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INFORMATION

March 9, 1983

To: Members of the Executive Board
From: The Acting Secretary
Subject: External Debt Servicing Problems - Background Information

This paper provides background information to the paper on Fund policies and external debt servicing problems (SM/83/45, 3/8/83), which has been tentatively scheduled for discussion on Wednesday, April 6, 1983.

Att: (1)

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INTERNATIONAL MONETARY FUND

External Debt Servicing Problems
Background Information

Prepared by the Exchange and Trade Relations Department ^{1/}
(In consultation with the Area and Other Departments)

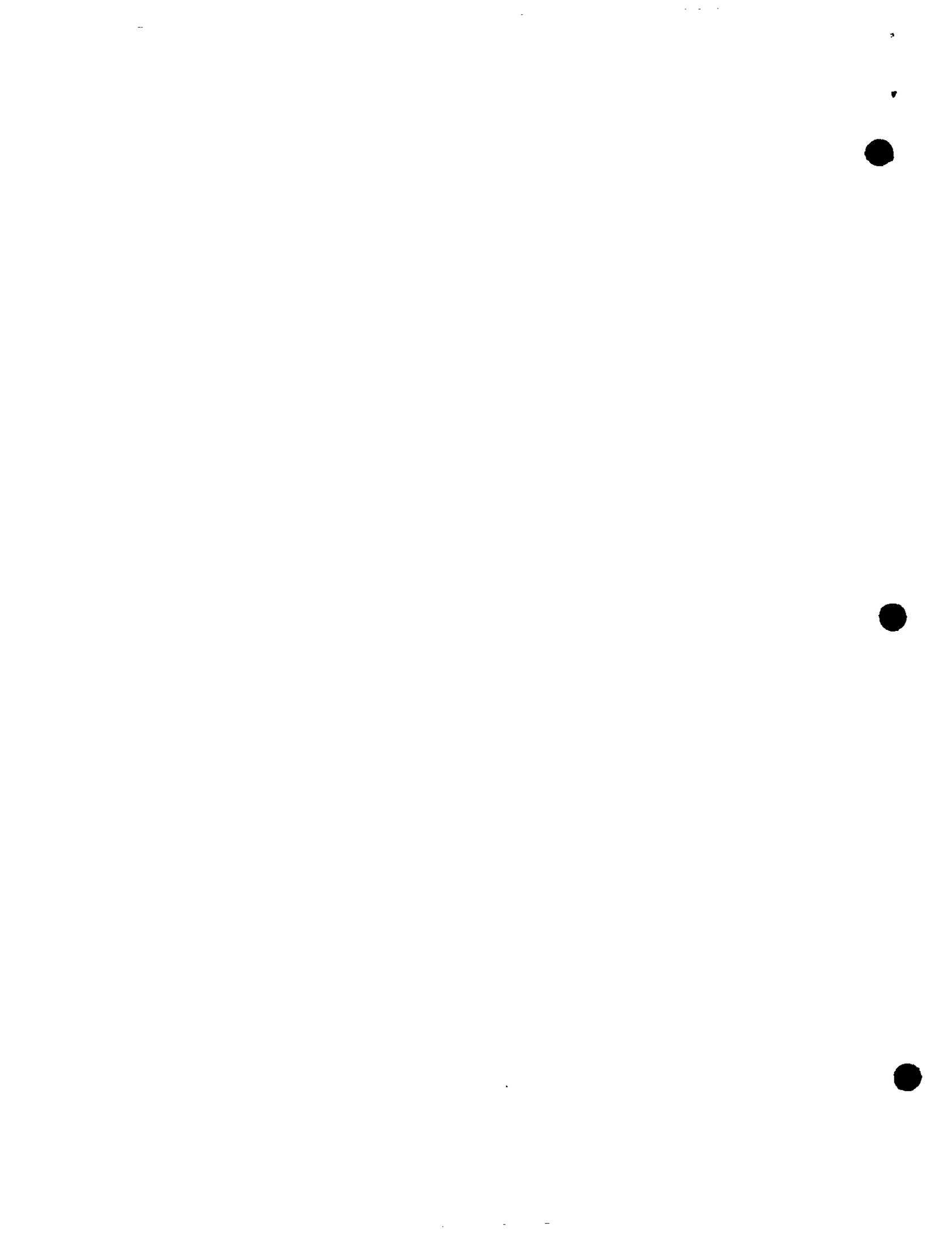
Approved by C. David Finch

March 8, 1983

This paper provides background information on a number of topics reviewed in SM/83/45 (3/8/83) "Fund Policies and External Debt Servicing Difficulties." It consists of three separate papers covering the following subjects:

- Part I. Summary of Official Multilateral Debt Renegotiations
1975-1982
- Part II. External Debt Management of Selected Member Countries
- Part III. Experience with External Debt Limitations in Fund-
Supported Programs, 1979-82
- Annex Performance Criteria in Upper Credit Tranche
Conditionality Programs Associated with Multilateral
Debt Rescheduling, 1980-82

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Part I

Survey of Official Multilateral Debt
Renegotiations, 1975-1982

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Part I

Survey of Official Multilateral Debt Renegotiations, 1975-1982

I. Introduction

The purpose of this paper is to describe the principal features of official multilateral debt renegotiations that took place during 1975-1982. ^{1/} This paper documents the recent rise in the number of reschedulings, and surveys the debtor and creditor countries involved (Section III); describes the broad framework of debt renegotiations (Section IV); summarizes the terms of reschedulings, with particular emphasis on notable recent developments (Section V); examines the linkages with the Fund-supported program (Section VI); and discusses the impact of debt relief on the balance of payments and debt profile of the debtor countries (Section VII). Two renegotiations have taken place so far in 1983--one for Costa Rica and the other for Sudan. The coverage of these reschedulings in this paper is limited to brief descriptions, in the text, of major new features of the agreement for Sudan. A detailed description of each agreement concluded during 1981-82 is provided in the Annex.

II. Summary

Official multilateral debt renegotiations are normally undertaken under the aegis of the Paris Club. The Paris Club deals with rescheduling of debt service payments which are falling due and/or are already in arrears. Debt covered by the Paris Club is that owed to or guaranteed by the governments and the official agencies of the participating creditor countries. Normally, both principal and interest payments on medium- and long-term loans are rescheduled. As a rule, the Paris Club does not reschedule payments to service short-term debt and those which have already been rescheduled. Although there have been a few exceptions with regard to short-term debt, the exclusion of previously rescheduled debt has been virtually complete. While there have been two instances during 1975-1982 where rescheduled debt was consolidated, only one of them--undertaken outside of the Paris Club--involved a substantive amount and a long repayment period. In February 1983, another exception was made for Sudan where 100 per cent of arrears on previously rescheduled debt, as well as 100 per cent of payments due in 1983 on short-

^{1/} Descriptions of multilateral debt renegotiations which took place prior to 1975 are contained in the following three staff papers: "Multilateral Debt Renegotiations - Experience of Fund Members" (SM/71/204, 8/6/71); "Multilateral Debt Renegotiations - Experience of Fund Members, 1971-74" (SM/74/228, 9/25/74); and "Avoidance and Resolution of Debt Servicing Difficulties" (SM/76/202, 9/27/76). The agreements concluded during 1975-1980 are described in detail in "Survey of Official Multilateral Renegotiations, 1975-1980" (SM/80/274, 12/30/80).

medium-, and long-term loans were rescheduled. The consolidation period (i.e., the period in which payments to be consolidated must fall due) is normally 12 months, although consolidation for 18 months was not uncommon. A longer consolidation was granted only for cases of acute difficulties. However, most countries obtained debt relief more than once and, thus, the consolidation became de facto medium-term.

The agreements specified the repayment schedule for payments which were rescheduled and, also, for those which were not consolidated. The schedule for the latter normally involved a postponement from the original due date. Downpayments (i.e., payments falling due within the consolidation period) were equivalent to 0-5 per cent of total repayments in about one half of the reschedulings of arrears, and in about two thirds of the reschedulings of current maturities. The effective rescheduling (i.e., total repayments minus downpayments) was 90 per cent or larger in about two thirds of the reschedulings of arrears, and in about three quarters of the reschedulings of current maturities. The rescheduling was effectively 100 per cent in nearly one quarter of the reschedulings of both arrears and current maturities. Generally, repayments were made, first, in a relatively small amount for 3-4 years ("grace period") and, subsequently, in a larger amount for 4-5 years ("a repayment period"). Recently, the length of the grace period became longer and annual average payments as a proportion to total rescheduled payments became smaller. The 1983 Sudan rescheduling went well beyond the established norms by providing for no repayments, except interest, for 5 1/2 years following the consolidation period, and a repayment period of 9 1/2 years thereafter.

The agreements stipulated, in all cases but one, that the debtor country would seek renegotiations of private debt and would not agree to a renegotiation that would result in a more favorable treatment being given to any other creditor than to the participating creditors. There was a parallel commercial bank debt rescheduling in most recent Paris Club cases.

The creditors rely on the Fund to help restore the financial viability of the debtor country concerned. For this purpose, the debtor country was required, as a precondition, to convene the meeting to discuss the rescheduling, to conclude a financial arrangement with the Fund subject to upper credit conditionality; also, when conditional further rescheduling of payments falling due in the near future was envisaged, such rescheduling was subject to the stipulation that the country continued to have a Fund-supported program or remained eligible to draw under the existing program. When creditors agreed to consider further debt relief in the period after the consolidation period, the country was asked to have a Fund-supported program in place at the time of discussion of such debt relief. Recently, in several cases where the creditors thought that the debtor country's balance of payments problem was particularly serious, the agreed consolidation was made conditional upon the observance of all performance criteria throughout the consolidation period.

In a large number of cases, debt relief contributed substantially to financing the balance of payments deficits. The amount of debt relief was greater than 50 per cent of the current account deficit in about one half of all cases, and 30 per cent of annual export earnings in about one third of the cases. The amount was, however, rather small relative to the debt outstanding in about two thirds of the reschedulings. The quantitative significance of the debt relief declined markedly in 1982. This decline came about largely because most of the reschedulings in that year involved debtor countries which had arranged a rescheduling previously, and payments previously rescheduled were not eligible for consolidation.

The normal terms of official debt reschedulings are designed to deal with the situation where a bunching of debt service payments in a 1-2 year period gave rise to temporary liquidity problems. Among the cases during 1975-1982, there were perhaps only a few cases where a bunching was the main source of the difficulties. In others, it was expected, at the time of rescheduling, that a high debt service ratio would continue for several years, and further reschedulings were subsequently arranged for the debtor country.

III. Overview

During 1975-1982, there were 33 official multilateral debt reschedulings involving 18 debtor countries (Table 1). These countries were all non-oil developing countries, including 9 which are normally considered as low-income countries. Although every continent was represented in the group of 18 countries, African countries comprised the majority. The group also included two centrally planned economies. Debt relief amounted to less than US\$300 million in all cases, except for Peru, Poland, Sudan, Turkey, and Zaire.

Most of the reschedulings were undertaken within the framework of the Paris Club, although debt relief was also provided through aid consortia and under the aegis of the OECD. Irrespective of the forum, the creditor countries that participated were mostly members of the OECD which had claims against the debtor in excess of a certain amount (Table 2). A notable exception was Abu Dhabi which participated in the debt relief for Zaire in 1979 and 1981. The number of participating creditor countries ranged normally between 11 and 15, although it was as small as 4 in one case and as large as 17 in two cases.

A notable development during the last two years was a sharp increase in the number of reschedulings (Chart 1). There were 9 agreements in 1981 and 6 in 1982, compared to 2-4 per year during 1975-1980. The reschedulings in 1981-82 involved 6 countries which had not sought debt relief before. It may be noted that several countries in acute debt servicing difficulties did not obtain official debt relief in 1982 because they were not able to conclude a stand-by or extended arrangement with the Fund, a precondition by creditors for convening a rescheduling meeting for a country that is a member of the Fund.

Table 1. Official Multilateral Debt Renegotiations, 1975-1982

--Overview--

Debtor Country	Date of Agreement	Forum	Number of Participating Creditors	Amount Rescheduled (In millions of U.S. dollars)
Chile (1975)	May 6, 1975	Paris Club	7	230
India (1975)	June 27, 1975	Consortium	13	228
India (1976)	May 28, 1976	Consortium	13	200
Zaire (1976)	June 16, 1976	Paris Club	11	270
India (1977)	July 5, 1977	Consortium	13	110
Zaire (1977-I)	July 7, 1977	Paris Club	11	170
Sierra Leone (1977)	Sept. 15, 1977	Paris Club	6	39
Zaire (1977-II)	Dec. 1, 1977	Paris Club	10	40
Turkey (1978)	May 20, 1978	OECD	14	1,300
Gabon (1978)	June 20, 1978	Special task force	5	63
Peru (1978)	Nov. 3, 1978	Paris Club	14	420
Togo (1979)	June 15, 1979	Paris Club	9	260
Turkey (1979)	July 25, 1979	OECD	17	1,200
Sudan (1979)	Nov. 13, 1979	Paris Club	11	487
Zaire (1979)	Dec. 11, 1979	Paris Club	14	1,040
Sierra Leone (1980)	Feb. 8, 1980	Paris Club	7	37
Turkey (1980)	July 23, 1980	OECD	17	3,000
Liberia (1980)	Dec. 19, 1980	Paris Club	8	35
Pakistan (1981)	Jan. 15, 1981	Consortium	9	216
Togo (1981)	Feb. 20, 1981	Paris Club	11	232
Poland (1981)	Apr. 27, 1981	Special task force	15	2,200
Madagascar (1981)	Apr. 30, 1981	Paris Club	11	140
Cen. Afr. Rep. (1981)	June 12, 1981	Paris Club	6	72
Zaire (1981)	July 9, 1981	Paris Club	12	500
Senegal (1981)	Oct. 12, 1981	Paris Club	13	75
Uganda (1981)	Nov. 18, 1981	Paris Club	6	30
Liberia (1981)	Dec. 16, 1981	Paris Club	8	30
Sudan (1982)	Mar. 18, 1982	Paris Club	13	80
Madagascar (1982)	July 13, 1982	Paris Club	11	107
Romania (1982)	July 28, 1982	Paris Club	15	234
Malawi (1982)	Sept. 22, 1982	Paris Club	6	25
Senegal (1982)	Nov. 29, 1982	Paris Club	12	74
Uganda (1982)	Dec. 1, 1982	Paris Club	4	19

Source: Agreed Minutes of debt rescheduling.

CHART 1
NUMBER OF RESCHEDULING AGREEMENTS, 1975-1982

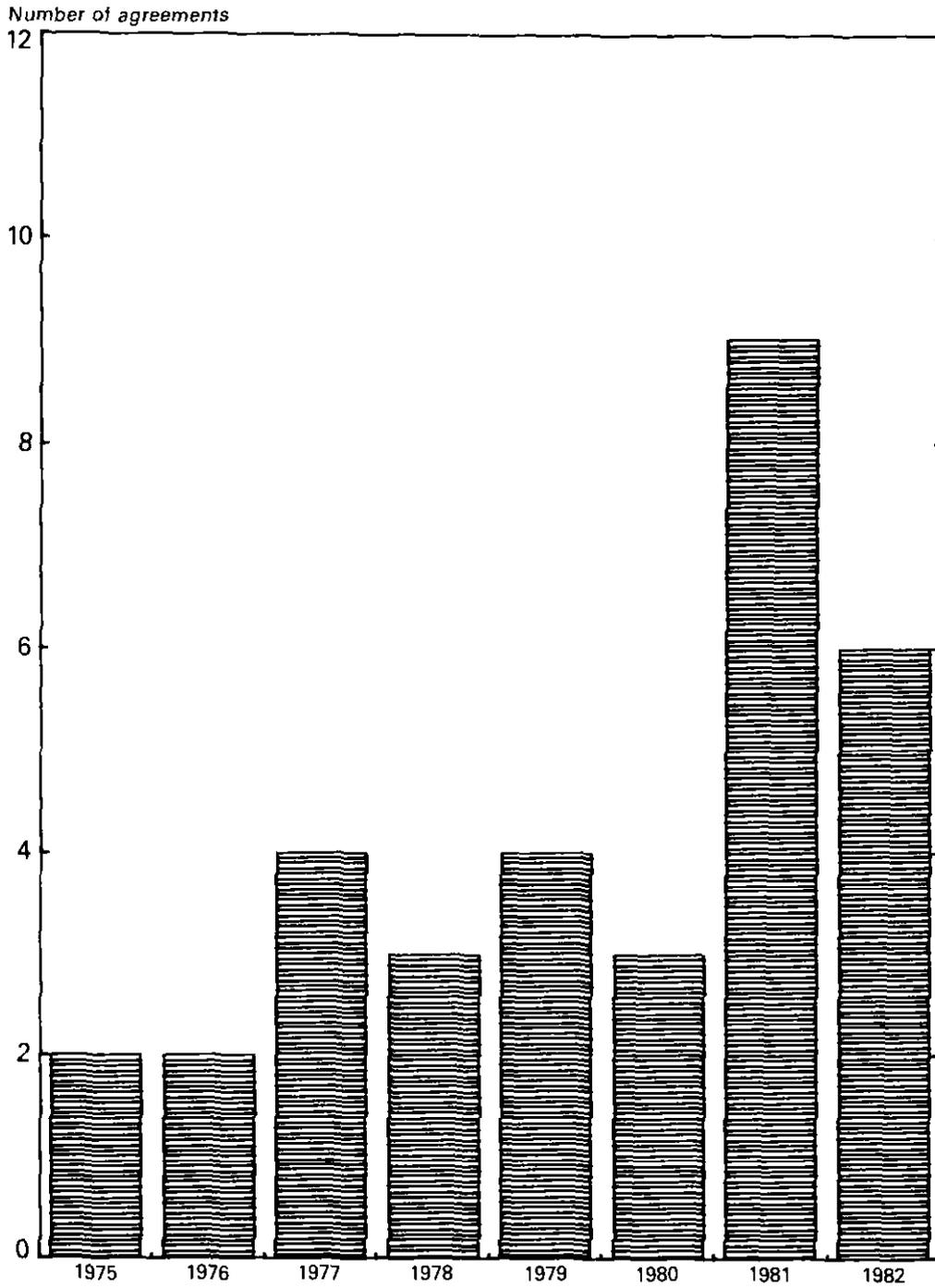




Table 2. Official Multilateral Debt Renegotiations, 1975-1982

--Participating Creditor Countries--

Country	Number of Reschedulings in Which the Country Participated
Germany	29
France	28
Italy	27
United Kingdom	27
United States	26
Belgium	23
Japan	23
Netherlands	21
Sweden	21
Canada	19
Switzerland	18
Austria	15
Norway	13
Denmark	10
Spain	9
Finland	4
Abu Dhabi	2
Australia	2
Israel <u>1/</u>	1
South Africa	1

Source: Agreed Minutes of debt rescheduling.

1/ Participated as observer because the payments Israel consolidated were those which would have been renegotiated in the previous meeting, if the country had participated.

IV. Framework of Renegotiation

Official multilateral debt renegotiations deal with the rescheduling of payments to service the debt to, or guaranteed by, the Government or the official agencies of the participating countries, which are falling due and/or are already in arrears. The Agreed Minutes specify the coverage of debt consolidated (e.g., all loans with original maturity longer than one year), the date by which debt to be consolidated must have been contracted (cut-off date), the period in which payments to be consolidated must fall due (consolidation period), the proportion of rescheduled payments to all payments eligible for consolidation, and the repayment schedule of the rescheduled debt. The agreement sometimes sets forth the terms of rescheduling for payments to fall due in the near future; such rescheduling would take place without a meeting, if the debtor country met certain conditions that are specified in the Agreed Minutes (conditional further rescheduling). In this paper, the period covered by conditional further rescheduling is included in the consolidation period. The Minutes may also express the creditors' willingness to consider further debt relief in the future, stating the conditions that must be observed in order for the creditors to honor this commitment (goodwill clause). There are also cases where no provisions for further debt relief are incorporated in the agreement.

It has been the long-standing principle of the Paris Club that the participation of a particular creditor in the multilateral rescheduling does not imply any judgment by the Paris Club on the validity of individual claims of any particular creditor, including claims which are under legal dispute. Any such disputes would be resolved bilaterally. This principle was reaffirmed in a recent case.

The terms of rescheduling specified in the Agreed Minutes are those that the creditors' club recommends to their respective government to incorporate in the subsequent bilateral agreements between the debtor and each creditor country, which forms the legal basis for the debt rescheduling. Interest rates on the rescheduled debt are set in the bilateral agreement. There have often been undue delays in concluding bilateral agreements and, recently, the Minutes set the date by which the bilateral agreement would have to be signed. The participating creditors and the debtor agree to exchange a copy of the bilateral agreement. However, a comprehensive set of bilateral agreements is often not available, even at the Secretariat, due in part to the delay in concluding such agreements. Information is often incomplete regarding the amount rescheduled by each creditor, interest rates, and actual payments under the agreement.

The Agreed Minutes contain two other important provisions. First, in order to ensure that the debts to nonparticipating creditors are not repaid on terms more favorable than those for participating creditors, the creditors require that the debtor country would (i) not agree to a renegotiation that would result in a more favorable treatment being given to any other creditor than to the participating creditors (most

favored nation clause) and (ii) seek renegotiations of private debt on terms comparable to those of the Agreed Minutes (initiative clause). Second, the debt relief could take the form of either rescheduling or refinancing (i.e., to place new funds at the disposal of the debtor in an amount equal to the value of consolidated payments).

V. Terms of Rescheduling

Coverage of debt consolidated

During 1975-1982, the official multilateral negotiations rescheduled payments to service (a) commercial credits guaranteed or insured by the Government or the official agencies of the participating creditor countries and (b) loans extended directly by the entities listed above. The reschedulings covered the debt owed by both public and private entities, and the acceptance of rescheduling of debt owed by private entities did not imply that the government of the debtor country accepted obligations beyond those contained in the original contracts. In the reschedulings for Senegal (1982) and Togo (1979), debt owed by private entities not guaranteed by the government of the debtor country was excluded from consolidation. Normally, payments to service the debt with original maturity longer than one year were rescheduled. However, the consolidation for Chile (1975) was limited to the debt with original maturity of 1-40 years and the rescheduling for Pakistan (1981) covered only loans on concessional terms. In the special case of India (1975) undertaken within the framework of an aid consortium, the coverage of the debt was left to be determined bilaterally between the debtor and each creditor country. ^{1/}

It has been one of the fundamental principles governing official multilateral negotiations that creditors do not reschedule short-term debt and payments which have already been rescheduled (Appendix Table I). There were several exceptions with regard to short-term debt during 1975-1982. Short-term principal and interest payments in arrears were rescheduled for Turkey (1978, 1979, and 1980), Zaire (1979), and Madagascar (1981 and 1982), and current maturities were consolidated for Turkey (1980). With regard to previously rescheduled debt, a minor exception involving a small amount and a short postponement was made once (Zaire, 1979), and a larger scale exception was involved in the rescheduling for Turkey (1980). In February 1983, another exception was made for the rescheduling for Sudan, where 100 per cent of arrears on principal and interest payments resulting from the previous consolidations, as well as 100 per cent of payments due in 1983 on short-, medium-, and long-term debt, were rescheduled with a long repayment period. Another feature of the Sudan rescheduling is that, for the first time, one half of the interest due in 1983 on the amount rescheduled was capitalized and consolidated together with the other payments.

^{1/} India is excluded from the following discussion on the terms of rescheduling as this case adopted an unconventional framework.

The creditors normally reschedule principal and interest payments, both payments falling due (current maturities) and, if applicable, those in arrears. In earlier years, current interest payments were sometimes excluded (Zaire, 1976 and 1977, and Peru, 1978). Gabon (1978) was a special case where only principal payments in arrears were rescheduled. In the renegotiation for Uganda (1982), a country attended the meeting, as observer, which had claims in arrears that would have been rescheduled in the previous (1981) meeting if it had been represented in that meeting; the 1982 agreement rescheduled those claims according to the schedule adopted in the 1981 agreement.

Cut-off date

The cut-off date (i.e., the date by which debt to be consolidated must have been contracted) is one of the factors determining the amount of debt relief. The closer this date is to the consolidation period, the greater would be the debt that is eligible for consolidation. During 1975-1980, the cut-off date was normally set at 4-18 months before the date of agreement, and 0-12 months before the beginning of the consolidation period (Appendix Table II). Notable changes in favor of the debtor appear to have taken place since 1981 in the setting of the cut-off date. During 1981-82, the cut-off date was set 3-9 months before the date of agreement and, in the majority of cases, the date was fixed so as to include all loans contracted until the beginning of the consolidation period. Important exceptions to these general developments were Zaire (1981), Liberia (1981), and Senegal (1982): in these instances, the period between the cut-off date and the agreement date, or the beginning of the consolidation, was rather long because the cut-off date was set close to that of the previous debt rescheduling.

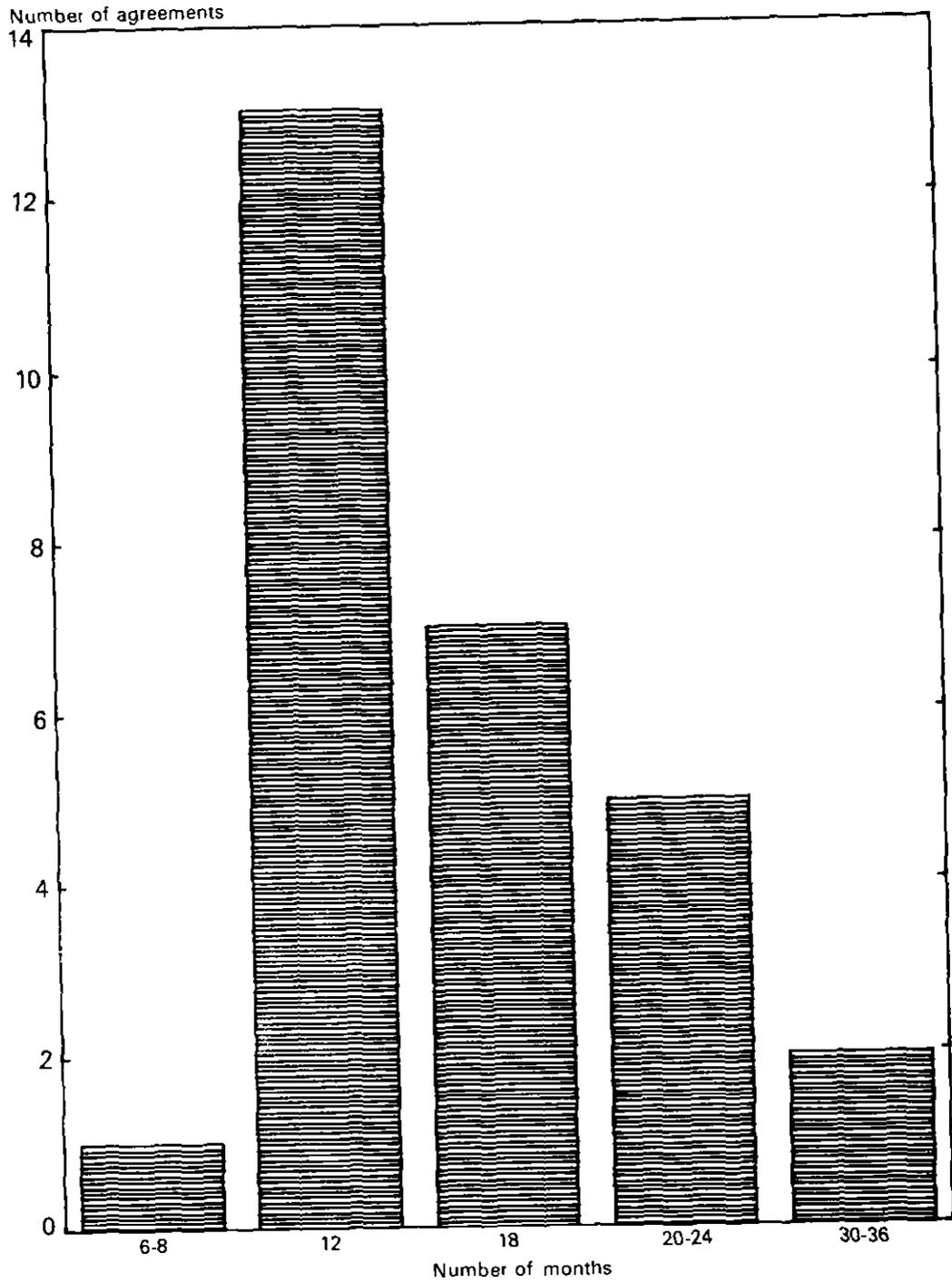
Consolidation period and goodwill clause

The consolidation period of 12 months was most common in the reschedulings during 1975-1982 (Chart 2; Appendix Table III). However, consolidation of 18 months was not infrequent (7 cases), and even longer consolidation was granted for cases of acute difficulties of Sierra Leone, Sudan, Togo, Turkey, and Zaire. ^{1/} The longest consolidation period was 36 months, but this was the exceptional case of Turkey (1980) held outside of the Paris Club. Where the consolidation period was 12 months, current maturities due in the entire period were rescheduled immediately. Consolidation involved conditional further rescheduling in about one half of the cases where the consolidation period was 18 months, and consolidation for a period longer than 18 months involved conditional further rescheduling in virtually all cases.

