EF/ODE

Lima, May 19, 1994

M. Christian Noyer
Chairman of the Paris Club
FAX: 33 -1- 4004-1691

Dear sir:

I am pleased to address you this letter, on behalf of Minister Jorge Camet, in relation to your telex dated April 14, 1994.

The Government of Peru has been fully committed in implementing the recommendations set forth in the Agreed Minute dated May 4, 1993, including the conclusion of bilateral negotiations at the earliest opportunity.

In this context, the Government of Peru has been paying to Paris Club creditors on a timely manner all external debt obligations not consolidated nor deferred, as well as all external debt service payments originated from the bilateral agreements concluded with participating creditor countries. According to the Ministry of Economy and Finance' official records, there are no arrears in any of those categories. Nevertheless, the Dirección General de Crédito Público of this Ministry is sending a letter to our Paris Club creditors in order to request them to identify arrears that might have involuntarily risen, if any.

Peru has initiated bilateral negotiations on the basis of the May 1993 Paris Club Agreed Minute with all participating creditor countries and has moved persistently towards this end. We have already concluded negotiations with thirteen out of the fifteen participating creditor countries, which represents more than 90 percent of the total amount to be consolidated. I am attaching to this letter a summary table, that updates the information sent on December 29, 1993 to the Paris Club Secretariat.

I avail myself this opportunity to extend to you the assurance of my highest consideration.

Eduardo Valdivia-Valarde
Asesor del Despacho Ministerial
FAX No. 51 -14- 328942

CUADRO No. 1
CLUB DE PARÍS 1993
SITUACION DE LAS NEGOCIACIONES BILATERALES A LA FECHA
(En millones de US dólares)

PAIS / CREDITOR	Fecha	Lugar de Negociación	Monto acordado	Porcentaje del total	Tipo de Deuda
I. CONCLUIDAS			1,731.9	91.1%	
1. ESTADOS UNIDOS 1/	Ago 27, 1993	Washington D.C.	243.3	12.8%	Concesional y comercial
2. SUIZA 2/	Set 7, 1993	Lima	190.0	8.8%	Comercial
3. REINO UNIDO (ECGD)	Set 26, 1993	Lima	46.8	2.9%	Comercial
4. ESPAÑA (ICO)	Oct 11, 1993	París	4.5	0.2%	Concesional
5. FRANCIA 3/	Oct 13, 1993	París	435.1	22.5%	Concesional y comercial
6. NORUEGA (GIEK)	Oct 14, 1993	París	29.8	1.6%	Comercial
7. SUECIA (EKN)	Oct 15, 1993	París	46.5	2.6%	Comercial
8. BELGICA (Ducroire)	Oct 16, 1993	Bruselas	44.8	2.9%	Comercial
9. PAISES BAJOS (NCM)	Nov 25, 1993	Lima	27.6	1.5%	Comercial
10. ALEMANIA 4/	Dic 8, 1993	Lima	91.3	4.8%	Concesional y comercial
11. BELGICA (Gobierno)	Dic 10, 1993	Fax	3.0	0.2%	Concesional
12. CANADA (EDC)	Feb 10, 1994	Lima	63.7	3.4%	Comercial
13. AUSTRIA (Kontrollbank)	Mar 1, 1994	Fax	23.7	1.2%	Comercial
14. CANADA (ACDI) 2/	Mar 9, 1994	Lima	17.0	0.9%	Concesional
15. PAISES BAJOS (NIO) 5/	Mar 10, 1994	Fax	15.0	0.8%	Concesional
16. CANADA (CWB)	Abr 14, 1994	Lima	1.7	0.1%	Comercial
17. ESPAÑA (CESCE)	Abr 26, 1994	Madrid	230.1	12.1%	Comercial
18. ITALIA (SACE)	Abr 29, 1994	Roma	279.5	14.7%	Comercial
II. AVANZADAS			169.0	8.9%	
1. REINO UNIDO (ODA) 2/	Set 13, 1993	Fax	7.0	0.4%	Concesional
2. FINLANDIA (FINNIDA) 2/	Feb 16, 1993	Lima	26.0	1.3%	Concesional
3. FINLANDIA (FGE)	Ene 20, 1994	Fax	5.0	0.3%	Comercial
4. JAPON 6/	May 4, 1994 7/	Fax	132.0	6.9%	Concesional y comercial
TOTAL			1,900.9		

1/ PL480, AID, Housing Guarantee, Departamento de Defensa, Eximbank y CCC.

2/ Condonación del íntegro de la deuda.

3/ Crédit Nationale, Banco de Francia y COFACE.

4/ KfW y HERMES.

5/ Se formalizó la condonación por el servicio 1993-1994. Se negociará posteriormente la condonación por el resto del período de consolidación.

6/ OCEP, EXIMBANK, JNOC, y deuda con garantía MITI. Excluye JAPECO que asciende a US\$ 124.4 millones.

7/ Envío de contrapropuesta a los términos propuestos en abril de 1994.

Elaboración : Oficina de Deuda Externa

Fecha : 19 de mayo de 1994.

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104 1543 ☒
TRESOR 220962F
TELEGRAMME TELEXE DE 220962 POUR M. JORGE CAMET DICKMANN, MINISTRE DE
L'ECONOMIE ET DES FINANCES DU PEROU A LIMA.

DEBUT DE TEXTE :

PARIS LE 13/04/1994
DU TRESOR SON NUMERO : 94/185 MPM

POUR MONSIEUR JORGE CAMET DICKMANN, MINISTRE DE L'ECONOMIE ET DES
FINANCES DU PEROU.

MR MINISTER,

THE CREDITOR COUNTRIES HAVE NOTED THAT ALL DEBT SERVICE DUE
TO THEM, IN PARTICULAR ACCORDING TO THE AGREED MINUTE DATED MAY 4,
1993, HAS NOT BEEN PAID. THEY URGE YOU TO DO YOUR UTMOST TO CLEAR
ALL THESE ARREARS AS SOON AS POSSIBLE.

THE CREDITOR COUNTRIES ARE ALSO CONCERNED BY THE FACT THAT
SOME BILATERAL NEGOTIATIONS ARE STILL NOT COMPLETED. ALLOW ME, MR
MINISTER, TO URGE YOU TO CONCLUDE THESE NEGOTIATIONS WITHOUT
DELAY.

GIVEN THIS SITUATION THERE ARE NOT IN A POSITION TO
IMPLEMENT FOR THE TIME BEING THE SECOND STAGE OF THE DEBT
REORGANISATION WITH PERU SCHEDULED FROM APRIL 1, 1994 TO MARCH 31,
1995.

PLEASE ACCEPT, MR MINISTER, THE ASSURANCES OF MY HIGHEST
ESTEEM.

SIGNE : CHRISTIAN NOYER

FIN DE TEXTE.

☒
YAD310

255403'94 220962F
Message: 075 ... emis

Le 14/04/94 a 15 h 43 Duree : 04 mn 06

NATIONAL BANK OF CROATIA
Zagreb-Croatia

MINISTERE DE L'ECONOMIE
DIRECTION DU TRESOR,
SERVICE DES AFFAIRES INTERNATIONALES
139. Rue de Bercy
75572 Paris Cedex 12
F R A N C E

May 26, 1994

Re: Nonallocated debt of the former SFRY

Dear Sirs,

The Republic of Croatia will soon enter into negotiations with the IMF concerning the issue of a stand-by arrangement.

In this regard we need to work out the Balance of Payments Projection which would include all obligations referring to the external debt.

The Republic of Croatia has at its disposal the data on outstanding debts contracted by borrowers from the Republic of Croatia. However, the IMF-representatives have also required information on the nonallocated debt of the former SFRY which should be divided among and taken over by the successor states.

Since the Republic of Croatia has no available data on the nonallocated debt of the former SFRY, we would like to ask you to provide us with the following data:

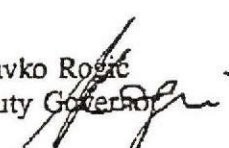
1. the nominal amount of credits and the date of its conclusion
2. the amount of debt outstanding, principal in arrears and interest in arrears as of April 30, 1994 pertaining to:
 - consolidated debt
 - Agreed Minutes of May 22, 1984
 - Agreed Minutes of May 24, 1985
 - Agreed Minutes of May 13, 1986
 - Agreed Minutes of July 13, 1988
 - non-consolidated debt
3. projected repayments

We would be very grateful if you could send us the requested data as soon as possible. Should you need any additional information regarding the aforementioned data, please feel free to contact us on the phone number: (+385 41) 413 314, or via fax number (+385 41) 413 319 (Mrs. Iva Bobanović).

Looking forward to receiving your kind reply, we thank you for your co-operation and remain

Yours sincerely,

Zdravko Rogić
Deputy Governor



cc: - The Embassy
of the Republic of Croatia
- The Ministry of Finance
of the Republic of Croatia

THE CHAIRMAN OF THE PARIS CLUB

Paris, le

11MAI94 - 010591

Mr Minister,

Thank you for your letter dated March 4, 1994, which I have transmitted to the members of the Paris Club.

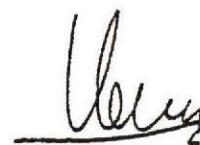
Paris Club creditors welcome your intention to proceed with the regularization of the situation concerning the external debt of the former Yugoslavia along the lines expressed in the exchanges of letters of 1992 and 1993, more specifically the letters from Mr TRICHET dated September 25, 1992 and January 6, 1993, of which you will find a copy attached hereby.

In order to allow bilateral negotiations with the creditors of the former Yugoslavia to take place along the guidelines described in these letters, a first stage would be for you to confirm your agreement with these guidelines, in particular with the transitory arrangement concerning the debts not immediately attributable to any successor Republic (the "non allocated debt") described in the January 6, 1993 letter. Paris Club creditors need an official confirmation of Croatia's responsibility on the allocated debt and agreement on the transitory arrangement for the non allocated debt before they can start the bilateral negotiations.

I understand that the Central Bank of Croatia has already initiated contacts with the appropriate governmental agencies of the creditor countries to reconcile the debt figures.

Concerning the technical meeting you are suggesting, the Paris Club Secretariat is of course at your disposal to provide you with all information you might find useful, and, if necessary, to meet you or your staff for that purpose.

Please accept, Mr Minister the assurances of my highest esteem, and best personal regards.



Christian NOYER

Mr Zlatko MATESA
Cabinet Minister
Trg Svetog Marka 2
41000 ZAGREB
CROATIA

THE GOVERNMENT OF THE REPUBLIC OF CROATIA
Cabinet of Minister Zlatko Mateša LL. M.
Trg Svetog Marka 2
41000 Zagreb
Croatia
Ph: 385-41-469-258
Fax: 385-41-443-113

Zagreb, March 4th, 1994

The Chairmen of the Paris Club

Dear Sirs,

Referring to our previous correspondence with the Office of the Chairmen of the Paris Club during 1992/93 and our recent suggestion to arrange a meeting with you in Zagreb, we would like to take this opportunity to inform you that the Mission of the IMF which visited Zagreb two weeks ago made an easement of the progress in our current Stabilization Program. The Mission found that "the initial phase of the authorities program has achieved impressive results". In order to sustain the Stabilization Program the Mission has identified " the policy priorities in which decisive progress is needed to underpin the next stage of the adjustment program". Among the ten key areas the Mission has suggested that we "pursue discussions with the Paris Club, and also with commercial banks".

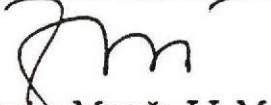
In line with this useful suggestion we would reconfirm our willingness to meet you in Paris at your earliest convenience. We would appreciate your suggestion concerning the date and venue of such a meeting.

This meeting could be of a preparatory nature and should serve to advise us on how to prepare our documentation and background material to be used as a step for concluding bilateral agreement with the Republic of Croatia. Your general and specific guidelines would be useful for us to understand how to prepare the Government of the Republic of Croatia approval and to secure a full implementation of a sustainable arrangement with the Paris Club member countries.

Looking forward to your reply, please accept Sirs, my highest considerations.

Sincerely yours,

Cabinet Minister

A handwritten signature in black ink, appearing to be 'Zm', written over a horizontal line.

Zlatko Mateša LL.M.

00264

Paris, January 6, 1993

Mr Ambassador,

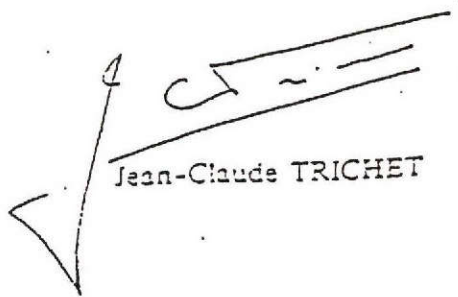
I refer to your letter dated October 27, 1992 by which you expressed the Croatian authorities agreement to the guidelines described in my letter dated September 25, 1992, regarding the procedure most Paris Club creditor countries are willing to follow in order to conclude bilateral addenda to the existing consolidation agreements with the former Yugoslavia.

More specifically, I indicated in that letter that "As regards debts owed by former Yugoslavia and not immediately attributable to any successor Republics, the Republic of Croatia would accept the principle of being considered liable for a portion of these debts to be defined as soon as possible through an arrangement to distribute the relevant claims among all successor States. In any case, the criteria used for this distribution should be agreed on a multilateral basis. A transitory arrangement, subject to possible retroactive modifications, involving a payment of a multilaterally agreed pre-set percentage of the non-allocated debt to creditors, could be appropriate."

In light of the decision taken by the Executive Board of the IMF on December 14 related to the respective shares of all successor Republics in the assets and liabilities of the former Yugoslavia, the creditor countries asked me to propose you that this pre-set percentage should be fixed at a level of 28.49 % as regards Croatia.

I would appreciate if you could let me know whether this proposal could be agreeable to the Croatian authorities.

Please accept, Mr Ambassador, the assurance of my highest esteem and my best personal regards.



Jean-Claude TRICHET

Mr Ante CICIN-SAIN
Ambassador
Ministry of Foreign Affairs
ZAGREB
Republic of CROATIA

Zagreb, October 27, 1992

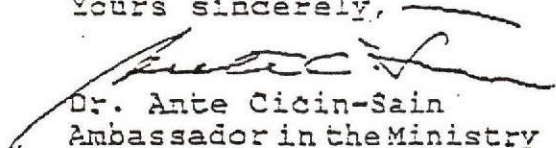
Mr.
Jean-Claude Trichet
The Chairman of the Paris Club

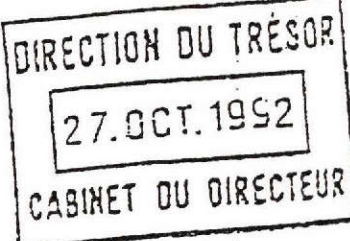
Dear Mr. Trichet,

Thank you for your letter dated September 25, 1992. I have informed the Croatian Government with the content of your letter. I am pleased to inform you that the guidelines, stated in your letter are acceptable to the Croatian Government.

We will now get in touch with all official creditor agencies and will ask them to reconcile their and our data on the outstanding Croatian debt.

Yours sincerely,


Dr. Ante Cicin-Sain
Ambassador in the Ministry
of Foreign Affairs



Mr Ambassador,

I refer to Mr Pavelic's letter dated June 15, 1992 and to your letter dated July 15, 1992 in which you express "the interest of the Croatian authorities to initiate negotiations with the Paris Club" and you ask "the Paris Club members for some form of debt relief".

During the last months, the Paris Club creditor countries have regularly reviewed the current situation in the Socialist Federal Republic of Yugoslavia (SFRY), notably in view of the on-going diplomatic process in other fora. They have taken note of the "avis" dated July 6, 1992 of the Arbitration Commission reporting to the Conference on Peace in Yugoslavia ("Badinter Commission").

The Paris Club creditor countries asked me to stress that it is of the utmost importance that all successor states of the SFRY should recognize all the outstanding debt incurred by the SFRY. This outstanding debt would then have to be equitably dispatched among the successor States.

As regards the existing consolidation agreements with the former Yugoslavia, most creditor countries are willing to conclude bilateral addenda with the Republic of Croatia along the following guidelines which they asked me to indicate to you:

- the terms and financial conditions of the existing bilateral agreements would remain unchanged ;

- if necessary, the modifications of the institutional mechanics provided for in the existing bilateral agreements for the payment of the debt service due by the Republic of Croatia would have to be defined bilaterally ;

- debt lists would be modified so as to temporarily only include the Republic of Croatia' liability in respect of debts owed or guaranteed by entities located on its territory ("allocated debt"). As regards debts owed by former Yugoslavia and not immediately attributable to any successor Republics, the Republic of Croatia would accept the principle of being considered liable for a portion of these debts to be defined as soon as possible through an arrangement to distribute the relevant claims among all successor States. In any case, the criteria used for this distribution should be agreed on a multilateral basis. A transitory arrangement, subject to possible retroactive modifications, involving a payment of a multilaterally agreed pre-set percentage of the non-allocated debt to creditors, could be appropriate ;

Mr Ante CICIN-SAIN
Ambassador
Ministry of Foreign Affairs
ZAGREB
Republic of CROATIA

- during the period needed to negotiate and implement the said addenda, creditor countries would accept separate payments from banks or institutions, in lieu of the Agent designated in the existing bilateral agreements. Creditor countries would to this end waive, if need be, clauses in the existing bilateral rescheduling agreements with the former Yugoslavia offsetting payments against the oldest outstanding claims until these addenda are signed.

- payments made by individual Croatian concerned debtors and/or by the Croatian Government would therefore be counted only against amounts outstanding vis-à-vis the Republic of Croatia.

I would appreciate if you could let me know whether these general guidelines could be agreeable to the Croatian authorities. If so, the reconciliation process could begin immediately on a bilateral basis with all Paris Club creditor countries having recognized the Republic of Croatia.

The creditor countries asked me to stress that any debt relief, within the framework of the Paris Club, might only be examined after a full implementation of the above guidelines and after the conclusion of an appropriate arrangement in the upper credit tranches with the International Monetary Fund.

Please accept, Mr Ambassador, the assurances of my highest esteem. *and J my*
best regards.

J. M. J.
SECRET

1585-02
envoyé aux créanciers le 24/3/94



The Republic of Bosnia-Herzegovina
MINISTRY OF FINANCE

Phone: 871 144 6326

Fax : 871 144 6327

Reg: 01-482-1095/94

Sarajevo, March 30th, 1994

MR. CHRISTIAN NOYER
DIRECTOR DU TRESOR
PRESIDENT DE CLUB DE PARIS
MINISTERE D L'ECONOMIE
139 RUE DE BERCY
75572 PARIS,
CEDEX 12,
FRANCE
FAX: 33.1.40042940

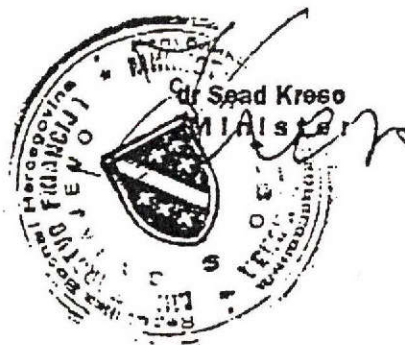
Dear Sirs,

We regret the fact that due to the military aggression on the state of Bosnia and Herzegovina, the Government, banks and enterprises have not been able to meet their foreign debt - related obligations in last two years.

Being aware of all the obligations, the Government would kindly ask you to inform our lenders from your country that the continuation of the aggression could further delay repayment of due funds.

As soon as the conditions allow, the Government of Bosnia and Herzegovina will initiate talks with major creditors in order to find an appropriate solution for this important matter.

Yours sincerely,



MACEDOINE

Paris, le 11 MAI 94 - 010590

Mr Prime Minister,

Thank you for your letter dated April 21, 1994, which I have transmitted to the members of the Paris Club.

Paris Club creditors do welcome your intention to regularize your relations with them as regards the debt of the former Yugoslavia.

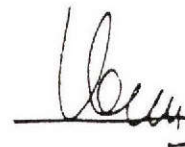
As you know, Paris Club creditors have agreed upon guidelines for such a regularization with the successor states of the former Yugoslavia, which were submitted to you in a July 16, 1993 letter (a copy of this letter is attached hereafter).

Under those guidelines, the regularization would be implemented through bilateral addenda to the existing bilateral agreements with the former Yugoslavia, transferring a portion of the debts concerned to the FYROM. The conditions of such a transfer are described in the July 16, 1993 letter including for the issue of the unallocated debt.

At this stage, Paris Club creditors need to have an official agreement from the Government of FYROM on those guidelines in order to start bilateral negotiations.

The Paris Club Secretariat is of course at your disposal to give you any additional information you might need to proceed along those guidelines. If necessary, a technical meeting could of course be organized with your collaborators.

Please accept, Mr Prime Minister, the assurances of my highest esteem, and best personal regards.



Christian NOYER

Mr Branko CRVENKOVSKI
Prime Minister of the Former Yugoslavian
Republic of Macedonia
6, Dame Gruev St
91000 SKOPJE
MACEDONIA



GOVERNMENT
OF THE REPUBLIC OF MACEDONIA

Mr. NOYER CHRISTIAN
President of the Paris Club

Paris, France

Mr. President,

Allow me to inform you that following the successful negotiations with the IMF and IBRD early this year, the IMF and the Government of the Republic of Macedonia concluded an STF arrangement, while the World Bank granted the Government of the Republic of Macedonia an Economic Recovery Loan amounting to US\$ 80 million, of which 40 million are IDA credit.

