



PRESS RELEASE

THE PARIS CLUB AND GEORGIA AGREE TO A DEBT RESTRUCTURING

Paris Club creditors agreed on July 21, 2004 with the Government of Georgia to a restructuring of its external debt. This agreement follows the International Monetary Fund's approval of Georgia's arrangement under the Poverty Reduction and Growth Facility on June 4, 2004 in support of the Government ambitious reform programme.

This agreement consolidates roughly US\$ 160.6 million due on debts contracted by Georgia before November 1, 1999 (of which US\$ 12.7 million are ODA debts). This amount consists of arrears (including late interest) due as at May 31, 2004 as well as maturities falling due from June 1, 2004 up to December 31, 2006.

The rescheduling of the maturities and 50% of the arrears is structured on the so-called "Houston Terms" (see table attached): ODA debts are to be repaid over 20 years, with 10 years of grace, at interest rates at least as favourable as the concessional rates applying to those loans; commercial credits are to be repaid over 20 years, with 5 years of grace with progressive repayment, at rates of interest at least as favourable as the interest rates set in the previous bilateral agreements. The remaining 50% of the arrears will be repaid over 3 years.

This agreement is expected to reduce debt service due to Paris Club creditors during the IMF supported programme from US\$ 169.2 million to US\$ 46.4 million (which consists mainly of interest on the rescheduled amounts and payments on the arrears).

This debt restructuring will make an important positive contribution to Georgia's economic outlook. After a comparable effort from other creditors, this rescheduling will satisfy Georgia's financing requirements for 2004 -2006.

On a voluntary and bilateral basis, each creditor may also undertake debt for nature, debt for aid, debt for equity swaps or other local currency debt swaps.

Paris Club creditors agreed in principle to meet at the end of the present Agreement in order to examine the situation of Georgia's debt under the Evian Approach.

Background notes

1. The Paris Club was formed in 1956. It is an informal group of creditor governments from major industrialized countries (i.e. OECD). It meets on a monthly basis in Paris with debtor countries in order to agree with them on restructuring their debts.

2. The members of the Paris Club which participated in the reorganization were representatives of the Governments of Austria, Germany, Japan, the Netherlands, the Russian Federation, the United States of America. The Republic of Turkey, a major creditor of Georgia, also participated in the debt rescheduling.

Observers at the meeting were representatives of the Governments of Canada, France, Italy and the United Kingdom. The International Monetary Fund, the International Bank for Reconstruction and Development, the European 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.

3. The delegation of Georgia was headed by Mr. Zurab Nogaideli, Minister of Finance. The meeting was chaired by Mr. Ramon Fernandez, Deputy Assistant Secretary at the Treasury of the French Ministry of Economy, Finance and Industry, Vice-President of the Paris Club.

Technical notes

1. The Poverty Reduction and Growth Facility in support of Georgia's economic program was approved by the International Monetary Fund on June 4, 2004.

2. The total stock of Georgia's debt was estimated as of end 2003 to be US\$ 1.95 billion (source : IMF document dated May 14th, 2004, published on the IMF web site www.imf.org). The stock of debt owed to Paris Club creditors as at June 2004 was estimated to be US\$ 525 million (source: Paris Club creditors). Paris Club creditors' stock of debt is divided into US\$ 225 million in ODA claims and US\$ 300 million in non-ODA claims.

3. The cut-off-date is used by Paris Club creditors for the sole internal purpose of the Paris Club agreement. When a debtor country first meets with Paris Club creditors, the "cut-off-date" is defined and is not changed in subsequent Paris Club treatments and credits granted after this cut-off- date are not subject to future rescheduling. Thus, the cut-off-date helps restore access to credit for debtor countries facing liquidity problems. Concerning Georgia, the cut-off date was set at November 1, 1999.

4. As in any Paris Club agreement, Georgia agreed to seek comparable treatment from non-Paris Club creditors. In the present case, the comparable treatment shall imply an equivalent contribution of non Paris Club official creditors to the financing gap during the consolidation period (June 2004 – December 2006). The Georgian delegation indicated its willingness to meet these creditors soon in order to negotiate the terms of a future rescheduling.

PROFIL DE REMBOURSEMENT Repayment profile		
1 mars 2011		2,00%
1 septembre 2011		2,07%
1 mars 2012		2,10%
1 septembre 2012		2,21%
1 mars 2013		2,28%
1 septembre 2013		2,33%
1 mars 2014		2,43%
1 septembre 2014		2,51%
1 mars 2015		2,60%
1 septembre 2015		2,68%
1 mars 2016	5%	2,77%
1 septembre 2016	5%	2,85%
1 mars 2017	5%	2,95%
1 septembre 2017	5%	3,05%
1 mars 2018	5%	3,16%
1 septembre 2018	5%	3,26%
1 mars 2019	5%	3,37%
1 septembre 2019	5%	3,48%
1 mars 2020	5%	3,59%
1 septembre 2020	5%	3,71%
1 mars 2021	5%	3,84%
1 septembre 2021	5%	3,96%
1 mars 2022	5%	4,09%
1 septembre 2022	5%	4,23%
1 mars 2023	5%	4,37%
1 septembre 2023	5%	4,51%
1 mars 2024	5%	4,66%
1 septembre 2024	5%	4,82%
1 mars 2025	5%	4,98%
1 septembre 2025	5%	5,14%