Although the consolidation period for each rescheduling was normally limited to less than 19 months, most countries obtained a consolidation

^{1/} Although Peru (1978) does not belong to this category, it obtained a 24-month consolidation.

CHART 2
CONSOLIDATION PERIOD





of current maturities for a period longer than 23 months as they concluded two or three agreements during 1975-1982 (Table 3). For six countries, the aggregate consolidation period was even longer than 36 months.

Traditionally, the creditor clubs have responded to a request from the debtor country for consolidation of a period longer than 12-18 months by agreeing to consider future request for debt relief when the stipulated consolidation period was near its end (goodwill clause). While the goodwill clause was rarely utilized during 1975-1980, the clause was incorporated in all reschedulings during 1981-82, except for the cases where the debtor had obtained debt relief at least once in the preceding 1-2 year period. The goodwill clause contained the provisions that when the creditor countries meet to consider further debt relief under this clause, the debtor country will have (a) obtained debt relief from nonparticipating creditors on comparable terms and (b) agreed with the Fund on a new financial arrangement subject to upper credit tranche conditionality. It may be noted, however, that the creditors appear to have agreed to further debt relief, irrespective of the existence of the goodwill clause, as long as (i) there were acute debt servicing difficulties and (ii) the debtor country had a Fund-supported program in place. Liberia (1981) is one example where further debt relief was given at the end of the consolidation period of the previous rescheduling, which did not include a goodwill clause.

Proportion of payments rescheduled

The Agreed Minutes stipulate what proportion of payments eligible for consolidation should be rescheduled (i.e., formal rescheduling). They also specify the repayment terms of the unrescheduled portion which usually involve a postponement from the original due date for some or all unrescheduled payments. Of the unrescheduled payments, the part which falls due within the consolidation period ^{1/} may be considered a downpayment, and the rest may be termed postponed unconsolidated payments. The proportion effectively rescheduled would equal those formally rescheduled plus postponed unconsolidated payments.

With respect to rescheduling of payments arrears, about one half of the cases involved a formal rescheduling of 100 per cent, with the rest almost evenly distributed between 80 per cent, 85 per cent, and 90 per cent (Chart 3, Appendix Table IV). However, in a number of the 100 per cent formal rescheduling cases, some of the repayments fell due within the consolidation period (and therefore considered as downpayments) and, hence, the effective rescheduling was less than 100 per cent. Effective rescheduling was 100 per cent only in about one fifth of the cases. On the other hand, the effective rescheduling was higher than the formal rescheduling in many of the cases where 80, 85, or 90 per cent of payments were formally rescheduled. These cases included provisions for spreading out the payments on the unrescheduled portions

^{1/} Excluding the period covered by conditional further rescheduling.

Table 3. Official Multilateral Debt Renegotiations, 1975-1982 ^{1/}

--Accumulative Consolidation Period--

Country	Number of Months for Which Current Maturities were Consolidated by Agreements	Number of Agreements
Poland	8	1
Chile	12	1
Central African Republic	12	1
Malawi	12	1
Pakistan	18	1
Peru	24	1
Senegal	24	2
Uganda	24	2
Madagascar	30	2
Liberia	36	2
Sudan	39	2
Togo	44	2
Sierra Leone	44	2
Turkey	61	3
Zaire	72	4 ^{2/}

Source: Agreed Minutes of debt rescheduling.

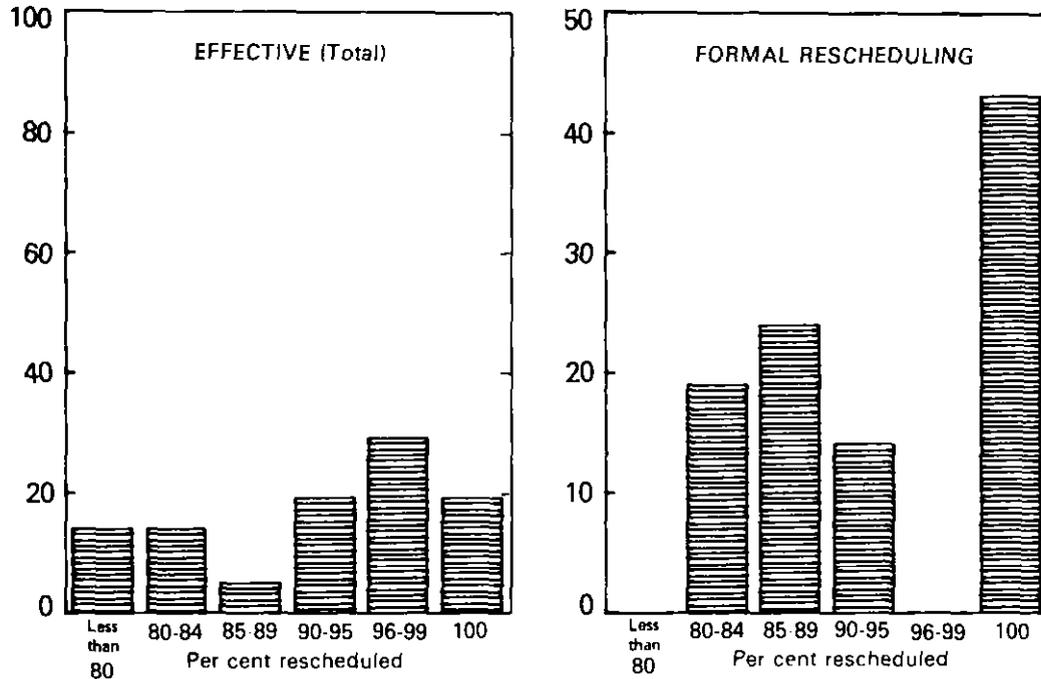
^{1/} Excluding Gabon and India. Gabon was excluded because the rescheduling involved only arrears.

^{2/} The agreement of December 1977 consolidated interest payments due during July 1-December 31, 1977. The consolidation of principal payments in this period was covered by an earlier agreement.

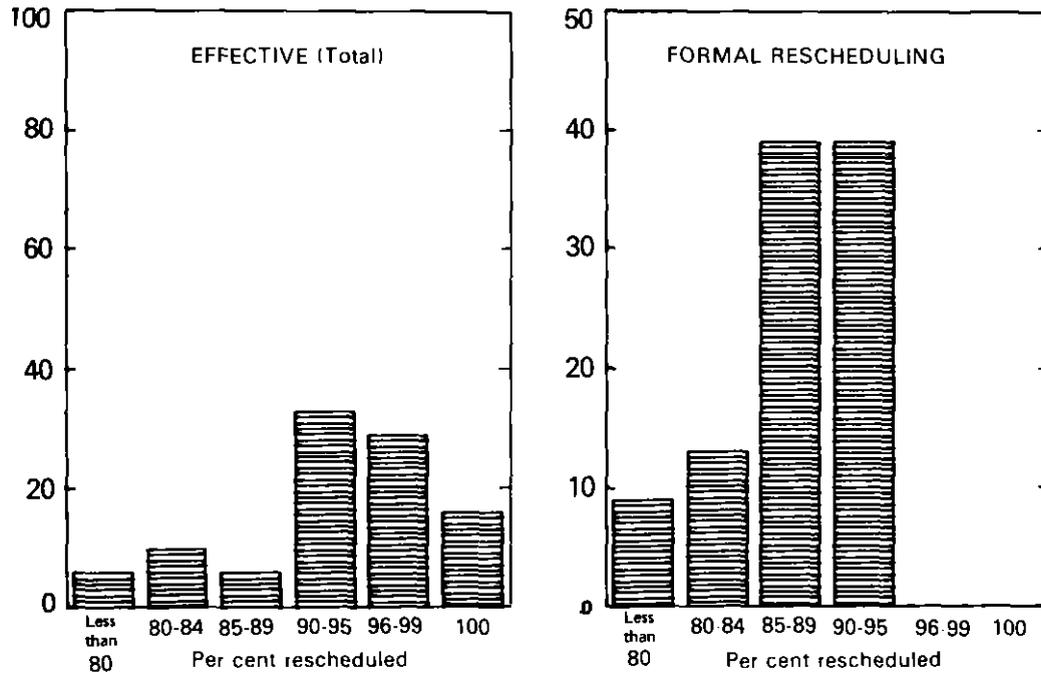
CHART 3 DISTRIBUTION OF PROPORTION OF PAYMENTS RESCHEDULED, 1975-82

(In per cent of rescheduling cases)

ARREARS



CURRENT MATURITIES





into several installments beyond the end of the consolidation period. Thus, the effective rescheduling for arrears was actually 90-99 per cent for the majority of the cases.

As for the rescheduling of current payments, there were no cases of 100 per cent formal rescheduling and more than three fourths of the cases involved formal rescheduling of 85 per cent and 90 per cent. Because of the phasing of payments of the unrescheduled portions, nearly four fifths of the cases involved an effective rescheduling of over 90 per cent. In fact, there were five cases (Zaire 1976, Zaire 1977-I, Turkey 1980, Senegal 1981 and 1982) where the effective rescheduling of current maturities was 100 per cent.

Downpayments

Downpayments are defined as those repayments that fall due during the consolidation period. In respect of arrears, downpayments equivalent to 1-5 per cent of total repayments were most common (Chart 4; Appendix Table IV). There were three cases (Sierra Leone 1977, Zaire 1977, and Sudan 1979) where there were no downpayments, while in three other cases (Togo 1979, Madagascar 1981 and 1982), the downpayments were over 30 per cent. In some of these latter cases, the large downpayment was required because of the inclusion of short-term debt in the rescheduling agreement. Downpayments associated with the rescheduling of current maturities never exceeded 20 per cent of total repayments, and were 1-5 per cent in about one half of the cases. No downpayment was required in one fourth of these cases.

Repayment schedule

The repayment schedule normally consists of two separate segments, one involving repayment of the formally rescheduled portion and the other involving those which were not rescheduled but postponed beyond the end of the consolidation period. With regard to current maturities, the repayment of the postponed, unconsolidated portion normally began immediately and was completed within 1-3 years; the formally rescheduled portion was repaid usually with a grace period of 2-4 years and maturity of 7-9 years (Chart 5; Appendix Table V). The repayment terms were much more varied for the rescheduling of arrears (Chart 6; Appendix Table VI). Where 100 per cent of eligible arrears were formally consolidated, no grace period was usually provided and the maturity averaged only about 4 years. Where less than 100 per cent of eligible payments were formally rescheduled, the repayment terms of the rescheduled portion were significantly more favorable for the debtor, and the repayment of the postponed, unconsolidated portion normally allowed a maturity of up to 3 1/2 years. Taking together the two segments, the repayment terms of the less than 100 per cent formal rescheduling cases were sometimes more favorable for the debtor than those where 100 per cent was formally consolidated. The 1983 Sudan rescheduling went well beyond the established norms by providing for no repayments, except interest, for 5 1/2 years following the consolidation period, and a repayment period of 9 1/2 years thereafter.

Since 1980, there were several developments toward liberalization of repayment terms. First, with respect to the repayments of arrears, in the period 1975-1979, very rarely did the maturity for the postponed, unconsolidated portions extend over 2 years, while in 1980-82, it is not uncommon to find maturities of 3 years or more (Appendix Table VI). In one case (Turkey 1980), the payments were spread out over 5 installments extending to 3 1/2 years after the consolidation period. Second, again with respect to repayments of arrears, the maturity for the rescheduled portion was increased to an average of 6.5 years in 1980-82 from an average of only 4.6 years for 1975-1979. Also, during this same period, the grace period rose from an average of 0.4 years to 2.6 years (Table 4). Third, the average grace period for repayments of formally rescheduled current maturities increased from 2.5 years in 1975-1979 to 4.0 years in 1980-82 (Table 5). Finally, and importantly, since 1981, a backloaded repayment scheme (i.e., the amount to rise gradually over time) has been used in an increasingly large number of cases (Appendix Table VIII). 1/

Nondiscrimination clauses

In order to ensure that the debt to nonparticipating creditors is not repaid on terms more favorable than those of participating creditors, the Agreed Minutes incorporated nondiscrimination clauses consisting of the most favored nation clause and the initiative clause. These two clauses were incorporated in all agreements in 1975-1982, except those for India. Since 1979, multilateral commercial bank rescheduling was initiated and/or agreed within six months prior to or preceding the date of official rescheduling in all cases, except those for Sierra Leone, Pakistan, Central African Republic, and Uganda (Appendix Table VII). At times, greater emphasis was given to the concern for equitable treatment by specifying a date by which a rescheduling agreement with commercial creditors was to be concluded.

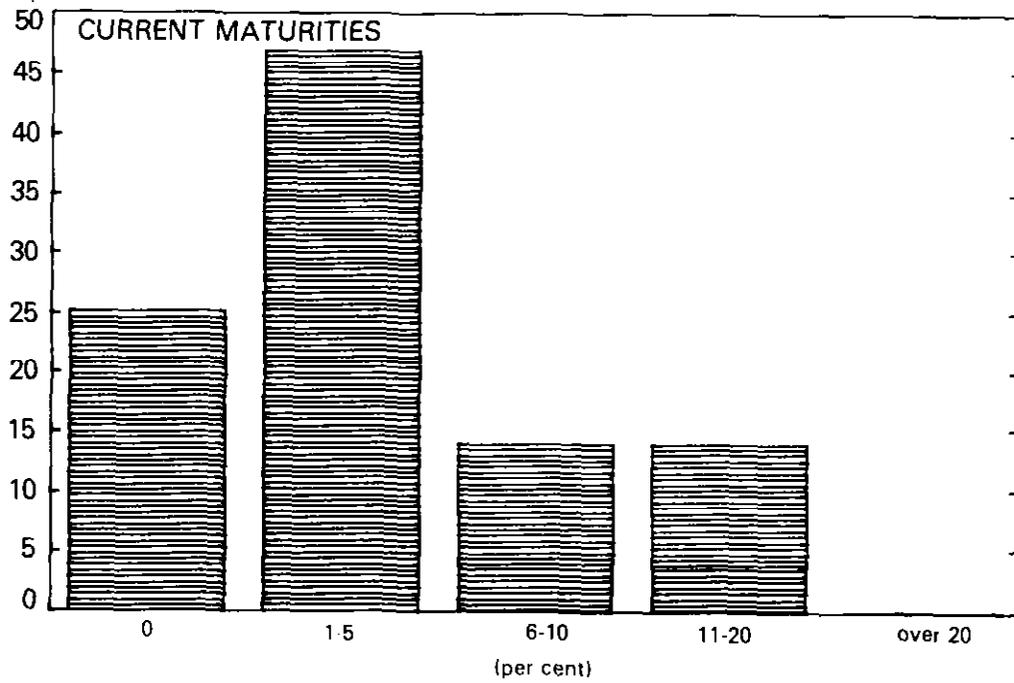
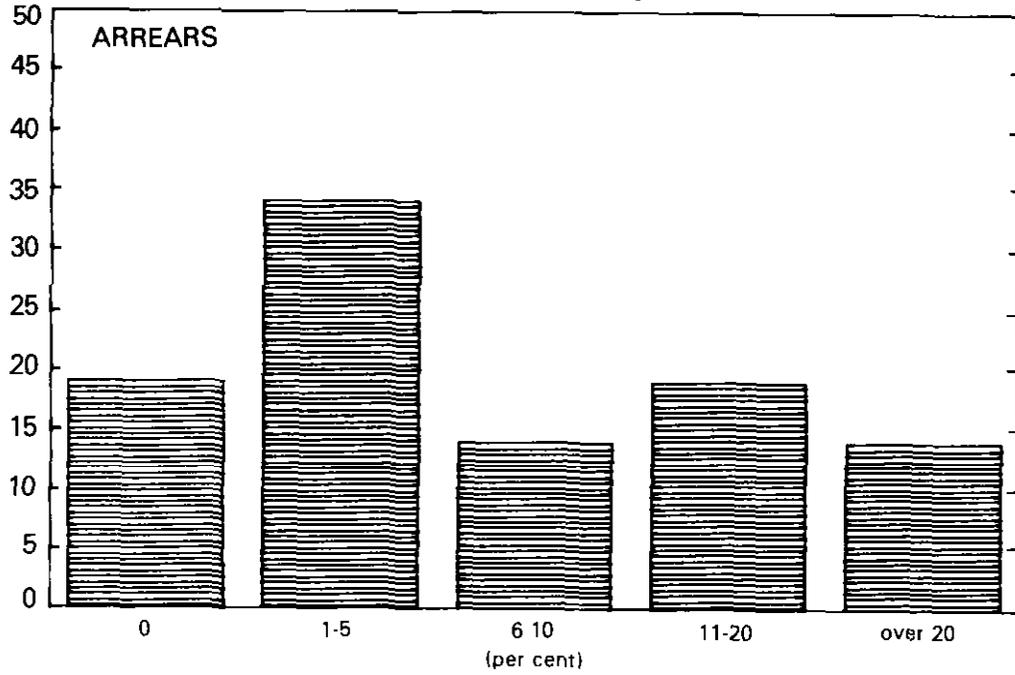
VI. Linkage with the Fund-Supported Program

The creditor clubs rely on the Fund to help restore the financial viability of a debtor country that is a member of the Fund. For this purpose, the rescheduling agreements contained four separate links with Fund-supported programs. First, as a precondition to convene the meeting to consider debt relief, the debtor country was required to agree with the Fund on use of Fund resources subject to upper credit tranche conditionality. There were four exceptions to this rule involving India and Sierra Leone; in the case of the latter, a first credit

1/ The payments in respect of the rescheduled amounts are usually made in equal installments on a semiannual basis over the repayment period. In one notable exception (Sudan's arrears, 1979), the repayments gradually increased from 7 per cent in the first 2 years of the repayment period to 21 per cent in the last installment.

CHART 4 DOWNPAYMENTS

(In per cent of rescheduling cases)



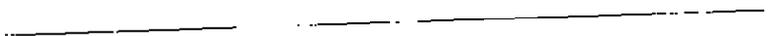
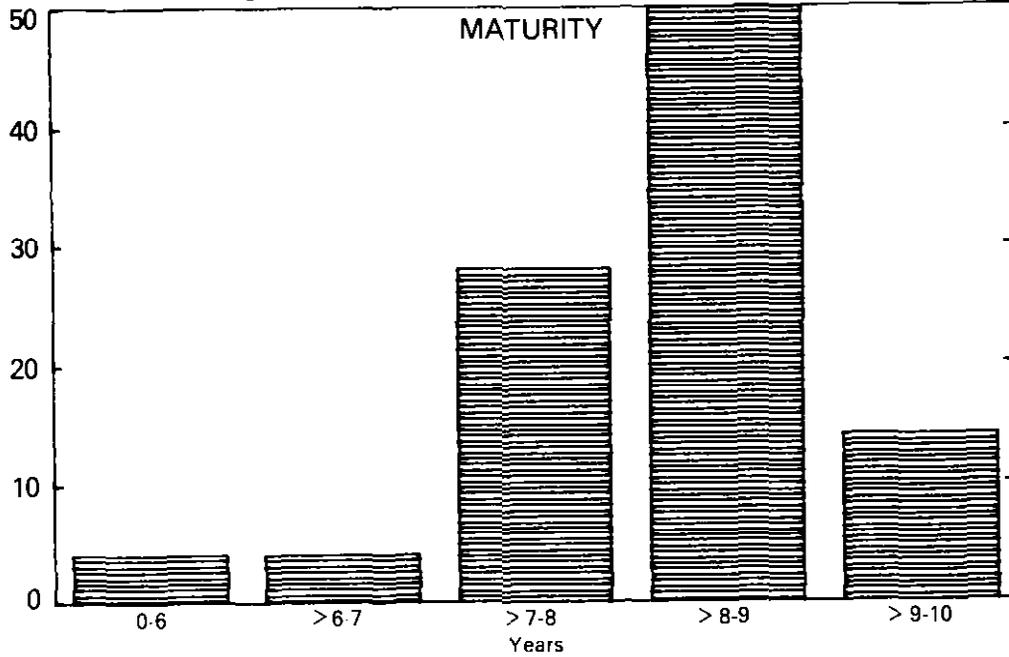


CHART 5
DISTRIBUTION OF REPAYMENT TERMS: CURRENT MATURITIES, FORMALLY RESCHEDULED PORTION, 1975-82

Per cent of rescheduling cases



Per cent of rescheduling cases

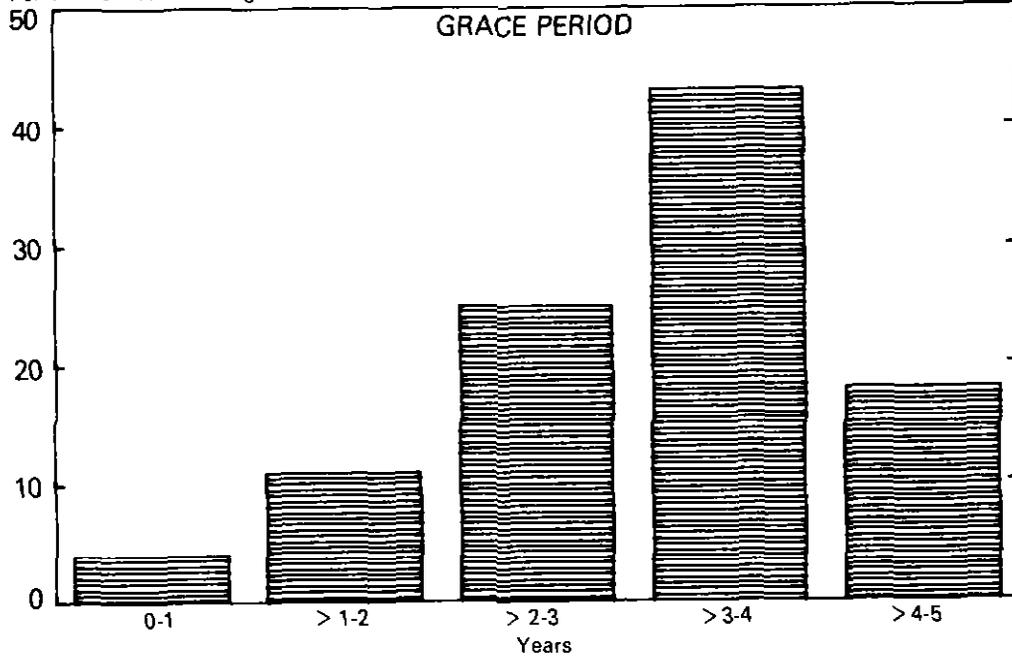
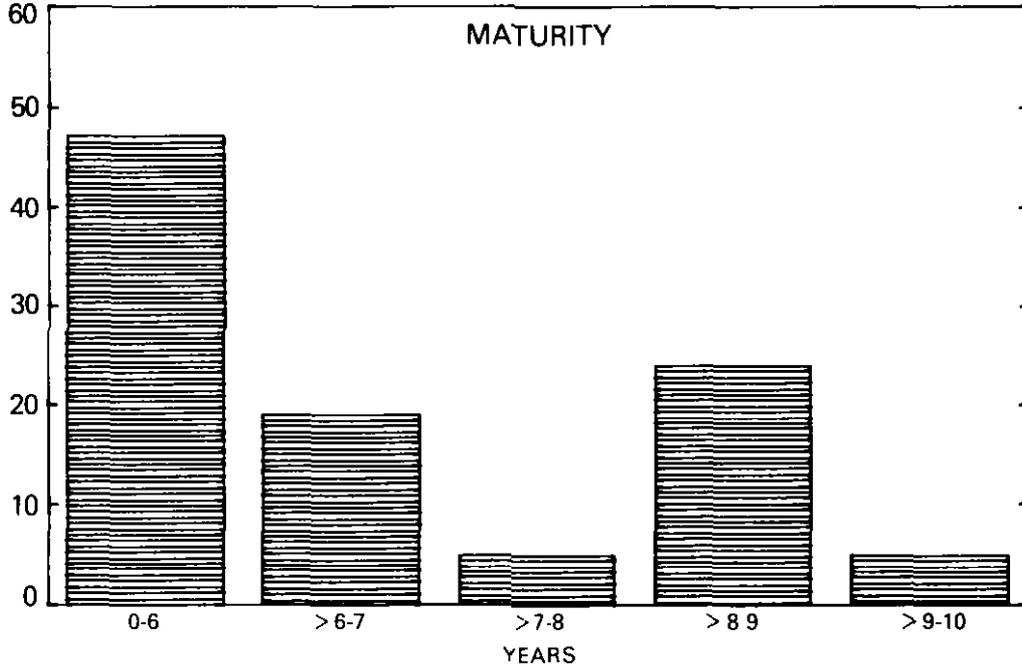




CHART 6
DISTRIBUTION OF REPAYMENT TERMS:
ARREARS, FORMALLY RESCHEDULED PORTION, 1975-82

Per cent of rescheduling cases



Per cent of rescheduling cases

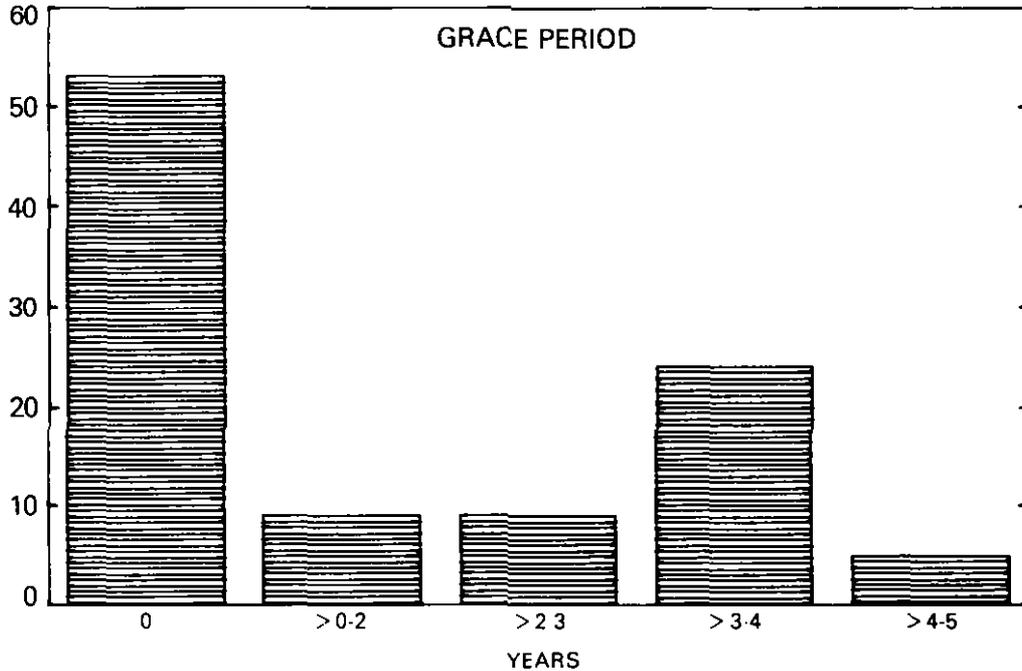




Table 4. Repayment Schedule of Payments Arrears, 1975-1982

	Down- payment (per cent)	Postponement of Unconsolidated Maturities			Formally Rescheduled Portion		
		Proportion in Total Repayments (per cent)	Average Grace Period (years)	Average Maturity (years)	Proportion in Total Repayments (per cent)	Average Grace Period (years)	Average Maturity (years)
1975	--	--	--	--	--	--	--
1976	7.5	7.5	--	1.0	85.0	--	6.5
1977 <u>1/</u>	--	3.8	0.3	0.8	91.3	0.1	2.1
1978	15.0	5.0	--	0.3	90.0	0.5	6.5
1979 <u>2/</u>	10.1	5.6	--	0.6	93.0	1.3	5.5
1980	6.5	5.2	--	2.0	93.3	2.7	7.3
1981	13.3	8.3	--	2.0	90.0	2.7	6.3
1982	21.4	2.5	--	0.6	90.0	2.5	5.9
Weighted averages							
1975-1982	(10.1)	(9.8)	(--)	(0.1)	(91.1)	(1.5)	(5.4)

Source: Appendix Table VI.