A week ago, an IMF Mission again stayed in Macedonia in order to see how the Stabilization Programme is implemented. To our mutual satisfaction, they also stated that all key parameters of the Stabilization Programme are being implemented as agreed.

It was also agreed with the IMF Mission that in late May we start the negotiations for a stand-by agreement.

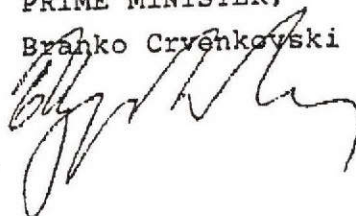
Dear Mr. CHRISTIAN, due to the fact that in spite of all the difficulties that the Government of the Republic of Macedonia is facing as a result of the closed borders to the north, because of the UN sanctions against FR Yugoslavia, and to the south

(the Greek embargo against the Republic of Macedonia), it has managed to regulate its relations with the international financial institutions, we are addressing you for the second time, as President of the Paris Club, to express our strong intention to start negotiations with the aim to regulate our financial obligations with the Paris Club. We express our readiness to discuss all issues, including the issue of the unallocated debt of former SFRY.

With this letter we are extending an official invitation to you and your collaborators to pay a visit to our country. If you are not in a position to do so, we are prepared to send representatives of the Government to Paris, upon your invitation, and to start the negotiations.

Please, Mr. Christian, accept the assurances of my highest consideration.

PRIME MINISTER,
Branko Crvenkovski



LE PRESIDENT DU CLUB DE PARIS

PARIS.

15 JUL 93 -- 013258

Mr Prime Minister,

The members of the Paris Club have taken good note of your letter dated June 10, 1993, and welcome your willingness to establish regularized relations with them. The Paris Club Creditor would like to stress that as a prerequisite it is of the utmost importance that all successor states of the Former Socialist Federal Republic of Yugoslavia (SFRY) recognize all the outstanding debt incurred by the SFRY.

Terms of reference for the treatment of the debt of successor states of the Former Yugoslavia have been defined by the creditors, and are currently being implemented with some republics. Concerning the Former Yugoslavian Republic of Macedonia, they could be implemented as described hereafter. Creditor Countries are indeed ready to conclude bilateral addenda to the existing consolidation agreements they have signed with the Former Yugoslavia. They could be concluded with the Former Yugoslavian Republic of Macedonia along the following guidelines :

- the terms and financial conditions of the existing bilateral agreement would remain unchanged ;
- if necessary, the modifications of the institutional mechanisms provided for in the existing bilateral agreements for the payments of the debt service due by the Former Yugoslavian Republic of Macedonia would have to be defined bilaterally ;
- debt lists would be modified so as to temporarily include only the Former Yugoslavian Republic of Macedonia's liability in respect of debts owed or guaranteed by entities located on its territory ("allocated debt"). As regards debts owed by the Former Yugoslavia and not immediately attributable to a specific successor Republic ("non allocated debt"), the Former Yugoslavian Republic of Macedonia would accept the principle of being considered liable for a portion of these debts to be defined as soon as possible through an arrangement to distribute the relevant claims among all successor states.

However, pending to an agreement among all successor states, a transitory arrangement between the Former Yugoslavian Republic of Macedonia and the members of the Paris Club, subject to possible retroactive modifications, involving payment of a multilaterally agreed pre-set percentage of the non-allocated debt to creditors, is necessary. This percentage is fixed on the basis of the decision taken by the executive board of the IMF on December 14, 1992, relative to the respective shares of all successor Republics in the assets and liabilities of the Former Yugoslavia (for the Former Yugoslavian Republic of Macedonia : 5,40 %) ;

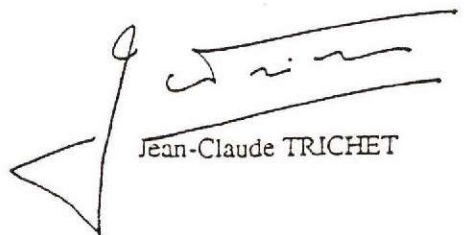
The Paris Club Creditors would appreciate if you could formally agree to that mechanism.

As for discussions on a new rescheduling, the members of the Paris Club asked me to remind you that they can't consider any treatment of the claims due to them prior to the conclusion of an appropriate arrangement with the IMF.

Please accept, Mr Prime Minister, the assurances of my highest esteem and my best personal regards.

Mr Dranko CRVENKOVSKI
Prime Minister of
the Former Yugoslavian Republic
of Macedonia

MACEDONIA



Jean-Claude TRICHET



GOVERNMENT
OF THE REPUBLIC OF MACEDONIA

Mr. Jan Clod Trishe
General Director of the
Treasury of France
Paris/France

Skopje, June 10, 1993

Dear Sir,

We would like to address you in order to establish direct relations and cooperation concerning the debts which entities from the Republic of Macedonia owe to governments and government agencies for export crediting, members of the Paris Club that you represent and coordinate.

Republic of Macedonia is independent and sovereign state who became monetary independent from the former Yugoslavia on April 26, 1992, and on April 8, 1993 became member of the Organization of United Nations. Republic of Macedonia was admitted to the membership of International Monetary Fund on April 21, 1993 as one of the successor states of the former Yugoslavia. on the same date Republic of Macedonia became a member of the European Bank for Reconstruction and Development.

During the first half of May Republic of Macedonia was visited by the mission of the IMF for consultations under Article IV of the Articles of Agreement of the IMF. The mission was informed in details about the whole economic and financial situation in the state as well as about the actual monetary and foreign exchange changes we are passing through.

At the same time, the procedures regarding the admittance of the Republic of Macedonia as a member of the World Bank are in the final stage assumed from former SFRY which currently amounts US\$ 80 million as well as US\$ 40 million maturing till the end of this year, stands to be solved.

Also, we would like to inform you about the very unfavorable political surroundings of the Republic of Macedonia in this moment, which have enormous negative implications to the whole economy of the country. The economic blockade imposed by our

southern neighbor Greece in different ways as well as UN sanctions against FR Yugoslavia (Serbia and Montenegro) are causing permanent decrease of our Gross Social Product and of the industrial production. The fact that the great part of our production traditionally has been realized on the market of the FR Yugoslavia now being lost, and extremely obstructed transport communications with the western countries sufficiently indicates the complexity of our current situation.

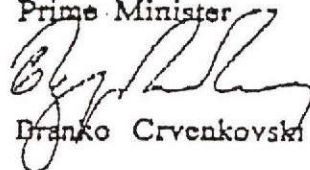
For instance the decline in the GSP in 1990 was 10%; in 1991, 11,4% and in 1992, 15,1. Estimated GSP per capita in 1993 amounts only to US\$ 798. The decline in the industria production Macedonian economy because of the UN sanctions towards FR Yugoslavia amounted to US\$ 1,4 billion in 1993 and the estimates for this year are US\$ 1,8 billion.

Economic situation of the Republic of Macedonia is also burdened with the high level of foreign indebtedness. Our current foreign debt amounts US\$ 840 million. In 1993 we have to repay principals to the amount of US\$ 130 million and we have overdue debt for 1992 to the amount of US\$ 140 million. Having traditionally high balance of payments deficit and no access to the international financial markets, Republic of Macedonia is facing enormous difficulties in providing the economy with the basic raw materials especially the import of oil that is the biggest item in our imports.

Despite the extremely hard economic situation in the state, Republic of Macedonia is aware and responsible for the obligations under the loans from the governments members of the Paris Club. In this context we would very much appreciate if we start discussions with you in order to find possible solutions in direction of long-term rescheduling of our debts or eventually finding ways for financial help to the Republic of Macedonia by canceling the debts that we would very much appreciate.

With a hope for further cooperation and expecting your esteemed answer I remain,

Sincerely Yours,
Prime Minister



Dranko Crvenkovski



REPUBLICA DE HONDURAS

Tegucigalpa, D. C. April 21, 1994

Nº CP-0475

Mr. Christian Noyer
Paris Club Secretariat
Paris, France

Dear Mr. Noyer:

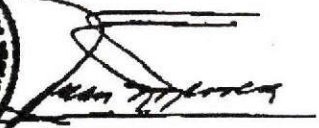
Reference is made in your letter that a high level mission from the Government of Honduras is going to meet with the International Monetary Fund (IMF) staff during the next week. The objective of the mission is to initiate discussions on the 1994 Economic Program for Honduras aiming the establishment of the second annual arrangement under the ESAF program. It is our understanding that shortly after this mission returns to Honduras, a fund mission would visit the country so to conclude negotiations.

Regarding arrears outstanding to creditor countries under the Paris Club agreed Minutes we wish to inform you that the Government of Honduras is seeking a solution with the "Empresa Nacional de Energia Eléctrica" (the energy authority) --for which the arrears account--, in order to settle the payments. We expect that this solution could be reached in the next few weeks.

We hope that the Paris Club creditors will understand the difficult economic situation faced by the Republic of Honduras and that a favourable resolution could be taken regarding the implementation of the second annual rescheduling under the agreed Minute dated October 26, 1992.

Please accept the assurances of my highest esteem.




Juan Ferrera
Minister

OFFICE MEMORANDUM

PARIS-CLUB...
94-01

DATE: June 17, 1994

TO: Mr. Masood Ahmed, Director, IEC

FROM: R. P. Brigish, Adviser, IEC

EXTENSION: 33868

SUBJECT: PARIS CLUB: May 30 - June 4, 1994 - Back-to-Office Report

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WBG ARCHIVES

CONFIDENTIAL

Introduction

1. The meeting had two days each allocated for rescheduling negotiations for Algeria and Russia. In addition, a good deal of the tour d'horizon was spent preparing for the negotiations.

Algeria

2. Although protracted, the negotiations with Algeria were not marked by major difficulties with her creditors. Many of the questions that needed resolution--such as the cut-off date, and whether to accord terms somewhat softer than Standard Terms--resulted from differences among creditors. The Algerian case, with an opening position considered reasonable by the Secretariat and many creditors, was well presented and defended. It resulted in Algeria being accorded Standard Terms, softened quite considerably by a graduated payment arrangement which was more progressive than is normally the case with such a method. The cut-off date was established at September 30, 1993. A goodwill clause stating the Paris Club's willingness to consider rescheduling Algeria's post-May, 1995 obligations was included in the Agreed Minute.

Russia

3. The discussion of Russia's rescheduling needs was complicated by Russia's opening position, to the effect that constraints in Russia's capacity to repay its creditors emanated from budgetary restrictions, rather than underlying balance of payments weaknesses. Their delegation said that only \$4.1 billion had been allocated in the current year budget to debt service, this, after very extensive discussions within the Government which attempted to "accommodate continuing political tension in Russia and the competing requests of different interest groups for additional funding from the budget". This allocation was a full \$3 billion below the amounts that would have been due in 1994 had Russia been prepared or able to repay all moratorium interest under the 1993 agreement. And it would have implied a rescheduling of \$7.5 billion from Paris Club creditors. Effectively, the Russian delegation suggested that creditors find a formula among themselves for distributing the \$ 4.1 billion.

4. Creditors were at pains to point out that this was an insufficient basis on which to calculate the country's capacity to pay. They also were concerned at the extent

of the build-up of arrears under the 1993 Agreement. On the other hand, there was a universal view that it was vital to reach an agreement, so that negotiations were extended until a consensus was reached.

5. The ultimate agreement comprised the following elements. Pre-1991 principal and interest (excluding late interest) obligations were rescheduled on the basis of fifteen years, including two of grace, with graduated payments considered advantageous to Russia. Post-1991 principal and interest (excluding late interest) obligations received ten years including two years of grace, with payments graduated somewhat more steeply than the pre-1991 dues. Short-term principal and interest obligations were subjected to equal blended payment arrangements over seven years, including two years of grace. Sixty percent of interest due during 1994 is subject to payment this year, with forty percent rescheduled, the reverse of the percentages contained in the 1993 Agreement. The amounts rescheduled approached the Russian request. Finally, it was agreed during the meeting that creditors would be prepared to consider a MYRA as soon as a suitable Fund program was in place.

Summary

6. These two agreements bring to 10 the number of reschedulings agreed to by the Paris Club so far in 1994, as summarized below:

Paris Club Rescheduling Agreements 1994					
US\$ millions					
Country	Date	Amount	Cut-off-date	Consolidation period through	Terms
Kenya	19-Jan-94	535	31-Dec-91	arrears end-'93(2)	Standard (1)
Senegal	3-Mar-94	237	1-Jan-83	31-Dec-95	Enhanced Toronto
Niger	4-Mar-94	160	1-Jul-83	31-Mar-95	Enhanced Toronto
Cote d'Ivoire	22-Mar-94	1,849	1-Jul-83	31-Mar-97	Enhanced Toronto
Cameroon	24-Mar-94	1,259(*)	31-Dec-88	3 -Sept-95	Enhanced Toronto(3)
CAR	12 Apr 94	33	1-Jan-83	31-Mar-95	Enhanced Toronto
Bulgaria	13-Apr-94	200	1-Jan-91	30-Apr-95	Standard
Gabon	15-Apr-94	1,360	1-Jul-86	31 -Mar-95	Standard (modified)
Algeria	31-May-94	5,000	30-Sept-93	31-May-95	Standard (modified) (1)
Russia	4-June-94	7,100	1-Jan-91.	31-Dec-94	Standard (modified) (1)

(1) With graduated payments

(2) Exit agreement

(3) on current maturities only. Houston terms on arrears

(*) of which about 2/3 were arrears

Tour d'Horizon¹

7. The Congo's economic situation and prospects were discussed at length. Certain creditors were keen to see the country declared by the Bank as IDA-only, since blend countries are not accorded Enhanced Toronto terms. Others were more cautious, believing that Congo's oil resources created opportunities for some market access, which would make it ineligible for enhanced concessions. The objective of the Paris Club Secretariat was to maintain creditor consensus and avoid repetition of the situation that obtained in the cases of the CAR and Cote d'Ivoire, namely that the country was deemed eligible for enhanced concessions, but with several creditors subsequently taking the non-concessional option from the menu. The result was a decision to accord Houston terms for the upcoming rescheduling (which would have a consolidation period of only 12 months), but to revisit the classification question when and if Congo enters into an ESAF with the Fund.

8. The following countries were discussed: Bolivia, Brazil, Burkina Faso, Cambodia, Costa Rica, Egypt, Guatemala, Honduras, Jordan, Nicaragua, Paraguay, Peru, Philippines and the former Yugoslavia. Country notes attached to this memorandum summarize the discussion on each. The next meeting will be held during the week of June 27, 1994 and would address the rescheduling needs of The Congo, Ecuador and Jordan.

Distribution

Messrs/Mmes: Karaosmanoglu, Sandstrom, Stern, Bruno, Jaycox, Kaji, Koch-Weser, Thalwitz, Wood, Linn, Burki, Kashiwaya, Baird, Edwards, I. Husain, Thomas, Nankarni, Page, Selowsky, Gelb, Donovan, Nishimizu, Bhattacharya, Lav, Pfeffermann, Shakow, Johannes, Jun, Reyes, Wyss, Handwerger, Institutional ISC.

Messrs/Mmes: Guerard, Katz, Rosenberg (African Countries)
 Lafourcade, Derbez, AF1
 Marshall, Sarbib, AF5
 Madavo, Ikram, EA1
 Dervis, Noel, EC2
 Cheetham, Huang, EC3
 Steckhan, Papageorgiou, LA1
 Segura, Lacey, LA2
 Abe, de Tray, LA3
 Loh, Dowsett-Coirolo, LA4
 Ritchie, Ayub, MN1
 Chopra, Voyadzis, MN2

¹ attended by Patrice Dufour (EXT)

L'Algérie a entrepris, depuis près d'une décennie, des efforts importants d'ouverture, de restructuration et de diversification de son économie. La chute brutale des prix de pétrole en 1986 a entraîné une réduction de ses recettes d'exportation de 40% en une année (entre 1985 et 1986), induisant un recours accru à l'endettement extérieur à des conditions défavorables. La maturité moyenne de la dette extérieure a ainsi enregistré un très fort déclin, pendant que la capacité d'épargne intérieure s'amenuisait en contexte de contraction sensible du Produit Intérieur Brut et de hausse du chômage.

En dépit de ce contexte difficile, l'Algérie a introduit, dès 1986-1987, des mesures de libéralisation et de réformes orientées par le marché. Le processus de réformes s'est accéléré en 1989, puis en 1991, à travers des mesures de décentralisation et d'autonomie des agents économiques (entreprises publiques, banques,...), d'amenuisement du rôle du Trésor dans le financement des nouveaux investissements, de mise en oeuvre d'une politique active de taux de change, de mise en oeuvre d'un programme d'assainissement et de restructuration des entreprises et des banques, etc....

Ces efforts de stabilisation et d'ajustement internes ont, cependant, été contrariés par, notamment, les déséquilibres externes causés, d'une part, par le poids excessif du service de la dette extérieure (86 % des recettes d'exportation de biens et services en 1993) et, d'autre part, par la chute plus profonde et durable du prix du pétrole. C'est ainsi qu'il est projeté, sur la base d'un prix du baril de pétrole de 15 \$ U.S, que les recettes d'exportation atteignent en 1994 9.56 milliards de dollars U.S pour un service de la dette extérieure à moyen et long terme dépassant les 8 milliards de dollars U.S.

Le resserrement de la contrainte financière externe s'est traduit, compte tenu des efforts consentis par l'Algérie pour honorer ses échéances, par une réduction drastique de ses importations à un niveau ayant fortement alimenté la spirale récessionniste dans laquelle se trouve enfermée l'économie algérienne. Cependant, malgré l'acuité des déséquilibres financiers internes, alimentés à la fois par le resserrement de la contrainte externe et la contraction du Produit Intérieur Brut, l'inflation des prix a été ramenée à environ 20% en 1993 contre 32% en 1992.

Une telle situation est de nature à exacerber les tensions sociales, sous-tendues par une aggravation du chômage, la baisse du pouvoir d'achat et la moindre disponibilité de biens et services, en dépit des efforts consentis par le Gouvernement pour les atténuer.

La crise politique que traverse le pays est, dans une large mesure, la résultante de cette situation socio-économique.

En l'absence de perspectives favorables sur les marchés pétroliers et dans un contexte fortement limité d'accès aux marchés internationaux de capitaux, l'Algérie a entamé, dès 1992, des négociations avec le Fonds Monétaire International en vue d'aboutir à un accord sur un programme viable d'ajustement soutenu par le Fonds. Ces négociations se sont accélérées en 1993 et au début de l'année 1994 et ont permis la mise en place d'un important programme de stabilisation devant être suivi d'un programme d'ajustement à moyen terme.

Les discussions avec le FMI et avec les principaux partenaires de l'Algérie ont fait ressortir la nécessité de soutenir cette démarche par un apport financier important sous forme de nouveaux crédits et d'un rééchelonnement de la dette existante.

Le programme de stabilisation, couvrant la période Avril 1994-Mars 1995, s'inscrit dans une perspective de moyen terme avec des objectifs macro-économiques qui visent à renouer avec la croissance sur une base saine et durable. La croissance du produit intérieur brut prévue pour 1994 est de 3 % ; elle est de 6 % dès 1995.

Le retour à la stabilité financière et à la croissance relève du programme de stabilisation, mais dans un contexte de création d'emplois, de construction de logements et de soutien au niveau de vie des catégories sociales les plus défavorisées (filet social, ...).

Durant la période de stabilisation, la reprise de la croissance repose sur une augmentation de la production dans l'agriculture et le secteur du bâtiment et des travaux publics. Elle provient également d'une plus grande utilisation des capacités de production existantes dans le secteur industriel du fait, principalement, d'une meilleure disponibilité des facteurs de production importés.

Les mesures, arrêtées dans le cadre du programme de stabilisation, pour atteindre ces objectifs, s'articulent autour des axes suivants :

- rééquilibrage des prix relatifs au moyen, notamment, d'une importante dévaluation du dinar algérien et d'une libéralisation accrue des prix intérieurs ;
- libéralisation du régime du commerce extérieur ;
- renforcement de la gestion de la demande interne, notamment par le biais de politiques monétaire et budgétaire rigoureuses ;
- rationalisation du système de protection sociale ;
- approfondissement des réformes structurelles.

La mise en œuvre de ce programme de stabilisation passe inéluctablement par :

- l'allégement du service de la dette à moyen et long terme, au moyen du rééchelonnement de la dette bilatérale ainsi que d'une restructuration de la dette bancaire et assimilée non-assurée ;
- l'apport de financements nouveaux, notamment de soutien à la balance des paiements ;
- l'accroissement, à moyen terme, des recettes d'exportation, notamment d'hydrocarbures.

S'agissant de ce dernier élément, un important programme d'investissement est en cours de réalisation pour permettre une augmentation significative du volume d'exportation de gaz à partir de 1995 et 1996. L'augmentation des recettes d'exportation qui en découlera constitue un élément fondamental dans la démarche adoptée par l'Algérie pour le redressement de son économie.

Le programme d'investissement de SONATRACH (travaux de modernisation et d'extension d'unités de production de GNL et de GPL, extension des capacités de transport par gazoducs, etc ...) obéit à un calendrier précis dont le strict respect constitue un impératif pour la réalisation des équilibres financiers externes.

