



PRESS RELEASE

**THE PARIS CLUB RESCHEDULES US\$ 16 MILLION
OF GRENADA'S DEBT**

Paris Club creditors agreed on 12 May 2006 with the Government of Grenada to a restructuring of its external public debt. This agreement follows the International Monetary Fund's approval of Grenada's arrangement under the Poverty Reduction and Growth Facility on 17 April 2006.

This agreement reduces by over 90% the debt service due to the Paris Club creditors during the Fund supported programme under the PRGF. It rescheduled roughly US\$ 16 million consisting of arrears (roughly US\$ 12 million, including late interest) due as of 1 January 2006 as well as maturities falling due from 1 January 2006 up to 31 December 2008 (roughly US\$ 4 million).

The rescheduling is conducted under the following terms: medium and long term claims are to be repaid progressively over 12 years, including 5 years of grace (see table attached). ODA loans will be rescheduled at a rate not higher than the interest rate of the original loans. Other loans will be rescheduled at a market interest rate (known as "appropriate market rate") defined on the basis of risk-free rates for the currency considered.

On an exceptional basis and considering Grenada's very low capacity of payment, this agreement also defers a very substantial part of the moratorium interest due under this rescheduling and defers until 2009 through 2013 the repayment of arrears accumulated on short term debt.

Grenada agreed to seek comparable treatment from its other creditors. The principle of comparability of treatment aims to ensure a balanced treatment among all external creditors of the debtor country.

The Paris Club agreed in principle to consider, if needed, a new treatment of Grenada's debt after 31 December 2008 if Grenada fulfils the commitments under the present rescheduling and concludes a new agreement with the IMF.

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 Belgium, France, the Russian Federation, the United Kingdom and the United States of America.

Observers at the meeting were representatives of the Governments of Canada, Germany, Italy and the Netherlands, 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 Grenada was headed by Hon. Anthony BOATSWAIN, Minister of Finance and Planning. The meeting was chaired by Mr. Ambroise FAYOLLE, Assistant Secretary at the Treasury and Economic Policy General Directorate of the French Ministry of Economy, Finance and Industry, Co Chairman of the Paris Club.

Technical notes

1. An arrangement under the Poverty Reduction and Growth Facility was approved by the International Monetary Fund on 17 April 2006.

2. The stock of debt owed by Grenada to Paris Club creditors as of 1 January 2006 was estimated to be US\$ 17 million entirely concluded prior to the cut off date.

The cut off date (30 June 2004 for Grenada) is used by Paris Club creditors for the sole internal purposes of the Paris Club agreement for official bilateral creditors. 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 rescheduling. Thus, the cut off date helps restore access to credit for these debtor countries.