Note: See Appendix Table IV for the description and definition of the headings.

1/ Includes 3 separate rescheduling categories for Sierra Leone.

2/ Includes 2 separate rescheduling categories for Zaire.

Table 5. Repayment Schedule of Rescheduled Current Maturities, 1975-1982

	Down- payment (per cent)	Postponement of Unconsolidated Maturities			Formally Rescheduled Portion		
		Proportion in Total Repayments (per cent)	Average Grace Period (years)	Average Maturity (years)	Proportion in Total Repayments (per cent)	Average Grace Period (years)	Average Maturity (years)
1975	10.0	20.0	--	2.0	70.0	2.0	8.0
1976	--	15.0	1.5	2.5	85.0	1.0	7.5
1977	1.6	15.0	0.3	1.6	83.3	2.5	8.7
1978	10.0	5.0	--	0.5	85.0	2.5	3.8
1979	10.6	4.4	--	0.9	85.0	3.1	8.1
1980	1.7	8.3	--	2.7	90.0	3.9	8.8
1981	3.7	7.6	0.1	1.9	87.5	4.0	8.5
1982	6.2	8.0	--	2.1	85.8	4.0	8.4
Weighted averages							
1975-1982	(5.3)	(8.6)	(0.1)	(1.8)	(85.7)	(3.4)	(8.1)

Source: Appendix Table V.

Note: See Appendix Table IV for the description and definition of the headings.

tranche stand-by arrangement was in place (Table 6). Second, a Fund-related condition could be imposed on the validity of the rescheduling which is to take place. This provision was used in the case of Zaire (1979) where the condition was to reactivate the program which was not operational at the time of the agreement. The Paris Club began using the provision more regularly in October 1981; the condition was either to remain eligible to draw under the existing program or not to cancel the program. Third, when the consolidation involved conditional further rescheduling, additional conditionality was imposed. In all cases, the debtor country was required to continue to have a Fund-supported program throughout the consolidation period, and, in about one half of the cases involved, the agreement incorporated an additional condition that the country remain eligible to draw until the beginning of the consolidation period when conditional further rescheduling would apply. Fourth, in all recent cases, it was stipulated that the goodwill clause would be implemented only if the debtor country had an upper credit tranche Fund program in place at the time when further debt was to be considered.

VII. Impact on Debt Profile and the Balance of Payments

In the reschedulings concluded during 1975-1982, the amount of official debt relief varied from US\$19 million for Uganda (1982) to US\$3 billion for Turkey (1980). The significance of this amount can best be seen in its importance in the financing of balance of payments deficits and the impact on the external debt service profile.

Effect on the balance of payments

In a large number of reschedulings concluded during 1975-1982, official debt relief was quite substantial in terms of both annual export earnings and the current account deficit. Although debt relief represented less than 30 per cent of exports of goods and services in approximately three fourth of the cases in the period, the relief was equivalent to more than 50 per cent of exports of goods and services in one fifth of the reschedulings (Chart 7; Appendix Table IX). In one case (Togo, 1981), the estimated debt relief exceeded even 100 per cent of export earnings. Viewed in terms of the ratio to the current account deficit, the impact of debt relief was considerably more pronounced. Debt relief amounted to more than 50 per cent of the current account deficit in roughly one half of all cases, and there were 4 cases (Peru 1978, Togo 1979 and 1981, and Zaire 1981) where the debt relief represented more than 100 per cent of the current account deficit.

In 1982, debt relief became considerably less significant in terms of both export earnings and the current account deficit (Table 7). This development is due largely to the fact that two thirds of the debtor countries involved in 1982 had arranged a rescheduling previously, and payments previously rescheduled were not eligible for consolidation. Another factor was the consolidation period which was limited to 12 months in three quarters of the reschedulings in that year.

Table 6. Official Multilateral Debt Renegotiations, 1975-1982
--Linkage with the Fund-Supported Program--

Country	Upper Tranches Program a Pre-condition for the Meeting	Condition to Keep Immediate Rescheduling Valid	Condition to Keep Further Conditional Rescheduling Valid	Goodwill Clause Subject to Agreement on New Program
Chile (1975)	yes	none	...	...
India (1975)	no	none	...	...
India (1976)	no	none	...	...
Zaire (1976)	yes	none	...	no
India (1977)	no	none	...	...
Zaire (1977-I)	yes	none	...	no
Sierra Leone (1977)	no ^{1/}	none	...	yes
Zaire (1977-II)	yes	none	...	yes
Turkey (1978)	yes	none	...	...
Gabon (1978)	yes	none	...	...
Peru (1978)	yes	none	A	...
Togo (1979)	yes	none	A	...
Turkey (1979)	yes	none	...	...
Sudan (1979)	yes	none	A + B	...
Zaire (1979)	yes	C	A + D	yes
Sierra Leone (1980)	yes	none	A	yes
Turkey (1980)	yes	none	A + B	...
Liberia (1980)	yes	none	...	yes
Pakistan (1981)	yes	none	...	yes
Togo (1981)	yes	none	A + B	...
Poland (1981)	...	...	...	...
Madagascar (1981)	yes	none	...	yes
Cen. Afr. Rep. (1981)	yes	none	...	yes
Zaire (1981)	yes	none	A + B	...
Senegal (1981)	yes	B	...	yes
Uganda (1981)	yes	B	...	yes
Liberia (1981)	yes	none	A	...
Sudan (1982)	yes	B	...	yes
Madagascar (1982)	yes	none	...	yes
Romania (1982)	yes	B	...	yes
Malawi (1982)	yes	E	...	yes
Senegal (1982)	yes	E	...	...
Uganda (1982)	yes	E	...	yes

Source: Agreed Minutes of debt rescheduling.

^{1/} A first credit tranche stand-by arrangement was in place.

Key for codes:

A - To continue to have a program in the latter phase.

B - To remain eligible to draw during the first phase.

C - To reactivate the program.

D - To make a drawing at the beginning of the second phase.

E - To continue to have a program in the first phase.

CHART 7 DISTRIBUTION OF AMOUNT RESCHEDULED AS A RATIO TO EXPORTS, AND CURRENT ACCOUNT DEFICIT

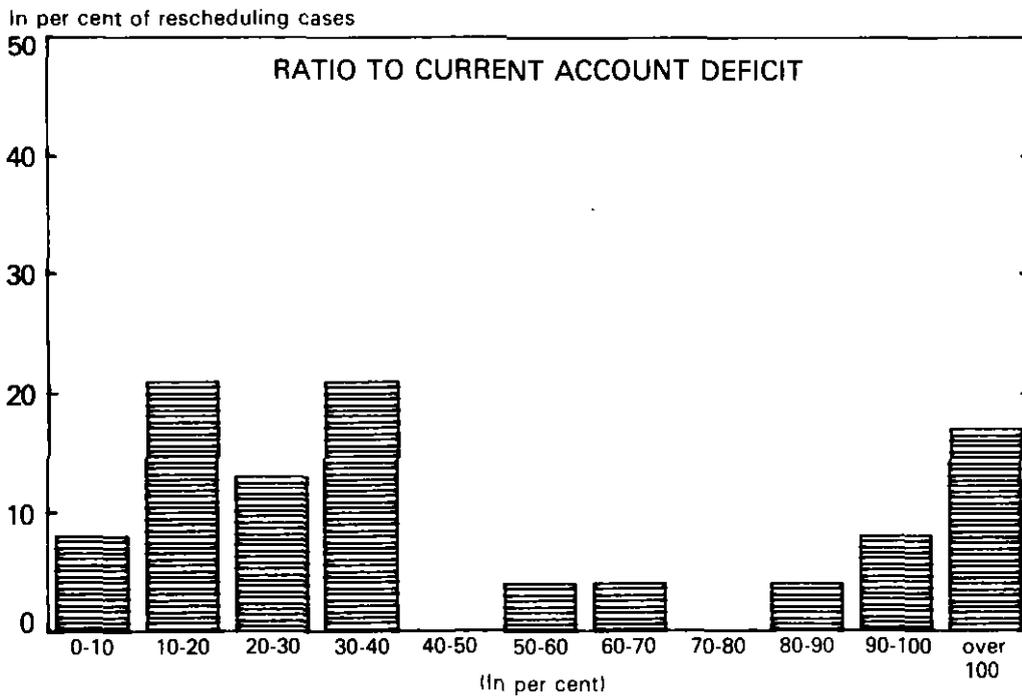
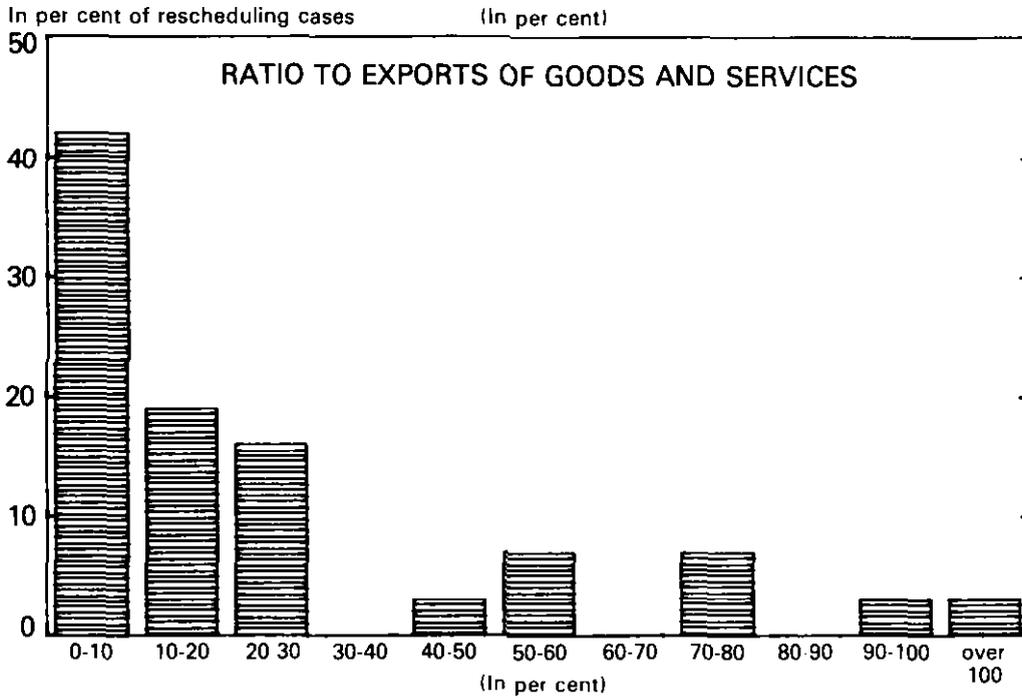




Table 7. Trend (Annual Averages) in Amount Rescheduled
as Ratio to Outstanding Debt, Exports, and
Current Account Deficit, 1975-1982

(In per cent)

	Ratio to Total Debt Outstanding	Ratio to Debt Service Payments	Ratio to Exports of Goods and Services	Ratio to Account Deficit
1975	5.1	37.2	9.1	39.8
1976	7.9	121.5	15.4	32.7
1977	8.3	76.8	9.6	39.5
1978	12.0	98.8	22.6	145.9
1979	26.0	320.5	72.0	96.1
1980	14.6	124.4	33.0	48.5
1981	14.4	287.7	36.6	60.5
1982	3.3	55.6	8.3	14.6

Source: Appendix Table IX.

Effect in terms of outstanding debt and service payments

The effect of debt relief on the debtor country's external debt profile was generally rather limited. In nearly 60 per cent of the reschedulings during 1975-1982, debt relief was equivalent to less than 10 per cent of the total outstanding debt (Chart 8). The rest of the cases involved debt relief amounting to 10-30 per cent of the debt outstanding. In most of the cases in the less than 10 per cent category, the rescheduling was limited to current maturities falling due over a relatively short period in advance. All of the cases in the 10-30 per cent bracket involved both a rescheduling of arrears as well as current debt service payments. In one case (Central African Republic, 1981), the amount rescheduled represented 44 per cent of total debt outstanding because of the large amount of outstanding arrears.

The ratio of the amount rescheduled to outstanding debt was markedly smaller in 1982 than in earlier years. As in the case of the impact on the balance of payments, the exclusion of previously rescheduled debt from consolidation, as well as the relatively short consolidation period, was the primary factor contributing to this phenomenon.

Another measure of the effect of official debt relief on the debt service profile is the ratio of the rescheduled amounts to the actual debt service payments in the year of the rescheduling (Chart 8). In the cases where only current maturities were rescheduled (about one fifth of all cases), the ratio was generally less than 25 per cent. However, the extent of official debt relief was quite substantial in those cases involving a rescheduling of arrears as well as current maturities; the debt relief was equivalent to 100-200 per cent of actual debt service payments in about one fifth of the cases surveyed, and more than 200 per cent in another quarter.

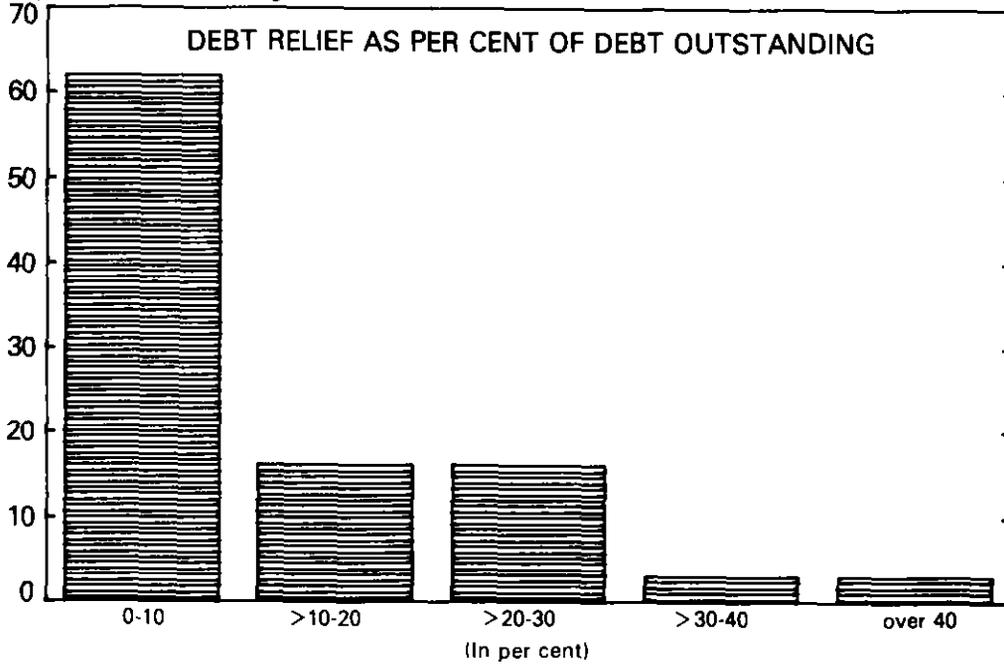
Debt service profile before and after reschedulings

The normal terms of official debt reschedulings are designed to deal with the situation where a bunching of debt service payments in a 1-2 year period give rise to temporary liquidity problems. In this situation, rescheduling of current maturities would smooth out the debt service profile and, together with the debtor country's adjustment effort, the financial viability would be restored. Among the reschedulings during 1975-1982, there are perhaps only a few cases where the bunching was the main source of debt servicing difficulties. Chile (1975) was one example (Chart 9) and, indeed, the country has not asked for another official rescheduling since then. Malawi (1982) is another example, although, in this case, the debtor asked for another rescheduling in 1983 because the debt service ratio was unusually high for 1982 and 1983. In most of the other cases, a high debt service ratio was expected to continue for five years after the rescheduling. Under these circumstances, a conventional rescheduling could give rise to a bunching problem in the future. Zaire (1976) is a typical example of these cases (Chart 10).

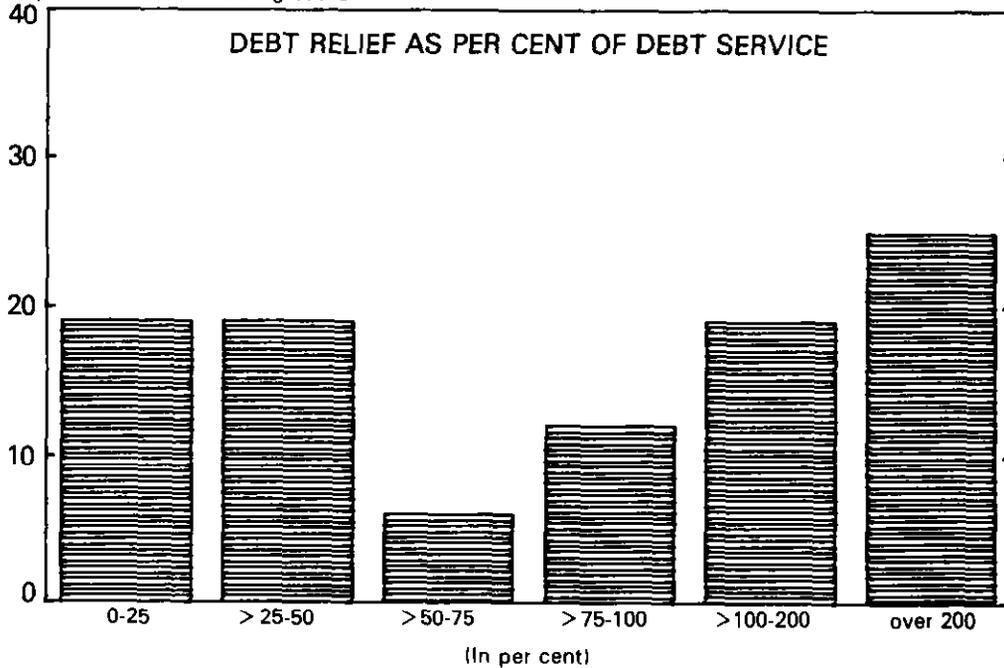
CHART 8

DISTRIBUTION OF AMOUNT RESCHEDULED AS A RATIO TO OUTSTANDING DEBT, AND DEBT SERVICE PAYMENTS¹

In per cent of rescheduling cases



In per cent of rescheduling cases



¹Debt service payments during year of rescheduling.



CHART 9
DEBT SERVICE PROFILE BEFORE AND
AFTER RESCHEDULING

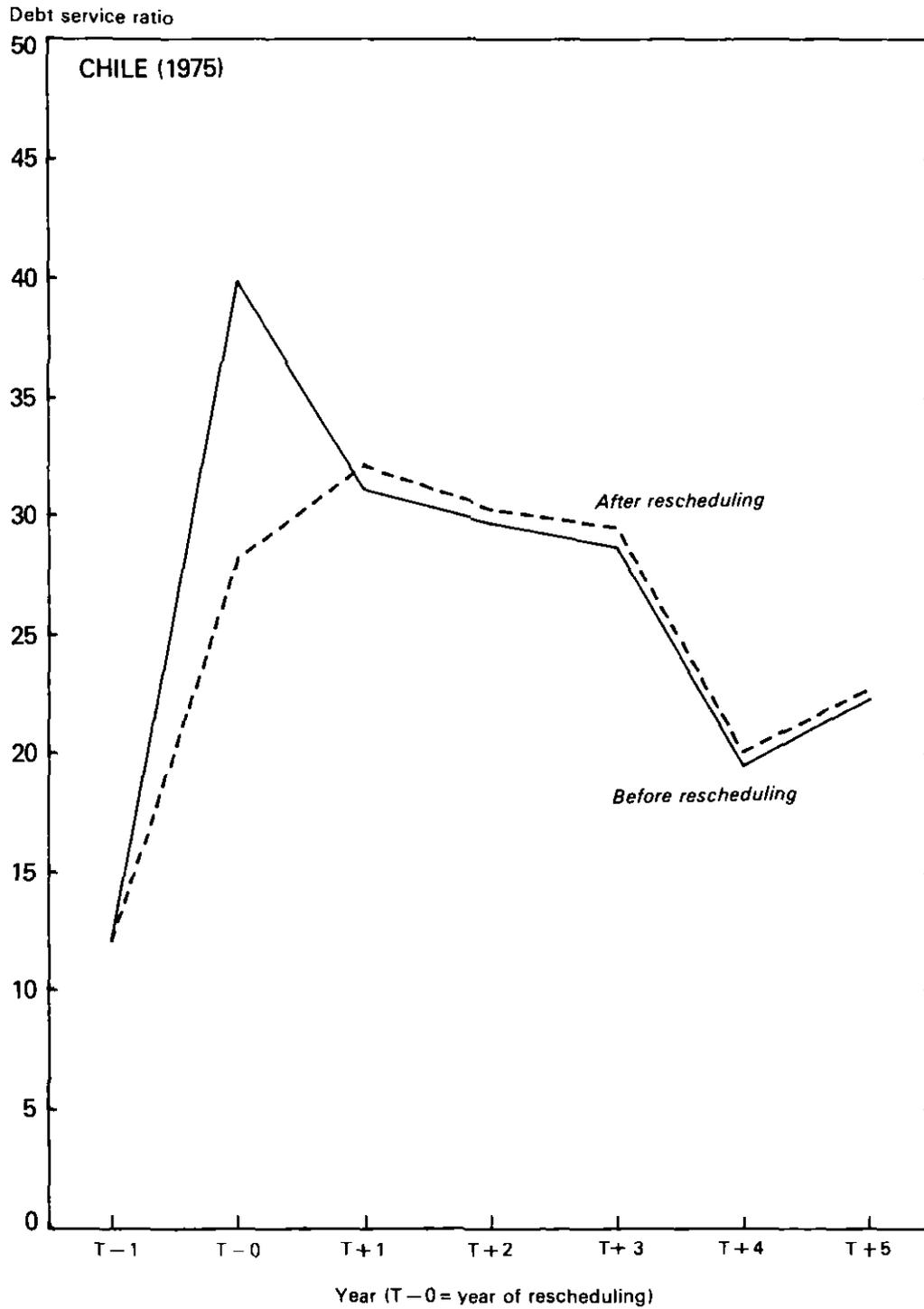
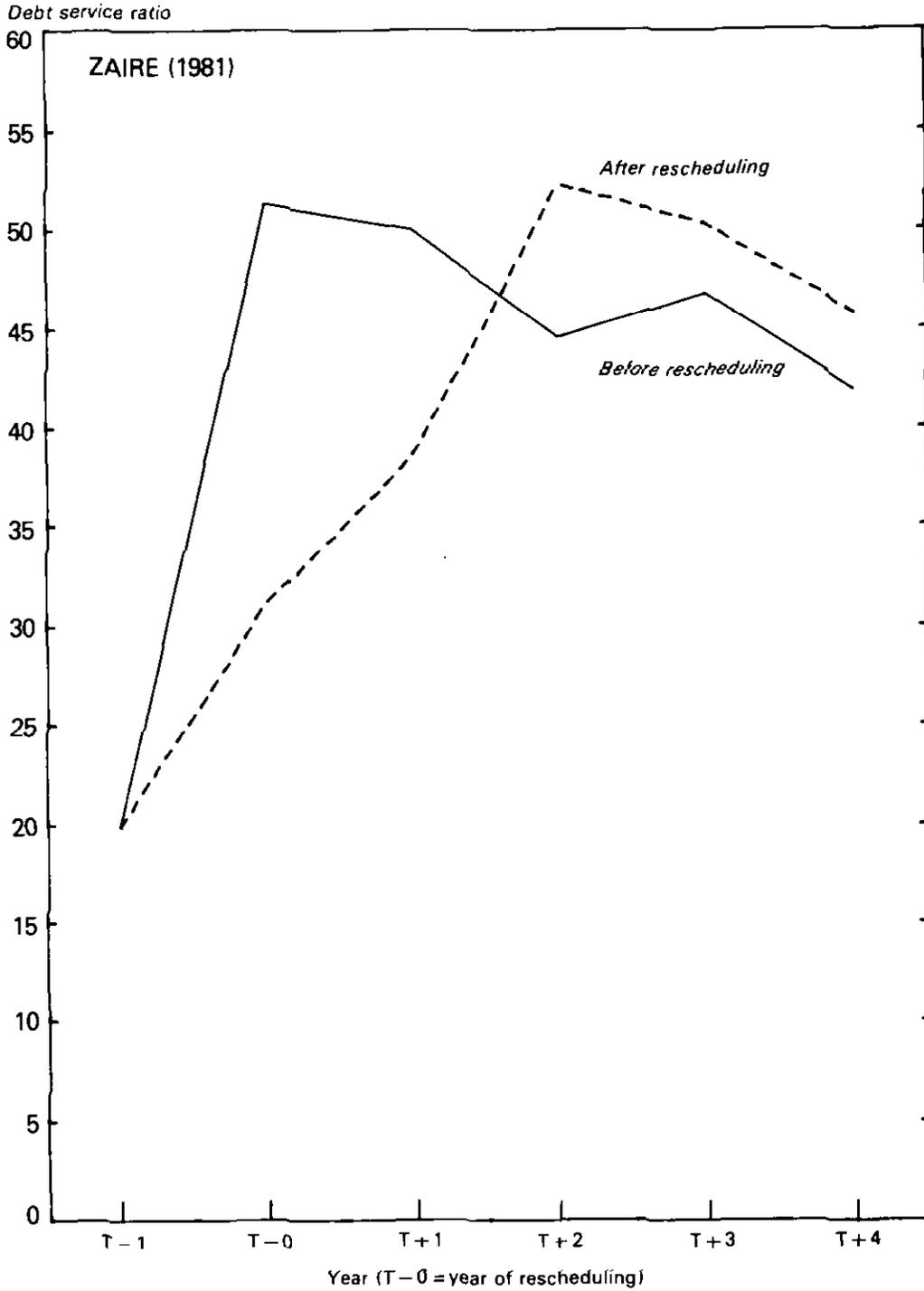