Il est donc des plus nécessaires, aussi bien pour l'Algérie que pour ses partenaires, que les financements de ces projets ne soient pas négativement affectés, ni dans leurs montants ni dans leur calendrier de décaissement, et qu'ils puissent par conséquent se poursuivre normalement.

Le desserrement de la contrainte financière externe doit également permettre à l'Algérie de disposer d'un niveau de réserves en adéquation avec sa politique d'ouverture accrue, l'accélération de la libéralisation du commerce extérieur appuyée par la suppression des restrictions de change dans la perspective de la convertibilité totale du dinar, sa convertibilité commerciale étant de facto en vigueur.

Le Gouvernement algérien a entamé, dès le mois de Mars 1994, la mise en œuvre des mesures contenues dans le programme de stabilisation. C'est ainsi que :

- le dinar algérien a été dévalué de 40,17 % ;
- le dispositif provisoire d'encadrement des opérations de commerce extérieur et de restrictions en matière de financement, a été supprimé, en même temps qu'étaient déléguées aux banques les opérations d'évaluation et de financement des importations ainsi que celles du suivi du contrôle des changes;
- le mode de financement des opérations d'importation est librement négociable entre la banque et son client ; l'obligation de rechercher un financement extérieur n'étant plus applicable qu'aux importations de biens d'équipement (ce financement devant être d'échéance supérieure à trois ans);
- la répercussion de l'ajustement du taux de change sur les prix implicitement ou explicitement subventionnés a été effectuée avant la dévaluation ; les prix des produits alimentaires ainsi que des produits énergétiques ont été ainsi relevés d'environ 40 %. En outre, la libéralisation des prix de certains produits (intrants agricoles et engrais) a été effectuée, la libéralisation de nombreux produits devant se poursuivre durant et après la période du programme, dans la perspective d'aboutir, dans le cadre du prochain accord élargi, à un système où la quasi-totalité des prix seront déterminés par le marché ;
- la loi sur la concurrence, qui doit, notamment supprimer l'obligation de déclaration des prix, est en préparation ;
- la structure et le niveau des taux d'intérêt ont été ajustés pour une meilleure allocation des ressources, tout en encourageant l'épargne et pour permettre le passage, à terme, à une régulation monétaire indirecte. c'est ainsi que le taux de réescompte est passé de 11.5 à 15%, la formation du taux du marché interbancaire a été libéralisée, de même que l'intervention de la Banque

d'Algérie sur le marché monétaire se fait désormais à un taux pivot de 20%.Corrélativement, les taux débiteurs des banques ont été libéralisés, pendant que les taux créditeurs de la Caisse Nationale d'Epargne et de Prévoyance ainsi que ceux du Trésor ont été relevés. La conjugaison de ces éléments constitue un ancrage à la conduite effective par les banques de la libre détermination de leurs taux créditeurs. Cette rigueur monétaire se reflète également par une nette décélération du rythme d'expansion monétaire ciblé à 14% pour la période du programme contre 21.2% en 1993;

- la révision de la loi de finances de 1994, au moyen de la loi de finances complémentaire, a été effectuée dans un souci de rationalisation des dépenses budgétaires et d'accroissement des recettes. La forte réduction du déficit budgétaire et du déficit du Trésor pour la période du programme (0.3% et 3.3% du PIB respectivement contre 5.9% et 9.2% respectivement en 1993) traduit l'ampleur de la rigueur budgétaire.

Par ailleurs, l'assainissement des entreprises et des banques se poursuit (mise en oeuvre des plans d'action des entreprises publiques non encore autonomes, mise en oeuvre des plans d'action de renforcement institutionnel des banques et poursuite de leur audit financier), en même temps que sont intensifiés des travaux préparatoires à la restructuration et au redéploiement industriel.

Sur le plan social, des mesures de soutien aux catégories les plus défavorisées sont en voie de finalisation, prévoyant, notamment, la rationalisation du filet social ainsi que l'institution d'un système de retraite anticipée et d'assurance-chômage.

Les projections liées à la conduite de l'ajustement de l'économie à moyen terme font ressortir des besoins de financement très importants. Les montants identifiés pour la période 1994-1998 sont de 6,52 ; 5,11 ; 3,58 ; 2,19 et 0,31 milliards de dollars U.S pour les années 1994, 1995, 1996, 1997 et 1998 respectivement.

Ces montants sont estimés en prenant en compte la nécessaire disponibilité d'un certain volume de crédits liés aux importations (environ 3 milliards de dollars US annuellement). Ceci implique le soutien des assureurs-crédits.

Pour couvrir ces besoins de financement prévisionnels, l'Algérie se trouve dans l'impérieuse nécessité :

- d'utiliser les facilités mises à sa disposition par le FMI;

- de procéder au tirage sur les différentes facilités déjà engagées dont le déblocage est facilité par la conclusion d'un accord avec le FMI;

- d'obtenir auprès de ses partenaires des crédits complémentaires. A cet effet, des contacts préliminaires ont été pris avec des pays amis ainsi qu'avec quelques institutions telles que la Banque Mondiale, l'Union Européenne, le Fonds Monétaire Arabe, et la Banque Africaine de Développement ;

- d'obtenir de ses créanciers l'amélioration durable du profil de remboursement de sa dette extérieure dont le poids du service constitue, dans l'état actuel, un handicap insurmontable, en raison de la courte durée de vie moyenne de la dette. L'objectif est de ramener le ratio du service de la dette à environ 30%, au moyen d'un rééchelonnement de sa dette bilatérale ainsi que d'une restructuration de sa dette commerciale.

La requête adressée au Club de Paris au mois de Mai vise l'obtention auprès des créanciers de l'Algérie de conditions d'un rééchelonnement des échéances éligibles qui lui permettent de réaliser ces objectifs et contribuer efficacement à soutenir l'ajustement de son économie.

L'étendue des besoins et l'importance du programme de redressement de l'économie algérienne ainsi que l'ampleur des retombées escomptées du succès de la démarche adoptée, tant sur le plan économique que social, militent en faveur d'un soutien important de la part de ses créanciers.

L'Algérie souhaite que le soutien du Club de Paris prenne la forme:

- de la prise en compte de la date du 31 décembre 1993 comme date-butoir ;

- de l'octroi d'une durée de remboursement de 15 ans avec une période de grâce de 8 ans;

- de l'inclusion des intérêts dans les montants éligibles au rééchelonnement;

- du rééchelonnement des échéances tombant au cours de la période du 1er juin 1994 au 31 mai 1995 ainsi que la consolidation des arriérés existant au 31 mai 1994;

- d'une considération favorable du principe de rééchelonnement des échéances tombant durant les sept derniers mois de 1995 ainsi qu'en 1996 et 1997.

Paris, le 31 mai 1994

ALGERIE

Présentation au Club de Paris par le représentant du
Fonds monétaire international

■ Vendredi dernier, le Conseil d'Administration du Fonds Monétaire International a approuvé le programme de réformes économiques et financières adoptées par les autorités algériennes pour la période avril 1994 - mars 1995. Ce programme comporte une série de mesures courageuses et ambitieuses à l'appui desquelles le Fonds consent un appui financier d'une ampleur exceptionnelle: environ un milliard de dollars sous forme (i) d'un accord de confirmation (stand-by) pour un montant de 457 millions de DTS (soit 50 pour cent de la quote-part de l'Algérie); et (ii) d'un tirage au titre de la facilité de financement compensatoire et de financement pour imprévus pour un montant de 274 millions de DTS (soit 30 pour cent de la quote-part de l'Algérie).

1. Objectifs principaux du programme avec l'Algérie

■ Ce programme vise d'abord quatre objectifs principaux:

a/ le retour à la croissance qui à terme relativement rapide devrait générer un nombre significatif d'emplois; ce retour à la croissance passe notamment par la relance du logement;

b/ une stabilisation macroéconomique, en particulier une réduction des pressions inflationnistes.

c/ le programme vise également par des mesures à caractère social à amortir le coût de l'ajustement pour les catégories sociales les plus défavorisées.

d/ après une détérioration initiale dont j'expliquerai tout à l'heure les raisons, le programme recherche une amélioration progressive du solde du compte courant et un rétablissement à terme de la viabilité de la balance des paiements.

■ La réalisation de ces quatre objectifs suppose notamment que certaines conditions soient réunies. Il s'agit principalement de:

* réallouer les ressources au profit des agents productifs -privés ou publics- et réduire la ponction faite sur ces ressources par des activités budgétaires peu efficaces.

* redonner aux forces du marché toute leur efficacité.

* ouvrir encore davantage l'économie algérienne sur l'économie mondiale tout en lui donnant les ressources et les moyens d'être compétitive;

2. Aperçu sur les politiques mises en oeuvre durant le programme

Les politiques des autorités algériennes nous paraissent adaptées à la réalisation de ces objectifs. En bref, ces politiques sont les suivantes:

■ L'adoption tout d'abord d'une politique réaliste de change. Ainsi, en avril 1994, le taux de change a été porté de 24 à 36 dinars par dollar et les autorités ont décidé d'assurer par étapes, mais sur une période relativement courte, la détermination du taux de change par le marché.

■ Dans la même perspective, le programme prévoit également une libéralisation majeure des restrictions commerciales ou de change existantes ainsi que des prix.

■ Le programme comporte également une discipline considérablement accrue des politiques budgétaire et monétaire. En particulier, le déficit des opérations du Trésor devrait revenir à 3,3 pour cent du PIB durant la période du programme. En matière monétaire, les taux d'intérêt ont été sensiblement augmentés, tandis qu'une politique d'expansion modérée de la masse monétaire permettra d'absorber l'excédent de liquidités non désirées.

3. Mise en oeuvre et exécution du programme

Tout le monde connaît le contexte politique particulièrement difficile auquel fait face l'Algérie. Si le gouvernement installé en avril 1994 a assuré le Fonds Monétaire de sa volonté d'appliquer fidèlement le contenu du programme, un certain nombre de questions continuent toutefois d'être soulevées sur la capacité des autorités à mettre en oeuvre ce programme. A ce sujet, je voudrais faire plusieurs observations:

1. Les mesures introduites sous le programme sont des mesures macroéconomiques ou structurelles simples dans leur exécution.

2. Avec la dévaluation et les augmentations des prix, notamment des produits alimentaires et énergétiques, les mesures qui comportaient le risque social ou politique le plus élevé ont déjà été mises en place sans conséquence ou opposition notables.

3. Des calendriers bien précis ont été établis pour l'évolution du régime de change, et la poursuite de la libéralisation du commerce extérieur et des prix.

4. Pour nous assurer de la mise en oeuvre des mesures et de la bonne performance du programme, 2 revues du programme seront réalisées.

Je voudrais aussi rassurer les délégués sur le contenu structurel du programme. Les services du Fonds considèrent que les réformes décrites ci-dessus constituent des éléments de politiques structurelles essentiels qui doivent être introduits en priorité, car ils changent le cadre institutionnel en accroissant la transparence, en intégrant l'Algérie à l'économie mondiale, et par là même créent les conditions favorables à une croissance saine et durable.

Cependant, ces réformes structurelles devront être approfondies, en particulier dans les domaines:

du régime de change, des instruments de la politique monétaire, des entreprises publiques, de la réforme bancaire, du recours au partenariat privé ou international voire à la privatisation de certaines entreprises publiques, du régime foncier agricole, de l'achèvement de la libéralisation des prix, ou du marché du travail.

Le programme actuel comporte bien sûr certains risques. En plus du risque de détérioration additionnelle de la situation politique, deux autres risques peuvent se matérialiser. Le premier serait un dérapage des salaires comme l'expérience des essais d'ajustement précédents l'a clairement montré; dans le programme il y a un engagement du gouvernement algérien à "amener" les syndicats à une politique de modération des demandes d'ajustement de salaire. Le directeur général du Fonds a reçu confirmation de cet engagement. Le deuxième risque serait un appui financier insuffisant de la communauté internationale.

4. Financement du Programme

■ Le succès de ce programme dépend donc de la réunion de financements extérieurs en quantités très importantes.

La libéralisation des importations, la satisfaction des objectifs du programme en termes de croissance et de reprise dans le secteur du bâtiment, ainsi que la reconstitution des stocks alimentaires et le développement du programme d'investissements gaziers impliquent une augmentation sensible du montant des importations algériennes durant la période du programme: 10 milliards de dollars contre 7,8 milliards de dollars en 1993. Il convient de souligner que les importations, une fois éliminés les produits alimentaires et les biens d'équipement du secteur des hydrocarbures, n'augmentent que d'environ 15 pour cent. Cette hausse des importations est d'autant plus nécessaire que le pays est actuellement soumis à de nombreuses pénuries et que dans tous les domaines, les stocks disponibles sont bas. Cette reprise des importations à un niveau déjà atteint en 1990, mais plus faible en volume que vers le milieu des années 1980, entraîne en période de détérioration des termes de l'échange, un retour à un déficit du compte courant de la balance des paiements.

On pourrait être tenté de penser que la hausse récente des prix mondiaux du pétrole pourrait quelque peu atténuer en 1994 le déficit du

compte courant. Je crois qu'il faut à cet égard rester très prudent car beaucoup des facteurs qui ont joué à la hausse récemment--comme l'arrêt de quelques puits de production en mer du nord ou les troubles politiques ou sociaux intervenus chez quelques pays producteurs--n'ont qu'un caractère très temporaire. Le marché peut se retourner à très brève échéance--par exemple, si une perspective même ténue d'amélioration des relations entre l'ONU et l'Iraq apparaissait--et une prévision prudente comme celle qui fonde les projections de balance des paiements faites par les services du Fonds me paraît devoir être conservée. De plus, il ne faut pas oublier que si le prix du pétrole a pu récemment s'améliorer, les effets de cette hausse sont largement atténués dans le cas de l'Algérie par la faiblesse du dollar, car si ce pays exporte en dollars, il importe et s'endette vis-à-vis de monnaies qui se sont appréciées.

Le déficit anticipé du compte de capital du fait de la disparition de financements exceptionnels enregistrés en 1993 et d'un moindre recours anticipé à certains financements commerciaux conduit à un besoin de financement de l'ordre de 6,9 milliards durant la période du programme y compris le financement des arriérés de paiements accumulés au 31 mars 1994. En dépit d'une réduction sensible du déficit anticipé de la balance courante, les projections de la balance des paiements montrent la nécessité de recourir à des financements exceptionnels également durant la période 1995-97.

Toutefois en ce qui concerne les perspectives à moyen terme de la balance des paiements, je tiens à souligner que l'Algérie dispose d'un potentiel tout à fait considérable pour parvenir à restaurer sa viabilité. Il est clair que le programme en cours de développement des capacités d'exportation de gaz est un atout majeur. Au-delà de cela, l'Algérie dispose d'atouts importants de par sa proximité vis-à-vis des marchés européens, le niveau satisfaisant de formation de sa population,... De ce fait, si notamment la situation politique venait à se stabiliser, les hypothèses prudentes qui sont incorporées dans le scénario du Fonds Monétaire en matière de développement des exportations non pétrolières, de transferts de devises en provenance des Algériens travaillant à l'étranger ou d'investissement étrangers en Algérie pourraient assez facilement être révisées à la hausse.

■ Le financement du gap financier prévu pour la période du programme s'avère cependant délicat. Les hypothèses faites à cet égard dans le cadre de l'élaboration du programme sont fondées sur un rééchelonnement du service de la dette algérienne à moyen et à long terme, mais aussi sur un apport substantiel venant de la Banque Mondiale, de l'Union Européenne et d'autres organismes tels le Fonds Monétaire Arabe et la Banque Africaine de Développement.

■ En ce qui concerne le recours à un rééchelonnement de la dette à moyen et à long terme, les projections de balance des paiements établies par les services du Fonds sont fondées sur les hypothèses de travail suivantes: 10 ans de maturité dont 5 ans de grâce, rééchelonnement du principal, date

butoir de fin 1992. Ces hypothèses montrent un allègement non négligeable du poids du service de la dette durant la période du programme. Toutefois, il convient de souligner trois points importants: (i) le ratio du service de la dette rapporté aux exportations de biens et services non facteurs resterait, dans ce scénario "standard", supérieur à 40 pour cent sur le moyen terme; (ii) l'amortissement à moyen terme des échéances rééchelonnées occasionnerait la réapparition de besoins de financements exceptionnels; et (iii) le niveau des réserves resterait encore très faible sous le programme (environ 1,5 mois d'importations). Nous sommes conscients que les termes du rééchelonnement doivent prendre en compte les possibilités de rétablissement rapide à l'accès aux crédits extérieurs. Au même moment, fondé sur l'expérience des services du FMI, un tel scénario n'offrirait pas toute la confiance nécessaire aux investisseurs privés et aux créanciers, et donc mettrait en danger la réalisation des objectifs de croissance du programme. Par conséquent, un juste milieu devra être trouvé au cours de cet exercice pour tenir compte de ces préoccupations.

Je voudrais en outre souligner que les hypothèses qui ont été faites "au-dessus de la ligne" pour ce qui est du financement des projets d'investissement notamment dans le secteur pétrolier, sont fondées sur l'idée que les conditions retenues pour le rééchelonnement permettront à l'ensemble des créanciers, et notamment au Japon, de continuer à financer le développement des capacités d'exportation de gaz. Si ce n'était pas le cas, le besoin de financement du programme serait accru dès 1994, ou la viabilité de la balance des paiements à moyen terme serait remise en question.

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■ En conclusion, si le programme négocié avec l'Algérie suppose que les créanciers accordent un soutien important, il convient également de souligner le caractère courageux et crucial de la décision des autorités algériennes d'adopter un tel programme dans les conditions sociales et politiques très difficiles que traverse le pays.

WORLD BANK

REMARKS FOR THE PARIS CLUB MEETING

CONCERNING THE DEMOCRATIC AND POPULAR REPUBLIC OF ALGERIA

May 31, 1994

1. After a period of limited progress, the present Government has restored the momentum of the macroeconomic stabilization and structural reform program. The short-term stabilization program to be supported by the IMF Standby aims to correct distortions, restore growth and combat inflation. Under the program, the authorities have already implemented a wide range of measures, including adjustment of the exchange rate and interest rates, steps to liberalize the exchange and trade regime, further price liberalization, and a reduction in price subsidies.

2. The authorities are aware that successful stabilization requires a simultaneous deepening of structural reforms, particularly to promote competition, private sector development, and more efficient resource allocation. The authorities are defining the specifics of urgent structural reform measures with the full cooperation of the World Bank and the IMF. These include the recent decision to open the existing capital of public enterprises to private investors and to authorize public enterprises to sell assets to private firms. This and other reform measures will complement the already extensive legal and regulatory framework in support of a market economy, notably the revised Commercial Code, which formalizes the level playing field between the public and private sectors, and the new Investment Code, which is aimed squarely at promoting private investment.

3. The authorities acknowledge that further legal and regulatory reforms must be accompanied by more vigorous implementation of the reforms already in place, in order to translate reforms into changes in business practices, and by greater efforts to restructure the public sector. The authorities are convinced that the public enterprise restructuring program must be accelerated, and steps have been taken recently to put the program back on track. The problems of the largest public enterprises are being tackled under the World Bank's on-going Enterprise and Financial Sector Adjustment Loan. The authorities have requested Bank support in implementing the institutional restructuring plans for the commercial banks approved by the Bank of Algeria, and the next phase of bank recapitalization has been developed in cooperation with the World Bank. Equally important, however, is a further evolution of the role of the state which involves continued withdrawal from direct intervention in decisions of investment, production and commerce, and the strengthening of regulatory functions in a market context.

4. To reduce the impact of stabilization and reform on vulnerable groups, the authorities are planning a series of measures to strengthen the social safety net, including the introduction of a national unemployment insurance system. The stabilization program incorporates an explicit increase in budgetary allocations for the social safety net.

5. Achieving stabilization and accelerating reform requires a return to growth, which, in turn, depends on a relaxation of the external resource constraint. The authorities' long standing commitment to honor Algeria's external obligations in full has been commendable. However, it has resulted in an increasing dependence on expensive shorter-term credits and a

severe compression in imports. This has contributed to a build up of debt service to unsustainable levels, and the persistence of economic crisis. The foreign exchange shortage also has played a prominent role in the slowdown of the reform program. The present Government's efforts to develop a more comprehensive external debt strategy will ease the foreign exchange constraint and improve economic conditions. This will facilitate the implementation of structural reforms geared to creating the basis for sustaining growth. Exploiting the synergistic linkages between stabilization, growth, and structural reform is the key to pulling Algeria out of the current, low productivity, low growth trap.

6. Given the projected profile of Algeria's hydrocarbon-dominated exports and the unusually short maturity structure of its debt, a sustained relaxation of the external resource constraint points to further debt restructuring beyond the timeframe of the Standby program. Quantitative simulations also support the authorities' request for favorable rescheduling terms in order to avoid a sharp increase in debt service once the debt restructuring process is terminated.

7. Provided structural adjustment continues at a sustained pace, the longer-term prospects for Algeria are very good. In fact, Algeria has the potential to become a major engine of growth for the Mediterranean basin. As the transition to a market economy proceeds, the country's strategic location in the heart of the Maghreb, and as a bridge between Europe and Sub-Saharan Africa, will attract many investors. Algeria enjoys other advantages as well, including plentiful energy resources, a well educated workforce, an extensive physical

infrastructure, a large industrial base, and tourism potential. Investments in expanding hydrocarbon exports, particularly natural gas, together with further debt restructuring and continued capital inflows, will ease external resource constraints considerably. Macroeconomic stability and further structural reform will promote non-hydrocarbon investment and exports, as well as ensure increases in the efficiency of resource allocation. As a result of adjustment, a sustained recovery can be expected over the medium term. This growth should be sufficient to ensure steady improvements in per capita consumption and a reduction in unemployment.

