



**PRESS RELEASE**

**THE PARIS CLUB AND MOLDOVA AGREE TO A DEBT  
RESTRUCTURING**

Paris Club creditors agreed on 12 May 2006 with the Government of Moldova to a restructuring of its external debt. This agreement follows the International Monetary Fund's approval of Moldova's arrangement under the Poverty Reduction and Growth Facility on 5 May 2006 in support of the Government's ambitious reform programme.

This agreement consolidates roughly US\$ 150 million due on debts contracted by Moldova before 31 December 2000. This amount consists of arrears (US\$ 68 million, including late interest) due as of 30 April 2006 as well as maturities falling due from 1 May 2006 up to 31 December 2008 (US\$ 81.8 million).

The rescheduling of the maturities and 30% 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 15 years, with 5 years of grace with progressive repayment, at the Appropriate Market Rate. The remaining 70% 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\$ 149.9 million to US\$ 60.8 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 Moldova's economic outlook. This rescheduling will satisfy Moldova's financing requirements for 2006-2008.

### **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 Germany, Italy, Japan, the Russian Federation and the United States of America.

Observers at the meeting were representatives of the Governments of France, the Netherlands, Norway and the United Kingdom, as well as the International Monetary Fund, the International Bank for Reconstruction and Development, the Secretariat of the UNCTAD and the European Commission.

3. The delegation of Moldova was headed by Mr. Mihail POP, Minister of Finance. The meeting was chaired by Mr. Ramon Fernandez, Deputy Assistant Secretary at the Treasury and Economic Policy General Directorate 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 Moldova's economic program was approved by the International Monetary Fund on 5 May 2006.

2. The total stock of Moldova's debt was estimated as of 31 December 2005 to be US\$ 821 million (source: IMF). The stock of debt owed to Paris Club creditors in March 2006 was estimated to be US\$ 276.1 million out of which US\$ 267.6 million are pre cut-off-date claims (out of which US\$ 58.1 million are Official Development Assistance –ODA- loans) and US\$ 8.5 million are post cut-off-date (source: Paris Club creditors).

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 Moldova, the cut-off date was set at 31 December 2000.

<b>PROFIL DE REMBOURSEMENT / RESCHEDULING PROFILE</b>	
	<b>(%)</b>
1-mars-13	2,00
1-sept-13	2,00
1-mars-14	2,00
1-sept-14	2,00
1-mars-15	1,74
1-sept-15	1,99
1-mars-16	2,29
1-sept-16	2,63
1-mars-17	3,02
1-sept-17	3,46
1-mars-18	3,98
1-sept-18	4,56
1-mars-19	5,24
1-sept-19	6,02
1-mars-20	6,91
1-sept-20	8,00
1-mars-21	9,10
1-sept-21	9,00
1-mars-22	11,99
1-sept-22	12,07