CHART 10
DEBT SERVICE PROFILE BEFORE AND
AFTER RESCHEDULING



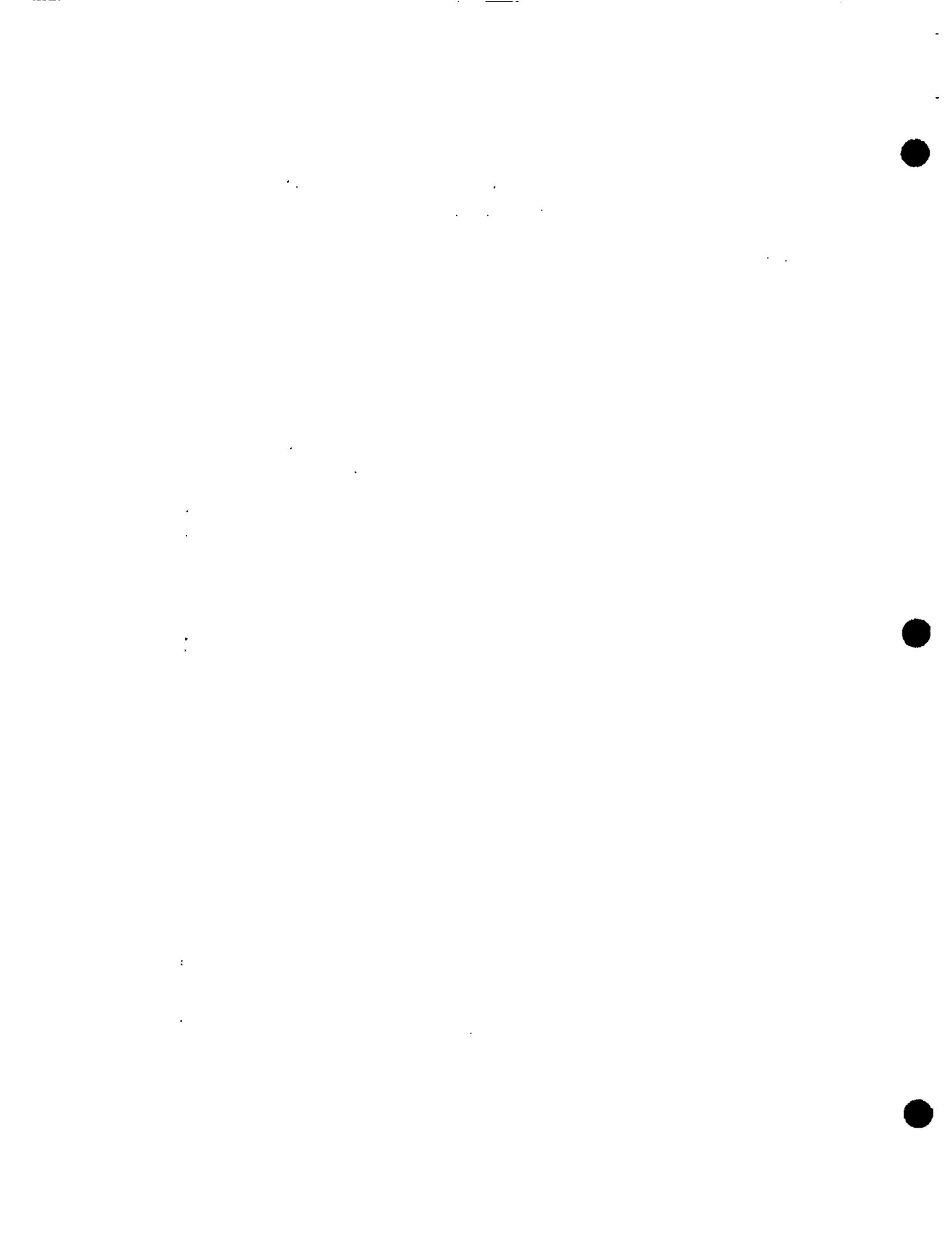


Table I. Official Multilateral Debt Rescheduling
--Coverage--

(Yes, if covered; no, otherwise)

Country	Medium- and Long-term Debt				Short-term Debt				Previously Rescheduled Debt
	Current Maturities		Arrears		Current Maturities		Arrears		
	Prin.	Int.	Prin.	Int.	Prin.	Int.	Prin.	Int.	
Chile (1975)	yes	yes	no	no	no	no	no	no	no
India (1975)	yes	yes	no	no	no	no	no	no	no
India (1976)	yes	yes	no	no	no	no	no	no	no
Zaire (1976)	yes	no	yes	yes	no	no	no	no	no
India (1977)	yes	yes	no	no	no	no	no	no	no
Zaire (1977-I)	yes	no	yes	yes	no	no	no	no	no
Sierra Leone (1977)	yes	yes	yes	yes	no	no	no	no	no
Zaire (1977-II)	no	yes	no	no	no	no	no	no	no
Turkey (1978)	yes	yes	yes	yes	no	no	yes	yes	no
Gabon (1978)	no	no	yes	no	no	no	no	no	no
Peru (1978)	yes	no	no	no	no	no	no	no	no
Togo (1979)	yes	yes	yes	yes	no	no	no	no	no
Turkey (1979)	yes	yes	no	no	no	no	yes	yes	no
Sudan (1979)	yes	yes	yes	yes	no	no	no	no	no
Zaire (1979)	yes	yes	yes	yes	no	no	yes	yes	yes
Sierra Leone (1980)	yes	yes	yes	yes	no	no	no	no	no
Turkey (1980)	yes	yes	yes	yes	yes	yes	yes	yes	yes
Liberia (1980)	yes	yes	yes	yes	no	no	no	no	no
Pakistan (1981)	yes	yes	no	no	no	no	no	no	no
Togo (1981)	yes	yes	no	no	no	no	no	no	no
Poland (1981)	yes	yes	no	no	no	no	no	no	no
Madagascar (1981)	yes	yes	yes	yes	no	no	yes	yes	no
Gen. Afr. Rep. (1981)	yes	yes	yes	yes	no	no	no	no	no
Zaire (1981)	yes	yes	no	no	no	no	no	no	no
Senegal (1981)	yes	yes	no	no	no	no	no	no	no
Uganda (1981)	yes	yes	yes	yes	no	no	no	no	no
Liberia (1981)	yes	yes	no	no	no	no	no	no	no
Sudan (1982)	yes	yes	yes	yes	no	no	no	no	no
Madagascar (1982)	yes	yes	yes	yes	no	no	yes	yes	no
Romania (1982)	yes	yes	no	no	no	no	no	no	no
Malawi (1982)	yes	yes	no	no	no	no	no	no	no
Senegal (1982)	yes	yes	no	no	no	no	no	no	no
Uganda (1982)	yes	yes	no	no	no	no	no	no	no

Source: Agreed Minutes of debt rescheduling.

Table II. Official Multilateral Debt Renegotiations, 1975-1982

--Cut-off Date--

Country	Number of Months Prior to	
	Date of Agreement	Beginning of Consolidation Period
Chile (1975)	16	12
India (1975)	...	...
India (1976)	...	...
Zaire (1976)	7	0
India (1977)	...	...
Zaire (1977-I)	18	12
Sierra Leone (1977)	10	6
Zaire (1977-II)	23	12
Turkey (1978)	5	5
Gabon (1978)	...	...
Peru (1978)	10	12
Togo (1979)	7	3
Turkey (1979)	17	18
Sudan (1979)	10	9
Zaire (1979)	11	6
Sierra Leone (1980)	7	0
Turkey (1980)	7	6
Liberia (1980)	12	6
Pakistan (1981)	6	6
Togo (1981)	9	6
Poland (1981)	4	0
Madagascar (1981)	4	0
Cen. Afr. Rep. (1981)	5	0
Zaire (1981)	30	24
Senegal (1981)	3	0
Uganda (1981)	5	0
Liberia (1981)	24	24
Sudan (1982)	9	0
Madagascar (1982)	6	0
Romania (1982)	7	0
Malawi (1982)	9	6
Senegal (1982)	16	12
Uganda (1982)	6	0

Source: Agreed Minutes of debt rescheduling.

Table III. Official Multilateral Debt Rescheduling, 1975-1982

--Period Covered--

Country	Consolidation Period			Goodwill Clause
	Total	Immediate Rescheduling	Conditional Further Rescheduling	
(In number of months)				
Chile (1975)	12	12	--	no
India (1975)	...	...	...	...
India (1976)	...	...	...	...
Zaire (1976)	18	6	12	no
India (1977)	...	...	...	...
Zaire (1977-I)	12	12	--	no
Sierra Leone (1977)	12	12	--	yes
Zaire (1977-II)	6	6	--	yes
Turkey (1978)	12	12	--	no
Gabon (1978)	...	...	...	no
Peru (1978)	24	12	12	no
Togo (1979)	21	21	--	no
Turkey (1979)	12	12	--	no
Sudan (1979)	21	9	12	no
Zaire (1979)	18	12	6	yes
Sierra Leone (1980)	30	16	14	yes
Turkey (1980)	36	12	24	no
Liberia (1980)	18	18	--	no
Pakistan (1981)	18	18	--	yes
Togo (1981)	24	12	12	no
Poland (1981)	8	8	--	no
Madagascar (1981)	18	18	--	yes
Cen. Afr. Rep. (1981)	12	12	--	yes
Zaire (1981)	24	12	12	no
Senegal (1981)	12	12	--	yes
Uganda (1981)	12	12	--	yes
Liberia (1981)	18	9	9	no
Sudan (1982)	18	18	--	yes
Madagascar (1982)	12	12	--	yes
Romania (1982)	12	12	--	yes
Malawi (1982)	12	12	--	yes
Senegal (1982)	12	12	--	no
Uganda (1982)	12	12	--	yes

Source: Agreed Minutes of debt rescheduling.

Table IV. Official Multilateral Debt Renegotiations, 1975-1982
 --Proportion of Payments Rescheduled--

(In per cent of total payments eligible for rescheduling)

Country	Arrears				Current Maturities			
	Formal Resched-uling 1/	Down-pay-ment 2/	Unconsol-idated Pay-ments 3/	Effec-tive Resched-uling 4/	Formal Resched-uling 1/	Down-pay-ment 2/	Unconsol-idated Pay-ments 3/	Effec-tive Resched-uling 4/
Chile (1975)	--	--	--	--	70.0	10.0	20.0	90.0
India (1975)	--	--	--	--	45.0	...	...	45.0
India (1976)	--	--	--	--	45.0	...	...	45.0
Zaire (1976)	85.0	7.5	7.5	92.5	85.0	--	15.0	100.0
India (1977)	...	...	...	...	...	...	...	...
Zaire (1977-1)	85.0	--	15.0	100.0	85.0	--	15.0	100.0
Sierra Leone (1977)	...	...	...	...	...	...	...	...
a.	80.0 5/	20.0	--	80.0	80.0	--	20.0	80.0
b.	100.0 5/	--	--	100.0	--	--	--	--
c.	100.0 5/	--	--	100.0	--	--	--	--
Zaire (1977-11)	--	--	--	--	85.0	5.0	10.0	95.0
Turkey (1978)	80.0	10.0	10.0	90.0	80.0	10.0	10.0	90.0
Gabon (1978)	100.0	20.0	--	80.0	--	--	--	--
Peru (1978)	--	--	--	--	90.0	10.0	--	90.0
Togo (1979)	100.0	33.4	--	66.6	80.0	20.0	--	80.0
Turkey (1979)	85.0	5.0	10.0	95.0	85.0	5.0	10.0	95.0
Sudan (1979)	100.0	--	--	100.0	85.0	15.0	--	85.0
Zaire (1979)	...	...	...	...	...	...	...	...
a.	100.0 6/	10.0	--	90.0	90.0	2.5	7.5	97.5
b.	80.0 6/	2.0	18.0	98.0	--	--	--	--
Sierra Leone (1980)	100.0	15.0	--	85.0	90.0	2.5	7.5	97.5
Turkey (1980)	90.0	2.0	8.0	98.0	90.0	--	10.0	100.0
Liberia (1980)	90.0	2.5	7.5	97.5	90.0	2.5	7.5	97.5
Pakistan (1981)	--	--	--	--	90.0	...	...	90.0
Togo (1981)	--	--	--	--	85.0	2.5	12.5	97.5
Poland (1981)	--	--	--	--	90.0	--	--	90.0
Madagascar (1981)	100.0	34.4	--	65.6	85.0	5.0	10.0	95.0
Cen. Afr. Rep. (1981)	85.0	3.0	12.0	97.0	85.0	15.0	--	85.0
Zaire (1981)	--	--	--	--	90.0	2.5	7.5	97.5
Senegal (1981)	--	--	--	--	85.0	--	15.0	100.0
Uganda (1981)	85.0	2.5	12.5	97.5	90.0	2.0	8.0	98.0
Liberia (1981)	--	--	--	--	90.0	2.5	7.5	97.5
Sudan (1982)	90.0	2.5	7.5	97.5	90.0	2.5	7.5	97.5
Madagascar (1982)	100.0	41.7	--	58.3	85.0	5.0	10.0	95.0
Romania (1982)	80.0	20.0	--	80.0	80.0	20.0	--	80.0
Malawi (1982)	--	--	--	--	85.0	7.5	7.5	90.5
Senegal (1982)	--	--	--	--	85.0	--	15.0	100.0
Uganda (1982)	--	--	--	--	90.0	2.0	8.0	98.0

Source: Agreed Minutes of debt rescheduling.

1/ Stated proportion of total payments that is formally rescheduled in Agreed Minutes.

2/ Payments falling due during the consolidation period (i.e., combined arrears and current maturities) excluding the consolidation period in respect of conditional further rescheduling.

3/ Repayment of the residual portion of the unconsolidated payments excluding the downpayment.

4/ Proportion of total payments eligible for rescheduling excluding the downpayment. Effective rescheduling equals formal rescheduling plus postponement of unconsolidated payments. However, in the case of 100 per cent formal rescheduling, effective rescheduling equals formal rescheduling less downpayment.

5/ a. Rescheduling of arrears 7/1/76-6/30/77.

b. Rescheduling of arrears up to 12/31/75.

c. Rescheduling of arrears 1/1/76-6/30/76.

6/ a. Rescheduling of short-term arrears.

b. Rescheduling of medium- and long-term arrears.

Table V. Official Multilateral Debt Renegotiations, 1975-1982

--Repayment Schedule: Current Maturities--

Country (year)	Down- payment (per cent)	Postponement of Unconsolidated Portion			Formally Rescheduled Portion		
		Propor- tion in Total (per cent)	Grace Period (years)	Maturity (years)	Propor- tion in Total (per cent)	Grace Period (years)	Maturity (years)
Chile (1975)	10.0	20.0	--	2	70.0	2	8
India (1975)	...	...	--	--	45.0	...	...
India (1976)	...	...	--	--	45.0	...	...
Zaire (1976)	--	15.0	1 1/2	2 1/2	85.0	1	7 1/2
India (1977)	...	...	...	...	...	...	...
Zaire (1977-I)	--	15.0	1	3	85.0	3	8 1/2
Sierra Leone (1977)	--	20.0	--	--	80.0	1 1/2	8 1/2
Zaire (1977-II)	5.0	10.0	--	2	75.0	3	9
Turkey (1978)	10.0	10.0	--	1	80.0	2	6 1/2
Peru (1978)	10.0	--	--	--	90.0	3	7 1/2
Togo (1979)	20.0	--	--	--	80.0	3	8 1/2
Turkey (1979)	5.0	10.0	--	3/4	85.0	3	7 1/2
Sudan (1979)	15.0	--	--	--	85.0	3	7 1/2
Zaire (1979)	2.5	7.5	--	3	90.0	3 1/2	9
Sierra Leone (1980)	2.5	7.5	--	2 1/2	90.0	4	9 1/2
Turkey (1980)	--	10.0	--	3	90.0	4 1/2	9
Liberia (1980)	2.5	7.5	--	2 1/2	90.0	3 1/4	7 3/4
Pakistan (1981)	...	...	...	...	90.0	...	...
Togo (1981)	2.5	12.5	--	1	85.0	4	8 1/2
Poland (1981)	--	--	--	--	90.0	4	7 1/2
Madagascar (1981)	5.0	10.0	--	2	85.0	3 3/4	8 1/4
Gen. Afr. Rep. (1981)	15.0	--	--	--	85.0	4	8 1/2
Zaire (1981)	2.5	7.5	--	2 1/2	90.0	4	9 1/2
Senegal (1981)	--	15.0	1	3	85.0	4	8 1/2
Uganda (1981)	2.0	8.0	--	4	90.0	4	8 1/2
Liberia (1981)	2.5	7.5	--	3	90.0	4 1/4	8 1/2
Sudan (1982)	2.5	7.5	--	2	90.0	4 1/2	9 1/2
Madagascar (1982)	5.0	10.0	--	2	85.0	4 3/4	9 1/4
Romania (1982)	20.0	--	--	--	80.0	3	6
Malawi (1982)	7.5	7.5	--	1	85.0	3 1/2	8
Senegal (1982)	--	15.0	1/2	3 1/2	85.0	4	8 1/2
Uganda (1982)	2.0	8.0	--	4	90.0	4 1/4	9

Source: Agreed Minutes of debt rescheduling.

Table VI. Official Multilateral Debt Renegotiations, 1975-1982

--Repayment Schedule: Arrears--

Country (year)	Down- payment (per cent)	Postponement of Unconsolidated Portion			Formally Rescheduled Portion		
		Propor- tion in Total (per cent)	Grace Period (years)	Maturity (years)	Propor- tion in Total (per cent)	Grace Period (years)	Maturity (years)
Zaire (1976)	7.5	7.5	--	1	85.0	--	6 1/2
Zaire (1977)	--	15.0	1	3	85.0	1/2	7 1/2
Sierra Leone (1977)							
a.	--	--	--	--	80.0	--	--
b.	--	--	--	--	100.0	--	1
c.	--	--	--	--	100.0	--	--
Turkey (1978)	10.0	10.0	--	3/4	80.0	--	4 1/2
Gabon (1978)	20.0	--	--	1/2	100.0	1	8 1/2
Togo (1979)	33.4	--	--	2	100.0	--	2
Turkey (1979)	5.0	10.0	--	3/4	85.0	3	6 1/2
Sudan (1979)	--	--	--	--	100.0	--	6 1/4
Zaire (1979)							
a. short-term	10.0	--	--	--	100.0	--	3 3/4
b. medium- and long-term	2.0	18.0	--	2 1/2	80.0	3 1/2	9
Sierra Leone (1980)	15.0	--	--	--	100.0	--	4 3/4
Turkey (1980)	2.0	8.0	--	3 1/2	90.0	4	8 1/2
Liberia (1980)	2.5	7.5	--	2 1/2	90.0	4	8 1/2
Madagascar (1981)	34.4	--	--	--	100.0	--	3 1/4
Cen. Afr. Rep.(1981)	3.0	12.0	--	3	85.0	4	8 1/2
Uganda (1981)	2.5	12.5	--	3	85.0	4	7
Sudan (1982)	2.5	7.5	--	2	90.0	4 1/2	9 1/2
Madagascar (1982)	41.7	--	--	--	100.0	--	2 1/4
Romania (1982)	20.0	--	--	--	80.0	3	6

Source: Agreed Minutes of debt rescheduling.

Table VII. Official Multilateral Debt Renegotiations, 1975-1982
--Relation with Nonparticipating Creditors--

Country	Most Favored Nation Clause	Initiative Clause	Parallel Commercial Bank Rescheduling	
			Agreement ^{2/}	Negotiation ^{3/}
Chile (1975)	yes	no	no	no
India (1975)	no	no	no	no
India (1976)	no	no	no	no
Zaire (19765)	yes	yes	yes	yes
India (1977)	no	no	no	no
Zaire (1977-I)	yes	yes	no	no
Sierra Leone (1977)	yes	yes	no	no
Zaire (1977-II)	yes	yes	no	no
Turkey (1978)	yes	yes	no	yes
Gabon (1978)	yes ^{1/}	yes ^{1/}	no	no
Peru (1978)	yes	yes	yes	no
Togo (1979)	yes	yes	no	yes
Turkey (1979)	yes	yes	yes	no
Sudan (1979)	yes	yes	no	yes
Zaire (1979)	yes	yes	yes	no
Sierra Leone (1980)	yes	yes	no	
Turkey (1980)	yes	yes	no	yes
Liberia (1980)	yes	yes	no	yes
Pakistan (1981)	yes	yes	no	no
Togo (1981)	yes	yes	no	no
Poland (1981)	...	...	yes	yes
Madagascar (1981)	yes	yes	yes	no
Gen. Afr. Rep. (1981)	yes	yes	no	no
Zaire (1981)	yes	yes	yes	no
Senegal (1981)	yes	yes	no	yes
Uganda (1981)	yes	yes	no	no
Liberia (1981)	yes	yes	no	yes
Sudan (1982)	yes	yes	yes	no
Madagascar (1982)	yes	yes	no	yes
Romania (1982)	yes	yes	yes	yes
Malawi (1982)	yes	yes	yes	yes
Senegal (1982)	yes	yes	yes	no
Uganda (1982)	yes	yes	no	no

Source: Agreed Minutes of debt rescheduling.

^{1/} The wording was somewhat different from the others in that the agreement "invites" the Gabonese Government to seek rescheduling of arrears on nonguaranteed credit on comparable terms and not to discriminate in favor of nonparticipating creditors.

^{2/} Agreement reached within six months prior to or preceding the date of official rescheduling.

Table VIII. Repayment Schedule

Country (1975)	Payments Schedule (in per cent of total payments subject to rescheduling)										
	Calendar Years Following Rescheduling 1/										
	Years of Resched- uling	1	2	3	4	5	6	7	8	9	10
Zaire (1976)	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0
Arrears	2.5	19.5	12.0	12.0	12.0	12.0	12.0	12.0	12.0	12.0	12.0
Current principal	--	2.5	19.5	12.0	12.0	12.0	12.0	12.0	12.0	12.0	12.0
Zaire (1977)	--	5.0	5.0	5.0	10.0	12.0	12.0	12.0	12.0	12.0	12.0
Arrears	--	5.0	5.0	5.0	10.0	12.0	12.0	12.0	12.0	12.0	12.0
Current principal	--	5.0	5.0	5.0	10.0	12.0	12.0	12.0	12.0	12.0	12.0
Sierra Leone (1977)	10.0	--	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0
Arrears	10.0	--	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0
Current debt	10.0	--	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0
Zaire (1977-11)	5.0	5.0	5.0	5.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0
Arrears	5.0	5.0	5.0	5.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0
Tunisia (1978)	5.0	10.0	25.0	20.0	20.0	20.0	20.0	20.0	20.0	20.0	20.0
Arrears	5.0	10.0	25.0	20.0	20.0	20.0	20.0	20.0	20.0	20.0	20.0
Current debt	5.0	10.0	25.0	20.0	20.0	20.0	20.0	20.0	20.0	20.0	20.0
Liban (1978)	20.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0
Arrears	20.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0
Peru (1978)	10.0	--	--	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0
Current principal	10.0	--	--	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0
Togo (1979)	--	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0
Arrears	--	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0
Current debt	8.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0
Turkey (1979)	--	10.0	5.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0
Arrears	--	10.0	5.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0
Current debt	--	10.0	5.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0
Sudan (1979)	--	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Arrears	--	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Current debt	5.0	10.0	--	--	12.0	12.0	12.0	12.0	12.0	12.0	12.0
Zaire (1979)	--	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Arrears (medium- and long-term)	--	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Arrears (short-term)	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0
Current debt	--	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5
Sierra Leone (1980)	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5
Arrears	--	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5
Current debt	--	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5
Finland (1981)	10.0	--	--	--	--	22.5	22.5	22.5	22.5	22.5	22.5
Current debt	10.0	--	--	--	--	22.5	22.5	22.5	22.5	22.5	22.5
Madagascar (1981)	25.0	18.0	18.0	18.0	18.0	18.0	18.0	18.0	18.0	18.0	18.0
Arrears	25.0	18.0	18.0	18.0	18.0	18.0	18.0	18.0	18.0	18.0	18.0
Current debt	5.0	5.0	5.0	5.0	--	--	--	--	--	--	--
Cent. Afr. Rep. (1981)	3.0	4.0	4.0	4.0	4.0	8.5	12.0	12.0	12.0	12.0	8.5
Arrears	3.0	4.0	4.0	4.0	4.0	8.5	12.0	12.0	12.0	12.0	8.5
Current debt	15.0	--	--	--	--	8.5	12.0	12.0	12.0	12.0	12.0
Zaire (1981)	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5
Current debt	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5
Senegal (1981)	--	--	5.0	5.0	5.0	5.0	12.0	12.0	12.0	12.0	12.0
Current debt	--	--	5.0	5.0	5.0	5.0	12.0	12.0	12.0	12.0	12.0
Uganda (1981)	--	2.5	2.5	5.0	5.0	5.0	22.5	25.0	25.0	22.5	22.5
Arrears	--	2.5	2.5	5.0	5.0	5.0	22.5	25.0	25.0	22.5	22.5
Current debt	--	2.0	2.0	2.0	2.0	11.0	10.0	10.0	10.0	10.0	9.0
Liberia (1981)	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5
Current debt	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5
Sudan (1982)	2.5	2.5	5.0	--	--	8.1	10.0	10.0	10.0	10.0	10.0
Arrears	2.5	2.5	5.0	--	--	8.1	10.0	10.0	10.0	10.0	10.0
Current debt	2.5	2.5	5.0	--	--	8.0	10.0	10.0	10.0	10.0	10.0
Madagascar (1982)	10.0	21.3	21.3	21.2	--	--	--	--	--	--	--
Arrears	10.0	21.3	21.3	21.2	--	--	--	--	--	--	--
Current debt	2.5	2.5	5.0	5.0	--	17.0	17.0	17.0	17.0	17.0	17.0
Komala (1982)	20.0	--	--	11.0	22.8	22.8	22.8	22.8	22.8	22.8	22.8
Arrears	20.0	--	--	11.0	22.8	22.8	22.8	22.8	22.8	22.8	22.8
Current debt	20.0	--	--	11.0	22.8	22.8	22.8	22.8	22.8	22.8	22.8
Malawi (1982)	1.5	4.0	7.5	--	--	12.0	12.0	12.0	12.0	12.0	12.0
Current debt	1.5	4.0	7.5	--	--	12.0	12.0	12.0	12.0	12.0	12.0
Senegal (1982)	--	2.5	2.5	5.0	5.0	12.0	12.0	12.0	12.0	12.0	12.0
Current debt	--	2.5	2.5	5.0	5.0	12.0	12.0	12.0	12.0	12.0	12.0
Uganda (1982)	--	2.0	2.0	2.0	2.0	11.0	10.0	10.0	10.0	10.0	9.0
Current debt	--	2.0	2.0	2.0	2.0	11.0	10.0	10.0	10.0	10.0	9.0

Source: Agreed Minutes of debt rescheduling.

1/ Years following rescheduling. The next calendar years after the year of the rescheduling. Because maturity period in Tables 4 and 5 is counted from the end of the consolidation period to the last repayment date, the number of years following rescheduling may not correspond directly to the maturity.

2/ Excluding arrears prior to 1970 for which 100 per cent was rescheduled over a 10-year period.

Table IX. Official Multilateral Debt Renegotiations, 1975-1982
--Amount Rescheduled--

Country	Amount Rescheduled (In millions of U.S. dollars)	Amount Rescheduled as Per Cent of			Current Account Deficit <u>2/</u>
		Total Debt Out- standing <u>1/</u>	Debt Service Payments <u>2/</u>	Exports of Goods and Services <u>2/</u>	
Chile (1975)	230	8.2	46.0 <u>3/</u>	13.0	39.8
India (1975)	228	1.9	28.4	5.1	N.A. <u>3/</u>
India (1976)	200	1.6	23.6	3.2 <u>4/</u> <u>5/</u>	N.A. <u>3/</u>
Zaire (1976)	270	14.2	219.5	27.6	32.7
India (1977)	110	0.8	11.3	1.4	N.A. <u>3/</u>
Zaire (1977-I)	170	7.3	126.8	8.6	17.1
Sierra Leone (1977)	39	23.4	139.3	26.3 <u>6/</u>	97.5
Zaire (1977-II)	40	1.7	29.8	2.0	4.0
Turkey (1978)	1,300	24.1	219.2	46.1 <u>4/</u>	73.0
Gabon (1978)	63	4.0	16.2	4.4 <u>6/</u>	N.A. <u>3/</u>
Peru (1978)	420	8.1	61.0	17.4	218.8
Togo (1979)	260	39.5	351.4	92.5	101.2
Turkey (1979)	1,200	16.4	131.3		
Sudan (1979)	497	19.3	355.0	59.0	90.9
Zaire (1979)	1,040	28.8	444.4	53.3	N.A. <u>3/</u>
Sierra Leone (1980)	37	10.4	86.0	17.2 <u>6/</u>	23.4
Turkey (1980)	3,000	25.9	214.4	76.0 <u>4/</u>	87.7
Liberia (1980)	35	7.6	72.9	5.7	34.4
Pakistan (1981)	216	2.4	33.5	7.0	21.8
Togo (1981)	232	25.7	580.0	115.4 <u>6/</u>	188.6
Poland (1981)	2,200				
Madagascar (1981)	140	12.7	112.9	29.2	38.5
Gen. Afr. Rep. (1981)	72	44.2	1,200.0	77.4 <u>6/</u>	51.8
Zaire (1981)	500	12.0	98.0	29.8	118.8
Senegal (1981)	75	7.8	197.3	17.5 <u>6/</u>	16.0
Uganda (1981)	30	5.0	22.4	12.3 <u>6/</u>	12.7
Liberia (1981)	30	5.6	57.6	5.4 <u>5/</u> <u>6/</u>	36.0
Sudan (1982)	80	2.2	10.8	9.3	8.4
Madagascar (1982)	107		91.4		
Romania (1982)	234	2.2	13.2	3.3 <u>7/</u>	N.A. <u>3/</u>
Malawi (1982)	25	3.2	9.2	8.8 <u>6/</u>	15.0
Senegal (1982)	74	5.2	194.7	13.6 <u>6/</u>	21.2
Uganda (1982)	19	3.7	14.1	6.7 <u>5/</u> <u>6/</u>	13.6

Sources: Agreed Minutes of debt rescheduling; OECD; IBRD; and various Fund reports.