8. The Bank is supporting Algeria's structural adjustment program through lending and technical assistance. The authorities and the Bank are coordinating efforts to improve the implementation of the project loan portfolio. A US\$110 million Water Sector and Sewerage Rehabilitation Loan is scheduled for Board presentation on June 2. With respect to adjustment lending, the release of the US\$175 million second tranche of the EFSAL is expected soon. This tranche is linked to an additional US\$150 million in co-financing from the EXIM Bank of Japan. The Bank is also initiating preparation of a new Structural Adjustment Loan and a Construction and Housing Sector Adjustment Loan, which are planned for Board presentation within the next 12 months. This first SAL is expected to be followed by a second SAL linked to the EFF expected to follow the IMF Standby in mid-1995.

9. Under the planned assistance program, the Bank expects to disburse as much as US\$600 million during the 12-month period covered by the Standby program, not including co-financing. Of this amount, nearly US\$400 million would be in the form of balance of payments

support. The authorities understand fully that achieving this level of disbursements requires continued improvements in the security situation and a major effort on their part to accelerate the preparation of projects and facilitate project implementation.

10. We trust that creditors will provide appropriate support for Algeria's stabilization and reform program through the rescheduling that is the subject of our meeting today. In addition, continued support for Algeria in the form of new bilateral credits and guarantees will be critical to the success of its adjustment effort. Thank you, Mr. Chairman.

PARIS CLUB MEETING ON ALGERIA

31 May 1994

Statement by the UNCTAD representative

Algeria's request for debt rescheduling needs to be examined against the background of the most urgent development challenge facing the country, namely the resumption of economic growth after several years of declining per capita income.

This requires a strong expansion in investment and imports. Energy-related imports will be instrumental for renewed export growth, and thus for an early return to external financial viability. The volume of non-energy related imports shrank by one third over the past three years. A reversal in import compression will not only contribute to increasing economic activity but also to reducing unemployment and improving the social climate.

Paris Club creditors may also wish to take into account Algeria's heavy dependence on energy exports. The economy has been crippled by the weakness of the international oil market and is extremely vulnerable to fluctuations in oil prices. A decline of \$1 per barrel in the price of oil would result in a reduction of \$500 million in Algeria's export earnings. Oil prices are expected to remain weak in real terms over the next few years.

In the area of external debt, Algeria holds an undesirable record: its ratio of actual debt service to exports, which averaged about 80 per cent over the past three years, was by far the highest among debtor countries and 2 1/2 times the average for severely indebted middle-income countries.

Furthermore, the average maturity of Algeria's debt is so short that 60 per cent of debt outstanding falls due in the period 1994-96. The scheduled debt service ratio is expected to climb to as much as 92 per cent in 1994 and remain above 50 per cent through 1997. High debt servicing obligations will be a key factor in generating huge financing gaps, averaging \$3.8 billion during 1994-97.

Paris Club creditors can play a significant role in alleviating Algeria's debt burden. They account for half of scheduled debt service for 1994. Given the predominant role of bilateral debt in Algeria's debt structure and the high level of its indebtedness, the country fully deserves the Houston terms.

Long repayment and grace periods would result in a more manageable debt profile, although the debt service ratio would average 35 per cent over the next four years, a level which is well above the critical threshold of 30 per cent.

In granting cash flow relief, Paris Club creditors would assist Algeria in easing its foreign exchange constraint, thus dampening inflationary pressures stemming from the recent massive

devaluation. On the fiscal front, debt relief would make room for a needed increase in social expenditure.

In order to close its financing gaps, Algeria will need not only debt relief from its official and commercial creditors but also new money. To this end, urgent resumption of export credit cover is essential for the financing of investment in the gas sector, a key source of Algeria's future export growth and improved creditworthiness.

**AGREED MINUTE
ON THE CONSOLIDATION OF THE DEBT
OF THE DEMOCRATIC PEOPLE'S REPUBLIC OF ALGERIA**

I- PREAMBLE

1. The representatives of the Governments of Austria, Belgium, Canada, Denmark, Finland, France, Germany, Italy, Japan, the Netherlands, Norway, Portugal, Spain, Sweden, Switzerland, the United Kingdom and the United States of America, hereinafter referred to as "Participating Creditor Countries", met in Paris on May 31 and June 1, 1994 with representatives of the Algerian Government in order to examine the request to alleviate the Republic of Algeria's external debt service obligations. Observers of the International Monetary Fund, the International Bank for Reconstruction and Development, the Secretariat of the U.N.C.T.A.D., the Organization for Economic Cooperation and Development and the European Commission also attended the meeting.

2. The Algerian Delegation described the economic and financial difficulties faced by its country and its strong determination to reduce the economic and financial imbalances and to attain the targets of the program supported by a stand-by arrangement with the International Monetary Fund.

3. The representatives of the International Monetary Fund described the Republic of Algeria's economic situation and the major elements of the adjustment program undertaken by the Algerian Government and supported by the stand-by arrangement with the International Monetary Fund approved by the Executive Board of the International Monetary Fund on May 27, 1994. This stand-by arrangement, covering the period ending on May 26, 1995, involves specific commitments in both the economic and financial fields.

4. The representatives of the Governments of the Participating Creditor Countries noted the measures of adjustment in the economic and financial program undertaken by the Algerian Government and they stressed the importance they attach to the continued and full implementation of this program.

II- RECOMMENDATIONS ON TERMS OF THE REORGANIZATION

In view of the serious payment difficulties faced by the Republic of Algeria, the representatives of the Participating Creditor Countries agreed to recommend to their Governments or their appropriate institutions that they provide, through rescheduling or refinancing, debt relief for the Republic of Algeria on the following terms :

1. Debts concerned

The debts to which this reorganization will apply are the following :

a) loans from Governments or appropriate institutions of the Participating Creditor Countries, having an original maturity of more than one year, and which were extended to the Algerian Government or its public sector or covered by the guarantee of the Algerian Government or its public sector, pursuant to an agreement concluded before September 30, 1993, including payments due under previous bilateral consolidations ;

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b) commercial credits guaranteed or insured by the Governments of the Participating Creditor Countries or their appropriate institutions, having an original maturity of more than one year, and which were extended to the Algerian Government or its public sector or covered by the guarantee of the Algerian Government or its public sector, pursuant to a contract or other financial arrangement concluded before September 30, 1993, including payments due under previous bilateral consolidations.

It is understood that debt service due as a result of debts described above in the present Agreed Minute and effected through special payment mechanisms or other external accounts is included in the present reorganization. Participating Creditor Countries will reschedule, refinance, or take other appropriate measures to ensure that this category of debt is treated in a manner comparable to other debt subject to this Agreed Minute.

For the implementation of the present Agreed Minute, the Algerian public sector shall include the Government, regions and municipalities, public agencies, organizations or institutions and those enterprises in which, as of May 31, 1994 the above entities, alone or together, are directly or indirectly majority shareholders (more than 50 %).

2. Terms of the consolidation

The debt relief will apply as follows :

a) 100% of the amounts of principal and interest (excluding late interest) due as at May 31, 1994 inclusive and not paid, 100% of the amounts of principal and interest (excluding late interest) due from June 1, 1994 up to October 31, 1994 inclusive and not paid and 100% of the amounts of principal due from November 1, 1994 up to May 31, 1995 inclusive and not paid on loans and credits mentioned in paragraphs 1a) and 1b) above will be rescheduled or refinanced.

Repayment by the Algerian Government of the corresponding sums will be made as follows :

- 0.60% on May 31, 1998 ;	0.79% on November 30, 1998 ;
- 0.98% on May 31, 1999 ;	1.19% on November 30, 1999 ;
- 1.41% on May 31, 2000 ;	1.65% on November 30, 2000 ;
- 1.91% on May 31, 2001 ;	2.18% on November 30, 2001 ;
- 2.47% on May 31, 2002 ;	2.77% on November 30, 2002 ;
- 3.10% on May 31, 2003 ;	3.45% on November 30, 2003 ;
- 3.81% on May 31, 2004 ;	4.21% on November 30, 2004 ;
- 4.62% on May 31, 2005 ;	5.06% on November 30, 2005 ;
- 5.53% on May 31, 2006 ;	6.02% on November 30, 2006 ;
- 6.55% on May 31, 2007 ;	7.10% on November 30, 2007 ;
- 7.69% on May 31, 2008 ;	8.31% on November 30, 2008 ;
- 8.96% on May 31, 2009 ;	9.64% on November 30, 2009.

b) Late interest charges are those interest charges accruing between the contractual payment date of principal and interest due and not paid, and a date to be fixed in the bilateral agreements concluded for the implementation of the present Agreed Minute.

3. Rate of interest

The rates and the conditions of interest on the financial arrangements covered by this Agreed Minute will be determined bilaterally between the Algerian Government and the Government or appropriate institutions of each Participating Creditor Country on the basis of the appropriate market rate.

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As regards official development aid loans, the rates and the conditions of interest should be at least as favourable as the concessional rates applying to those loans.

III - GENERAL RECOMMENDATIONS

1. In order to secure comparable treatment of public and private external creditors on their debts, the Algerian Government commits itself to seek from its external creditors, rescheduling or refinancing arrangements on terms comparable to those set forth in this Agreed Minute for credits of comparable maturity, making sure to avoid inequality between different categories of creditors.

2. The Algerian Government will seek to secure from each of the creditor countries not participating in this Agreed Minute rescheduling or refinancing arrangements on terms comparable to those set forth in this Agreed Minute. The Algerian Government agrees not to accord any such creditor country repayment terms more favourable than those accorded to the Participating Creditor Countries.

3. The Algerian Government agrees that it will promptly negotiate rescheduling or refinancing arrangements with all other creditors on debts of a comparable term.

The Algerian Government will inform in writing the Chairman of the Paris Club not later than December 31, 1994 of the progress made for this purpose in negotiations with other creditors.

4. The provisions set forth in this Agreed Minute do not apply to creditor countries with principal and interest falling due during the reorganization period on debts specified in Article II paragraph 2, including arrears, of less than SDR 1,000,000. The payments owed to these countries should be made on the original due dates. Payments already due and not paid should be made as soon as possible and, in any case, not later than September 30, 1994.

5. Each of the Participating Creditor Countries agrees to make available, upon the request of another Participating Creditor Country, a copy of its bilateral agreement with the Algerian Government which implements this Agreed Minute. The Algerian Government acknowledges this arrangement.

6. Each of the Participating Creditor Countries agrees to inform the Chairman of the Paris Club of the date of the signature of its bilateral agreement, of the interest rates and of the amounts of debts involved. The Algerian Government acknowledges this arrangement.

7. The Algerian Government will inform the Chairman of the Paris Club of the content of its bilateral agreements with creditors mentioned in paragraphs 1, 2 and 3 above.

8. The Algerian Government undertakes to pay all debt service due and not paid as at the date of the present Agreed Minute, on loans, on credits or pursuant to contracts or other financial arrangements payable on cash terms, extended or guaranteed by the Governments of the Participating Creditor Countries or their appropriate institutions, and not covered by this Agreed Minute as soon as possible, and in any case not later than September 30, 1994. Late interest will be charged on those amounts.

9. The Algerian Government will continue to allow unrestricted and immediate access to the foreign exchange required for servicing private sector debts owed to or guaranteed by the Participating Creditor Countries or their appropriate institutions.

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IV - IMPLEMENTATION

The detailed arrangements for the rescheduling or refinancing of the debts will be accomplished by bilateral agreements to be concluded by the Government or the appropriate institutions of each Participating Creditor Country with the Algerian Government on the basis of the following principles :

1. The Government or the appropriate institutions of each Participating Creditor Country will either :

- refinance debts by placing new funds at the disposal of the Algerian Government according to existing payment schedules during the reorganization period and for the above mentioned percentage of payment. These funds will be repaid by the Algerian Government according to the schedule mentioned above in paragraph II.2 ;

- or reschedule the corresponding payments.

2. All other matters involving the rescheduling or the refinancing of the debts will be set forth in the bilateral agreements which the Algerian Government and the Governments or the appropriate institutions of the Participating Creditor Countries will seek to conclude with the least delay and in any case before December 31, 1994.

Debts to be included in the bilateral agreements to be concluded pursuant to the provisions of this Agreed Minute will be agreed upon between the Algerian Government and the Governments of the Participating Creditor Countries or their appropriate institutions.

As regards debts referred to in Article II or Article III paragraph 8, as the case may be, those for which insurance claims have been or will be paid out by an appropriate institution of a Participating Creditor Country will be deemed accepted for their entire value by the Algerian Government. They will be eligible for the provisions of the present Agreed Minute as soon as they are notified to the Algerian Government by the appropriate institutions of the Governments of the Creditor Countries. By mutual consent, one or more of these debts can be removed from this Agreed Minute if, before May 31, 1995, evidence of its ineligibility is produced.

3. The provisions of the present Agreed Minute will continue to apply provided that the Algerian Government continues to have an arrangement with the International Monetary Fund in the upper credit tranches.

For this purpose, the Algerian Government agrees that the International Monetary Fund inform the Chairman of the Paris Club regarding the status of the Algerian Government relations with the International Monetary Fund.

4. In response to the request of the representatives of the Algerian Government, the Participating Creditor Countries agreed in principle to a meeting to consider the matter of the Republic of Algeria's debt service payments falling due after May 31, 1995 and relating to loans or credits pursuant to a contract or other financial arrangement concluded before September 30, 1993 provided :

- that the Republic of Algeria continues to have an arrangement with the International Monetary Fund in the upper credit tranches ;

- that the Republic of Algeria has reached with other creditors effective arrangements meeting the conditions described in Article III paragraphs 1, 2 and 3 above and has reported in writing to the Chairman of the Paris Club, pursuant to Article III paragraphs 3 and 7 above ;

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- and that the Republic of Algeria has complied with all conditions set out in this Agreed Minute.

5. The representatives of the Governments of each of the Participating Creditor Countries and of the Algerian Government agreed to recommend to their respective Governments or appropriate institutions that they initiate bilateral negotiations at the earliest opportunity and conduct them on the basis of the principles set forth herein.

Done in Paris, on June 1, 1994
in two versions, English and French,
both texts equally authentic,

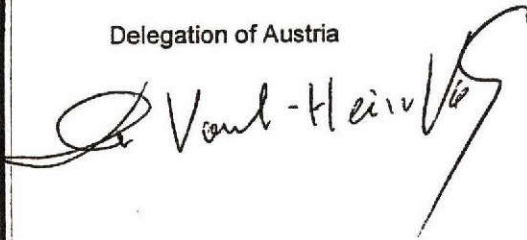
The Chairman
of the Paris Club



The Head of the Algerian Delegation



Delegation of Austria



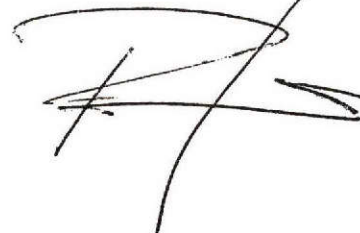
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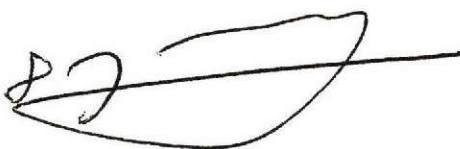
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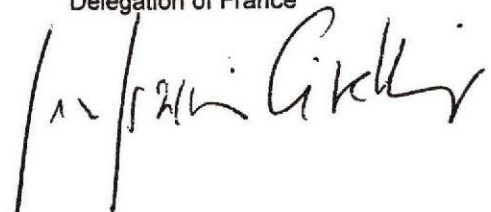
Delegation of Finland



Delegation of Canada



Delegation of France



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Delegation of Germany

Hans Land

Delegation of Portugal

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Delegation of Italy

Deboni

Delegation of Spain

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Delegation of Japan

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Delegation of the Netherlands

Alice van der

Delegation of Switzerland

A. Schmid-Rieser

Delegation of Norway

Thor B. Berntsen

Delegation of the United Kingdom

Jamie Puhine

Delegation of the United States of America

Alan Larson

PRESS RELEASE

The representatives of the Governments of Austria, Belgium, Canada, Denmark, Finland, France, Germany, Italy, Japan, the Netherlands, Norway, Portugal, Spain, Sweden, Switzerland, the United Kingdom and the United States of America, hereinafter referred to as "Participating Creditor Countries", met in Paris on May 31 and June 1, 1994 with representatives of the Algerian Government in order to examine the request to alleviate the Republic of Algeria's external debt service obligations.

Observers of the International Monetary Fund, the International Bank for Reconstruction and Development, the Secretariat of the U.N.C.T.A.D., the Organization for Economic Cooperation and Development and the European Commission also attended the meeting.

Representatives of the Participating Creditor Countries welcomed the efforts at economic recovery undertaken by the Algerian Government. They noted with satisfaction the adoption by the Algerian Government of an economic and financial program supported by a stand-by arrangement with the International Monetary Fund approved by the Executive Board of the Fund on May 27, 1994. They thought it relevant to make a positive contribution to the improvement of the Republic of Algeria's external payments prospects in order to facilitate its economic recovery.

It is in this spirit that the representatives of the Participating Creditor Countries agreed to recommend to their respective Governments a major reorganization of the external debt of the Republic of Algeria resulting from loans and guaranteed credits extended by Participating Creditor Countries to the Republic of Algeria.

The Algerian Delegation was headed by Mr. Ahmed BENBITOUR, Minister of Finance. The meeting was chaired by M. Christian NOYER, Director of the Treasury of the Ministry of Economy.

The Algerian Delegation expressed its thanks to the Participating Creditor Countries of the Paris Club for their efforts in assisting the Republic of Algeria to achieve a sound economic and financial situation.

**PROCES VERBAL AGREE
RELATIF A LA CONSOLIDATION DE LA DETTE
DE LA REPUBLIQUE ALGERIENNE DEMOCRATIQUE ET POPULAIRE**

I. PREAMBULE

1. Les représentants des Gouvernements de l'Allemagne, de l'Autriche, de la Belgique, du Canada, du Danemark, de l'Espagne, des Etats-Unis d'Amérique, de la Finlande, de la France, de l'Italie, du Japon, de la Norvège, des Pays-Bas, du Portugal, du Royaume-Uni, de la Suède et de la Suisse ci-après désignés "pays créanciers participants", se sont réunis à Paris les 31 mai et 1er juin 1994 avec les représentants du Gouvernement algérien pour examiner la demande d'allègement du service de la dette extérieure de ce pays. Des observateurs du Fonds Monétaire International, de la Banque Internationale pour la Reconstruction et le Développement, du Secrétariat de la C.N.U.C.E.D., de l'Organisation de Coopération et de Développement Economique et de la Commission Européenne ont également assisté à la réunion.

2. La délégation algérienne a décrit les difficultés que connaît son pays dans les domaines économique et financier et sa ferme détermination à résorber les déséquilibres économiques et financiers et à atteindre les objectifs définis par le programme qui sous-tend l'accord de confirmation conclu avec le Fonds Monétaire International.

3. Les représentants du Fonds Monétaire International ont décrit la situation économique de la République algérienne ainsi que les principaux éléments du programme d'ajustement mis en oeuvre par le Gouvernement algérien et appuyé par l'accord de confirmation avec le Fonds Monétaire International qui a été approuvé par le Conseil d'Administration du Fonds Monétaire International le 27 mai 1994. Cet accord, couvrant la période s'étendant jusqu'au 26 mai 1995, comporte des engagements précis à la fois dans le domaine économique et dans le domaine financier.

4. Les représentants des Gouvernements des pays créanciers participants ont pris note des mesures de redressement incluses dans le programme économique et financier entrepris par le Gouvernement algérien et ils ont souligné l'importance qu'ils attachent à sa réalisation régulière et totale.

II-RECOMMANDATIONS RELATIVES AUX TERMES DU REAMENAGEMENT

Considérant les sérieuses difficultés de paiement rencontrées par la République algérienne, les représentants des pays créanciers participants sont convenus de recommander à leurs Gouvernements ou organismes appropriés de procéder à un allègement de la dette de la République algérienne au moyen d'un rééchelonnement ou d'un refinancement, dans les termes suivants :

1. Définition des dettes concernées

Les dettes auxquelles ce réaménagement s'applique sont :

a) les prêts gouvernementaux ou des organismes appropriés des pays créanciers participants, comportant initialement une durée de crédit supérieure à un an, conclus avant le 30 septembre 1993, y compris les paiements au titre de consolidations bilatérales antérieures, accordés au Gouvernement algérien ou à son secteur public ou bénéficiant de la garantie du Gouvernement algérien ou de son secteur public ;

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3. Taux d'intérêt

Les taux et les conditions de l'intérêt à verser au titre des facilités financières couvertes par ce Procès-Verbal agréé seront fixés bilatéralement entre le Gouvernement algérien et le Gouvernement ou les organismes appropriés de chacun des pays créanciers participants sur la base du taux approprié du marché.

S'agissant des prêts d'aide publique au développement, les taux et conditions d'intérêt seront au moins aussi favorables que les taux concessionnels s'appliquant à ces prêts.

