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Iraq Completes Debt-Swap, Receives IMF Standby Arrangement

Agreements provide debt relief, reinforce borrowing capabilities

Iraq announced the successful closing of a debt exchange offer on \$14 billion in outstanding commercial obligations and received a \$685 million standby credit agreement from the International Monetary Fund (IMF) December 23.

U.S. Secretary of the Treasury John Snow congratulated Iraq on the success of its debt exchange offer in which commercial creditors holding a portion of the country's outstanding sovereign debt will be allowed to convert that claim into one of two obligations: either part-interest in a multicurrency loan or a privately placed dollar-denominated bond.

"This deal, when fully implemented, will reduce the burden on the Iraqi people of Saddam-era debt by more than \$11 billion," Snow said in a December 23 statement.

Creditors who had claims in excess of \$35 million as of August 6, 1990 – the date of the U.N. sanctions in connection with the first Gulf War – were eligible for the program. In an invitation sent out November 16, the creditors were given the opportunity to choose between the two repayment options. All of the creditors, who together hold \$14 billion in Iraqi debt, indicated by the December 21 deadline that they would participate in the program.

The repayment terms of both options conform to the provisions of the November 2004 Paris Club agreement, which called for the cancellation of 80 percent of all outstanding claims against Iraq. The Paris Club comprises 19 major creditor nations. (See [related article](#).)

Consequently, the program eliminates more than \$11 billion of the \$14 billion in Iraq's commercial debt. In keeping with the terms of the Paris Club agreement, the two instruments will also have a 23-year repayment period maturing in 2028.

The board of the International Monetary Fund (IMF) also decided December 23 to provide Iraq with a \$685 million standby credit arrangement to support the country's economic program over the next 15 months. This is the first such arrangement the IMF has made with Iraq. It will help the country as it seeks additional support from international donors.

Snow applauded the IMF's action saying, "This arrangement will underpin economic stability and help lay the foundation for an open and prosperous economy in Iraq."

Following are the texts of Snow's statements:

Department of the Treasury
December 23, 2005
JS-3064

Statement by Treasury Secretary John Snow on Iraq's Successful Conclusion of its Debt Exchange Offer

"It is a historic, unprecedented accomplishment that Iraq was able to attain 100% participation in this exchange. We have been working with Iraq to accomplish this and I couldn't be more pleased that it will be completed. The leadership of Minister Allawi and

Governor Shabibi, along with the work of private sector participants, has helped Iraq to achieve another major milestone. This deal, when fully implemented, will reduce the burden on the Iraqi people of Saddam-era debt by more than \$11 billion. We also look forward today to IMF Board consideration of a stand-by arrangement with Iraq. Resolution of Iraq's commercial debt gives further evidence of Iraqi determination to meet its commitments to secure an IMF program. This action is another important milestone in Iraq's reintegration into the international community, and paves the way for the next phase of Iraq's much needed debt reduction. If achieved, a successful IMF program would underpin economic stability and help lay the foundation for an open and prosperous economy."

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Department of the Treasury
December 23, 2005
JS-3065

Statement by Treasury Secretary John Snow on IMF Approval of a Stand-By Arrangement with Iraq

"I applaud the IMF Board's approval of a stand-by arrangement with Iraq today. The IMF staff has done a remarkable job in working with Iraqi officials to accomplish this. This arrangement will underpin economic stability and help lay the foundation for an open and prosperous economy in Iraq."

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