- 1/ Outstanding as of the end of preceding year.
2/ Amount in the year of rescheduling.
3/ N.A. = not applicable/current account surplus.
4/ Exports of goods plus (positive) net services.
5/ Fiscal year data.
6/ Exports f.o.b.
7/ Convertible currencies only.

Table A. Pakistan: Date of Agreed Minutes: January 14, 1981

Type of Debt Covered	Scope of Debt Relief			Repayment Terms			
	Consolidation Period (Including Rescheduled Arrears at the Beginning of the Consolidation Period)	Estimated or Actual Amount Consolidated Under Agreed Minutes (US\$ million)	Proportion of Maturities Covered by Agreed Minutes (In per cent)	Grace period (End of Consolidation Period to Date of First Repayment of Rescheduled Amount) (Years)	Maturity = Grace + Repayment Periods (Years)	Interest Rate on Rearranged Maturities	
Unpaid principal and interest on official and officially guaranteed debt with original maturities of more than one year and having a grant element of 25 per cent or more contracted before 7/1/80.	1/15/81-7/14/82	250	90--To be determined bilaterally so as to reach, in each case, an overall grant element of 55 per cent.				
Undertakings in Agreed Minutes							
	Nondiscrimination						
	Goodwill Clause	M.F.N. Clause	Initiative Clause	Other	Stand-By Arrangement	Chairmanship	Other Comments
Yes, participating creditors to consider, in 18 months, another request to meet on the issue of additional debt relief.	Yes	No			11/80-11/83 Agreed Minute notes the EFF agreement with IMF and statements by representatives of IBRD, IMF, and UNCTAD to recent developments in economic policies, continued financial difficulties, and need for additional external assistance. Participating creditors expressed satisfaction with economic reform program and stressed importance of continuing and full implementation of the program.	Consortium	Renegotiation of debt applicable only to concessional loans, i.e., with grant element of 25 per cent or more.

Table B. Togo: Date of Agreed Minutes: February 20, 1981

Type of debt covered	Scope of Debt Relief			Repayment Terms		
	Consolidation Period (Including Rescheduled Arrears at the beginning of the Consolidation Period)	Estimated or Actual Amount Consolidated Under Agreed Minutes (US\$ million)	Proportion of Maturities Covered by Agreed Minutes (In per cent)	Grace Period (end of Consolidation Period to Date of First Repayment of Rescheduled Amount) (Years)	Maturity + Grace + Repayment Periods (Years)	Interest Rate on Rearranged Maturities
Unpaid principal and interest on official and officially guaranteed debt with an original maturity of more than one year contracted before 7/1/80. (Excluded are debts related to C.I.H.A.O. program, which are jointly guaranteed by the Government of Togo and other governments.)	1/1/81-12/31/82 broken down into:	242	100 of which:			To be determined bilaterally.
	a) 1/1/81-12/31/81.		85--a) in 10 equal semi-annual installments beginning 12/31/83 and ending 6/30/90.	4.0	8.5	
	b) 1/1/82-12/31/82.		--b) in 10 equal semi-annual installments beginning 12/31/86 and ending 6/30/91.	4.0	8.5	
			15--a) 2.5 per cent as originally scheduled and 12.5 per cent on 12/31/82.	--	1.0	
			--b) to be paid as originally scheduled.	--	--	

	Undertakings in Agreed Minutes				Stand-By Arrangement	Chairmanship	Other Comments
	Nondiscrimination						
Goodwill Clause	M.F.N. Clause	Initiative Clause	Other				
yes, for debt service 2/15/82-12/31/82, conditional on observance of Letter of Intent of 12/5/80 and that Togo has reached, no later than 1/31/82, understandings with IMF on policy intentions and performance clauses related to SBA up to 2/12/83.	Yes	Yes		2/12/81-2/12/83.	Paris Club		
				Agreed Minutes state that creditor countries expressed satisfaction with program and stressed importance of the continuing and full implementation of the program, particularly debt management and the reorganization of public enterprises.			

Table C. Poland: Date of Agreed Minutes: April 27, 1981

Type of Debt Covered	Scope of Debt Relief			Repayment Terms		
	Consolidation Period (Including Rescheduled Arrears at the Beginning of the Consolidation Period)	Estimated or Actual Amount Consolidated Under Agreed Minutes (US\$ million)	Proportion of Maturities Covered by Agreed Minutes (In per cent)	Grace Period (End of Consolidation Period to Date of First Repayment of Rescheduled Amount) (Years)	Maturity = Grace + Repayment Periods (Years)	Interest Rate on Rearranged Maturities
Unpaid principal and interest on official and officially guaranteed debt with an original maturity of more than one year contracted before 1/1/81	a) Arrears as of 5/1/81 b) 5/1/81-12/31/81	2,200	90--for (a) and (b) in 8 semiannual installments (on the first day of January and July) beginning 1/1/80. (*Remaining 10 per cent to be paid as originally scheduled.)	4	7.5	To be determined bilaterally.
a) Outstanding arrears up to 5/1/81.						
b) Unpaid principal and interest 5/1/81-12/31/81						

Undertakings in Agreed Minutes						
Nondiscrimination				Stand-By Arrangement	Chairmanship	Other Comments
Goodwill Clause	M.F.N. Clause	Initiative Clause	Other			
Yes, creditors to positively examine debt service in 1982 and 1983. To this end, joint commission to meet in Paris in September 1981 and thereafter at mutually agreed dates.	Yes	Yes	Report on a 3 year stabilization program attached to Agreed Minute; special importance attached to Section III, paragraph 3, and balance of payments targets. Creditors agreed to meet at half-yearly intervals to discuss progress in stabilization program. Bilateral agreements to be concluded not later than 6/30/81.		Special task force	

Table D. Madagascar: Date of Agreed Minutes: April 30, 1981

Type of Debt Covered	Scope of Debt Relief			Repayment Terms		
	Consolidation Period (Including Rescheduled Arrears at the Beginning of the Consolidation Period)	Estimated or Actual Amount Under Agreed Minutes (US\$ million)	Proportion of Maturities Covered by Agreed Minutes (In per cent)	Grace Period (End of Consolidation Period to Date of First Rescheduled Amount) (Years)	Maturity + Grace + Repayment Periods (Years)	Interest Rate on Rearranged Maturities
Unpaid principal and interest on official and guaranteed debt one year contracted before 7/1/81.	a) Arrears as of 1/1/81. b) 1/1/81-6/30/82.	140	a) 100 of which: 25--to be paid by 12/31/81. 75--in 8 equal semiannual installments starting on 3/31/82 and ending 9/80/85.	--	3.25	To be determined bilaterally.
a) Outstanding arrears (including short-term) as of 1/1/81.						
b) Unpaid principal and interest on debt with an original maturity of more than one year from 1/1/81-6/30/82			b) 100 of which: 85--in 10 equal semiannual installments starting 3/31/86 and ending 9/30/90. 15--5 per cent as originally scheduled; 5 per cent on 6/30/83 and 5 per cent on 6/30/84. 1/	3.75	8.25	
				--	2.0	

1/ For maturities falling due 1/1/81 and signature of the bilateral agreements, the remaining 15 per cent will be paid as follows: 5 per cent one month after signature of bilateral agreements; 5 per cent on 6/30/83, and 5 per cent on 6/30/84.

Goodwill Clause	Undertakings in Agreed Minutes			Stand-By Arrangement	Chairmanship	Other Comments
	M.F.N. Clause	Initiative Clause	Other			
Yes, for debt service after July 1, 1982, provided that Madagascar continues to have an upper credit tranche program with IMF.	Yes	Yes		4-13/81-6/26/82. Agreed Minutes state that participating creditors expressed satisfaction with adjustment efforts in program and stressed importance of the continuing and full implementation of program, particularly the revitalization and restructuring of productive sector of economy.	Paris Club	Special feature is that renegotiation provided for rescheduling of short-term arrears.

Table E. Central African Republic: Date of Agreed Minutes: June 12, 1981

Type of Debt Covered	Scope of Debt Relief			Repayment Terms		
	Consolidation Period (Including Rescheduled Arrears at the Beginning of the Consolidation Period)	Estimated or Actual Amount Consolidated Under Agreed Minutes (US\$ million)	Proportion of Maturities Covered by Agreed Minutes (In per cent)	Grace period (End of Consolidation Period to Date of First Repayment of Rescheduled Amount) (Years)	Maturity = Grace + Repayment Periods (Years)	Interest Rate on Rearranged Maturities
Unpaid principal and interest on official and officially guaranteed debt with an original maturity of more than one year contracted prior to 1/1/81.	a) Arrears as of 1/1/81. b) 1/1/81-12/31/81	72	Arrears 100 of which: 85--a) in 10 equal semiannual installments starting 12/31/85 and ending 6/30/90. 15--a) Three per cent by 12/31/81; 4 per cent each on 12/31/82, 12/31/83, and 12/31/84.	4.0	8.5	To be determined bilaterally.
a) Outstanding arrears as of 1/1/81.			Current Maturities	--	3.0	
b) Unpaid principal and interest 1/1/81-12/31/81.			85*-b) In 10 equal semiannual installments starting 1/1/85 and ending 6/30/90.	4.0	8.5	
(*Remaining 15 per cent to be paid as originally scheduled.)						

Undertakings in Agreed Minutes				Stand-By Arrangement	Chairmanship	Other Comments
Nondiscrimination						
Goodwill Clause	M.F.N. Clause	Initiative Clause	Other			
Yes, for debt service falling due after 12/31/81, provided that the C.A.R. continues to have an upper credit tranche program with the IMF.	Yes	Yes	Agreed Minutes specifically state that participating creditors will seek to conclude bilateral agreements within a period of 4 months.	4/10/81-12/31/81. Agreed Minutes state that participating creditors took note of adjustment measures in the program and stress importance of continuing and full implementation of the program, particularly the revitalization of productive sector and improvement in management of the public sector.	Paris Club	

Table F. Zaïre: Date of Agreed Minutes: July 9, 1981

Type of Debt Covered	Scope of Debt Relief			Repayment Terms		
	Consolidation Period (including Rescheduled Arrears at the Beginning of the Consolidation Period)	Estimated or Actual Amount Consolidated Under Agreed Minutes (US\$ million)	Proportion of Maturities Covered by Agreed Minutes (In per cent)	Grace Period (End of Consolidation Period to Date of First Repayment of Rescheduled Amount) (Years)	Maturity = Grace + Repayment Periods (Years)	Interest Rate on Rearranged Maturities
Unpaid principal and interest on official and officially guaranteed debt with an original maturity of more than one year contracted before 1/1/79.	1/1/81-12/31/82	500	100 of which:			
	broken down into:					
	a) 1/1/81-12/31/81		90--a) in 12 equal semiannual installments starting 12/31/85 and ending 6/30/91.	4.0	9.5	To be determined bilaterally.
	b) 1/1/82-12/31/82		--b) in 12 equal semiannual installments starting 12/31/86 and ending 6/30/92.	4.0	9.5	
		10--a) 2.5 per cent one month after signature of bilateral agreement and 2.5 per cent each on June 30 of the years 1982, 1983, and 1984.	--	2.5		
		--b) in 4 equal annual payments starting 6/30/82 and ending 6/30/85.				

Undertakings in Agreed Minutes						
Goodwill Clause	Nondiscrimination			Stand-By Arrangement	Chairmanship	Other Comments
	M.F.N. Clause	Initiative Clause	Other			
Rescheduling of 1-1/82-12/31/82 maturities conditional on Zaïre's eligibility to make purchases under the EFF.	Yes	Yes	Amounts falling due in 1980 and payment of which was delayed to 1981 by lack of implementation of 1979 Agreed Minute will not be eligible for present rescheduling and will have to be paid within one month of the conclusion of the bilateral agreement of the Agreed Minute of 1979.	EFF--6/21/81-6/21/84. Agreed Minutes state that participating creditors took note of adjustment efforts in the program and stressed importance of its continuing and full implementation, particularly the revitalization of the productive sector and improvement of public finances and foreign exchange adjustment.	Paris Club	

Table C. Senegal: Date of Agreed Minutes: October 13, 1981

Type of Debt Covered	Scope of Debt Relief			Repayment Terms		
	Consolidation Period (Including Rescheduled Arrears at the Beginning of the Consolidation Period)	Estimated or Actual Amount Consolidated Under Agreed Minutes (US\$ million)	Proportion of Maturities Covered by Agreed Minutes (In per cent)	Grace Period (End of Consolidation Period to Date of First Repayment of Rescheduled Amount) (Years)	Maturity = Grace + Repayment Periods (Years)	Interest Rate on Rearranged Maturities
Unpaid principal and interest in official and officially guaranteed debt with an original maturity of more than one year contracted before 7/1/81.	7/1/81-6/30/82	75	100 of which: 85--In 10 equal semiannual installments starting 6/30/86 and ending 12/31/90. 15--5 per cent each on 6/30 of the years 1983, 1984, and 1985.	4.0	8.5	To be determined bilaterally.
(Excluding debts of Air Afrique and "Agence pour la Securite de la Navigation Aerienne," which are guaranteed jointly by Senegal and other governments.						

Goodwill Clause	Undertakings in Agreed Minutes			Stand-By Arrangement	Chairmanship	Other Comments
	M.F.N. Clause	Initiative Clause	Other			
Yes, for debt service after June 30, 1982 provided that Senegal continues to have an upper credit tranche arrangement with IMF.	Yes	Yes		9/11/81-9/10/82.	Paris Club.	Agreed Minutes state participating creditors took note of adjustment measures of program and stressed importance of its continuing and full implementation, particularly the revitalization of productive sector and the improvement of public finances and foreign exchange management.

Table H. Uganda: Date of Agreed Minutes: November 18, 1981

Type of Debt Covered	Scope of Debt Relief			Repayment Terms		
	Consolidation Period (Including Rescheduled Arrears at the Beginning of the Consolidation Period)	Estimated or Actual Amount Consolidated Under Agreed Minutes (US\$ million)	Proportion of Maturities Covered by Agreed Minutes (In per cent)	Grace Period (End of Consolidation Period to Date of First Repayment of Rescheduled Amount) (Years)	Maturity = Grace + Repayment Periods (Years)	Interest Rate on Rearranged Maturities
Unpaid principal and interest on official and guaranteed debt with an original maturity of more than one year contracted before 7/1/81.	a) Arrears as of 6/30/81.	30	100 of which:			
	b) 7/1/81-6/30/82		95--a) in 7 successive payments as follows: 10 per cent on 6/30/86 and 12.5 per cent in 6 semiannual installments starting 12/31/86 and ending 6/30/89.	4.0	7.0	To be determined bilaterally.
a) Arrears as of 6/30/81.			90--b) in 10 equal semiannual installments starting 12/31/86 and ending 6/30/91.	4.0	8.5	
b) Unpaid principal and interest 7/1/81-6/30/82.			15--a) 2.5 per cent on 6/30/82 and 6/30/83; 5 per cent each on 6/30/84 and 6/30/85.	--	3.0	
			b) in 5 equal annual payments on June 30, 1982, 1983, 1984, 1985, and 1986.	--	4.0	

Undertakings in Agreed Minutes

Goodwill Clause	Nondiscrimination			Other	Stand-By Arrangement	Chairmanship	Other Comments
	M.F.N. Clause	Initiative Clause					
Yes, for debt service after June 30, 1982, provided that Uganda continues to have an upper credit tranche program with IMF.	Yes	Yes			6/5/81-6/30/82	Paris Club	
					Agreed Minute states that participating creditors took note of adjustment measures and stressed importance of continuing and full implementation of the program, particularly reconstruction of productive sector and improvement of public finances and foreign exchange management.		

Table J. Liberia: Date of Agreed Minutes: December 16, 1981

Type of Debt Covered	Scope of Debt Relief			Repayment Terms		
	Consolidation Period (Including Rescheduled Arrears at the Beginning of the Consolidation Period)	Estimated or Actual Amount Consolidated Under Agreed Minutes (US\$ million)	Proportion of Maturities Covered by Agreed Minutes (In per cent)	Grace Period (End of Consolidation Period to Date of First Repayment of Rescheduled Amount) (Years)	Maturity - Grace + Repayment Periods (Years)	Interest Rate on Rearranged Maturities
Unpaid principal and interest on official and officially guaranteed debt with an original maturity of more than one year contracted before 1/1/80.	1/1/82-6/30/83	30	100 of which:			
	broken down into:					
	a) 1/1/82-9/30/82		90--a) in 10 equal semiannual installments starting 11/15/86 and ending 5/15/91.	4.25	8.5	To be determined bilaterally.
	b) 10/1/82-6/30/83		--b) in 10 equal semiannual installments starting 8/15/87 and ending 2/15/92.	4.25	8.5	
	10--a) in 4 equal annual successive payments starting on 9/30/82 and ending 9/30/85.	--	3.0			
	--b) In 4 equal annual successive payments starting 6/30/83 and ending 6/30/86.	--	3.0			
(Excluding debts related to "Roberts Flight Information Region" program which guaranteed jointly by Liberia and other governments.)						

Undertakings in Agreed Minutes					Stand-By Arrangement	Chairmanship	Other Comments
Nondiscrimination				Other			
Goodwill Clause	M.F.N. Clause	Initiative Clause					
Yes, for debt service 10/1/82-6/30/83, provided that Liberia has reached agreement with IMF on an upper credit tranche arrangement not later than September 30, 1982.	Yes	Yes	Agreed Minute specifies that bilateral agreements to be concluded with the least delay and to spare no effort to reach conclusion of bilateral agreements by not later than 9/30/82. Participating creditors to meet in summer of 1982 to discuss compliance of present arrangement.		8/26/81-9/15/82. Agreed Minute states that participating creditors took note of adjustment measures and stressed the importance of continuing and full implementation of the program, particularly the improvement of public finances and re-establishment of internal and external confidence in the management of the economy.	Paris Club	

Table K. Madagascar: Date of Agreed Minutes: July 13, 1982

Type of Debt Covered	Scope of Debt Relief			Repayment Terms		
	Consolidation Period (Including Rescheduled Arrears at the Beginning of the Consolidation Period)	Estimated or Actual Amount Under Agreed Minutes (US\$ million)	Proportion of Maturities Covered by Agreed Minutes (In per cent)	Grace Period (End of Consolidation Period to Date of First Repayment of Rescheduled Amount) (Years)	Maturity - Grace + Repayment Periods (Years)	Interest Rate on Rearranged Maturities
Unpaid principal and interest on official and officially guaranteed debt.	a) Arrears as of 6/30/82. b) 7/1/82-6/30/83.	107	100 of which: 70--a) in 6 semiannual installments starting 3/31/83 and ending 9/30/85. 85--b) in 10 semiannual installments starting 3/31/87 and ending 7/30/91.	--	2.25	To be determined bilaterally.
a) Arrears (including short-term) as of 6/30/82.				4.75	9.25	
b) Unpaid principal and interest on debts with an original maturity of more than one year 7/1/82-6/30/83.			30--a) before 12/31/82. --b) Five per cent payable when due; 5 per cent each on 6/30/84 and 6/30/85.	--	--	2.0

Undertakings in Agreed Minutes						
Goodwill Clause	Nondiscrimination			Stand-By Arrangement	Chairmanship	Other Comments
	M.F.N. Clause	Initiative Clause	Other			
Yes, for debt service after 6/30/83, provided that Madagascar continues to have an upper credit tranche arrangement with the IMF.	Yes	Yes	Agreed Minute stipulated that all arrears resulting from April 1981 rescheduling must be paid off by 9/30/82. Although Israel is not mentioned by name, a special clause makes clear that this stipulation also applies to rescheduling of arrears between Madagascar and Israel, even though <i>Israel did not participate</i> in the first Paris Club meeting.	7/9/82-7/8/83 Agreed Minute states that participating creditors took note of adjustment effort and stressed the importance of continuing and full implementation of the program, particularly the revitalization of the public sector and the improvement of public finances and foreign exchange management.	Paris Club	Special feature in that renegotiation provided for rescheduling of short-term arrears.

Table L. Romania: Date of Agreed Minutes: July 28, 1982

Type of Debt Covered	Scope of Debt Relief			Repayment Terms		
	Consolidation Period (Including Rescheduled Arrears at the Beginning of the Consolidation Period)	Estimated or Actual Amount Consolidated Under Agreed Minutes (US\$ million)	Proportion of Maturities Covered by Agreed Minutes (In per cent)	Grace Period (End of Consolidation Period to Date of First Repayment of Rescheduled Amount) (Years)	Maturity = Grace + Repayment Periods (Years)	Interest Rate on Rearranged Maturities
Unpaid principal and interest on official and officially guaranteed debt with an original maturity of more than one year contracted before 1/1/82.	a) Arrears as of 12/31/81 b) 1/1/82-12/31/82	234	80--(a) and (b) in 7 equal semiannual instalments starting 12/31/85 and ending 12/31/88 (*Remaining 20 per cent to be paid as scheduled.)	3	b	To be determined bilaterally.
a) Arrears as of 12/31/81.						
b) Principal and interest 1/1/82-12/31/82.						

Undertakings in Agreed Minutes							
Goodwill Clause	Nondiscrimination			Other	Stand-By Arrangement	Chairmanship	Other Comments
	M.F.N. Clause	Initiative Clause					
Yes, for debt service after 12/31/82, provided that Romania continues to have an upper credit tranche arrangement with the Fund.	Yes	Yes, Agreed Minutes specifically include banks and all CMEA financial institutions.		All debt service on official and officially guaranteed debt not covered by this Minute to be paid by 9/30/82.	b/21/82-b/20/83	Paris Club	Agreed Minute states participating creditors took note of adjustment measures and stressed importance of continuing and full compliance with the program, particularly the revitalization of the productive sector and improvement of public finances and foreign exchange management.

Table M. Malawi: Date of Agreed Minutes: September 22, 1982

Type of Debt Covered	Scope of Debt Relief			Repayment Terms		
	Consolidation Period (Including Rescheduled Arrears at the Beginning of the Consolidation Period)	Estimated or Actual Amount Consolidated Under Agreed Minutes (US\$ million)	Proportion of Maturities Covered by Agreed Minutes (In per cent)	Grace Period (End of Consolidation Period to Date of First Repayment of Rescheduled Amount) (Years)	Maturity = Grace + Repayment Periods (Years)	Interest Rate on Rearranged Maturities
Unpaid principal and interest on official and officially guaranteed debt with an original maturity of more than one year contracted before 1/1/82.	1/1/82-6/30/83.	25	100 of which: 85--in 10 semiannual installments starting on 1/1/87 and ending 7/1/91. 15--7.5 per cent as originally scheduled and 7.5 per cent on 6/30/84.	3.5	8.0	To be determined bilaterally.
				--	1.0	
Undertakings in Agreed Minutes						
Goodwill Clause	Nondiscrimination			Stand-By Arrangement	Chairmanship	Other Comments
	M.F.N. Clause	Initiative Clause	Other			
Yes, for debt service after 6/30/83, provided that Malawi continues to have upper credit tranche arrangement with the IMF.	Yes	Yes	Bilateral agreements should be concluded with least delay and in any case, before 5/31/83. All debt service on official and officially guaranteed debt not covered by this Minute to be paid by 11/30/82.	8/6/82-8/5/83	Paris Club	Agreed Minute states participating creditors took note of adjustment measures and stressed importance of continuing and full implementation of program, particularly revitalization of productive sector and improvement of public finances and foreign exchange management.

Table N. Senegal: Date of Agreed Minutes: November 29, 1982

Type of Debt Covered	Scope of Debt Relief			Repayment Terms		
	Consolidation Period (Including Rescheduled Arrears at the Beginning of the Consolidation Period)	Estimated or Actual Amount Consolidated Under Agreed Minutes (US\$ million)	Proportion of Maturities Covered by Agreed Minutes (In per cent)	Grace Period (End of Consolidation Period to Date of First Repayment of Rescheduled Amount) (Years)	Maturity - Grace + Repayment Periods (Years)	Interest Rate on Rearranged Maturities
Unpaid principal and interest on official and officially guaranteed debt with an original maturity of over one year contracted before 7/1/81 (excluding debts related to Air Afrique and Agence pour la Sécurité de la Navigation Aérienne, which are guaranteed jointly by Senegal and other governments).	7/1/82-6/30/83.	74	100 of which:			
			85--in 10 equal semiannual installments starting 9/30/87 and ending 3/31/92.	4.0	8.5	To be determined bilaterally.
			15--2.5 per cent each on 12/31/83 and 12/31/84; 5 per cent each on 12/31/85 and 12/31/86.	0.5	3.5	

Undertakings in Agreed Minutes

Goodwill Clause	Nondiscrimination			Stand-By Arrangement	Chairmanship	Other Comments
	M.F.N. Clause	Initiative Clause	Other			
Yes, for debt service after 3/31/83, provided that Senegal continues to have an upper credit tranche arrangement with the IMF.	Yes	Yes	Debt service on official and officially guaranteed debt not covered by this Minute to be paid not later than 3/31/83.	11/24/83-11/23/84 Agreed Minute states participating creditors took note of adjustment measures and stressed importance of continuing and full implementation of program, particularly the revitalization of the productive sector and improvement of public finances and foreign exchange management.	Paris Club	

Table O. Uganda: Date of Agreed Minutes: December 1, 1982

Type of Debt Covered	Scope of Debt Relief			Repayment Terms		
	Consolidation Period (Including Rescheduled Arrears at the Beginning of the Consolidation Period)	Estimated or Actual Amount Consolidated Under Agreed Minutes (US\$ million)	Proportion of Maturities Covered by Agreed Minutes (In per cent)	Grace Period (End of Consolidation Period to Date of First Repayment of Rescheduled Amount) (Years)	Maturity = Grace + Repayment Periods (Years)	Interest Rate on Rearranged Maturities
Unpaid principal and interest on official and officially guaranteed debt with an original maturity of more than one year contracted before 7/1/81.	7/1/82-6/30/83	19	100 of which:			
			90--in 10 equal semiannual installments starting 12/31/87 and ending 6/30/92.	4.25	9.0	To be determined bilaterally.
			10--in 5 equal payments on June 30, 1983, 1984, 1985, 1986, and 1987.	--	4.0	

Undertakings in Agreed Minutes							
Goodwill Clause	Nondiscrimination			Other	Stand-By Arrangement	Chairmanship	Other Comments
	M.F.N. Clause	Initiative Clause					
Yes, for debt service after 6/30/83, provided that Uganda continues to have an upper credit tranche arrangement with the IMF.	Yes	Yes		All debt service on official and officially guaranteed debt not covered by this Minute to be paid not later than 6/30/83. Repayment of arrears before 7/1/81 to observer countries represented at present meeting which did not attend 11/18/81 meeting to be made according to Agreed Minute of that meeting, and in cases of payments overdue under that schedule, not later than 6/30/83.	8/11/82-8/10/83	Paris Club	Agreed Minute states participating creditors took note of adjustment measures and stressed importance of continuing and full implementation of the program, particularly the reconstruction of productive sector and improvement of public finances and foreign exchange management.