III- RECOMMANDATIONS GENERALES

1. Afin d'assurer un traitement comparable aux créanciers extérieurs publics et privés, le Gouvernement algérien s'engage à chercher à obtenir de ses créanciers extérieurs, un rééchelonnement ou un refinancement à des conditions semblables à celles prévues par le présent Procès-Verbal agréé pour les crédits d'échéance comparable, en s'assurant d'éviter toute discrimination entre les différentes catégories de créanciers.

2. Le Gouvernement algérien s'engage à rechercher, de la part de chacun de ses pays créanciers non participants au présent Procès-Verbal agréé, des accords de rééchelonnement ou de refinancement selon des termes comparables à ceux figurant au présent Procès-Verbal agréé. Le Gouvernement algérien accepte de ne pas accorder à ces pays créanciers des conditions de remboursement qui leur soient plus favorables que celles accordées aux pays créanciers participants.

3. Le Gouvernement algérien s'engage à négocier dans les meilleurs délais des accords de rééchelonnement ou de refinancement avec tous les autres créanciers pour des dettes de termes comparables.

Le Gouvernement algérien informera par écrit le Président du Club de Paris, au plus tard le 31 décembre 1994, des progrès accomplis à cette fin dans les négociations menées avec les autres créanciers.

4. Les dispositions du présent Procès-Verbal agréé ne s'appliquent pas aux pays créanciers dont le total du montant des échéances en principal et intérêts dues pendant la période de réaménagement, au titre des dettes spécifiées à l'Article II, paragraphe 2, y compris les arriérés, est inférieur à 1.000.000 DTS. Les paiements dus à ces pays continueront à être réglés selon le calendrier originel. Les échéances dues et non réglées devront être payées le plus tôt possible et, en tout cas, au plus tard le 30 septembre 1994.

5. Les pays créanciers participants sont convenus que chaque pays communiquera, à la demande de tout autre pays créancier participant, une copie de son accord bilatéral avec le Gouvernement algérien en application du présent Procès-Verbal agréé. Le Gouvernement algérien prend acte de cette disposition.

6. Chaque pays créancier participant accepte d'informer le Président du Club de Paris de la date de la signature de son accord bilatéral, des taux d'intérêt pratiqués et des montants des dettes concernées. Le Gouvernement algérien prend acte de cette disposition.

7. Le Gouvernement algérien informera le Président du Club de Paris du contenu de ses accords bilatéraux avec tous les autres créanciers mentionnés aux paragraphes 1, 2 et 3 ci-dessus.

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8. Le Gouvernement algérien s'engage à payer les échéances dues et non réglées à la date du présent Procès-Verbal agréé, au titre de prêts, de crédits, ou de toutes autres formes d'arrangements financiers payables au comptant, accordés ou garantis par les Gouvernements ou les organismes appropriés des pays créanciers participants, et n'entrant pas dans le champ d'application du présent Procès-Verbal agréé le plus tôt possible et, en tout cas, au plus tard le 30 septembre 1994. Des intérêts de retard seront perçus sur ces montants.

9. Le Gouvernement algérien continuera d'autoriser l'accès immédiat et sans restriction aux devises nécessaires pour le service des dettes du secteur privé algérien dues aux pays créanciers participants ou à leurs institutions appropriées ou garanties par eux.

IV - MISE EN OEUVRE

Les modalités du rééchelonnement ou du refinancement seront fixées dans des accords bilatéraux à conclure par le Gouvernement ou les organismes appropriés de chacun des pays créanciers participants avec le Gouvernement algérien sur la base des principes suivants :

1. Le Gouvernement ou les institutions appropriées de chaque pays créancier participant :

- soit refinancera les dettes, par mise à la disposition du Gouvernement algérien de nouveaux financements conformément aux échéanciers de paiement existants durant la période de consolidation et pour le pourcentage indiqué ci-dessus. Ces financements seront remboursés par le Gouvernement algérien conformément à l'échéancier mentionné au paragraphe II.2 ci-dessus ;

- soit rééchelonnera les échéances correspondantes.

2. Tous les autres points concernant le rééchelonnement ou le refinancement seront fixés dans les accords bilatéraux que le Gouvernement algérien et les Gouvernements ou organismes appropriés des pays créanciers participants s'efforceront de conclure dans les meilleurs délais et, en tout cas, avant le 31 décembre 1994.

Les dettes à prendre en compte dans les accords bilatéraux à conclure en application du présent Procès-Verbal agréé seront déterminées par accord entre le Gouvernement algérien et les Gouvernements ou institutions appropriées de chaque pays créancier participant.

S'agissant des créances visées à l'Article II ou le cas échéant à l'Article III paragraphe 8, celles qui font ou feront l'objet d'une indemnisation de la part d'une institution appropriée d'un pays créancier participant seront réputées reconnues dans leur totalité par le Gouvernement algérien. Elles seront éligibles aux dispositions du présent Procès-Verbal agréé dès leur notification au Gouvernement algérien par les institutions appropriées des Gouvernements des pays créanciers. Par accord mutuel, une ou plusieurs de ces dettes pourra être sortie du champ du présent Procès-Verbal agréé si, d'ici le 31 mai 1995, la preuve de son inéligibilité a été apportée.

3. Les dispositions du présent Procès-Verbal agréé continueront à s'appliquer à la condition que le Gouvernement algérien continue d'avoir un accord avec le Fonds Monétaire International dans les tranches supérieures de crédit.

A cette fin, le Gouvernement algérien est d'accord pour que le Fonds Monétaire International informe le Président du Club de Paris de l'état des relations entre le Gouvernement algérien et le Fonds Monétaire International.

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4. En réponse à la demande des représentants du Gouvernement algérien, les pays créanciers participants se sont déclarés d'accord en principe sur une réunion pour examiner le problème des échéances de la dette de la République algérienne venant à maturité après le 31 mai 1995, et se rapportant à des prêts ou des crédits ayant fait l'objet d'un contrat ou de tout autre arrangement financier conclu avant le 30 septembre 1993, sous réserve :

- que la République algérienne continue d'avoir avec le Fonds Monétaire International un accord dans les tranches supérieures de crédit ;

- que la République algérienne ait conclu avec les autres créanciers les accords effectifs répondant aux conditions prévues à l'Article III, paragraphes 1, 2 et 3 ci-dessus, et ait fait rapport par écrit au Président du Club de Paris, conformément aux dispositions de l'Article III, paragraphes 3 et 7 ci-dessus ;

- que la République algérienne ait satisfait à toutes les conditions prévues au présent Procès-Verbal agréé.

5. Les représentants des Gouvernements des pays créanciers participants et les représentants du Gouvernement algérien sont convenus de recommander à leurs Gouvernements ou organismes appropriés d'ouvrir dans les meilleurs délais les négociations bilatérales et de les conduire sur la base des principes énoncés ci-dessus.

Fait à Paris, ce jour, le 1er juin 1994,
en deux versions, en langues
française et anglaise,
les deux versions faisant également foi.

Le Président du Club
de Paris

Le Chef de la Délégation
algérienne

Délégation de l'Allemagne

Délégation de la Belgique

Délégation de l'Autriche

Délégation du Canada

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Délégation du Danemark

Pia Poulsen

Délégation de l'Italie

Alberto

Délégation de l'Espagne

José María Jolea

Délégation du Japon

J. H. Sudo

Délégation des Etats-Unis
d'Amérique

Alan Larson

Délégation de la Norvège

Arne Z. Brantzen

Délégation de la Finlande

[Signature]

Délégation des Pays-Bas

Alida van der

Délégation de la France

Jean-Pierre Guille

Délégation du Portugal

[Signature]

Délégation du Royaume-Uni

Janine Nuttin

Délégation de la Suède



Délégation de la Suisse

A. Schmid-Riemel

COMMUNIQUE DE PRESSE

Les représentants des Gouvernements de l'Allemagne, de l'Autriche, de la Belgique, du Canada, du Danemark, de l'Espagne, des Etats-Unis d'Amérique, de la Finlande, de la France, de l'Italie, du Japon, de la Norvège, des Pays-Bas, du Portugal, du Royaume-Uni, de la Suède et de la Suisse ci-après désignés "pays créanciers participants", se sont réunis à Paris les 31 mai et 1er juin 1994 avec les représentants du Gouvernement algérien pour examiner la demande d'allègement du service de la dette extérieure de ce pays.

Des observateurs du Fonds Monétaire International, de la Banque Internationale pour la Reconstruction et le Développement, du Secrétariat de la C.N.U.C.E.D., de l'Organisation de Coopération et de Développement Economique et de la Commission Européenne ont également assisté à la réunion.

Les représentants des pays créanciers participants ont été sensibles aux efforts de redressement entrepris par le Gouvernement algérien. Ils ont également noté avec satisfaction l'adoption par ce Gouvernement d'un programme économique et financier appuyé par un accord de confirmation du Fonds Monétaire International approuvé par le Conseil d'Administration du Fonds le 27 mai 1994. Ils ont estimé opportun d'apporter une contribution positive à l'amélioration des perspectives de paiements extérieurs de ce pays afin de faciliter son redressement économique.

Dans cet esprit, les représentants des pays créanciers participants sont convenus de recommander à leurs Gouvernements respectifs un réaménagement important de la dette extérieure de la République algérienne résultant des prêts et des crédits garantis accordés à la République algérienne par les pays créanciers participants .

La délégation algérienne était conduite par M. Ahmed BENBITOUR, Ministre des Finances. La réunion était présidée par M. Christian NOYER, Directeur du Trésor au Ministère de l'Economie.

La délégation algérienne a exprimé ses remerciements aux pays créanciers participants réunis au sein du Club de Paris pour les efforts qu'ils ont consentis en vue d'aider son pays à assainir sa situation économique et financière.

Algeria

Preparation of the rescheduling meeting of May 31, 1994

1- Eligibility to the Houston terms

2- Blended Payments for Algeria

3- Post cut off date issue

ALGERIA :
Eligibility to the "Houston terms"

GNP per capita (\$/h)	Bilateral debt / commercial debt	Debt / GNP (%)	Debt / Exports (%)	Scheduled debt service / exports (%)
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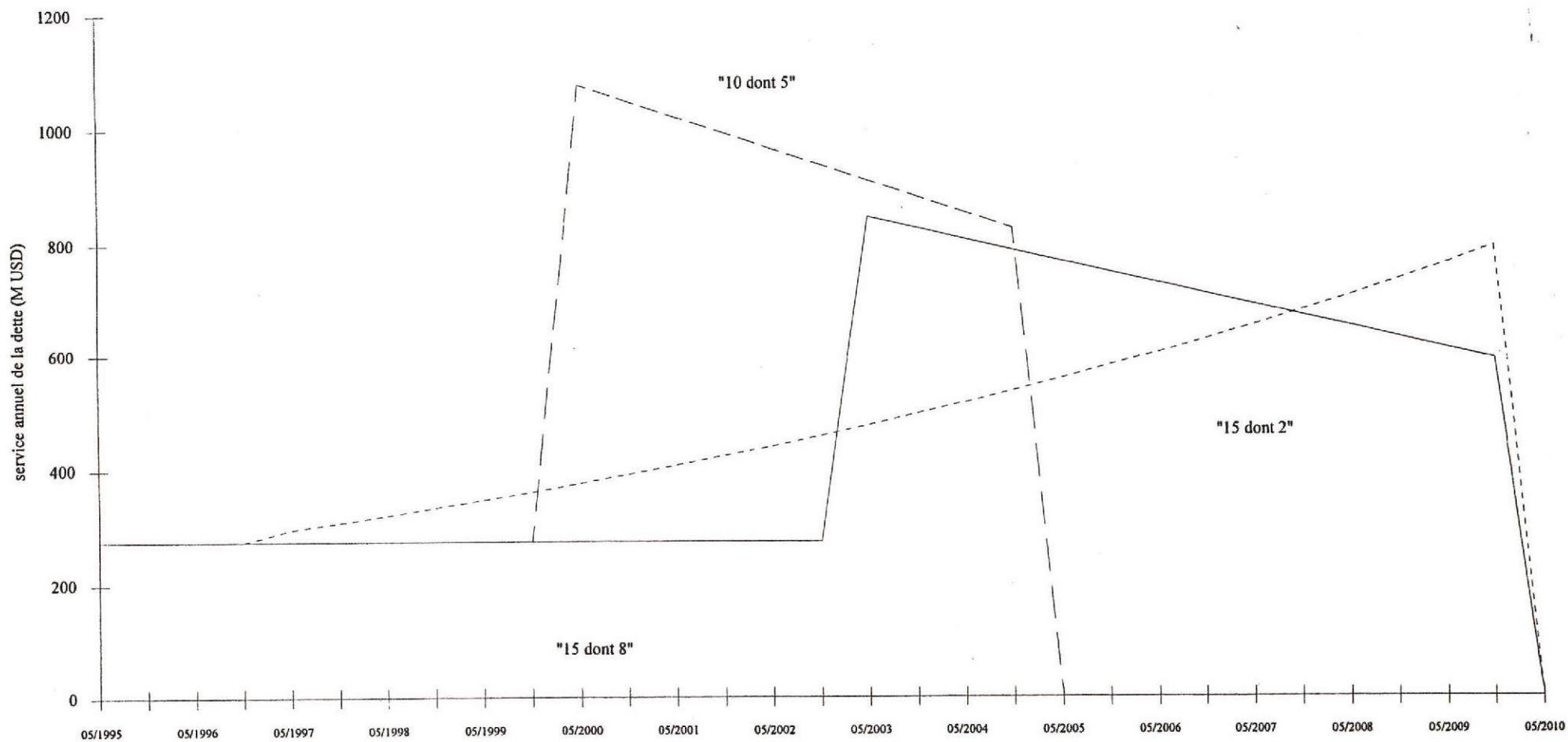
	two out of three				
	I	II	III (at least for two)		
<i>Threshold</i>	1.305 <i>(1992)</i>	1,5	50%	275%	30%
1992	1.722	2,8	55,9%	218,9%	76,5%
1993 est.	1.694	3,1	49,4%	232,1%	86,3%

Sources : FMI et Banque d'Algérie

1398

60 %
65 %

Hypothèse de paiements mixtes sur un montant traité de 4,0 Mds USD



Paiement mixte

15 dont 8 (Club)

Argentine

Gabon

Durée en semestres :	30
Période de grâce en semestres :	4
Taux d'intérêt (semestriel) :	3,45%
Principal :	4000,00
Valeur nette actualisée :	4000,00
Taux d'actualisation (semestriel) :	3,45%
Progression du repaiement (semestriel)	4,00%

Durée en semestres :	30
Période de grâce en semestres :	16
Taux d'intérêt (semestriel) :	3,45%
Principal :	4000,00
Valeur nette actualisée :	4000,00
Taux d'actualisation (semestriel) :	3,45%

15 dont 2

Taux d'intérêt (semestriel) :	3,45%
Principal :	4000,00
Valeur nette actualisée :	4000,00
Taux d'actualisation (semestriel) :	3,45%

Taux d'intérêt (semestriel) :	
Principal :	
Valeur nette actualisée :	
Taux d'actualisation (semestriel) :	

Paiement mixte

15 dont 8 (Club)

Argentine

Gabon

Année	Paiement mixte				15 dont 8 (Club)				Argentine				Gabon								
	Principal	Intérêt	Total	Capital restant (fin de période)	Principal	Intérêt	Total	Capital restant (fin de période)	Principal	Intérêt	Total	Capital restant (fin de période)	Principal	Intérêt	Total	Capital restant (fin de période)					
05/1995	1	0	138	138	4000	1	0	138	138	4000	1	0	138	138	4000	1	0	138	138	4000	
11/1995	2	0	138	138	4000	2	0	138	138	4000	2	0	138	138	4000	2	0	138	138	4000	
05/1996	2	3	0	138	138	4000	3	0	138	138	4000	3	0	138	138	4000	3	0	138	138	4000
11/1996	4	4	0	138	138	4000	4	0	138	138	4000	4	0	138	138	4000	4	0	138	138	4000
05/1997	3	5	11	138	149	3989	5	0	138	138	4000	5	20	138	158	3980	5	76	138	214	3920
11/1997	6	17	138	155	3972	6	0	138	138	4000	6	20	137	157	3960	6	81	135	216	3879	
05/1998	4	7	24	137	161	3948	7	0	138	138	4000	7	40	137	177	3920	7	86	133	218	3737
11/1998	8	31	136	167	3917	8	0	138	138	4000	8	40	135	175	3880	8	90	130	220	3690	
05/1999	5	9	39	135	174	3878	9	0	138	138	4000	9	60	134	194	3820	9	96	127	222	3574
11/1999	10	47	134	181	3831	10	0	138	138	4000	10	60	132	192	3760	10	101	123	224	3469	
05/2000	6	11	56	132	188	3774	11	0	138	138	4000	11	72	130	202	3688	11	106	120	226	3363
11/2000	12	66	130	196	3709	12	0	138	138	4000	12	72	127	199	3616	12	112	116	228	3255	
05/2001	7	13	76	128	204	3633	13	0	138	138	4000	13	100	125	225	3516	13	118	112	230	3147
11/2001	14	86	125	212	3547	14	0	138	138	4000	14	100	121	221	3416	14	124	108	232	3039	
05/2002	8	15	98	122	220	3449	15	0	138	138	4000	15	112	118	230	3304	15	130	104	234	2931
11/2002	16	110	119	229	3339	16	0	138	138	4000	16	112	114	226	3192	16	137	99	236	2823	
05/2003	9	17	123	115	238	3215	17	286	138	424	3714	17	120	110	230	3072	17	143	95	238	2715
11/2003	18	137	111	248	3079	18	286	128	414	3429	18	120	106	226	2952	18	150	90	240	2607	
05/2004	10	19	152	106	258	2927	19	286	118	404	3143	19	152	102	254	2800	19	158	85	242	2500
11/2004	20	167	101	268	2760	20	286	108	394	2857	20	152	97	249	2648	20	165	79	244	2392	
05/2005	11	21	184	95	279	2576	21	286	99	384	2571	21	192	91	283	2456	21	173	73	246	2284
11/2005	22	201	89	290	2375	22	286	89	374	2286	22	192	85	277	2264	22	181	67	248	2176	
05/2006	12	23	220	82	302	2156	23	286	79	365	2000	23	232	78	310	2032	23	189	61	250	2068
11/2006	24	239	74	314	1917	24	286	69	355	1714	24	232	70	302	1800	24	198	55	253	1960	
05/2007	13	25	260	66	326	1657	25	286	59	345	1429	25	272	62	334	1528	25	207	48	255	1852
11/2007	26	282	57	339	1375	26	286	49	335	1143	26	280	53	333	1248	26	216	41	257	1744	
05/2008	14	27	305	47	353	1069	27	286	39	325	857	27	312	43	355	936	27	226	33	259	1636
11/2008	28	330	37	367	740	28	286	30	315	571	28	312	32	344	624	28	236	25	261	1528	
05/2009	15	29	356	26	381	384	29	286	20	305	286	29	312	22	334	312	29	246	17	263	1420
11/2009	30	384	13	397	0	30	286	10	296	0	30	312	11	323	0	30	257	9	266	1312	
05/2010	16	31	0	0	0	31	0	0	0	0	31	0	0	0	0	31	0	0	0	1204	
11/2010	32	0	0	0	0	32	0	0	0	0	32	0	0	0	0	32	0	0	0	1096	
05/2011	17	33	0	0	0	33	0	0	0	0	33	0	0	0	0	33	0	0	0	988	
11/2011	34	0	0	0	0	34	0	0	0	0	34	0	0	0	0	34	0	0	0	880	

Post cut off date issue

- Algeria has requested a cut off date as of December 31, 1993.

- an illustrative cut off date as of December 31, 1992 has been used for the debt tables.

- The cut off date will have to be negotiated. As usual for new commers, the question of the cut off date is likely to be an important element of the negotiation.

- Between the two dates mentionned above, the stock of debt at stake amounts to \$ 3,7 b, almost entirely concentrated on 1993 credits. These claims seem to be evently spread over the year i.e. 45% of the debts concerned is contracted before June 1993 for example.

- Regarding the debt service, the debts contracted before June 1993 represent the bulk of the obligations due in 1994. Debt service on these debts amount to roughly \$700 million in 1994 and \$530 million during the first semester of 1995.

Speech of Mr Dubinin to the Paris Club on 2 June 1994

Introduction

I would like to start by thanking you for your invitation to attend the meeting today. I hope our discussions today will lay the groundwork for concluding a mutually satisfactory agreement on the principal terms of a rescheduling agreement.

With this objective in mind, I wish first to report on the progress made by the Government in regularising the external debts we assumed from the Government of the former Soviet Union. I will then offer some comments on the Government's economic programme, before turning to the projected balance of payments for 1994 and the budgetary constraints on our debt servicing capacity.

1993 Paris Club Agreement

I would like to begin by reporting on the undertakings we made in last year's Paris Club Agreement. You will recall that during our negotiations last year, the Government committed itself completely and unconditionally to honouring in all respects the agreement reached with you. The keystone of our 1993 Agreement was the fact that it was reached following a realistic assessment of Russia's debt servicing capacity. I am happy to report today that the Government has fulfilled that commitment. Payments due under the 1993 Agreement have been serviced in full, following conclusion of the bilateral implementing agreements. Reconciliation of figures has been completed with almost all Paris Club creditors, in what I understand has been virtually record time when the volume of credits and the different accounting methods are taken into consideration. Russia has also agreed in principle on the text of all the bilateral agreements implementing our 1993 Agreement, with one exception. We are pleased to report that substantially all the bilateral agreements have also now been signed.

The Government also undertook in the 1993 Agreement to honour all credits signed after 1 January 1992. I am pleased to report that we have serviced these commitments in full and intend to continue doing so.

I would like to add that, at the time of the 1993 Paris Club Agreement, the Government expected that external debt payments to all creditors would amount to approximately \$2.9 billion, of which \$1.9 billion would be paid to members of the Paris Club. I can tell you today that, by the end of 1993, payments effected by the Government to members of the Paris Club totalled \$1.7 billion, and that total payments to all creditors amounted to \$2.2 billion. The difference between the total payments effected in 1993 and the estimate made last year is mostly accounted for by the absence of an interest downpayment to the commercial banks. I shall discuss this issue in more detail later.

Status of negotiations with other creditors

As part of the 1993 Agreement, the Government also undertook to seek from other external creditors, reschedulings comparable with the terms agreed with you. I wish to inform you that considerable progress has been made in this respect.

First of all, the London Club of commercial bank creditors. During meetings which took place in 1993, the Government reached an agreement in principle on the restructuring of the stock of debt owed to the banks on terms comparable with the Paris Club. The Government believes that a rescheduling of the commercial bank debt could be rapidly implemented once agreement is reached with the Bank Advisory Committee on the question of sovereign immunity. For Russia, this is a matter of great political and commercial importance.

As to politics, the former Soviet Government, like a number of other Governments, followed a policy of not waiving its sovereign immunity. This remains the official position of the Russian Government, especially as to debts that were contracted without a waiver of sovereign immunity and then assumed by the Russian Government following the dissolution of the Soviet Union. Any departure from this policy would undoubtedly have serious political consequences within Russia.

As to economics, a disproportionate share of Russia's economic activity continues to be conducted through enterprises that are entirely or substantially State owned. While current Russian law is quite clear that these enterprises are not responsible for the debts of the Government, the law elsewhere is uncertain. Were Russia to waive its sovereign immunity, it would put the external assets and operations of these enterprises at risk. This is something that neither this nor any other Russian Government can accept. The Government is therefore attempting to reach a compromise with the London Club that would protect these enterprises.

With respect to other external creditors, negotiations have been held with the majority of non-Paris Club official creditors. I have to report that, in virtually all cases, negotiations have unfortunately failed to produce an agreement on the terms of a rescheduling, as these creditors claim that the principle of equality of treatment with the Paris Club should not be applied to them. The Government nevertheless intends to continue these negotiations with the objective of agreeing rescheduling terms consistent with Paris Club terms.

Turning to the uninsured trade suppliers, these creditors have been requested to form themselves into country groupings for the purpose of taking preliminary soundings. A large number of country groupings have in fact been formed and preliminary discussions held with many of them. The Government will shortly review the situation in preparation for issuing a rescheduling proposal to all uninsured trade suppliers.

I should also like to report that the Government has achieved a restructuring of \$8 billion frozen in the accounts of Vnesheconombank through the issue of hard currency bonds on terms similar to the Paris Club. I should point out that these obligations are serviced out of an appropriation in the budget that is separate from the appropriation for external debt service.

In concluding this review of the undertakings given to the Paris Club, I would like to emphasise that, in the Government's view, considerable progress has been achieved in regularising both our external and internal debt problems since we last met.

Political background

Before discussing our economic situation, I would like to place our discussions today in their political context. Since our last meeting, Russia has overcome a number of political crises. The elections of December 1993 marked the end of an era, the main feature of which was political instability and conflict. The Parliamentary elections and the work of Federal Council have created a legal basis for implementing the policy of economic reforms under democratic conditions. The political and economic differences in society continued to be expressed by the activities of various political factions in the Duma and the Federal Council. These activities limit the Government's flexibility, especially in budgetary matters requiring Parliamentary approval.

I would like to take this opportunity to assure you that, in spite of the political problems that confront the Government as a result of the strong political opposition in the Parliament, the Government continues to implement a policy of economic reform and is strongly committed to continuing this policy. However, I would ask you to bear in mind during our discussions today the political realities of the Government's position and the constraints placed upon our freedom of action. This will be especially important when considering the budgetary constraints on our debt servicing capacity.

Economic Background

Turning to our economic situation, I have no need to remind the Paris Club that our discussions today take place against a background of a sustained and unparalleled economic crisis. Since 1991, industrial production has dropped by almost 45%, and there are indications that the speed of the decline is worsening. Compared with the same periods last year, industrial production in January 1994 fell approximately 23%, while figures for April show a fall of 27%. The number of enterprises at a long term standstill has increased to 5,000 compared with only 3,800 a year ago. A large proportion of the workforce is now on unpaid leave or a reduced working week. This has implications for the prospects of economic recovery and the country's economic and political stability.

Despite the deteriorating economic situation, the Government has achieved some notable successes. Inflation was reduced to below 10% for the first time since the economic reform programme was started. Virtually all price controls have been lifted, and additional measures have been introduced to liberalise foreign trade. Institutional reforms have also been implemented. For example, legislation concerning land reform and bankruptcy procedures have been introduced. Over 50% of enterprises have been privatised and it is the intention of the Government that more than 80% of the economy should be privatised by the end of 1994. Considerable progress has also been achieved in reforming the monetary system.

Current Economic Policy

Turning to our current economic policy, I wish to emphasise that the continuation of reform, financial stabilisation and structural change remain the core of the Government's policy. Our objective is to create favourable conditions for revitalising the economy and overcoming the severe economic crisis facing the country. To achieve this result, the Government will concentrate on gradually reducing inflation, creating the conditions for the stabilisation of production and accelerating institutional and structural changes. Our immediate objective is to bring inflation down to 7% per month by the end of 1994.

The Government and the Central Bank, in consultation with the IMF, recently agreed a number of steps that will be taken to achieve our inflation objective. These include strict control on credit emissions by the Central Bank so as to limit the inflationary pressures caused by the budgetary deficit. The Central Bank's interest rates are to be maintained at market levels. Centralised imports are to be restricted and import tariffs are to be gradually reduced. All export quotas are to be removed by the end of 1994. The Government also intends to accelerate institutional reforms concerning land reform, property rights and enterprise reform. The Presidential decrees issued recently show that the Government has already begun to implement these steps.

I should add that the Government intends to carry out this programme in constructive co-operation with the IMF and other multilateral financial institutions.

1994 Budget

A crucial element of the Government's economic policy is the budget for 1994. The Government's objective is to contain the enlarged government budgetary deficit (which includes federal and local government budgets) at around 6.5% of GDP, and to keep the financing of the deficit by the Central Bank at approximately 5.5% of GDP in order to control the growth in the money supply.

To achieve this, the Government intends to exercise tight control over subsidies provided from budget resources. Subsidies for essential imports have therefore been eliminated, and subsidies to industry have also been reduced substantially. In addition, interest rates on new credits provided from the budget are no longer to be subsidised. This will enable credit emissions to be significantly reduced from last year's level.

The Government also intends to exercise tight control over expenditure. Although as a percentage of GDP, expenditure is projected to rise in 1994, it should be noted that this mostly results from the adoption of a revised budgetary methodology in consultation with the IMF. It should also be noted that budgeted expenditures in fact represent a substantial reduction from the spending recommendation submitted by Ministries at the beginning of the year. If accepted, these would have resulted in a budgetary deficit in excess of 17% of GDP, or almost 3-times the result actually achieved in the 1994 budget.

On the revenue side, the Government intends to implement a number of measures to increase the collection of taxes in view of the decline in tax receipts last year. Most of the Government's efforts will be directed at improving the collection of Value Added Tax. It is intended that these efforts will result in a significant increase in revenues as a percentage of GDP compared with 1993.

I should point out that the federal budget recently approved by the Government and submitted to the State Duma was a slightly revised version of the budget reviewed with the IMF earlier in the year, but with the deficit unchanged. The Duma has since made some minor revisions. These revisions are unlikely to affect the Government's ability to observe the current IMF ceilings relating to total domestic credit and net domestic assets.

I would like to make one final point concerning the 1994 budget. This concerns the amount allocated in the budget for external debt service. I know that you have been informed on a number of occasions that the budget no longer receives significant revenues in hard currency from taxes or other sources, but I would like to remind you that the Government has to use its Rouble revenues to buy dollars in the foreign exchange market so as to make debt service payments.

The total amount allocated to external debt service in 1994 has been calculated on a quarterly basis using assumptions for the exchange rate of the Rouble against the US dollar in the relevant quarter of the year. This results in a total allocation of Rbl 9 trillion for 1994. The Government is confident that this target can be achieved.

Balance of Payments

I would now like to turn to the balance of payments. You have received a copy of the 1994 balance of payments projections prepared by the IMF. I am confident that the figures provided by the IMF provide a helpful and concise description of our projected 1994 balance of payments.

When considering these figures, I would like you to bear in mind the following comments concerning the financing requirement for 1994.

The balance of payments projections show a financing requirement for 1994 of \$34 billion, based on the debt service due in respect of the external debt outstanding on 1 July 1993. The Parliament on Monday approved a 1994 external borrowing limit of \$4.7 billion. This means that approximately \$29.3 billion must be rescheduled. Taking into account the total contractual debt service before rescheduling, this would imply a 1994 debt external service of \$3.1 billion. We nevertheless appreciate that this amount is an estimate only, and does not represent a realistic debt service target. That is why we have allocated \$4.1 billion for external debt service in the budget.

Debt servicing capacity

I would now like to discuss our capacity to service our external debt obligations. Before beginning this discussion, I would like to make two points. Firstly, I wish to emphasise the importance the Government attaches to meeting our rescheduled obligations as they fall due and to honouring any agreement that is concluded today. Secondly, I would like to state that our objective in seeking to reschedule our external debt obligations is to arrive at a debt servicing requirement that is consistent with our debt servicing capacity. These were essential factors in our ability to conclude and honour the 1993 Agreement. It should also be recalled that the position of the Government last year was not only to reach an agreement with the Paris Club on figures but also to ensure that Russia was able to service the resulting obligations. This was in achieved in letter and spirit last year.

I have spent some time describing to you the economic constraints facing the Government in order to help you understand the factors influencing the Government's capacity to service its external debt obligations in 1994. Following extensive discussions within the Government, the amount of \$4.1 billion has been specifically allocated to external debt service in the 1994 budget. I can assure you that these discussions and the resulting \$4.1 billion figure have had to accommodate the continuing political tensions in Russia and the competing requests of different interest groups for additional funding from the budget.

It is important to keep in mind that this amount represents a significant increase over both the amount allocated in 1993 and the payments effected in 1993. We aim to continue to increase our debt payments in the coming years.

Rescheduling scenarios

The Government has been considering how to achieve a debt service of \$4.1 billion in 1994 in view of the amount of principal and interest not eligible for rescheduling and the debt service payable in 1994 in respect of debts already rescheduled or eligible for rescheduling.

We estimate that in the region of \$17.4 billion is payable in 1994 in respect of contractual debt service before rescheduling. This excludes arrears and late interest charges due to non-Paris Club creditors amounting to \$11.0 billion on 1 January 1994. Of the contractual debt service due in 1994, we calculate that \$6.8 billion of principal and interest maturities would be eligible for rescheduling through the Paris Club, of which almost 72% is due in respect of contracts signed in 1991. A further \$0.7 billion of non-Paris Club official debt and \$5.9 billion of unofficial debt is also expected to be rescheduled.

Our 1994 external debt service includes amounts due on bilateral credits signed since 1 January 1992 and on multilateral credits. Due largely to the short repayment terms on the new bilateral credits, \$2.6 billion is due in 1994 in respect of these obligations. As the Government intends to honour these obligations in full, this will account for a substantial portion of the external debt service paid in 1994.

To these amounts must be added the payments due under the 1993 rescheduling including the amounts due on 1 January 1995, which would have to be paid from funds accumulated by the Government during 1994.

i) 1994

To understand the amount of principal and interest that would be payable in 1994 on debts already rescheduled or eligible for rescheduling, we have prepared a rescheduling scenario that shows the financial implications of paying 100% of moratorium interest on the 1993 rescheduling as well as the amounts to be rescheduled in 1994. By applying the principle of equality of treatment to all other creditors, we estimate that this would result in a debt servicing requirement of \$7.1 billion to all external creditors. This would be far in excess of our capacity to service such a commitment.

In view of this, we have prepared a second scenario which illustrates the financial implications of paying 40% of moratorium interest. I should emphasise that in calculating the debt service due in 1994, the Government has included all principal and interest payments due for payment on 1 January 1995 in respect of rescheduled debt, since the revenues required to effect those payments would have to be generated in 1994. I also wish to point out that the Paris Club Secretariat has informed us that, based on the figures you have provided to them, they calculate that the payment of 40% of moratorium interest in respect of the 1993 and 1994 reschedulings would result in total 1994 debt service to the Paris Club of approximately \$3.4 billion, excluding payments due on 1 January 1995. I understand that the experts are continuing to work on reconciling the difference between your and our figures.

ii) Medium term

The scenarios also highlight problems in our debt repayment profile in the medium term which cause the Government some concern in current economic circumstances. Looking at the next two years first of all, external debt service is projected to increase to over \$9 billion in 1995 and to over \$11 billion in 1996 and this is before any debt service is payable in respect of maturities eligible for rescheduling falling due on official debt. The principal cause of the substantial increase in debt service in these years is the need to repay principal on post cut-off date and short term debt while payments on credits signed since 1 January 1992 continue to be repaid.

The scenarios also highlight the increase in debt service in 1999 when debt service is projected to amount to around \$13 billion. This is caused by the principal payment period for pre cut-off date debt commencing in the final year of the principal repayment period for other categories of rescheduled debt.

In light of this, we will be asking the Paris Club to consider a meeting in the autumn of this year to discuss the possibility of medium-term rescheduling.

Conclusion

In concluding my speech today, I would like to make the following comments:

- i) Firstly, the Government's objective today is to obtain a rescheduling of 100% of principal and interest maturities falling due between 1 January 1994 and 1 January 1995 on pre cut-off date debt, 1991 contracts and short term debt together with a deferral of 60% of moratorium interest falling due in this period in respect of the 1993 Agreement and the rescheduling under consideration today.
- ii) Secondly, the Government fully understands that the Paris Club desires that Russia pay moratorium interest at a level consistent with its debt servicing capacity. For the reasons just noted, we would want to discuss with you ways in which the payment of 40% of the moratorium interest due in respect of the 1993 and 1994 reschedulings can be reconciled with the \$4.1 billion of funds available in 1994 to service our external debt.
- iii) Finally, the Government wishes to discuss with you an appropriate treatment of the principal falling due on 1 January 1995 and an appropriate adjustment to the existing grace periods and repayment terms so that the resulting debt service in the medium term corresponds to our capacity to service our external debt.

We welcome your views on these important issues and believe that this will lead to the conclusion of a mutually satisfactory rescheduling agreement.

Russian Federation:
Statement by the IMF Staff Representative to the Paris Club

On April 20, 1994, the International Monetary Fund approved a second purchase under the Systemic Transformation Facility (STF). The purchase, equivalent to \$1.5 billion, was made on April 25 and supports a program set out in the Statement of Economic Policies of the Government and the Central Bank of Russia.

The key objective of the program for 1994 is to move gradually in the direction of macroeconomic stabilization, which we see as a precondition for reversing the decline in economic activity and setting the stage for sustained growth. Specifically, the program aims at reducing the monthly rate of inflation to no more than 7 percent by the end of the year and achieving a level of official international reserves equivalent to at least 1.8 months of imports of goods and nonfactor services. These are limited objectives, but they imply a significant step in the right direction, which could and should be followed by more ambitious steps in 1995.

The program also aims at consolidating the progress made in the areas of price liberalization, exchange market liberalization, and privatization. It also seeks to remove or reduce several barriers that restrict international trade: export quotas are to be liberalized or eliminated, export duties are to be reduced, and the system of centralized exports is to be phased out. In the financial area, the program seeks to diminish the role of centralized credits, abolish interest rate subsidies, and increase the role of market-related instruments in the conduct of monetary policy.

The success of the stabilization program hinges critically on the strict implementation of its fiscal plan, which would lead to a sizeable reduction of the government deficit in relation to GDP. This would be achieved primarily through tight control of expenditure and an improvement in revenue in relation to GDP from the low level reached in the first quarter of 1994. Provided that total expenditure is kept within the program's limits, and provided the additional revenue measures of 2 1/2 percentage points of GDP envisaged in the program are implemented in full, the enlarged government deficit could be reduced from 8 percent of GDP in 1993 to 6.5 percent of GDP in 1994.

* * *

Let me apprise you of recent developments under the program. In the first quarter of 1994, recorded real GDP fell by 17 percent compared with the same period in 1993. Most of the decline was concentrated in the

industrial sector where output fell by 25 percent compared with the first quarter of last year. By end-March 1994, open unemployment (using the ILO definition) reached 5.9 percent of the labor force (up from 5.1 percent at end-December 1993). The average monthly rate of consumer price inflation declined to 11 percent in the first four months of 1994, compared to a monthly average of 17 percent over the preceding six months. In nominal terms, the ruble depreciated against the U.S. dollar by about 50 percent between end-December 1993 and mid-May 1994, but the real exchange rate appreciated by 5 percent during the first four months of 1994.

Fiscal operations during January-March 1994 were characterized by continued revenue shortfalls and a significant tightening on the expenditure side, although the latter may have been achieved at the expense of sizeable delays in payments. Preliminary information suggests that the deficit of the enlarged government amounted to about 7 percent of GDP, just under the program projection of 7.3 percent of GDP.

On May 11, 1994, the Duma approved the first reading of the federal budget for 1994, thereby establishing broad revenue and expenditure aggregates as well as a limit on the deficit. The federal deficit in the approved budget would reach 8.8 percent of GDP, exceeding the program target by 1.6 percent of GDP. However, about half of this overrun would represent a transfer to the budget of credits to agriculture that were previously assumed to be extended by the Central Bank of Russia (CBR), which would not affect total credit expansion or inflation. Of course, the overruns in the budget deficit would be larger to the extent that the new revenue measures agreed in the program were not implemented fully, for example, if approval by the Duma could not be secured. However, the Government has reaffirmed its commitment to take offsetting deficit-reduction measures to the extent that they are needed to achieve the budget targets specified in the program--which would be the case if, for example, external debt service payments turned out to be larger than is envisaged in the approved budget.

In the first quarter of 1994, the expansion of monetary and credit aggregates was much slower than anticipated in the STF program. Base money growth was much lower than projected, largely because of a lower than expected expansion in the monetary authorities' net credit to both commercial banks and the federal government. The sharp fall in base money growth was reflected in a slower growth of ruble broad money, but this was partly offset by a higher than anticipated rise in velocity. The refinance rate of the CBR was lowered from 210 percent to 205 percent per annum (uncompounded) on April 29, 1994, and to 200 percent on May 17, 1994. The current rate remains well above the reference interbank rate, which is currently about 145 percent.

The program for 1994 envisages an external current account deficit of \$12 billion with countries outside the former Soviet Union (FSU), reflecting lower prices and volumes of energy exports and a substantial increase in imports associated with the sharp real appreciation of the ruble and with diversion of trade from other FSU states. Little information is

available on balance of payments developments beyond what was published in the staff paper on the second STF request. Official statistics indicate a large decline in imports, although this may well reflect mostly the diminishing coverage of trade statistics. In the first four months of 1994, net international reserves fell by \$1.1 billion--somewhat less than anticipated under the program--reflecting intervention to moderate the depreciation of the ruble in the first two months of the year. According to preliminary estimates provided by the authorities, new external disbursements amounted to \$650 million in the first four months of the year, a slower rate than anticipated in the program.

* * *

The difficulties experienced in the implementation of previous programs should not obscure the fact that considerable progress has been made in the past two years. The achievements of the Russian authorities have been most obvious in the area of structural reform: price controls have been dismantled for most goods, a large share of the economy has been privatized, the foreign exchange market has been unified and liberalized, and the convertibility of the ruble is now unquestioned. The objective of macroeconomic stabilization has remained elusive, but even here there has been some progress: the deficit of the enlarged government was reduced from 18 percent of GDP in 1992 to 8 percent of GDP in 1993; the rate of growth of ruble broad money was cut from 545 percent during 1992 to 423 percent during 1993; and the average monthly rate of inflation has dropped from 30 percent in 1992 to 21 percent in 1993, and to single digit levels in the past few months.

There is now an opportunity to achieve further, significant progress toward stabilization. To a large extent, success will depend upon the actions of the Russian authorities who still face the task of raising the necessary tax revenue and of protecting the budget and the Central Bank from the kinds of pressures that had undermined previous economic programs. But, the international community can also play an important role in providing open access to its markets and financial assistance, including in the form of debt rescheduling. Russia faces over \$21 billion in debt service payments falling due in 1994, not including arrears accumulated in previous years. These payments weigh heavily on the external and budgetary positions, and appropriate cash flow relief will be indispensable in providing the resources needed to achieve the overall program targets.

Looking beyond 1994, we believe that appropriate policies will lead to a situation in which private capital, domestic and foreign, will provide the resources needed to develop Russia's enormous economic potential. In the meantime, a combination of official financial assistance and debt rescheduling will be required. We hope that the terms provided on new financing can avoid a bunching of maturities which would entail a prolongation of payments difficulties into the medium term.