Table P. Sudan: Date of Agreed Minutes: March 18, 1982

Type of Debt Covered	Scope of Debt Relief			Repayment Terms		
	Consolidation Period (Including Rescheduled Arrears at the Beginning of the Consolidation Period)	Estimated or Actual Amount Under Agreed Minutes (US\$ million)	Proportion of Maturities Covered by Agreed Minutes (In per cent)	Grace Period (End of Consolidation Period to Date of First Repayment of Rescheduled Amount) (Years)	Maturity - Repayment Periods (Years)	Interest Rate on Rearranged Maturities
Unpaid principal and interest on official and officially guaranteed debt with an original maturity of more than one year contracted before 7/1/81.	a) Arrears as of 6/30/81. b) 7/1/81-12/31/82.	80	100 of which: 90--(a) and (b) in 11 equal semiannual installments starting 7/1/87 and ending 7/1/92. 10--(a) and (b) 2.5 per cent on 12/31/82; 2.5 per cent on 12/31/83; and 5 per cent on 12/31/84.	4.5	9.5	To be determined bilaterally.
a) Arrears as of 6/30/80.				--	2.0	
b) Unpaid principal and interest 7/1/81-12/31/82.						

Goodwill Clause	Undertakings in Agreed Minutes			Stand-By Arrangement	Chairmanship	Other Comments
	Nondiscrimination					
	M.F.N. Clause	Initiative Clause	Other			
Yes, for debt service after 12/31/82, provided that Sudan continues to have an upper credit tranche arrangement with IMF.	Yes	Yes		2/18/82-12/31/82	Paris Club	Agreed Minutes state that participating creditors took note of adjustment measures and stressed importance of continuing and full implementation of the program, particularly improvement in public finances and re-establishment of internal and external confidence in management of economy. Provisions of present agreement apply on condition that Sudan continues to be authorized to make purchases under present Fund arrangement.

Part II

External Debt Management of Selected Member Countries

I. Introduction

External debt management encompasses a wide range of activities which include, inter alia, compiling data, projecting debt service payments, controlling the level and composition of external indebtedness, and screening individual foreign borrowings by private and/or public entities. Although some form of debt management is exercised by most countries, concrete information on actual practices is available only for a limited number of countries. This paper surveys such practices for 20 large debtors. ^{1/} About one half of the sample countries have recently encountered debt servicing difficulties, and for these cases, the paper discusses whether weaknesses in debt management policies contributed to the emergence of these difficulties.

II. Summary

Timely availability of adequate statistical information on the external debt positions and borrowing operations of public and private entities is a prerequisite for the implementation of an effective debt management policy. Reliable data on medium- and long-term public debt are, or will be, readily available in all but two countries, and the lack of data on medium- and long-term private debt is considered a serious impediment for effective debt management only in a few countries. Although accurate data on all short-term debt do not generally exist, those on short-term financial credits are available in all countries but four. Data are compiled generally with a lag of 1-6 months. Thus, overall, the information availability is reasonably satisfactory in most cases. This relatively satisfactory state is, in a sense, a product of debt servicing problems, as several countries in the sample strengthened the debt monitoring mechanisms after having experienced debt servicing difficulties. It may be noted that the sample of 20 countries includes some of the best documented cases and that, on average, the information availability might not be as good for countries not covered in this paper.

The contracting of external debt by public sector entities is subject to approval, on a loan-by-loan basis, by a ministry, an inter-ministerial committee, or by the Central Bank in all countries, and debt management considerations or constraints on supply of funds now play an important role in determining the total amount of public sector

^{1/} The sample consists of the following countries: Argentina, Brazil, Chile, Costa Rica, Denmark, Ecuador, Hungary, Ireland, Korea, Mexico, Morocco, Philippines, Romania, Sudan, Sweden, Thailand, Turkey, Yugoslavia, Zaire, and Zambia.

borrowing in all countries but one. As in the case of information availability, public debt management was strengthened recently for several countries after debt servicing problems were encountered.

In about a third of noncentrally planned economies in the sample, the authorities impose a minimum maturity or a deposit requirement on foreign borrowings by private entities in order to discourage short-term borrowings. The governments of several countries impose a ceiling on interest rates on foreign loans or on the spread over LIBOR, and in one case, withholding tax is levied on interest payments abroad with a view to influencing the cost of foreign borrowing. Also, several countries have instruments to influence the amount of trade credits utilized. In the majority of the countries, however, the authorities do not have an instrument designed specifically to regulate the amount or the terms of private foreign borrowing.

The central element of external debt management is to determine the sustainable level of the external debt servicing burden for the country, and to control the types and amounts of foreign borrowing to achieve this goal. Until recently, this form of debt management was explicitly exercised only in four countries. Some of these countries maintain a statutory ceiling on the debt service ratio, while one country relies on a forward-looking analysis of the external debt position. There are several other countries which recently adopted the policy to adjust public sector deficits to contain external debt at a desirable level. There are also cases where the authorities have become increasingly aware of the danger of rapidly incurring external debt, and adopted a set of macroeconomic policies designed to reduce the external current account deficits.

In most of the countries which have experienced debt servicing problems recently, inadequate debt management contributed, directly or indirectly, to the emergence of the difficulties. In some cases, the countries took policies to encourage shorter term borrowing or did not control the maturity of foreign borrowings by public sector entities. In others, the authorities did not implement strict screening of loan proposals to assure the viability of the projects. There was also a case where the high level of external debt left the country vulnerable to adverse external shocks. The most common important cause was, however, the lack of adjustment of aggregate domestic demand, of the public sector budget, and of the exchange rate to contain the growth of external debt.

There have also been positive experiences of debt management. First, a ceiling on the debt service ratio served well for the purpose of providing for a comfortable safety margin. It is, of course, difficult to define the target ratio and to project the ratio in coming years, especially for countries which export a limited number of primary products only. However, the application of this policy should not be difficult once it is recognized that the ratio serves as the safety valve and, hence, a comfortable cushion should be provided for. Second,

a forward-looking analysis of the evolution of the debt profile under several scenarios concerning the future path of external current account balance served well to examine the sustainability of present policies. Third, a deposit requirement and a minimum maturity requirement helped prevent excessive recourse to short-term borrowing. When there is a cost advantage in short-term borrowing, the deposit requirement could be used to offset such advantage.

III. Adequacy of Information

Data on medium- and long-term public debt are readily available for all cases, and the data are considered to be of a quality sufficient for policy-making purposes for all countries but Costa Rica, Turkey, and Yugoslavia (Table 1). A comprehensive survey matching the creditor and debtor records is currently under way in Costa Rica, and the desired data will be compiled shortly. Data are prepared routinely in Turkey and Yugoslavia, but the quality is not fully adequate. For Turkey, a general weakness in financial accounting and reporting of state economic enterprises is the main source of the problems, while in the case of Yugoslavia, the central authorities do not obtain sufficient information from the republics. Reliable data may not continue to be available in Sudan, and Zambia because the statistics presently available are based on a recent ad hoc survey conducted with the assistance of foreign accounting firms, and the monitoring mechanism may not be effective enough to keep the data up to date. ^{1/} In all sample countries, the information is centralized at the Treasury, the Central Bank, and/or an office under the Parliament, but military loans are sometimes not covered in the reported statistics.

It is more difficult to collect reliable and timely information on private debt. In seven countries, adequate data on medium- and long-term private debt are not available at present. However, for three of these countries (Sudan, Zaire, and Zambia), this information is not essential for effective debt management as access to foreign capital by private entities is limited in the three countries. Costa Rica and Mexico introduced a requirement last year that all foreign borrowings be registered, and it is expected that the data will become available in due course. Thus, currently, the lack of reasonably complete private debt data is considered an impediment for effective debt management only in a few cases.

A prior registration of foreign borrowing at the Central Bank is the most common source of statistics on private debt. Access to the official market for debt service payments appears to have given considerable incentives for the borrowers to register their loans and, thus, the registration procedure usually provided a solid data base. Unless the registration was made, foreign exchange for servicing the debt

^{1/} In Zaire, an IBRD representative is attached to a government agency to help maintain the up-to-date information.

Table 1. Data Availability

	Availability of Reliable Data 1/			
	Medium- and Long-term		Short-term	
	Public	Private 2/	Trade Credit	Financial Credit
	(Yes, if data are available)			
Argentina	yes	yes	yes	yes
Brazil	yes	yes	no	yes
Chile	yes	yes	yes	yes
Costa Rica	no 3/	no 3/	no 3/	no 3/
Denmark	yes	no	no	no
Ecuador	yes	yes	no	yes
Hungary	yes	...	yes	yes
Ireland	yes	no	no	yes
Korea	yes	yes	yes	yes
Mexico	yes	no 3/	no 3/4/	no 3/4/
Morocco	yes	yes	no	no
Philippines	yes	yes	no	yes
Romania	yes	...	yes	yes
Sudan	yes	no	no	no
Sweden	yes	yes	yes	yes
Thailand	yes	yes	no	yes
Turkey	no 5/	no	no	yes 6/
Yugoslavia	no	...	no	yes
Zaire	yes	no	no 7/	no 7/
Zambia	yes	no	no	yes

1/ Data are considered unreliable when, in the staff's judgement, a significant portion of the debt is not reported.

2/ In Hungary, Romania, and Yugoslavia, all borrowers are considered as public sector entities.

3/ Prior registration requirement was introduced recently for all foreign borrowings and, therefore, data would become available in due course.

4/ Data on public debt are available.

5/ Data collection and reporting have been strengthened recently, although there is room for further improvement.

6/ At present, only the Central Bank obtains short-term financial credit.

7/ Data on guaranteed credits are available.

would not be made available in the official market. Thailand derives the required information from exchange control records and a survey of a large number of firms. It is rather difficult to collect complete records of private capital transactions for the countries which do not exercise strict exchange control or have an unofficial foreign exchange market. No statistics on nonbank private debt are published in Ireland.

Comprehensive information on short-term debt is generally unavailable and, often, what is reported as short-term debt does not cover all categories of liabilities. It is particularly difficult to compile good statistics on trade credits, especially the use of open accounts and documents against acceptance financing. In Brazil, short-term credits are exempted from the registration requirement. What is of critical importance to debt management is the data on financial loans. Such data are available in fourteen of the sample countries, and will be so shortly in Costa Rica and Mexico. ^{1/} The data sources are foreign loan registrations, exchange control records, and/or balance sheets of major borrowers, including banks. Yugoslavia is unique in that data on short-term debt is believed accurate, although those of medium- and long-term debt are not; the former is well known as republic banks report their foreign liabilities to the National Bank which comprise most, if not all, short-term debt.

It may be noted that several countries recently strengthened the monitoring mechanisms after having experienced debt servicing difficulties. Costa Rica, Sudan, Zaire, and Zambia made use of private accounting firms for collecting accurate debt statistics, while the prior registration requirement was instituted in Costa Rica and Mexico. Turkey and Costa Rica recently established a special committee comprising senior representatives of concerned ministries and the Central Bank to monitor and screen foreign borrowing by public entities.

IV. Management of Public Debt

The contracting of external debt by public sector entities is subject to approval by a ministry or an interministerial committee in all countries in the sample. Except for Hungary, Ireland, Romania, and Sweden, where the authority to contract a foreign loan is centralized, most public agencies are authorized to borrow from abroad. A prior approval requirement was introduced recently in Sudan and Yugoslavia, and the screening process was strengthened in 1981-82 in Costa Rica, Turkey, and Zambia. In most countries, the government may guarantee foreign loans taken by private sector entities under specified circumstances. Normally, only the Treasury is authorized to provide such guarantee.

^{1/} In Mexico, data on financial credits are available for the public sector.

Until recently, explicit debt management considerations played an important role in determining the total amount of public sector borrowing only in Korea, the Philippines, and Thailand. In Korea, such amount has been determined on the basis of a forward-looking analysis of the country's debt position, and in Thailand, there has been a statutory ceiling on the debt service ratio of public debt as well as on the ratio of foreign borrowing by the Government to total government expenditure. In Denmark, Ireland, Mexico, Morocco, Romania, and Sweden, foreign borrowing was not a major factor constraining the formulation of the budget and other aggregate demand management policies. In Ireland, the Government increased its foreign borrowing and allowed state-sponsored bodies to borrow abroad to ease pressures on domestic interest rates. Chile is somewhat unique in that the main policy aim was to reduce the outstanding public debt until 1981 but, in 1982, the public sector borrowed heavily abroad to compensate for a decline in private capital inflows. In Argentina, Brazil, Costa Rica, Ecuador, Turkey, Zaire, and Zambia, it appears that the authorities did not specify the total amount of public sector foreign borrowing that they targeted to obtain. In most of these countries, approval was granted without strict screening, although the approval was in principle to be granted for loans to finance viable projects only. ^{1/} In Sudan and Yugoslavia, the size of public sector foreign borrowing could not have been controlled as prior approval was not required for individual loans.

In a number of countries, notable changes occurred during the last few years with respect to management of external public debt. After encountering debt servicing difficulties, the Governments of Argentina, Brazil, Costa Rica, and Mexico adjusted or are adjusting public sector deficits to a level consistent with the availability of foreign funds. Denmark, Hungary, Ireland, Romania, and Sweden have adopted a policy to reduce the external current account deficits over the next few years in order in part to limit the growth of external public debt. In Costa Rica, Sudan, Turkey, and Zambia, the mechanisms to manage public external debt have been strengthened considerably, but the types and the amount of foreign loans are now so limited that the avoidance of unwarranted debts is not an operational issue.

External debt consists of liabilities denominated in several currencies and, therefore, there is a need to minimize a loss arising from exchange rate fluctuations of major currencies. To this end, Sweden diversifies public foreign borrowings as much as possible and chooses the currency in which the borrower pays the lowest rate of interest adjusted for anticipated changes in the exchange rate. In Ireland, loans denominated in deutsche mark comprise nearly one half of public debt because of the relatively small exchange risk thought to be involved in intra-EMS borrowings; the borrowing strategy reflects expected exchange rate movements as evidenced by the recent exchange

^{1/} In Morocco, foreign borrowing was allowed to finance capital expenditure, not public consumption.

of a floating-rate U.S. dollar loan into a fixed-interest Swiss franc loan. However, no country has adopted formal policy guidelines linking the currency composition to, say, the reserve composition, the currency basket used to determine the exchange rate, or the currency composition of foreign exchange earnings.

V. Management of Private Debt

Foreign borrowing by the private sector is subject to prior government approval in ten of 17 noncentrally planned economies in the sample (Table 2). Of these nine countries, Brazil, Chile, Korea, and the Philippines have used this requirement actively for the management of private debt, and Costa Rica and Turkey began using this instrument recently for this purpose. The approval requirement appears to be enforced effectively; the enforcement is facilitated by the existence of strict exchange control or the provision for access to the official foreign exchange market for debt service payments. In Ireland, Morocco, Sudan, and Zambia, the approval requirement seems to be essentially a formality.

Where the authorities intervene directly with private foreign borrowings, the purpose of the intervention is mostly to encourage borrowings with longer maturities. In Brazil, Costa Rica, and Turkey, loan applications would be approved if the maturity is longer than a certain prescribed period. In the Philippines, the guidelines on the borrowing terms are announced periodically, and foreign loans would not be permitted unless the guidelines are satisfied. The Chilean system is more elaborate: until May 1982, foreign borrowing with average maturity of less than 24 months was not allowed, and foreign borrowing was subject to the requirement that a portion of the borrowed funds be deposited, interest-free, at the Central Bank; the higher the deposit requirement, the shorter would be the maturity of the loan (20 per cent deposit on loans with maturity of less than 24 months; 15 per cent for maturities between 24 and 35 months; 10 per cent for maturities between 36 and 66 months; and no deposit requirement for maturities above 66 months). Commercial bank short-term borrowing for relending purposes was exempted from the deposit requirement since December 1981, and the deposit scheme was relaxed substantially in May 1982. Brazil also imposes deposit requirements, and Argentina has at times employed a similar deposit requirement scheme. Although the minimum maturity and the deposit requirement are designed mainly to achieve a favorable maturity structure, they would have an effect on the level of indebtedness as well and, indeed, a reduction in the outstanding debt was brought about once in Brazil by setting a relatively high minimum maturity.

In most countries, the authorities can effectively influence the amount and type of foreign borrowing through adjustment of the differential between domestic and foreign interest rates. Sweden at times used domestic interest policy for this purpose and, in Brazil, domestic interest rates have been kept relatively low in order to help avoid

Table 2. Instruments to Affect Private Foreign Borrowing 1/ 2/

(Checked where instrument is applied)

Country	Prior Approval	Minimum Maturity	Deposit Requirement	Ceiling on Interest Rate or the Spread	Withhold- ing Tax on Interest Payments Abroad	Import Restriction Based on Financing	Exchange Rate Guarantee
Argentina							X <u>3/</u>
Brazil	X	X	X	X		X	X
Chile	X	X <u>4/</u>	X	X			
Costa Rica	X	X		X			
Ecuador						X	X
Ireland	X						X
Korea	X					X	
Mexico							X <u>3/</u>
Morocco	X						
Philippines	X	X		X		X	
Sudan	X						
Thailand <u>5/</u>					X		
Turkey	X	X		X			
Zambia	X						

1/ Instruments used at present or recent past.

2/ Excludes centrally planned economies.

3/ No new guarantees are provided at present.

4/ Not in place at present.

5/ Contracting of suppliers' credit requires Bank of Thailand approval.

excessive capital inflows. In general, however, the effectiveness of domestic interest rate policy as an instrument for debt management appears to be somewhat limited because this policy is guided also by other important considerations. The interest rate differential could be adjusted also by setting a ceiling on interest rates on foreign loans or the spread over LIBOR. Such ceiling has been employed in several countries. The limitation on the spread also affects directly the accessibility to floating rate loans; in 1980, Brazil refused to accept market spreads, resulting in lower capital inflows and a reserve loss. In Thailand, withholding tax is levied on interest payments abroad; when interest rates in the international markets rose, foreign loans with maturity longer than a certain period were exempted from this tax, mitigating the impact of the interest rate rise on longer term capital flows.

Trade credits are regulated in Brazil, Korea, and the Philippines by directly controlling the terms of import financing and/or adjusting import items for which financing by suppliers' credit is allowed. For example, in 1980, the Korean authorities: (a) eliminated the limitations on import credits for major raw materials; (b) expanded the number of goods permitted to be imported on a deferred payment basis; (c) reduced the minimum import amount on a deferred payment basis; and (d) extended the settlement period for import with a deferred payment from 120 days to 180 days. The objective of these measures was to induce inflows of short-term capital. Although these measures would certainly affect the amount and the maturity structure of trade credits, they are directed more toward the financing of balance of payments deficits than external debt management. Another example of use of import financing relates to Brazil: in October 1982, the minimum financing terms for imports with exchange cover for machinery and equipment of certain value and for industrial durable consumption goods were tightened; at the same time, the maximum downpayment was reduced from 20 per cent to 10 per cent for all financed imports.

In Argentina, Ecuador, and Ireland, exchange rate guarantee was or has been provided for the purchase of foreign exchange for debt service payments. The guarantee was offered in Argentina and Mexico in order to induce borrowers to extend existing loans for specified minimum maturities, ^{1/} while the Irish authorities intended to increase private capital inflows by providing the guarantee in order to ease pressure on domestic interest rates. Ecuador introduced various exchange rate guarantee schemes in 1982 with a view to attracting larger capital inflows.

The authorities do not intervene, directly or indirectly, in foreign borrowing transactions by private entities in Mexico, Zaire, and Zambia. The registration procedure was introduced in Mexico last August in order to improve the monitoring of debt service flows through

^{1/} In Argentina, the guarantee was provided also to induce borrowers to undertake new loans.

the controlled market. In Zaire and Zambia, access to foreign capital by private borrowers is limited, and private debt comprises only a small part of total debt of the country.

VI. Control on Overall Debt Servicing Burden

A central element of external debt management is to determine the sustainable level of the external debt servicing burden and to control the types and amount of foreign borrowing to achieve this goal. Until recently, this form of debt management was explicitly exercised only in Brazil, Korea, the Philippines, and Thailand (Table 3). The last two countries set a limit on the overall debt service ratio at 20 per cent, and adjusted the amount of foreign borrowing so that the ratio would not exceed this ceiling over the medium term. The ceiling would not keep in check the country's total debt servicing burden since the ratio excludes all or a large part of short-term debt. Also, the ceiling could possibly be exceeded in the short run because (a) the authorities control commitments, not disbursement and, therefore, a large "pipeline" of loans approved but uncommitted and/or committed but undisbursed could accumulate and (b) interest payments on existing floating rate loans could not be controlled. The Brazilian authorities attempt to avoid a significant increase in the debt service ratio and a bunching of amortization payments through the adjustment of the minimum maturity requirement for foreign borrowings by private and public sector entities. In Korea, the medium-term sustainability of the country's external debt position is reviewed periodically with analyses of future debt servicing burden under several scenarios, and the authorities make appropriate adjustment on the public sector borrowing program, as well as the regulations on private borrowings.

Argentina adopted in late 1981 a policy to reduce outstanding external debt in real terms and to improve the maturity structure, but was unable to pursue this policy after the outbreak of the conflict in the South Atlantic which led to a sharp curtailment of Argentina's access to international capital markets. In Chile, the authorities have constantly tried to control public sector foreign borrowing with a view to containing the growth of the country's external indebtedness, but total debt rose at a rate higher than desired largely because of the reasons described below.

The Governments of Denmark, Ireland, and Sweden have become increasingly aware of the danger of rapidly accumulating external debt, and adopted a set of policies designed to reduce the external current account deficits. Mexico relies almost exclusively on control over the public sector deficit to achieve this policy goal. In Costa Rica, Sudan, and Turkey, the mechanisms to control the overall debt burden were instituted recently, but, since then, there has not been a real need to regulate foreign borrowing as their external borrowing has been limited mostly to multilateral and bilateral government loans.

Table 3. Main Instruments to Control Overall Debt Service 1/

	Ceiling on Overall Debt Service Ratio	Public Sector Deficit	Minimum Maturity Requirement	Discretionary Direct Intervention
Brazil			X	
Chile		X		
Costa Rica		X	X	
Korea				X
Mexico		X		
Philippines	X			
Thailand	X			
Turkey		X		

1/ Position at present.

VII. Debt Management Policies and Servicing Difficulties

Among the countries in the sample, Argentina, Brazil, Chile, Costa Rica, Ecuador, Hungary, Mexico, Romania, Sudan, Turkey, Yugoslavia, Zaire, and Zambia had, or are having, difficulties in meeting debt servicing obligations. In most of these countries, inadequate management of external debt appears to have been a factor contributing, directly or indirectly, to the difficulties. The direct cause of the problems for Argentina was a bunching of service payments, and this was brought about by: (i) the exchange rate guarantee scheme implemented in 1981 which encouraged extension of existing loans by at least 540 days; (ii) a sharp increase in private debt during 1978-80 which followed the elimination of the deposit requirements; and (iii) large short-term borrowing by state enterprises during 1980-81. In Chile, the exemption of short-term commercial bank borrowing from the deposit requirements and the subsequent general relaxation of the requirements were, with hindsight, ill-timed, although these measures were not the main causes of the servicing difficulties.

In Mexico, the large and growing public sector deficits were the root of debt problems as the deficits entailed an excessively sharp rise in external debt. However, even if a rapid growth of external debt were to occur, debt servicing payments could have been made smaller by controlling the maturity of public sector foreign borrowings. In this sense, inadequate attention to the maturity structure of outstanding debt was a factor contributing to the difficulties. Also, the Ecuadorian authorities did not pay adequate attention to the maturity structure. In Romania, the authorities chose to borrow short term to take advantage of the cost differential, thereby accepting implicitly a vulnerable debt position.

Sudan, Turkey, and Zaire undertook a large amount of foreign loans in the 1970s and, apparently, these loans did not yield the return sufficient to service the debt. Strict screening of borrowing proposals was certainly lacking in these countries. In Costa Rica, a lack of necessary information was a serious impediment to effective debt management.

In Brazil, the issue is how large a safety margin should debt management provide for in safeguarding the payments position against potential adverse external shocks. Although the authorities managed their external debt well in the sense that there was no bunching of amortization payments and no rapid growth of short-term debt, the policy did not provide a safety margin large enough to withstand the cumulative impact of: (i) the effect on interest payments of the sharp rise in the interest rates in international financial markets; (ii) a marked slowdown in the demand for Brazilian exports; and (iii) the abrupt cutback in disbursements of bank loans as a result of the emergence of a "Latin America risk" as perceived by foreign lenders. The high level of external debt meant by itself that the country's payments position was vulnerable to these shocks. In general, debt management policy to take account of the probability of extreme negative shocks remains to be formulated.

Part III

Experience with External Debt Limitations in
Fund-Supported Programs, 1979-82

I. Introduction

Experience with the use of external debt limitations in upper credit tranche stand-by arrangements for the period 1973 through January 1979 was reviewed in SM/79/125 (5/11/79). 1/ The purpose of this paper is to analyze the use of external debt limitations in stand-by arrangements and extended arrangements from 1979 through end-1982. 2/

The plan of the paper is as follows: Section II reviews the main characteristics of the performance criteria relating to external debt which were employed in upper credit tranche conditionality programs approved during this period; Section III provides information on the actual utilization of the debt ceilings by program countries; Section IV analyzes comparative trends in selected external debt indicators for the countries concerned, in the periods prior to and following their adoption of the program. Finally, Section V describes the approaches taken to external debt policy in first credit tranche stand-by arrangements.

II. Characteristics of External Debt Limitations in Upper Credit
Stand-By Arrangements and Extended Arrangements, 1979-82 3/

1. Frequency of use

Following the adoption of the guideline on the performance criteria with respect to foreign borrowing by the Executive Board in July 1979, 4/ the use of quantitative ceilings on foreign borrowings has become standard practice in virtually all upper credit tranche conditionality programs. Thus, during the period 1979-82, 110 of the 118 approved programs supported by upper credit tranche stand-by arrangements (SBAs) or extended arrangements (EFs) contained a performance criterion relating

1/ This paper also contained references to papers reviewing developments prior to 1973.

2/ Reference is also made to a number of programs which were approved in early 1983.

3/ A listing of the major characteristics of the external debt limitation in each arrangement is provided in Annex A.

4/ EBM/79/121, 7/23/79.

to foreign borrowing (Table 1). ^{1/} During the period 1973-January 1979 covered by the last review, the frequency of coverage was less, just under 70 per cent.

In a number of the cases where separate external debt limitations were not included, the program contained instead a performance criterion relating to total borrowing of the public sector from both domestic and foreign sources (e.g., Dominica, Grenada, and South Africa). In others (e.g., Equatorial Guinea and Ethiopia), it was felt that the size and rate of growth of external indebtedness was not a relevant factor in the design of the adjustment program.

2. Sectoral coverage of borrower

In about 95 per cent of programs which contained a quantitative debt limit, the ceiling referred to borrowing by the government or the public sector [including the private sector with government guarantee (Table 2)]; this includes programs of Hungary, Romania, and Yugoslavia where all external borrowing is regarded as being undertaken by the public sector. However, there were a few instances (i.e., Korea and the Philippines), where unguaranteed borrowing by the private sector required approval by the authorities and thus was monitored closely; for these programs the ceiling covered borrowing by both the public and private sectors.

3. Form of limitation

In 80 per cent of the programs reviewed, the performance criterion related to the contracting or guaranteeing of external debt (Table 2). However, there were 18 programs which provided for limitations on debt disbursement (usually in the form of ceilings on the level or increase in the stock of net debt outstanding), while 4 programs involved ceilings on both the contracting and the disbursement of debt. The general preference for ceilings on the contracting of debt appeared to partly reflect the difficulties sometimes associated with accurately projecting and monitoring the timing of disbursements of certain types of borrowing. In addition, it was often desired to avoid a situation whereby large amounts of debt would be contracted (but not disbursed) during the program period and which would not be covered by a disbursement ceiling.

Where ceilings on debt disbursement were employed, they were sometimes related closely to projected movements in the external current account balance (e.g., Romania, Yugoslavia). However, most instances of this kind involved a direct linkage between the ceilings on external debt and projected changes in the overall financial position of the government

^{1/} For the purpose of the analysis contained in this Appendix, annual programs under multiyear stand-by arrangements or under extended arrangements are treated as distinct programs. The analysis includes programs for Chile and the Dominican Republic submitted to the Board in December 1982 and approved in January 1983.