Group of Representatives of the Creditor Countries of the Former Soviet Union
Statement of the World Bank Representative
June 2, 1994

Despite ~~the~~ political turmoil and macroeconomic instability during 1993, the Government has maintained good progress on structural reforms. Most encouragingly, the privatization program maintained momentum; the foreign trade regime has been further liberalized and relative prices have continued to adjust; and the financial system - especially the commercial banking system - has continued to develop rapidly. But much more remains to be done.

The World Bank has supported these structural achievements through a number of operations, including a fast disbursing critical import rehabilitation loan. We are now in the process of preparing a second rehabilitation loan, also in the amount of \$600 million. The priority objectives for the World Bank's strategy are to support the development of a market economy based on private sector initiatives, and to encourage the redirection of public sector involvement in the economy toward establishing open and competitive markets and the provision of physical, social, legal, and institutional infrastructure not normally provided through the private sector.

The World Bank's support includes privatization, where the most significant progress has been achieved. Recent estimates indicate that about two-thirds of all small

scale enterprises and around 10,000 medium-sized and large enterprises have been privatized, the latter mostly through voucher auctions. This success was bolstered by the adoption of the new Constitution, which explicitly recognizes the right to private ownership of land and other property. The Privatization Program adopted in January 1994 reaffirmed the Government's commitment to continued privatization.

The commercial banking sector continues to grow rapidly. Among the vast number of new banks in Russia, a considerable number that are evolving into real banking institutions. While their number and the volume of their operations are still relatively small, they are growing at an unprecedented rate and are involved in a host of banking activities. There are a number of concerns, however. Most importantly, many emerging banks are owned by enterprises, which may perpetuate the practice of connected and insider lending. A further impediment to the development of the financial system arises from the reluctance on the part of the Government to allow foreign banks to participate in the domestic market.

The domestic market for oil was further liberalized during 1993; mandatory allocations have ended, profit limits on price increases have been abolished, and prices are freely negotiated between suppliers and buyers. Lately it has been announced that the elimination of remaining (non-strategic) export quotas will be brought forward from end-1994 to July. Full implementation of this intention would represent a significant achievement.

The World Bank is also supporting reforms in the agriculture sector. The Government has taken some initial steps in land reform, although progress has been slow in putting in place the legal and technical infrastructure necessary for land sales, leasing and mortgaging. A continuing flow of financial transfers to agriculture enterprises has hampered progress in reforming the sector and continues to be one of major factors threatening macroeconomic stabilization.

Broad-based social programs protect only a minority of the poor due to inadequate targeting and indexation. A further complication is that a large part of the social safety net is presently being provided by enterprises. The Government has been reluctant to introduce more fundamental reforms of social benefit programs because of the political sensitivity of many of the required changes. But a safety net needs to be developed as enterprises are being relieved from such obligations.

The development of a strong private sector critically hinges on macro economic stabilization. Most explicitly, inflation must be brought down to low and stable levels. Encouraging progress has been achieved on this front during the last months of 1993 and thus far in 1994, but it is too early to conclude whether the registered drop in inflation is sustainable. To achieve a sustainable reduction in inflation, the fiscal deficit needs to be reduced significantly. The revenue side is performing poorly, and that is clearly a key concern which the authorities need to address urgently. On the expenditure side, good progress has been achieved, although much remains to be done. Import

subsidies have been eliminated, enterprise support (including through directed credits from the central bank) have been cut in roughly half, to about 6 percent of GDP, and public investment has been reduced dramatically. But given the inherited structures of the economy, there are clear limitations on how fast the expenditure side can adjust - both with regard to reduction in expenditures and with regard to re-organization of components. That said, the task is urgent - the continuation of high and volatile inflation will impair the development of the private sector.

During the period required to bring down the fiscal deficit on a sustainable basis, it is important that the external environment ^{is supportive/ ~~of Russia~~} ~~provides assistance~~ through non-inflationary financing. In that context, we keenly support the rescheduling that is the subject of these meetings. As far as the Bank is concerned, we have now committed a total of \$1.9 billion to Russia in support of a wide variety of areas, including the oil sector, the financial sector, highway rehabilitation, and general privatization efforts. Thus far, about \$550 million has been disbursed, partly reflecting natural delays during the start-up process. In addition, five projects (in addition to the second rehabilitation loan), totalling \$1.1 billion, are in the process of being negotiated. These projects are designed to provide long term financing for the newly privatized enterprises, provide funding for environmental improvements, and help restructure the agricultural and energy sectors. The Bank is working intensively with the Government to improve the implementation capacity. However, the rapid changes that have occurred in all institutions, the complexity of reforms being implemented, and the lack of familiarity among our Russian

counterparts with our procedures in procurement and financial management have all affected project implementation and delayed disbursements. As a result, disbursement during calendar 1994 are presently estimated at \$600 million. Reflecting expectations of continued macro economic and structural adjustments, the Bank is preparing another seven investment projects, totalling \$1-1.5 billion, for the coming fiscal year. Depending on the depth of reforms, we may also add one or more fast disbursing structural adjustment operations.

Thank you.

**AGREEMENT WITH THE GOVERNMENT OF THE RUSSIAN FEDERATION
ON THE DEBT DUE TO FOREIGN OFFICIAL CREDITORS**

I - PREAMBLE

1. The representatives of the Governments of Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Italy, Japan, the Netherlands, Portugal, Spain, Sweden, Switzerland, the United Kingdom and the United States of America, hereinafter referred to as "Participating Creditor Countries", met in Paris on June 2 and 3, 1994 with the representatives of the Government of the Russian Federation in order to examine the request to alleviate the Russian Federation's external debt service obligations, including those contracted by the Government of the Union of Soviet Socialist Republics (USSR).

Observers of the Government of Norway, the International Monetary Fund, the International Bank for Reconstruction and Development, the Secretariat of the U.N.C.T.A.D. and the Organization for Economic Cooperation and Development also attended the meeting.

2. The Delegation of the Government of the Russian Federation described the economic and financial difficulties faced by its country. The Delegation underlined the strong determination of the Government of the Russian Federation to reduce the economic monetary and financial imbalances, and, to that end, its strong commitment to reach the targets set in the program approved by the Executive Board of the International Monetary Fund on April 20, 1994. It also underlined its determination to conclude rapidly an upper credit tranche arrangement with the Fund.

3. The representatives of the International Monetary Fund described the Russian Federation's economic situation as well as the major elements of the adjustment program undertaken by the Government of the Russian Federation and supported by the second purchase under the Systemic Transformation Facility approved by the Executive Board of the Fund on April 20, 1994. This program, covering the period ending on December 31, 1994, involves specific commitments in both the economic and financial fields, and if fully implemented, will pave the way for the conclusion of an upper credit tranche arrangement.

4. The representatives of the Governments of the Participating Creditor Countries took note of the measures of adjustment included in the economic and financial program undertaken by the Government of the Russian Federation and approved by the Executive Board of the Fund on April 20, 1994. They stressed the key importance they attach to the continuing and full implementation of this program, and to a rapid conclusion of an upper credit tranche arrangement approved by the Executive Board of the International Monetary Fund.

II- RECOMMENDATION ON TERMS OF THE REORGANIZATION

In view of the payment difficulties faced by the Russian Federation, the representatives of the Participating Creditor Countries agreed to recommend to their Governments or their appropriate institutions that they provide, through rescheduling or refinancing, debt relief for the Government of the Russian Federation on the following terms :

Handwritten notes and signatures at the bottom of the page, including initials like RB, AS, W, AK, and a large signature on the right.

1. Debts concerned

The debts to which this reorganization will apply are the following, to the extent covered by the Declaration acknowledging the debt to Foreign Creditors of the former Soviet Union (FSU), signed by the Government of the Russian Federation in Paris on April 2, 1993 which forms an integral part of the present Agreement :

a) commercial credits guaranteed or insured by the Governments of the Participating Creditor Countries or their appropriate institutions, having an original maturity of more than one year, pursuant to a contract or other financial arrangement concluded with or guaranteed by the Government of the FSU or concluded with or guaranteed by any other legally authorized entity before January 1, 1991 ;

b) loans from Governments or appropriate institutions of the Participating Creditor Countries, having an original maturity of more than one year, pursuant to an agreement concluded with the Government of the FSU or with any other legally authorized entity before January 1, 1991.

It is understood that debt service due as a result of debts described above in the present Agreement and effected through special payment mechanisms or other external accounts is included in the present reorganization. Participating Creditor Countries will take appropriate measures to ensure that this category of debt is treated in a manner comparable to other debt subject to this Agreement.

2. Terms of the consolidation

100% of the amounts of principal and interest (excluding late interest) due from January 1, 1994 up to December 31, 1994 inclusive and not paid on credits and loans mentioned in paragraphs 1 a) and 1 b) above will be rescheduled or refinanced.

Repayment by the Government of the Russian Federation of the corresponding sums will be made as follows :

- 0.96% on September 30, 1997 ;	- 1.11% on March 31, 1998 ;
- 1.26% on September 30, 1998 ;	- 1.43% on March 31, 1999 ;
- 1.60% on September 30, 1999 ;	- 1.78% on March 31, 2000 ;
- 1.97% on September 30, 2000 ;	- 2.18% on March 31, 2001 ;
- 2.39% on September 30, 2001 ;	- 2.61% on March 31, 2002 ;
- 2.84% on September 30, 2002 ;	- 3.09% on March 31, 2003 ;
- 3.35% on September 30, 2003 ;	- 3.61% on March 31, 2004 ;
- 3.90% on September 30, 2004 ;	- 4.19% on March 31, 2005 ;
- 4.51% on September 30, 2005 ;	- 4.83% on March 31, 2006 ;
- 5.17% on September 30, 2006 ;	- 5.53% on March 31, 2007 ;
- 5.90% on September 30, 2007 ;	- 6.30% on March 31, 2008 ;
- 6.71% on September 30, 2008 ;	- 7.14% on March 31, 2009 ;
- 7.58% on September 30, 2009 ;	- 8.06% on March 31, 2010.

III - TERMS OF REPAYMENT OF THE NON-CONSOLIDATED AMOUNTS

1. The Government of the Russian Federation undertakes to pay all debt service due on loans, on credits or pursuant to contracts or other financial arrangements payable on cash terms, extended or guaranteed by the Governments of the Participating Creditor Countries or their appropriate institutions concluded with or guaranteed by the Government of the FSU or concluded with or guaranteed by the Government of the Russian Federation or concluded with or guaranteed by any other legally authorized entities to the extent covered by the Declaration referred to hereabove but not covered by Article II of the present Agreement, as follows :

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a) 100% of the amounts of principal and interest (excluding late interest) due from January 1, 1994 up to December 31, 1994 inclusive and not paid on loans and credits having an original maturity of more than one year, extended pursuant to a contract or other financial arrangement concluded between January 1, 1991 and December 31, 1991 inclusive, will be deferred and paid as follows :

- 3.44% on September 30, 1997 ;	- 3.73% on March 31, 1998 ;
- 4.04% on September 30, 1998 ;	- 4.37% on March 31, 1999 ;
- 4.71% on September 30, 1999 ;	- 5.07% on March 31, 2000 ;
- 5.45% on September 30, 2000 ;	- 5.84% on March 31, 2001 ;
- 6.25% on September 30, 2001 ;	- 6.69% on March 31, 2002 ;
- 7.14% on September 30, 2002 ;	- 7.61% on March 31, 2003 ;
- 8.11% on September 30, 2003 ;	- 8.63% on March 31, 2004 ;
- 9.17% on September 30, 2004 ;	- 9.75% on March 31, 2005.

b) 100% of the amounts of principal and interest (excluding late interest) due from January 1, 1994 up to December 31, 1994 inclusive and not paid on commercial credits having an original maturity of one year or less, including amounts due pursuant to contracts or other financial arrangements payable on cash terms, extended pursuant to a contract or other financial arrangement concluded before January 4, 1992 will be deferred and paid in 10 equal and successive semi-annual instalments, the first one to be made on September 30, 1997 and the final one to be made on March 31, 2002.

Amounts due on this category of debt falling due after December 31, 1994 will not be subject to any reorganization.

c) 80% of the interest accruing from April 1, 1994 up to December 31, 1994 inclusive and not paid as a result of the consolidation agreements concluded or to be concluded according to the "Agreement with the Government of the Russian Federation on the debt due to foreign official creditors" dated April 2, 1993 will be paid in 10 equal and successive semi-annual instalments, the first payment to be made on September 30, 1997 and the final payment to be made on March 31, 2002. The remaining 20% will be paid on due dates.

It is understood that 100% of the interest accruing from January 1, 1994 up to March 31, 1994 inclusive will be paid on due dates. Amounts due and not paid as of March 31, 1994, if any, should be paid as soon as possible, and in any case not later than July 31, 1994.

d) 60% of the interest accruing from January 1, 1994 up to December 31, 1994 inclusive on consolidated amounts referred to in Article II paragraph 2 and on amounts referred to hereabove in paragraphs a) and b) will be paid on due dates ; the remaining 40% will be paid in 10 equal and successive semi-annual instalments, the first one to be made on September 30, 1997, and the final one to be made on March 31, 2002.

2. All other amounts due by the Government of the Russian Federation and not covered by the present Agreement will be paid on due dates. Amounts due and not paid as at the date of the present Agreement, and in particular amounts due pursuant to Article III paragraph 1c) of the "Agreement with the Government of the Russian Federation on the debt due to foreign official creditors" dated April 2, 1993, if any, will be paid as soon as possible and in any case not later than July 31, 1994.

IV - INTEREST

1. The rates and the conditions of interest on the financial arrangements covered by this Agreement will be determined bilaterally between the Government of the Russian Federation and the Government or appropriate institutions of each Participating Creditor Country on the basis of the appropriate market rate.

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c) each of the Participating Creditor Countries agrees to make available, upon the request of another Participating Creditor Country, a copy of its bilateral agreement with the Government of the Russian Federation which implements this Agreement. The Government of the Russian Federation acknowledges this arrangement ;

d) each of the Participating Creditor Countries agrees to inform the Chairman of the Group of Participating Creditor Countries of the date of the signature of its bilateral agreement, of the interest rates and of the amounts of debts involved. The Government of the Russian Federation acknowledges this arrangement.

2. The provisions of the present Agreement will continue to apply provided that :

a) the Government of the Russian Federation fully implements the adjustment program approved by the Executive Board of the International Monetary Fund on April 20, 1994 ;

b) the Government of the Russian Federation takes, before November 30, 1994, all the steps necessary on its part to complete the reconciliation of the debts consolidated pursuant to the Agreement dated April 2, 1993 and to sign before July 31, 1994 the agreed texts of all remaining bilateral agreements pursuant to the "Agreement with the Government of the Russian Federation on the debt due to foreign official creditors" dated April 2, 1993 ;

c) the Government of the Russian Federation has made, on the due dates, the payments referred to in Article III hereabove.

3. In response to the request of the Government of the Russian Federation, the Participating Creditor Countries agreed in principle to a meeting to consider the matter of the Russian Federation's debt service obligations falling due after 1994 provided that :

- the Government of the Russian Federation had an arrangement with the International Monetary Fund in the upper credit tranches.

- the Government of the Russian Federation had reached with other creditors, effective arrangements meeting the conditions described in Article V paragraphs 1 and 2 above and has reported in writing to the Chairman of the Group of the Participating Creditor Countries, pursuant to Article V paragraph 3 above ;

- and the Government of the Russian Federation had complied with all conditions set out in this Agreement.

The Participating Creditor Countries are prepared to consider the possibility of a multiyear rescheduling agreement on the basis of appropriate IMF supported programs.

Done in Paris, on June 4, 1994
in two versions, English and French,
both texts equally authentic,

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 cd G H G M

The Chairman
of the Group of Participating
Creditor Countries



The Head of the Delegation
of the Government of the Russian
Federation



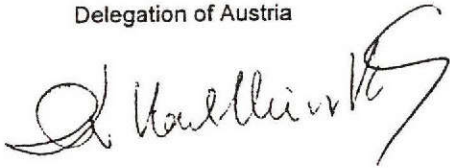
Delegation of Australia



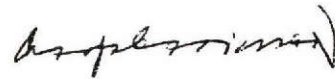
Delegation of Denmark



Delegation of Austria



Delegation of Finland



Delegation of Belgium



Delegation of France



Delegation of Canada



Delegation of Germany



Delegation of Italy

Delegation of Spain

Delegation of Japan

Delegation of Sweden

Delegation of the Netherlands

Delegation of Switzerland

Delegation of Portugal

Delegation of the United Kingdom

Delegation of the United States of America

PRESS RELEASE

The representatives of the Governments of Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Italy, Japan, the Netherlands, Portugal, Spain, Sweden, Switzerland, the United Kingdom and the United States of America, referred to as "Participating Creditor Countries", met in Paris on June 2 and 3, 1994 with the representatives of the Government of the Russian Federation, in order to examine the request to alleviate that country's external debt service obligations in 1994. Observers of the Government of Norway also attended the meeting.

The delegation of the Russian Federation was headed by Mr Sergei K. DOUBININ, Minister of Finance of the Russian Federation. The meeting was chaired by Mr Christian NOYER, Chairman of the Group of Creditor Countries.

The representatives of the group of Participating Creditor countries noted with satisfaction the adoption by the Government of the Russian Federation of an economic and financial program supported by the second purchase under the Systemic Transformation Facility approved by the Executive Board of the International Monetary Fund on April 20, 1994 which, if fully implemented, will pave the way for the conclusion of an upper credit tranche arrangement.

They underlined the importance of a full implementation of this program and the rapid conclusion of a program supported by an upper credit tranche arrangement approved by the Executive Board of the International Monetary Fund.

The representatives of the Participating Creditor Countries noted with satisfaction the implementation of the "Agreement with the Government of the Russian Federation on the debt due to foreign official creditors" dated April 2, 1993.

In this context, the representatives of the Participating Creditor Countries agreed to recommend to their respective Governments a major reorganization of the external obligations of the Russian Federation, resulting from loans and guaranteed credits extended by the Participating Creditor Countries.

This rescheduling represents a support of over US\$ 7 billion in 1994 to Russia's economic reform efforts.

Debt relief on comparable terms is expected from other creditors. In that respect, Russia confirms its commitment to regularise its financial relations with all its creditors, including banks, uninsured suppliers and other official creditors.

The delegation of the Russian Federation expressed its thanks to the Participating Creditor Countries for their efforts in assisting the Russian Federation to achieve a sound economic and financial situation.

**ACCORD AVEC LE GOUVERNEMENT DE LA FEDERATION DE RUSSIE
RELATIF A LA DETTE A L'EGARD DES CREANCIERS OFFICIELS EXTERIEURS**

I. PREAMBULE

1. Les représentants des Gouvernements de l'Allemagne, de l'Australie, de l'Autriche, de la Belgique, du Canada, du Danemark, de l'Espagne, des Etats-Unis d'Amérique, de la Finlande, de la France, de l'Italie, du Japon, des Pays-Bas, du Portugal, du Royaume-Uni, de la Suède et de la Suisse, ci-après désignés comme les "pays créanciers participants", se sont réunis à Paris les 2 et 3 juin 1994 avec les représentants du Gouvernement de la Fédération de Russie pour examiner la demande d'allègement du service de la dette extérieure de la Fédération de Russie y compris celle contractée par le Gouvernement de l'Union des Républiques Socialistes Soviétiques (U.R.S.S.).

Des observateurs du Gouvernement de la Norvège, du Fonds Monétaire International, de la Banque Internationale pour la Reconstruction et le Développement, du Secrétariat de la C.N.U.C.E.D. et de l'Organisation de Coopération et de Développement Economique, ont également assisté à la réunion.

2. La délégation du Gouvernement de la Fédération de Russie a décrit les difficultés économiques et financières rencontrées par ce pays. La délégation a souligné la ferme détermination du Gouvernement de la Fédération de Russie à réduire les déséquilibres économiques, monétaires et financiers et, dans ce but, son ferme engagement à atteindre les objectifs du programme approuvé par le Conseil d'Administration du Fonds Monétaire International le 20 avril 1994. Elle a également souligné sa détermination à conclure rapidement un accord avec le Fonds dans les tranches supérieures de crédit.

3. Les représentants du Fonds Monétaire International ont décrit la situation économique de la Fédération de Russie ainsi que les principaux éléments du programme d'ajustement entrepris par le Gouvernement de la Fédération de Russie, à l'appui duquel le Conseil d'Administration du Fonds a approuvé, le 20 avril 1994, le déboursement de la seconde tranche de la Facilité de Transformation Systémique. Ce programme, qui couvre la période s'étendant jusqu'au 31 décembre 1994, comporte des engagements spécifiques dans les domaines économiques et financiers, et, s'il est pleinement mis en oeuvre, ouvrira la voie à la conclusion d'un accord dans les tranches supérieures de crédit.

4. Les représentants des Gouvernements des pays créanciers participants ont noté les mesures d'ajustement incluses dans le programme économique et financier mis en oeuvre par le Gouvernement de la Fédération de Russie et approuvé par le Conseil d'Administration du Fonds le 20 avril 1994. Ils ont souligné l'importance capitale qu'ils attachent à la réalisation pleine et entière de ce programme, et à la rapide conclusion d'un accord dans les tranches supérieures de crédit approuvé par le Conseil d'Administration du Fonds Monétaire International.

II- RECOMMANDATIONS RELATIVES AUX TERMES DU REAMENAGEMENT

Considérant les difficultés de paiement rencontrées par la Fédération de Russie, les représentants des pays créanciers participants sont convenus de recommander à leurs Gouvernements ou organismes appropriés de procéder à un allègement de la dette du Gouvernement de la Fédération de Russie, au moyen d'un rééchelonnement ou d'un refinancement, dans les termes suivants :

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CN, RB, MS, AL, AK, H, G, A, S, G

1. Définition des dettes concernées

Les dettes auxquelles ce réaménagement s'applique sont, dans la mesure où elles sont couvertes par la Déclaration reconnaissant la dette de l'ex-Union Soviétique (ex-URSS) à l'égard de ses créanciers extérieurs, signée par le Gouvernement de la Fédération de Russie à Paris le 2 avril 1993, qui forme partie intégrante du présent accord, :

a) les crédits commerciaux, comportant initialement une durée de crédit supérieure à un an, garantis ou assurés par les Gouvernements des pays créanciers participants ou leurs institutions appropriées, ayant fait l'objet d'un contrat ou de toute autre forme d'arrangement financier conclu avec, ou garanti par, le Gouvernement de l'ex-URSS ou conclu avec, ou garanti par, toute autre entité légalement autorisée avant le 1er janvier 1991 ;

b) les prêts gouvernementaux ou des institutions appropriées des pays créanciers participants, comportant initialement une durée de crédit supérieure à un an, conclus avant le 1er janvier 1991 avec le Gouvernement de l'ex-URSS ou toute autre entité légalement autorisée.

Il est entendu que le service de la dette résultant des dettes décrites ci-dessus et effectué au travers de mécanismes spéciaux de paiement ou d'autres comptes extérieurs est inclus dans la présente réorganisation. Les pays créanciers participants prendront toute mesure appropriée pour s'assurer que cette catégorie de dette est traitée d'une manière comparable à celle des autres dettes visées dans le présent accord.

2. Termes de la consolidation

100 % des montants en principal et en intérêts (à l'exclusion des intérêts de retard) payables du 1er janvier 1994 au 31 décembre 1994 inclus et non réglés sur les crédits et prêts mentionnés aux paragraphes 1 a) et 1 b) ci-dessus seront rééchelonnés ou refinancés.

Le règlement par le Gouvernement de la Fédération de Russie des montants correspondants sera effectué comme suit :

- 0,96 % le 30 septembre 1997 ;	- 1,11 % le 31 mars 1998 ;
- 1,26 % le 30 septembre 1998 ;	- 1,43 % le 31 mars 1999 ;
- 1,60 % le 30 septembre 1999 ;	- 1,78 % le 31 mars 2000 ;
- 1,97 % le 30 septembre 2000 ;	- 2,18 % le 31 mars 2001 ;
- 2,39 % le 30 septembre 2001 ;	- 2,61 % le 31 mars 2002 ;
- 2,84 % le 30 septembre 2002 ;	- 3,09 % le 31 mars 2003 ;
- 3,35 % le 30 septembre 2003 ;	- 3,61 % le 31 mars 2004 ;
- 3,90 % le 30 septembre 2004 ;	- 4,19 % le 31 mars 2005 ;
- 4,51 % le 30 septembre 2005 ;	- 4,83 % le 31 mars 2006 ;
- 5,17 % le 30 septembre 2006 ;	- 5,53 % le 31 mars 2007 ;
- 5,90 % le 30 septembre 2007 ;	- 6,30 % le 31 mars 2008 ;
- 6,71 % le 30 septembre 2008 ;	- 7,14 % le 31 mars 2009 ;
- 7,58 % le 30 septembre 2009 ;	- 8,06 % le 31 mars 2010 ;

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VI - MISE EN OEUVRE

1. Les modalités du rééchelonnement ou du refinancement seront fixées dans des accords bilatéraux à conclure par le Gouvernement ou les organismes appropriés de chacun des pays créanciers participants avec le Gouvernement de la Fédération de Russie, ou ses institutions appropriées, sur la base des principes énoncés ici, et notamment :

a) le Gouvernement ou les institutions appropriées de chaque pays créancier participant :

- soit refinancera les dettes, par mise à la disposition du Gouvernement de la Fédération de Russie de nouveaux financements, conformément aux échéanciers de paiement existants, durant la période de consolidation et pour les pourcentages indiqués ci-dessus. Ces financements seront remboursés par le Gouvernement de la Fédération de Russie conformément aux termes et conditions fixés à l'Article II, paragraphe 2 et à l'Article III ci-dessus ;

- soit rééchelonnera les échéances correspondantes.

b) Tous les autres points concernant le rééchelonnement ou le refinancement seront fixés dans les accords bilatéraux que le Gouvernement de la Fédération de Russie et les Gouvernements ou organismes appropriés des pays créanciers participants s'efforceront de conclure dans les meilleurs délais, et en tout cas, avant le 30 novembre 1994 ;

c) les pays créanciers participants sont convenus que chaque pays communiquera, à la demande de tout autre pays créancier participant, une copie de son accord bilatéral avec le Gouvernement de la Fédération de Russie en application du présent accord. Le Gouvernement de la Fédération de Russie prend acte de cette disposition ;

d) chaque pays créancier participant accepte d'informer le Président du Groupe des pays créanciers participants de la date de la signature de son accord bilatéral, des taux d'intérêt pratiqués et des montants de dette concernés. Le Gouvernement de la Fédération de Russie prend acte de cette disposition.

2. Les dispositions du présent accord continueront à s'appliquer à condition que :

a) le Gouvernement de la Fédération de Russie mette en oeuvre pleinement le programme d'ajustement approuvé par le Conseil d'Administration du Fonds Monétaire International le 20 avril 1994 ;

b) le Gouvernement de la Fédération de Russie prenne avant le 30 novembre 1994 toutes les mesures nécessaires en ce qui le concerne pour achever la réconciliation des dettes consolidées en application de l'accord agréé en date du 2 avril 1993 et pour signer avant le 31 juillet 1994 les textes agréés de tous les accords bilatéraux en application de l'"Accord avec le Gouvernement de la Fédération de Russie relatif à la dette à l'égard des créanciers officiels extérieurs" du 2 avril 1993 ;

c) le Gouvernement de la Fédération de Russie ait effectué à bonnes dates les paiements visés à l'Article III ci-dessus.

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- Top left: "1. Roy"
- Middle left: "G", "CN", "US"
- Middle: "M", "RB", "B", "AL", "M", "K", "C", "y", "A", "cu", "ERS"
- Top right: "km"
- Bottom right: "K"

3. En réponse à la demande des représentants du Gouvernement de la Fédération de Russie, les pays créanciers participants se sont déclarés d'accord en principe sur une réunion pour examiner le problème des échéances de la dette de la Fédération de Russie venant à maturité après 1994 sous réserve :

- que le Gouvernement de la Fédération de Russie ait un accord avec le Fonds Monétaire International dans les tranches supérieures de crédit ;

- que le Gouvernement de la Fédération de Russie ait effectivement conclu avec les autres créanciers les accords répondant aux conditions prévues à l'Article V paragraphes 1 et 2 ci-dessus, et ait fait rapport par écrit au Président du Groupe des pays créanciers, conformément aux dispositions de l'Article V paragraphe 3 ci-dessus ;

- et que le Gouvernement de la Fédération de Russie ait satisfait à toutes les conditions prévues au présent accord.

Les pays créanciers participants sont prêts à envisager la possibilité d'un accord de rééchelonnement pluriannuel sur la base de programmes appropriés soutenus par le FMI.

Fait à Paris, ce jour, le 4 juin 1994
en deux versions, en langues
française et anglaise,
les deux textes
faisant également foi,

Le Président
du Groupe des pays créanciers
participants

Le Chef de la Délégation
du Gouvernement de la Fédération
de Russie

Délégation de l'Allemagne

Délégation de l'Australie

roy

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Délégation de l'Autriche

Walter Thurnher

Délégation des Etats-Unis
d'Amérique

Alan Larson
Michael...

Délégation de la Belgique

J. L...

Délégation de la Finlande

Arvo...

Délégation du Canada

Richard...

Délégation de la France

W. Wolensky

Délégation du Danemark

Uffe...

Délégation de l'Italie

Roberto...

Délégation de l'Espagne

Juan...

Délégation du Japon

K...

Délégation des Pays-Bas

Alida van der

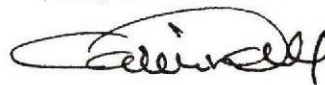

Délégation du Royaume-Uni

Janis Nuttin

Délégation du Portugal

Turiso Sampaio

Délégation de la Suède



Délégation de la Suisse

f. Juan


COMMUNIQUE DE PRESSE

Les représentants des Gouvernements de l'Allemagne, de l'Australie, de l'Autriche, de la Belgique, du Canada, du Danemark, de l'Espagne, des Etats-Unis d'Amérique, de la Finlande, de la France, de l'Italie, du Japon, des Pays-Bas, du Portugal, du Royaume-Uni, de la Suède et de la Suisse ci-après désignés comme "pays créanciers participants", se sont réunis à Paris les 2 et 3 juin 1994 avec les représentants du Gouvernement de la Fédération de Russie pour examiner la demande d'allègement du service de la dette extérieure de ce pays en 1994. Des observateurs du Gouvernement de la Norvège ont également assisté à la réunion.

La délégation de la Fédération de Russie était présidée par M. Sergei K. DOUBININE, Ministre des Finances de la Fédération de Russie. La réunion était présidée par M. Christian NOYER, Président du groupe des pays créanciers.

Les représentants du groupe des pays créanciers participants ont noté avec satisfaction l'adoption par le Gouvernement de la Fédération de Russie d'un programme économique et financier à l'appui duquel le Conseil d'Administration du Fonds Monétaire International a approuvé, le 20 avril 1994, le déboursement de la seconde tranche de la Facilité de Transformation Systémique et qui, s'il est pleinement mis en oeuvre, ouvrira la voie à la conclusion d'un accord dans les tranches supérieures de crédit.

Ils ont souligné l'importance d'une mise en oeuvre complète de ce programme et de la conclusion rapide d'un programme soutenu par un accord dans les tranches supérieures de crédit approuvé par le Conseil d'Administration du Fonds Monétaire International.

Les représentants des pays créanciers participants ont noté avec satisfaction la mise en oeuvre de l'Accord avec le Gouvernement de la Fédération de Russie relatif à la dette à l'égard des créanciers officiels extérieurs" du 2 avril 1993.

Dans ce contexte, les représentants des pays créanciers participants sont convenus de recommander à leurs Gouvernements respectifs un important réaménagement des montants dus au titre de la dette extérieure de la Fédération de Russie résultant des prêts et crédits garantis accordés par les pays créanciers participants.

Ce rééchelonnement représente un soutien de plus de 7 milliards de dollars aux efforts de réforme économique entrepris par la Russie en 1994.

Un allègement de dette en des termes comparables est attendu des autres créanciers. A cet égard, la Russie confirme son engagement à régulariser ses relations financières avec tous ses créanciers, notamment les banques, les créanciers non assurés et les autres créanciers publics.

La délégation de la Fédération de Russie a exprimé ses remerciements aux pays créanciers participants pour les efforts qu'ils ont consentis à la Fédération de Russie en vue de l'aider à assainir sa situation économique et financière.

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TELEGRAMME TELEXE DE 220962 POUR M. NGUILA MOUNGOUNGA-NKOMBO,
MINISTRE DES FINANCES ETR DU BUDGET DU CONGO (BRAZZAVILLE)

'DEBUT DE TEXTE'

PARIS LE 27/04/94
DE TRESOR SON NUMERO 214
POUR M. NGUILA MOUNGOUNGA-NKOMBO, MINISTRE DES FINANCES ET DU
BUDGET DU CONGO

MONSIEUR LE MINISTRE,

LES PAYS CREANCIERS DU CLUB DE PARIS M'ONT DEMANDE DE VOUS
FAIRE PART DE LEUR PREOCCUPATION FACE AU FAIT QUE TOUS LES ACCORDS
BILATERAUX METTANT EN OEUVRE LE PROCES-VERBAL AGREE DU CLUB DE
PARIS CONCLU LE 13 SEPTEMBRE 1990 N'ONT PAS ENCORE ETE SIGNES. ILS
SOUHAIENT QUE CETTE SITUATION PUISSE ETRE REGULARISEE TRES
RAPIDEMENT.

JE VOUS PRIE D'AGREER, MONSIEUR LE MINISTRE, L'EXPRESSION
DE MA CONSIDERATION DISTINGUEE.

SIGNE : DE MAZIERES

'FIN DE TEXTE'

YAB820

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Message: 021 ... emis

Le 28/04/94 a 15 h 23 Duree : 03 mn 20

CONGO

Eligibility to the "London Terms"
--

- there are no fixed thresholds for debt ratios for eligibility to the concessional menus : the only criteria is a "debt service that is large relative to export receipts"

- the poverty criterion is more precise : "effective eligibility for IDA loans, "blended countries being excluded". "

	GNP per Capita	IDA-only	Debt / GNP	Debt / Exports of goods & nonfactor services	Scheduled debt serv. / Exports of goods & nonfactor services
1992	1030	no	185,2 (IMF : 181,9)	349	44,2 (IMF : 39,8)
1993	N.A.	no	215	N.A.	40
1994	690 (1)	under examination IDA-eligibility likely	253 - 321,7*	445	56,6*

Source : World Bank except * (IMF)
(1) provisional estimate

TRESOR 220962F
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3383 NAVIANA BV

TO: THE PARIS CLUB - FRANCE
FM: BANCO CENTRAL DE BOLIVIA - LA PAZ

MSG: 1527 25-MAY-94 JLR

ATT.: MR. NOYER - CHAIRMAN

MR. CHAIRMAN:

WE WERE PLEASED TO LEARN, IN THE MAY 5 TELEX FROM MR. DE MAZIERES, THAT AN EXTENSION OF THE CONSOLIDATION PERIOD UNTIL MAY 31, 1994 HAS BEEN APPROVED.

AS INDICATED IN OUR TELEX OF MARCH 30, THE PURPOSE OF THIS EXTENSION WAS TO COVER THE REMAINING PERIOD OF THE ESAF ARRANGEMENT, WHICH ALSO EXPIRES MAY 31, THEREBY PERMITTING THE REVIEW OF THIS ARRANGEMENT TO BE COMPLETED AND THE REMAINING DISBURSEMENT TO BE MADE. THIS HAS BEEN ACHIEVED: THE REVIEW WAS COMPLETED SUCCESSFULLY, AND ON MAY 13 THE FINAL DISBURSEMENT AVAILABLE TO BOLIVIA UNDER THE ESAF WAS MADE. WE DO NOT SEEK A FURTHER EXTENSION OF THE CONSOLIDATION PERIOD AND THUS WE WERE PUZZLED BY THE REFERENCE TO THIS POSSIBILITY IN MR. DE MAZIERES' TELEX OF MAY 5.

AS INDICATED IN OUR MARCH 30 TELEX, OUR INTENTION FOLLOWING THE EXPIRATION OF THE CURRENT ESAF ARRANGEMENT IS TO SEEK AN ARRANGEMENT FROM THE FUND UNDER ITS NEW FACILITY, THE ENLARGED ESAF. THE GOVERNMENT IS WELL ADVANCED IN DEVELOPING ITS PROGRAM OF STRUCTURAL REFORMS AND MEDIUM-TERM MACROECONOMIC PROJECTIONS, AND WE ARE IN CLOSE AND FREQUENT CONTACT WITH FUND STAFF IN THIS REGARD. WE EXPECT TO RECEIVE A FUND MISSION BY MID-JUNE TO NEGOTIATE A PROGRAM TO BE SUPPORTED BY THE FUND'S ESAF RESOURCES. WE WILL MAKE EVERY EFFORT TO CONCLUDE THESE NEGOTIATIONS PROMPTLY, BUT TO REACH AGREEMENT WITH THE FUND BEFORE MAY 31, 1994 IS NOT FEASIBLE.

IT WOULD BE APPRECIATED IF OUR SUCCESS IN COMPLETING THE CURRENT ESAF PROGRAM, AND OUR PREPARATIONS FOR IMMINENT NEGOTIATIONS WITH THE FUND ON A NEW PROGRAM, COULD BE COMMUNICATED TO THOSE CREDITORS WHO HAD EXPRESSED INTEREST IN THESE MATTERS.

PLEASE ACCEPT THE ASSURANCES OF OUR HIGHEST ESTEEM.

FERNANDO CANDIA
PRESIDENT OF THE
CENTRAL BANK OF BOLIVIA

FERNANDO COSSIO
MINISTER OF FINANCE
AND ECONOMIC DEVELOPMENT

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DEPART

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PARIS LE 05/05/94

DU TRESOR SON NUMERO 94/227/ER

POUR MONSIEUR FERNANDO COSSIO, MINISTRE DES FINANCES ET DU
DEVELOPPEMENT ECONOMIQUE ET MONSIEUR FERNANDO CANDIA, PRESIDENT DE
LA BANQUE CENTRALE DE BOLIVIE.

MR MINISTER,
MR GOVERNOR,

I REFER TO YOUR TELEX DATED MARCH 30, 1994. I HAVE THE
PLEASURE TO INFORM YOU THAT THE CREDITOR COUNTRIES HAVE ACCEPTED
TO EXTEND THE CONSOLIDATION PERIOD UNTIL MAY 31, 1994 ON THE SAME
TERMS AS STIPULATED IN THE AGREED-MINUTE OF JANUARY 24, 1992 AND
IN MY TELEX 94/35/MC DATED JANUARY 12, 1994.

HOWEVER, THE CREDITOR COUNTRIES ASKED ME TO INFORM YOU THAT
THERE WILL BE NO FURTHER EXTENSION OF THE CONSOLIDATION PERIOD.
THEY URGE YOU TO DO YOUR UTMOST TO REACH AN AGREEMENT WITH THE IMF
BEFORE MAY 31, 1994.

PLEASE ACCEPT, MR MINISTER, MR GOVERNOR, THE ASSURANCES OF
MY HIGHEST ESTEEM.

SIGNE : BERTRAND DE MAZIERES

2286 NAVIANA BV
TRESOR 220962F

Message: 009 ... emis

Le 05/05/94 a 11 h 35

Duree : 04 mn 06

Paris, le 25 MAI 94 - 311247

Monsieur le Ministre,

J'ai transmis votre demande de traitement de la dette officielle du Cambodge aux créanciers du Club de Paris à la suite de l'approbation par le Conseil d'Administration du Fonds Monétaire International de votre programme économique.

Je vous ferai connaître leur décision le plus rapidement possible.

Comme vous le souhaitez, j'ai demandé aux créanciers de votre pays de transmettre les informations nécessaires relatives à leurs créances.

Je vous prie d'agréer, Monsieur le Ministre, l'assurance de ma haute considération.



Christian NOYER

Monsieur SAM RAINSY
Ministre d'Etat
Ministre de l'Economie et des Finances

Street 92
Sangkat Wat Phnom
Khan Daun Penh
Phnom-Penh

- Cambodge -



Republic of the Philippines
DEPARTMENT OF FINANCE
Manila

May 19, 1994

Mr. Jean-Claude Trichet
Chairman, Paris Club
French Treasury
The Republic of France

Dear **Mr. Chairman**,

We are writing you to advise that we have reached agreement with the IMF Mission on a 3-year extended program. We expect the program to be presented to the IMF Executive Board on June 29.

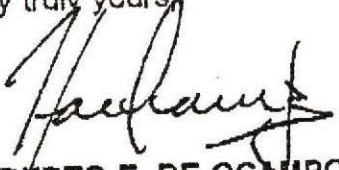
In this connection, we intend to seek further re-scheduling of official bilateral debt maturing during the program period to cover residual financing needs. We understand that the Paris Club creditors will meet on June 27-28, with a possibility for a further session in July. We would very much prefer that the Philippine request be taken up in a July session. As the World Bank has tentatively scheduled a Philippine Consultative Group Meeting on July 21-22, also in Paris, such a July Paris Club session would be most convenient to delegations attending both meetings. We would appreciate your advising us on the feasibility of a Paris Club meeting either shortly before or after July 21-22.

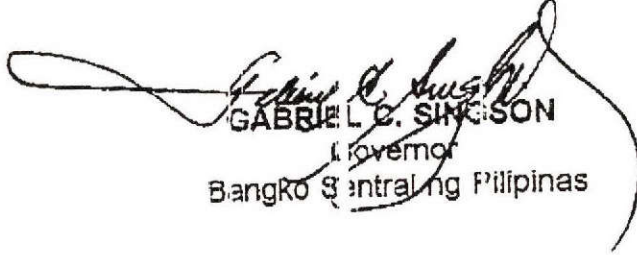
May we further request for an early response since if a July meeting is not possible, we will need to request the IMF to advance their Executive Board's consideration of our program to enable the Paris Club to take up the Philippine request when it meets on June 27-28.

We shall be conveying to you the details of our re-scheduling request subsequently.

Thank you for your continuing support of Philippine development efforts.

Very truly yours,


ROBERTO F. DE OCAMPO
Secretary
Department of Finance


GABRIEL C. SINGSON
Governor
Bangko Sentral ng Pilipinas

Discussion summaries on the following countries have been delayed through lack of feedback from the meeting attendee. They will be distributed as soon as possible:

Burkina Faso
Costa Rica
Guatemala
Honduras
Nicaragua
Paraguay
Peru
Ex-Yugoslavia