Table 1. The Use of Performance Criteria Relating to Foreign Debt Limitations, 1979-82

	1979	1980	1981	1982 <u>1/</u>	1979-82		
					Total	SBA's	EFs
Total number of programs involving upper credit tranche conditionality	21	28	35	34	118	83	35
Arrangements with debt limitations as performance criteria	21	26	32	31	110	78	32
Arrangements without debt limitations as performance criteria	--	2	3	3	8	5	3

Source: Staff papers dealing with requests by members for upper credit tranche stand-by arrangements and extended arrangements.

1/ Includes programs for Chile and the Dominican Republic submitted to the Board in December 1982 and approved in January 1983.

Table 2. Coverage and Time Period of Foreign Debt Limitations in Upper-Credit Tranche Conditionality Programs, 1979-82

(Number of programs)

	1979	1980	1981	1982	1979-82		
					Total	SBA's	EF's
Total number of programs containing debt limitations as performance criteria	<u>21</u>	<u>26</u>	<u>32</u>	<u>31</u>	<u>110</u>	<u>78</u>	<u>32</u>
A. Sectoral coverage of borrower							
Government/public sector only <u>1/</u>	20	22	30	31	104	72	32
Government/public sector plus private unguaranteed debt	1	3	2	--	6	6	--
B. Form of limitation							
Debt contracting/guaranteeing only	18	22	26	22	88	62	26
Debt disbursement only	2	4	5	7	18	12	6
Other <u>2/</u>	1	--	1	2	4	4	--
C. Exclusions from ceilings							
No exclusions other than concessional assistance and purchases from the Fund	8	16	12	14	50	38	12
Only exclusions relating to refinancing/rescheduling loans	8	5	8	7	28	22	6
Other exclusions	5	5	12	10	32	18	14
D. Time period covered by debt performance criteria							
Annual limits	15	22	26	21	84	58	26
Semi-annual limits	2	1	4	6	13	11	2
Quarterly limits	--	3	1	3	7	4	3
Other <u>3/</u>	4	--	1	1	6	5	1

Source: Staff papers dealing with requests by members for upper credit tranche stand-by arrangements and extended arrangements.

1/ Includes programs of Hungary, Romania, and Yugoslavia where all external borrowing is regarded as being undertaken by the public sector.

2/ Refers to programs which contained ceilings on both the contracting and the disbursement of external debt.

3/ Refers to programs containing some combination of annual, semiannual, and quarterly ceilings.

or public sector; this approach was often adopted in programs for Latin American or Central American countries (e.g., Bolivia, Costa Rica, Honduras, and Mexico). There was also some tendency observed for the more frequent use of disbursement ceilings in 1981-82 compared to earlier periods. 1/

4. Time period covered by performance criteria

In about three quarters of the programs, the performance criterion consisted of one ceiling covering the entire annual period following the approval of the program (Table 2). However, some programs provided for separate quarterly ceilings, reflecting a desire to monitor external debt developments in a more continuous manner. On occasion, ceilings were formulated on a semiannual basis (either set in advance for six monthly periods ahead, or subject to review after six months), partly as a result of uncertainties which were present in some instances. Where semiannual or quarterly ceilings were employed, these were often set on the basis of disbursed debt and were designed to be consistent with the projected intrayear evolution of external sector or budgetary aggregates.

5. Loans excluded from ceilings

The guideline on the use of external debt limitations explicitly provided for the exclusion from the coverage of performance criteria loans defined as concessional. 2/ Apart from this exclusion, 3/ over half (55 per cent) of the programs reviewed contained other exclusions (Table 2).

The most common category of loans excluded consisted of refinancing loans which was the only additional exclusion present for about a quarter of the programs. The wording and substance of this exclusion varied considerably as between programs. In some instances, it referred to refinancing loans in the context of multilateral debt rescheduling exercises by the Paris Club and/or by commercial banks which were explicitly envisaged at the time the adjustment program was formulated. In other cases, however, the exclusion was stated in more general terms, without specifying the nature of the refinancing loans or the context in which they might be obtained.

About a quarter of the programs excluded from the coverage of the performance criteria other specific loan categories, many of which were

1/ It may be noted that the programs for Argentina and Brazil submitted to the Board in early 1983 both employed the disbursement approach.

2/ See Annex C for a discussion of the concessionality definition.

3/ In several instances, however, the wording of the performance criterion contained in arrangements did not refer explicitly to this exclusion.

in addition to the refinancing exclusion already referred to. In several instances, the exclusion related to loans which were reserve liabilities of the central bank and which were included under a separate program ceiling on the net foreign asset position of the central bank or the banking system. A listing of the remaining exclusions is given in Table 3. 1/

6. Maturity coverage

Less than one half of the programs (47 out of 110) reviewed contained one foreign borrowing ceiling; for over 60 per cent of this group, as provided for in the external debt guideline, the ceiling was set within the maturity ranges of 1-10 or 1-12 years (Table 4). For the 63 programs which included a subceiling, the most common range of maturities covered was 1-12/1-5 years (32 programs) followed by 1-10/1-5 years (17 programs).

Several programs did not specify any maturity range--these were generally those which employed a disbursement ceiling linked to the program's budgetary targets. A total of 22 programs included short-term debt with a maturity under one year: as in the case of ceilings on disbursed debt, the inclusion of short-term debt in borrowing ceilings became somewhat more common in the recent past, especially in 1982. 2/ Of the 22 programs, however, only four [Bolivia (1980), Dominican Republic (1982), Romania (1981), and Romania (1982)] provided for a separate ceiling on under-one-year debt. In the remaining programs in this category, short-term debt was subsumed within the overall maturity ceiling.

III. Utilization of External Debt Ceilings

In general, the actual amount of debt contracted (or disbursed) during the program period was significantly less than that provided for by the ceiling under the program (Table 5). Thus, during the period 1979-81, of 68 programs reviewed, 3/ the performance criteria relating to external borrowing were not observed in only seven programs.

1/ In a number of the cases listed in Table 3, the excluded loans were partly limited in an indirect sense, in that other program ceilings on net domestic assets or net credit to government were adjusted downwards if the actual size of the excluded loans exceeded some pre-specified amount.

2/ In addition, the 1983 programs for Argentina and Brazil already referred to provide for external borrowing limitations which include short-term debt.

3/ This review was based on data for about 90 per cent of programs approved during this period. Data were not available for the remaining programs, in most cases because the arrangement became inoperative.

Table 3. Categories of Loans Excluded from Foreign Debt Limitations in Upper Credit Tranche Conditionality Programs, 1979-82 ^{1/} (continued)

Program Year	Excluded Loans
<u>1979</u>	<u>Stand-by arrangements</u>
Peru	Program loans; general purpose foreign bank loans (i.e., all bank loans greater than one year except those to COFIDE and those explicitly tied to down-payments); export prefinancing credits provided by the IDB or the IBRD and the utilization by the private sector of export credit lines channeled through COFIDE or the Banco Industrial.
Turkey	Loans to the Central Bank; loans under the OECD assistance program.
	<u>Extended arrangements</u>
Guyana	Trade credits.
Jamaica	Loans from the Caribbean Development Bank; loans to finance the Export Development Fund.
<u>1980</u>	<u>Stand-by arrangements</u>
Bolivia	Balance of payments support loans (i.e., program loans, refinancing loans, general purpose bank loans).
Peru	Program loans; export prefinancing credits provided by the IDB or the IBRD and the utilization by the private sector export credit lines provided by foreign official entities which are channeled through COFIDE or the official banking system; and guarantees by the official banking system of foreign credits contracted by the private sector.
Turkey	Loans to the Central Bank; loans under the OECD assistance program.

^{1/} Other than: concessional loans, purchases from the IMF, other reserve liabilities of the banking system (including, in some cases, arrears), and refinancing/restructuring loans.

Table 3. Categories of Loans Excluded from Foreign Debt Limitations in Upper Credit Tranche Conditionality Programs, 1979-82 1/ (continued)

Program Year	Excluded Loans
Yugoslavia	Increases in exceptional borrowing by the commercial banks.
<u>1981</u>	<u>Stand-by arrangements</u>
Mauritania	AMF drawings recorded as loans to the government by the Treasury.
Panama	Disbursement of loans to finance CERRO COLORADO related expenditures to the extent that the World Bank and/or the IADB agree to participate in the financing arrangement.
Senegal	Loans to Air Afrique, ASECNA.
Turkey	Loans to the Central Bank; loans under the OECD assistance program.
Yugoslavia	Compensatory borrowing by commercial banks.
	<u>Extended arrangements</u>
Costa Rica	Proceeds from IBRD program or structural loans.
Guyana	Trade and suppliers' credits or working capital loans for the sugar corporation.
Honduras	Use of the Mexican/Venezuelan oil facility.
India	Loans for two projects in the steel and electric power sectors.
Ivory Coast	Specified nonresident multinational entities.
Jamaica	Loans and credits from foreign governments, their agencies, and multilateral agencies.
Sierra Leone	Loans to finance Kimberlite investment program.

1/ Other than: concessional loans, purchases from the IMF, other reserve liabilities of the banking system (including, in some cases, arrears), and refinancing/restructuring loans.

Table 3. Categories of Loans Excluded from Foreign Debt Limitations in Upper Credit Tranche Conditionality Programs, 1979-82 1/ (concluded)

Program Year	Excluded Loans
<u>1982</u>	<u>Stand-by arrangements</u>
Senegal	Loans to Air Afrique, ASECNA.
Turkey	Loans to the Central Bank; loans under the OECD assistance program.
<u>1982</u>	<u>Stand-by arrangements</u>
Chile	Loans to the Central Bank, the Banco del Estado, SINA; private foreign debt guaranteed by CORFU.
Costa Rica	Loans under the Mexican/Venezuelan oil facility.
Haiti	Short-term suppliers' credits for strictly seasonal needs.
Honduras	Use of the Mexican/Venezuelan oil facility; trade credits.
	<u>Extended arrangements</u>
Ivory Coast	Loans to Air Afrique, CIMAO, SM Bitumes, and the Conseil de l'Entente.
Jamaica	Loans from foreign governments, their agencies, and multilateral lending institutions.
Mexico	Borrowing by the Bank of Mexico.

Source: Staff papers relating to requests by members for stand-by or extended arrangements.

1/ Other than: concessional loans, purchases from the IMF, other reserve liabilities of the banking system (including, in some cases, arrears), and refinancing/restructuring loans.

Table 4. Maturities Covered by Foreign Debt Limitations in Upper Credit Tranche Conditionality Programs, 1979-82

(Number of programs)

	1979	1980	1981	1982	1979-82		
					Total	SBAs	EFs
Total number of programs containing debt limitations as performance criteria	<u>21</u>	<u>26</u>	<u>32</u>	<u>31</u>	<u>110</u>	<u>78</u>	<u>32</u>
Number of programs with a single debt ceiling	<u>7</u>	<u>13</u>	<u>12</u>	<u>15</u>	<u>47</u>	<u>37</u>	<u>10</u>
Maturity:							
1-12 years	4	6	4	4	18	17	1
1-10 years	1	4	2	4	11	7	4
0-10 years	1	--	2	2	5	2	3
Under 1 year	--	--	1	1	2	2	--
Over 1 year	--	1	1	1	3	3	--
All maturities	1	2	2	3	8	6	2
Number of programs containing more than one debt ceiling	<u>14</u>	<u>13</u>	<u>20</u>	<u>16</u>	<u>63</u>	<u>41</u>	<u>22</u>
Maturities:							
1-15/1-5 years	6	--	1	--	7	6	1
1-12/1-5 years	2	8	14	8	32	18	14
1-10/1-5 years	2	4	5	6	17	12	5
Other	4	1	--	2	7	5	2
Memorandum item:							
Number of programs containing limit on debt of under one year maturity (either separately or within an overall maturity ceiling)	5	4	5	8	22	14	8
Of which:							
Program with separate ceiling on under one year maturity	(--)	(1)	(1)	(2)	(4)	(3)	(1)

Source: Staff papers dealing with requests by members for upper credit tranche stand-by arrangements and extended arrangements.

Table 5. Utilization of Foreign Debt Ceilings in Upper Credit Tranche Conditionality Programs, 1979-81 ^{1/}

Utilization Rate (In per cent)	Overall Ceiling (Proportion of programs; in per cent)	Subceiling
0	23.5	51.4
Of which: ceiling set at zero	(5.9)	(10.8)
1-25	5.9	10.8
26-50	17.7	8.1
51-75	19.1	10.8
76-100	26.4	10.8
Greater than 100	<u>7.4</u>	<u>8.1</u>
Total	100.0	100.0
Mean of dis- tribution	54.5	34.6
Median	55.5	--

Sources: Papers dealing with members' requests for upper credit tranche stand-by arrangements and extended arrangements; and Fund staff estimates.

^{1/} Based on data for about 90 per cent of programs approved during this period. Data were not available for the remaining programs, in most instances because the arrangement became inoperative.

The average rate of utilization of the overall ceiling was about 55 per cent and, in 24 per cent of programs, zero debt was contracted or disbursed. At the other end of the spectrum, only about a third of the programs utilized more than 75 per cent of the amount allowable under the ceiling.

There was a general tendency to contract relatively little debt under the subceiling relating to shorter maturities. Thus, the mean rate of utilization of the latter ceiling was 35 per cent. In half of the programs, zero debt was contracted in the shorter maturity range.

IV. Comparative Trends in External Debt Indicators for Program Countries

The main purpose of placing ceilings on external debt in adjustment programs was to ensure that, within the overall context of the adjustment strategy, the evolution in external debt was consistent with the medium-term debt servicing capacity of the economy. While a direct analysis of the role of foreign borrowing limitations can only be undertaken on the basis of detailed individual case studies, it is nevertheless of interest to examine some indicators of trends in external indebtedness of countries during the period in which they adopted adjustment programs. This section presents aggregative evidence concerning movements in the following selected variables: (i) the rate of growth of outstanding debt; (ii) the composition of new debt commitments, and (iii) the average interest rate and average maturity of new commitments. The behavior of each of the above variables during the program period is compared with the movement in the variable in both the three-year period and the one-year period prior to the program, in order to discern what significant changes may have occurred during the period when the external debt limitations were adopted.

It should be emphasized that this analysis of statistical trends is highly aggregative and involves examining only the "average" outcome for all program countries for each program year (1979, 1980, or 1981), and type of arrangement (SBA or EF). Thus, no inferences can be drawn about the evolution of external debt in any individual country. More important, it is not possible to distinguish between the possible effect of the debt limitations per se on the outcome observed for a particular debt indicator and the effects of other factors such as, for example, a willingness on the part of lenders to lend only on certain terms. However, in an effort to shed some light on the latter aspect, the analysis below presents, for each variable examined, the movement in the same variable experienced by a weighted average of non-oil developing

countries during the corresponding time periods (i.e., the three- and one-year periods before the program and the year of the program). ^{1/}

1. Changes in the rate of growth of outstanding debt

Since the performance criterion relating to external debt excluded concessional debt, the appropriate variable on which to focus is non-concessional debt. However, detailed recent data for each country containing the breakdown between concessional and nonconcessional debt are not available. As an alternative, based on the classification contained in the IBRD Debtor Reporting System, two variables were examined: first, total debt excluding debt owed to multilateral organizations (virtually all of which can be viewed as outside the scope of the ceiling); and second, debt owed to private creditors; in both cases undisbursed debt was included since, as indicated, most program limitations affected the contracting of debt. The first definition ("total nonmultilateral debt") includes debt from bilateral sources (i.e., governments), while the latter ("private debt") excludes it. Since depending on the particular loans and countries involved, debt owed to governments may or may not be on concessional terms, the "true" definition of concessional debt lies between these two categories.

The rate of growth of both total nonmultilateral debt and private debt on average tended to slow down sharply for program countries during the period of their arrangement (Table 6). Thus, depending on which definition is employed, for all program countries on average, ^{2/} the rate of growth of debt declined from an annual average of between 18 and 21 per cent during the three-year period prior to the program to between 1 and 9 per cent during the program period. In the year immediately preceding the adoption of the program, a significant slowing down had already occurred. In the case of debt owed to private creditors, for example, the rate of growth fell from 18 per cent (three-year annual preprogram period average) to 10 per cent during the year prior to the program and to 1 per cent during the year of the program. This latter trend is consistent with a situation experienced by many program countries where a sharp reduction in financial flows from commercial sources was an important factor in their decision to seek a financial arrangement with the Fund. It is also interesting to observe that the above sets of tendencies (for both debt variables considered) were experienced by the subset of programs grouped by year (1979, 1980, and 1981) and by type of arrangement (SBAs and EFs).

^{1/} The non-oil LDC data for each year (and for SBAs and EFs) were constructed as a weighted average of changes in debt for three country groups: low-income Africa, low-income Asia, and middle-income oil importers, with the weights equal to the distribution of program countries within each country group. The data in all instances were derived from the Debtor Reporting System of the IBRD.

^{2/} To help avoid major statistical distortions, programs/countries which experienced annual rates of growth in debt of 100 per cent or more during the comparison period were not included in the calculations.

Table 6. Comparative Rate of Growth in Outstanding External Public Debt of Countries with Upper Credit Tranche Conditionality Programs, 1979-81 1/

(Rate of growth; per cent)

	Program Years					
	1979	1980	1981	1979-81		
				Total	SBA's	EF's
Total debt less debt owed to multilateral creditors						
Three years prior to program period (annual average)						
Program countries	22.8	21.8	18.6	20.9	22.8	16.9
Weighted non-oil LDCs <u>2/</u>	23.2	21.5	17.5	20.4	20.7	19.3
One year prior to program period						
Program countries	23.8	13.6	13.8	15.9	18.7	11.9
Weighted non-oil LDCs <u>2/</u>	25.6	16.7	13.5	17.7	18.0	16.8
Year of program						
Program countries	15.8	9.6	3.5	8.7	9.7	6.4
Weighted non-oil LDCs <u>2/</u>	15.0	13.2	5.2	10.4	10.7	9.5
Total debt less debt owed to private creditors						
Three years prior to program period (annual average)						
Program countries	15.7	22.6	15.1	17.6	21.1	13.6
Weighted non-oil LDCs <u>2/</u>	27.3	24.2	21.5	23.8	23.4	24.0
One year prior to program period						
Program countries	15.0	12.8	4.9	9.8	15.0	3.3
Weighted non-oil LDCs <u>2/</u>	29.4	19.8	22.0	23.1	21.9	24.6
Year of program						
Program countries	8.0	0.9	-3.0	0.8	1.7	-0.6
Weighted non-oil LDCs <u>2/</u>	19.8	17.1	6.8	13.2	11.2	16.5

Sources: IBRD, Debtor Reporting System; and Fund staff estimates.

1/ Includes undisbursed debt.

2/ Non-oil LDC data for each year (and for SBAs and EFs) constructed as a weighted average of data for three country groups: low-income Africa, low-income Asia, and middle-income oil importers, with the weights equal to the distribution of program countries within each country group.

However, during the same program periods, the data in Table 6 also indicate that the non-oil LDC group as a whole tended to experience a similar decline in the rate of growth of the outstanding debt in these categories. This was especially the case for total nonmultilateral debt where the series for program countries and non-oil LDCs moved together very closely. On the other hand, in the case of private debt, for all programs (and for each of the separate program country groupings by year and by arrangement) the rate of growth of debt in program countries relative to that for non-oil LDCs tended on average to have been somewhat lower to begin with, in the periods prior to the program, and to have slowed down much more sharply during the program period itself.

The above evidence would suggest that, so far as total nonmultilateral debt outstanding was concerned, in addition to the constraints on demand embodied in the debt ceiling, the actual outcome for all programs on average was likely to have been influenced by supply factors, since program country behavior was generally very similar to the non-oil LDC average. For private debt, although a relatively sharper reduction in growth occurred for program countries compared to that experienced by non-oil LDCs, nevertheless, it is difficult to say whether this was due primarily to supply factors (such as increased unwillingness on the part of lenders to these particular countries) or to the potentially restraining impact of the debt ceiling itself. However, with regard to the latter element, if it is assumed as an approximation that the program ceiling applied only to private debt, then the full utilization of the ceiling (instead of the actual average utilization rate of between 30 and 35 per cent) would still have implied a noticeable slowdown in the rate of increase in private debt comparing the pre- and post-program periods. ^{1/} This illustrative calculation is consistent with the hypothesis that even if the supply of loans had been completely unconstrained, adherence to the ceiling generally would have exercised a significant restraining effect on the average rate of growth of this category of debt.

2. The structure of new commitments

Since in about 80 per cent of programs reviewed the performance criterion referred to the contracting of new debt, this might tend to have the effect of reducing the share of nonconcessional debt in total new commitments. This hypothesis was investigated by examining the proportion of new commitments of nonmultilateral debt and private debt in total new commitments entered into during the program period (Table 7).

For all program countries on average, the share of nonmultilateral debt commitments in total new commitments did not change significantly

^{1/} For example, a rate of growth during the program period of 2-3 per cent compared with growth rates of 10 and 18 per cent in the one- and three-year periods, respectively, which preceded the adoption of the program.

Table 7. Structure of New External Public Debt Commitments Entered into by Countries with Upper Credit Tranche Conditionality Programs, 1979-81

(In per cent of total)

	Program years					
	1979	1980	1981	1979-81		
				Total	SBAs	EFs
Ratio of commitments from bilateral and private creditors to total new commitments						
Three years prior to program period (annual average)						
Program countries	71.6	68.5	66.4	68.4	68.2	68.8
Weighted non-oil LDCs ^{1/}	75.8	76.2	72.4	74.5	75.4	72.9
One year prior to program period						
Program countries	70.6	67.2	65.5	67.4	68.0	67.1
Weighted non-oil LDCs ^{1/}	73.9	76.7	71.0	73.6	74.1	72.6
Year of program						
Program countries	65.3	67.6	63.3	65.2	65.8	64.6
Weighted non-oil LDCs ^{1/}	76.1	74.4	67.7	72.0	72.1	71.8
Ratio of commitments from private creditors only to total new commitments						
Three years prior to program period (annual average)						
Program countries	34.5	42.6	32.8	36.5	37.0	31.8
Weighted non-oil LDCs ^{1/}	47.8	49.1	43.8	46.6	46.9	45.9
One year prior to program period						
Program countries	31.5	43.6	29.6	34.7	36.5	31.0
Weighted non-oil LDCs ^{1/}	48.8	51.5	41.6	46.7	46.9	46.1
Year of program						
Program countries	38.4	31.6	23.2	29.7	30.0	29.2
Weighted non-oil LDCs ^{1/}	51.8	44.9	40.7	44.9	44.8	45.1

Sources: IBRD, Debtor Reporting System; and Fund staff estimates.

^{1/} Non-oil LDC data for each year (and for SBAs and EFs) constructed as a weighted average of data for three country groups: low-income Africa, low-income Asia, and middle-income oil importers, with the weights equal to the distribution of program countries within each country group.

as between pre- and post-program periods. However, the proportion of private debt commitments in the total declined, from about 35-37 per cent previously to 30 per cent in the program period. This tendency was also observed for two out of three program years (for 1979 programs, the share rose) and for all SBAs and all EFs considered separately.

It is also the case, however, that similar qualitative tendencies were experienced on average by all non-oil LDCs during the corresponding time period. Thus, for this group the share of nonmultilateral commitments in the total changed only slightly (and by about the same amount) as for program countries. However, the decline in the share of private debt commitments for non-oil LDCs, namely, about 2 percentage points, was somewhat less than for program countries. These data are consistent with the results noted above regarding relative trends in the rate of growth of outstanding nonmultilateral and private debt.

3. The average maturity and interest cost of new commitments

Finally, an important purpose of the performance criteria relating to foreign borrowing is to improve the debt service profile. By emphasizing the contracting of debts on concessional terms, the average maturity of newly contracted debt would tend to be lengthened and the average interest rate reduced relative to what would otherwise be. Table 8 provides comparative data regarding the average interest rate and average maturity of total new commitments entered into by program countries.

The average interest rate on new commitments for all program countries rose by just under one percentage point comparing the three-year period prior to the program and the year of the program. However, such an outcome is not surprising, given the secular upward trend in world interest rates experienced between 1979 and 1981. Thus, the average interest rate on new commitments entered into by all non-oil LDCs increased by about 1.5 percentage points in corresponding time periods.

The average maturity in terms of years of new commitments appears to have exhibited little trend, changing by less than one year comparing the period prior to the program and the year of the program. At the same time, data for the average non-oil LDC group indicate no change in the average maturity length either. Overall, therefore, changes in both the interest rate and maturity terms of total new commitments incurred by program countries were not significantly different on average from those experienced by all non-oil LDCs.

Table 8. Selected Characteristics of New External Public Debt Commitments Entered into by Countries with Upper Credit Tranche Conditionality Programs, 1979-81

(In per cent)

	Program years					
	1979	1980	1981	Total	SBAs	EFs
Average interest rate on total new commitments						
Three years prior to program period (annual average)						
Program countries	5.6	6.3	6.7	6.1	6.1	5.9
Weighted non-oil LDCs ^{1/}	6.7	7.1	7.2	7.0	7.0	7.3
One year prior to program period						
Program countries	5.6	6.8	6.8	6.5	6.7	6.3
Weighted non-oil LDCs ^{1/}	6.8	8.1	7.8	7.7	7.5	7.8
Year of program						
Program countries	6.5	7.3	7.2	7.0	7.0	7.1
Weighted non-oil LDCs ^{1/}	8.0	8.4	8.9	8.5	7.9	8.9
Average maturity of total new commitments (number of years)						
Three years prior to program period (annual average)						
Program countries	20.0	18.7	19.7	19.5	18.4	20.9
Weighted non-oil LDCs ^{1/}	17.8	17.1	18.9	18.0	17.4	19.3
One year prior to program period						
Program countries	20.1	18.8	19.3	19.3	18.7	20.7
Weighted non-oil LDCs ^{1/}	18.3	16.8	19.1	18.1	17.6	19.2
Year of program						
Program countries	20.0	18.0	20.9	19.7	19.4	20.2
Weighted non-oil LDCs ^{1/}	17.5	16.8	19.5	18.1	17.7	19.0

Sources: IBRD, Debtor Reporting System; and Fund staff estimates.

^{1/} Non-oil LDC data for each year (and for SBAs and EFs) constructed as a weighted average of data for three country groups: low-income Africa, low-income Asia, and middle-income oil importers, with the weights equal to the distribution of program countries within each country group.

V. External Debt Policy in First Credit Tranche
Stand-by Arrangements

During the period 1979-82, 17 adjustment programs were presented by members to the Fund in support of their request for a first credit tranche stand-by arrangement. ^{1/} ^{2/} Eleven of these programs contained quantitative limits on external borrowing; as in the case of upper credit tranche conditionality programs, these were in most cases established as ceilings on the contracting or guaranteeing of external debt by the government or public sector.

Most of those programs which did not include quantitative limits contained qualitative statements by the authorities regarding their external debt policy. The authorities generally expressed their intention to pursue prudent policies in this area; in several instances, they indicated their intention to seek as far as possible external borrowing only on concessional terms.

^{1/} The total number of first credit tranche arrangements granted was 18; however, in the case of the program for Sudan (approved in 1981) an upper credit tranche conditionality adjustment program relating to the use of the Extended Fund Facility was already in place.

^{2/} The breakdown by years is as follows: 1979 (7 programs); 1980 (4 programs); and 1981 (6 programs). There were no first credit tranche arrangements approved during 1982.

Quantitative Limitations on External Debt in Upper Credit Tranche
Conditionality Programs, 1979-1982

Country	Sector <u>1/</u>	Form of Limitation	Maturity Limits (years)	Period Covered
<u>1979</u>				
<u>Stand-by arrangements</u>				
Bangladesh	Public	Contracting/guaranteeing	1-15/1-5	Annual
Congo	Public	Contracting/guaranteeing	1-15/1-5	Annual
Ghana	Public	Contracting/guaranteeing	1-15/1-5	Annual
Kenya	Public	Contracting/guaranteeing	1-12	Annual
Malawi	Public	Contracting/guaranteeing	1-12	Annual
Mauritius	Public	Contracting/guaranteeing	1-10	Annual
Nicaragua (a)	Public	Contracting/guaranteeing	0-10	Annual
(b)	Public	Outstanding to foreign commercial banks	0-15	Quarterly
Panama	Public	Net borrowing	All maturities	Annual/ quarterly
Peru	Public	Contracting/guaranteeing	1-10/1-5	Semiannual
Philippines	Public/private	Contracting/guaranteeing	1-15/1-10/1-5	Annual
Sierra Leone	Public	Contracting/guaranteeing	1-12	Annual
Togo	Public	Contracting/guaranteeing	1-15/1-5	Annual
Turkey	Public	Contracting/guaranteeing	0-10/0-5	Annual
Western Samoa	Public	Contracting/guaranteeing	1-12	Annual
Zaire	Public	Contracting/guaranteeing	1-12/1-5	Semiannual
Zambia	Public	Contracting/guaranteeing	1-15/1-5	Annual
<u>Extended arrangements</u>				
Guyana	Public	Contracting/guaranteeing	0-12/0-5	Annual
Honduras	Public	Net borrowing	0-10	Annual/ semiannual
Jamaica	Public	Contracting/guaranteeing	1-12/1-5	Annual
Sri Lanka	Public	Contracting	1-15/1-5	Annual
Sudan	Public	Contracting/guaranteeing	1-10/1-5	Annual
<u>1980</u>				
<u>Stand-by arrangements</u>				
Bolivia	Public	Outstanding debt	0-1/0-5/0-10	Quarterly
Costa Rica	Public	Net borrowing	All maturities	Quarterly
Kenya	Public	Contracting/guaranteeing	1-12	Annual
Korea	Public/private	Contracting/guaranteeing	1-12/1-5	Annual
Laos, P.D.R.	Public	Contracting/guaranteeing	1-12/1-5	Annual
Liberia	Public	Contracting/guaranteeing	1-12	Annual
Madagascar	Public	Contracting/guaranteeing	1-10/1-5	Annual

Quantitative Limitations on External Debt in Upper Credit Tranche
Conditionality Programs, 1979-1982 (continued)

Country	Sector <u>1/</u>	Form of Limitation	Maturity Limits (years)	Period Covered
<u>1980</u>				
<u>Stand-by arrangements</u>				
Malawi	Public	Contracting/guaranteeing	1-12	Annual
Mauritania	Public	Contracting/guaranteeing	1-10	Annual
Mauritius	Public	Contracting/guaranteeing	1-10	Annual
Panama	Public	Net borrowing	All maturities	Annual
Peru	Public	Contracting/guaranteeing	1-10/1-5	Annual
Philippines	Public/private	Contracting/guaranteeing	1-12/1-5	Annual
Somalia	Public	Contracting/guaranteeing	1-12	Annual
Tanzania	Public	Contracting/guaranteeing	1-12/1-5	Annual
Togo	Public	Contracting/guaranteeing	1-12/1-5	Annual
Turkey	Public	Contracting/guaranteeing	1-10/1-5	Annual
Yugoslavia	Public	Outstanding debt	Over 1 year	Quarterly
Zaire	Public	Contracting/guaranteeing	1-12	Annual
<u>Extended arrangements</u>				
Bangladesh	Public	Contracting/guaranteeing	1-12/1-5	Annual
Gabon	Public	Contracting/guaranteeing	1-10	Annual
Haiti (a)	Public	Contracting/guaranteeing	1-12	Annual
(b)	Official banks	Guaranteeing	All maturities	Annual
Morocco	Public	Contracting/guaranteeing	1-10	Semiannual
Pakistan	Public	Contracting/guaranteeing	1-12/1-5	Annual
Senegal	Public	Contracting/guaranteeing	1-12/1-5	Annual
Sudan	Public	Contracting/guaranteeing	1-10/1-5	Annual
<u>1981</u>				
<u>Stand-by arrangements</u>				
Burma	Public	Contracting	1-15/1-5	Annual
Gen. Afr. Rep.	Public	Contracting/guaranteeing	1-12	Annual
Korea	Public/private	Contracting/guaranteeing	1-12/1-5	Annual
Liberia	Public	Contracting/guaranteeing	1-12	Annual
Madagascar	Public	Contracting/guaranteeing	1-10/1-5	Annual
Malawi	Public	Contracting/guaranteeing	1-12	Annual
Mauritania	Public	Contracting/guaranteeing	1-10	Annual
Mauritius (a)	Public	Contracting/guaranteeing	1-10/1-5	Annual
(b)	Public	Gross disbursement	1-10	Quarterly
Panama	Public	Net borrowing	All maturities	Annual
Philippines	Public/private	Contracting/guaranteeing	1-12/1-5	Annual
Romania	Public	Debt outstanding	Under 1 year	Semiannual

Quantitative Limitations on External Debt in Upper Credit Tranche
Conditionality Programs, 1979-1982 (continued)

Country	Sector <u>1/</u>	Form of Limitation	Maturity Limits (years)	Period Covered
<u>1981</u>				
<u>Stand-by arrangements</u>				
Senegal	Public	Contracting/guaranteeing	1-12/1-5	Annual
Solomon Is.	Public	Contracting/guaranteeing	1-12/1-5	Annual
Somalia	Public	Contracting/guaranteeing	1-12	Annual
Thailand	Public	Contracting/guaranteeing	1-12/1-5	Annual
Togo	Public	Contracting/guaranteeing	1-12/1-5	Annual
Turkey	Public	Contracting/guaranteeing	1-10/1-5	Annual
Uganda	Public	Contracting/guaranteeing	1-12/1-5	Semiannual
Yugoslavia	Government/ National Bank	Debt outstanding	Over 1 year	Semiannual
<u>Extended arrangements</u>				
Costa Rica	Public	Net borrowing	All maturities	Quarterly
Gabon	Public	Contracting/guaranteeing	1-10	Annual
Guyana	Public	Contracting/guaranteeing	0-10	Annual
Honduras	Public	Net borrowing	0-10	Semiannual
India	Public	Contracting/guaranteeing	1-12/1-5	Annual
Ivory Coast	(a) Public	Contracting/guaranteeing	1-12/1-5	Annual
	(b) Specified corporations	Contracting/guaranteeing	1-12	Annual
Jamaica	Public	Contracting/guaranteeing	1-12/1-5	Annual
Morocco	Public	Contracting/guaranteeing	1-10/1-5	Annual
Pakistan	Public	Contracting/guaranteeing	1-12/1-5	Annual
Sierra Leone	Public	Contracting/guaranteeing	1-12/1-5	Annual
Sri Lanka	Public	Contracting/guaranteeing	1-12/1-5	Annual
Zaire	Public	Contracting/guaranteeing	1-12/1-5	Annual
Zambia	Public	Contracting/guaranteeing	1-10/1-5	Annual
<u>1982</u>				
<u>Stand-by arrangements</u>				
Barbados	Public	Contracting/guaranteeing	1-10	Annual
Chile <u>2/</u>	Public	Contracting/guaranteeing	1-10	Semiannual
Costa Rica	Public	Contracting/guaranteeing	1-10/1-5	Annual
Gambia	Public	Contracting/guaranteeing	1-10	Annual
Guinea	Public	Contracting/guaranteeing	1-12/1-5	Annual
Haiti (a)	Public	Contracting/guaranteeing	All maturities	Annual
	(b) Central Bank	Guaranteeing	All maturities	Annual
Honduras	Public	Debt outstanding	0-10	Semiannual

Quantitative Limitations on External Debt in Upper-Credit Tranche
Conditionality Programs, 1979-1982 (concluded)

Country	Sector <u>1/</u>	Form of Limitation	Maturity Limits (years)	Period Covered
<u>1982</u>				
<u>Stand-by arrangements</u>				
Hungary (a)	Public	Contracting/guaranteeing	1-12	Annual
	(b)	Specified financial institutions	Debt outstanding	Quarterly
Kenya	Public	Contracting/guaranteeing	1-12	Annual
Liberia	Public	Contracting/guaranteeing	1-12	Annual
Madagascar	Public	Contracting/guaranteeing	1-10/1-5	Annual
Malawi	Public	Contracting/guaranteeing	1-12/1-5	Annual
Mali	Public	Contracting/guaranteeing	1-12	Annual
Mauritius (a)	Public	Contracting/guaranteeing	1-10/1-5	Semiannual
	(b)	Public	Gross disbursement	Semiannual
Morocco	Public	Contracting/guaranteeing	1-10/1-5	Annual
Panama	Public	Net borrowing	All maturities	Annual
Romania	Public	Debt outstanding	Under 1 year	Annual
Senegal	Public	Contracting/guaranteeing	1-12/1-5	Semiannual
Somalia	Public	Contracting/guaranteeing	1-12	Annual
Sudan	Public	Contracting/guaranteeing	1-10/1-5	Annual
Thailand	Public	Contracting/guaranteeing	1-12/1-5	Annual
Turkey	Public	Contracting/guaranteeing	0-10	Annual
Uganda	Public	Contracting/guaranteeing	1-12/1-5	Semiannual
Yugoslavia	Public	Debt outstanding	Over 1 year	Quarterly
<u>Extended arrangements</u>				
Dominican Republic <u>2/</u>	Public	Net borrowing	0-1/0-3/0-10	Annual
Gabon	Public	Contracting/guaranteeing	1-10	Annual
India	Public	Contracting/guaranteeing	1-12/1-5	Annual
Ivory Coast	Public	Contracting/guaranteeing	1-12/1-5	Annual
Jamaica	Public	Net borrowing	1-12/1-5	Annual
Mexico	Public	Net borrowing	All maturities	Quarterly
Peru	Public	Contracting/guaranteeing	1-10/1-5	Quarterly

1/ In some instances, the wording of the ceiling was in terms of borrowing or guaranteeing by the government only. However, in practice, this wording generally implied coverage of the entire public sector, since borrowing by the latter normally requires government guarantees.

2/ Approved in January 1983.

Special Characteristics of Certain
External Borrowing Operations

In most cases, external borrowing operations have broadly similar features that allow their identification and classification for the purpose of formulating and monitoring performance criteria. However, past experience shows that there are certain kinds of external borrowing operations which can complicate the task of analyzing the debt position and designing borrowing ceilings. The purpose of this Annex is to review the following issues of this type: (i) loans with unconventional terms of borrowing; (ii) leasing operations; (iii) the treatment of debt in nonconvertible currencies; and (iv) loans involving set-aside arrangements.

1. Unconventional terms of borrowing

a. Unconventional interest rates or other costs

The present guideline relies on the maturity of loans as the principal means of classifying borrowing operations. In most cases, other characteristics of a loan will follow a typical pattern, depending mainly on the source of the loan (e.g., official, commercial, etc.). There are cases, however, where these other characteristics, such as interest rates, front-end fees, and servicing charges, which could have significant debt service implications, may differ widely between loans of similar maturities.

Attempts at incorporating the effect of these other characteristics by devising alternative forms of debt limitations have concluded that, while this is in principle possible, in most cases these alternative forms would pose operationally difficult problems. ^{1/} However, while limitations based on maturity do not deal with unconventional terms of borrowing, it should be noted that, since debt limitations do not necessarily imply absolute prohibitions, if thought appropriate, the size of the ceiling can always be adjusted in order to accommodate particular loans of this type.

b. Unconventional grace periods or repayment schedules

Limitations based on broad maturities are generally sufficient to achieve the external debt objectives of an adjustment program when they are applied to loans with conventional repayment terms, that is, loans with equal periodic repayment installments following the grace period (if any). However, problems may arise in the case of loans which are not characterized by equal repayment installments; such loans are principally of the following types:

^{1/} See "Alternative Forms of External Debt Limitation" (SM/75/167, 6/27/75) for three possible alternative approaches: limitations on annual debt service, on "discounted" debt service, and in respect of new borrowing according to "adjusted maturities."

(i) "Balloon" or "bullet" loans. These are loans which are repaid in a single lump sum at the end of the maturity period. Technically they are not different from conventional loans since the grace period can be considered as equal to the maturity period of the loan; for equal maturities and interest rates, however, a "balloon" loan carries a higher degree of concessionality than a conventional loan.

(ii) "Front-loaded" loans. In a "front-loaded" loan a significant part of the repayment is concentrated in the first few years of its total maturity; for example, a US\$100 million loan for ten years with repayment scheduled such that US\$70 million is repaid in the first four years. Over the last few years, "front-loaded" loans have become common on account of uncertainties relating to interest rates, their spreads, and a tendency for many of the smaller banks in the Eurodollar market which join the leading banks in syndicated loans to commit their contributions for shorter periods.

(iii) Component or joint loans. These loans are typified by agreements in which each component lender in the overall loan package has a separate contract specifying the amount and terms on which it would lend. Generally, such loans are limited to project financing where the primary lender is an official entity (for example, an export guarantee agency) which underwrites most of the risk and, thus, encourages minority participation by private banks. Recently, there has also been an increasing use of cofinancing arrangements where countries utilize credits on commercial terms which are associated with concessional loans from multilateral development lending agencies.

The implications of the above unconventional repayment schedules for debt ceilings based on the contracting of debt are readily apparent. In the case of "balloon" loans, the ceilings could conceivably prevent the contracting of a loan of this type even though it could have a higher grant element than a conventional loan that falls barely outside the ceiling. On the other hand, as was the case with loans carrying unusual interest rates or cost features, the ceiling may be set at a level adequate to accommodate such a loan, if this is considered desirable. ^{1/}

The opposite problem is posed by "front-loaded" loans where, due to the particular characteristics involved, the actual stream of debt service payments during the initial part of the maturity period would be higher than that of an equivalent conventional loan; thus, other things being equal, treating "front-loaded" loans in the same manner as conventional loans would underestimate the effect of the debt service burden. It is possible that unless this is taken account of, debt ceilings could permit the contracting of a "front-loaded" loan whose final maturity is outside the ceiling even though its overall terms are worse than other

^{1/} It should be noted, however, that in order to avoid a liquidity problem in the medium term, adequate provisions have to be made for the servicing of the peculiar repayment schedule of a "balloon" loan.

loans covered by the ceiling. On occasion, the technique of front-loading has been used to circumvent the intent of debt limitations; e.g., "front-loaded" commercial loans have been assigned a final maturity that puts them outside the ceiling. Resolution of problems arising out of this type of unconventional loan necessitates the formulation of techniques which would permit the conversion of such loans into conventional loans of equivalent effect. Illustrations of the possible techniques used to split "front-loaded" loans into multiple loans with separate maturities is provided in an attachment.

As regards the third type of unconventional borrowing mentioned, component or joint loans can be handled by treating each loan separately as defined by its maturity and grace periods. This will require the availability of adequate information to identify each component loan as specified by the overall loan contract, and the terms underlying its repayment schedule.

2. Leasing

Leasing transactions can involve significant complications from the point of view of designing a foreign borrowing policy. Leasing is a transaction whereby residents in a country acquire the use of a commodity even though no change of legal ownership occurs, and enter into a contractual obligation to make periodic rent payments to the owner of the commodity. Basically, leasing is analogous to a loan-financed import transaction where rent payments substitute for principal and interest payments.

This is also recognized by the Fund's Balance of Payments Manual ^{1/} which recommends that "...as a rule of thumb, a lease arrangement expected to cover at least three fourths of the cost of the goods, together with the carrying charges, is to be taken as presumptive evidence that a change of ownership is intended. The full equivalent of the market value of the goods (not the cumulative total of the expected lease payments) should then be recorded as merchandise, and an offsetting entry should be made in the capital account to record the credit extended to the nominal lessee," (paragraph 217). The manual further states: "...the so-called lease payment thus consists of investment income and repayment of principal on the financial obligation that was in effect created when that change of ownership occurred" (paragraph 292).

It appears, therefore, that leasing arrangements are akin to external debt operations and should be included under the coverage of performance criteria on foreign borrowing. In practice, the identification and classification of most leasing operations may present serious difficulties, especially when they refer to relatively small transactions involving the lease of machines and equipment. There are, nonetheless, instances where the impact of leasing arrangements is significant,

^{1/} IMF, Balance of Payments Manual, Fourth Edition, 1977.

particularly in the case of leasing or chartering of transport equipment (ships or aircraft). This can be an important issue when the option of leasing is used as a substitute for direct foreign borrowing in order to circumvent external debt limitations.

In view of the complexities involved, it is not possible to establish a definitive guideline covering this question. However, when leasing arrangements can be identified which are significant, efforts should be made to take them into account in the analysis of external debt and in the design of performance criteria on foreign borrowing. One way of doing this is to apply a relevant market interest rate to the fixed rental fee in order to derive the implicit amortization payments. ^{1/} An alternative, more complicated approach is to make assumptions as to the expected working life of the asset and its initial market value so as to estimate the part of the periodic rental payments corresponding to depreciation (theoretically equivalent to amortization payments), with the remainder being imputed as investment income (interest payments).

3. Debt in nonconvertible currencies

There are cases where countries have accumulated sizable amounts of debt to the nonconvertible area. Mostly this debt is related to loans from centrally planned economies, or arises from the operation of bilateral trade agreements with countries, the majority of which are members of the CMEA. ^{2/}

In principle, the balances resulting from bilateral trade in most cases have to be settled once a year with payments effected either in merchandise or in convertible currencies and, in this sense, are analogous to short-term debt or reserve liabilities. In some cases, however, these balances have been permitted to remain outstanding for a number of years and have accumulated to significant levels. The interest rate associated with these balances has been usually low, consistent with the general tendency for the terms of loans in nonconvertible currencies to be on concessional terms.

In view of the generally concessional nature of this debt, usually it has not been included under the ceilings on foreign borrowing. However, the presence of this debt needs to be recorded in the statistics on external debt. The existence of this liability, regardless of the way in which it has to be repaid, affects the future payments

^{1/} On the assumption of equal repayments over time, the formula for making this derivation is equivalent to that used to calculate equal mortgage payments commonly employed in the U.S. housing market.

^{2/} In some instances, however, nonconcessional loans contracted with other members of the CMEA are denominated and fully repayable in convertible currencies; as a matter of course, such loans should be included in the coverage of the external debt ceiling.

position of a country, either by pre-empting some future exportable merchandise or by laying claim directly on future foreign exchange earnings.

4. Set-aside arrangements

Set-aside arrangements refer to loan agreements that provide for the earmarking of certain export proceeds specifically for the debt servicing of that loan. This type of arrangement is, on occasion, proposed in connection with the financing of a specific investment project in a country which suffers from a lack of creditworthiness.

For the debtor country, such an arrangement may be the only way it can secure the foreign capital, especially if it is unable or unwilling to obtain direct foreign investment for the exploitation of that particular project. However, there are considerable costs involved and, in general, this practice should be discouraged. Earmarking of export proceeds for a particular purpose can only complicate foreign exchange management by introducing rigidities and constraints which may become particularly serious when reserves are at a low level. Also, the introduction of such arrangements may make it difficult to resist pressures for similar arrangements with other creditors with the result that, especially for a small country, a substantial part of export earnings would be committed in this way, thus seriously constraining balance of payments management. Moreover, were the country to seek debt relief, the existence of such an arrangement would pose serious difficulties for the implementation of the nondiscrimination clause common to multi-lateral debt rescheduling agreements.

Segmentation of Front-loaded Loans into Multiple Loans
with Separate Maturities

A way to cope with the problem of front-loaded loans is to "split" them into separate loans, the maturity of each loan being equal to the interval between the date of the disbursement and the date of the last of a series of principal payments in equal amounts (after any grace period).

Consider as an example a loan for \$110 million in a maturity of ten years with two years grace. The loan contract provides for repayment of \$30 million in each of the two years following the grace period, \$15 million in each of the next two years, and \$5 million in each of the subsequent four years. Two possible approaches might be considered:

Method I

This involves assuming that all repayments of principal during the initial years are on account of the shorter maturity loan, while subsequent loans have correspondingly longer grace periods. Thus, on these assumptions, the terms of the three loans are as follows:

	<u>Amount</u> (\$ million)	<u>Grace Period</u>	<u>Repayment Period</u>
Loan 1	\$60	2 years	Years 3 and 4
Loan 2	\$30	4 years	Years 5 and 6
Loan 3	\$20	6 years	Years 7 thru 10

In many instances, the wording of the loan contract will indicate clearly that this approach is to be preferred, i.e., it may indicate that "X amount is repayable after Y years, etc."

Method II

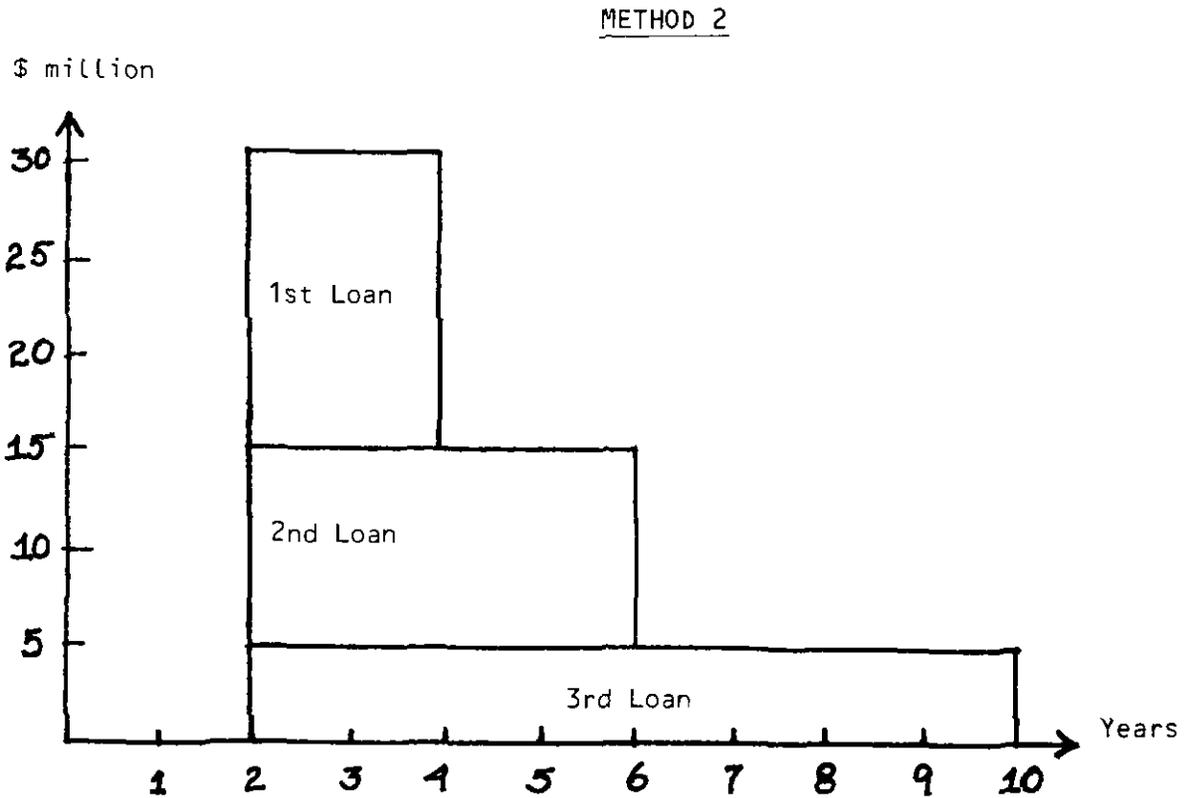
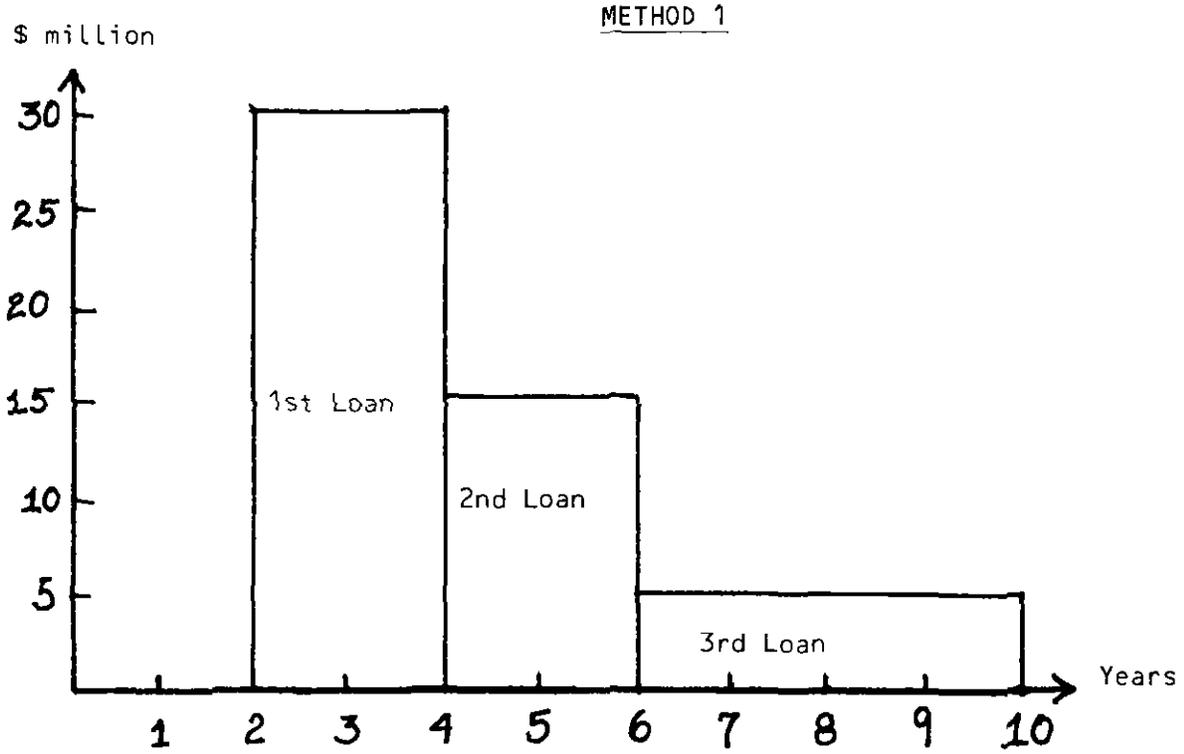
An alternative (and perhaps more artificial) approach is to assume that all three loans share the same original grace period. The loan would be treated as three separate loans, one of four years maturity, one of six years maturity, and one of ten years maturity, each with a two-year grace period. Under these assumptions, the amount corresponding to the loan with the longest maturity (the third loan) would be equal to the value of the (equal) principal payments that defined this loan, multiplied by the number of its payments during its maturity period. These principal payments attributable to the longest maturity loan are subtracted from the amounts due in earlier periods to derive the amounts implicitly attributable to the second loan, and this procedure is then repeated for the first loan. Using this method, the terms of the three loans would be as follows:

	<u>Amount</u> (\$ million)	<u>Grace Period</u>	<u>Repayment Period</u>
Loan 3	\$40 <u>1/</u>	2 years	Years 3 thru 10
Loan 2	\$40 <u>2/</u>	2 years	Years 3 thru 6
Loan 1	\$30 <u>3/</u>	2 years	Years 3 and 4

-
- 1/ i.e., \$5 million in each of the eight years.
- 2/ i.e., \$15 million repayable in each of the four years less \$20 million (the amount attributable to the first loan during the period).
- 3/ i.e., \$30 million repayable in each of the two years less \$20 million and \$10 million, the amounts attributable to the second and third loans, respectively.

The difference between the two methods is illustrated in Diagram 1. As indicated already, on the grounds of both simplicity and consistency with the wording of the loan contract, Method I is usually preferable.

Diagram 1. Alternative Methods of Segmenting "Front-ended" Loans



Concessionality in Foreign Loans

The longer the maturity and grace period and the lower the interest rate, the more concessional is a loan. One measure of the degree of concessionality of a loan is to express its value in comparison to a direct grant. This measure is referred to as the grant element of a loan. To compare a grant--which is unique over time--with a loan, which is distributed over several time periods, the present value of the loans--where the future flows are discounted by a rate reflecting society's time preference--must be considered. Hence, the grant element (GE) of a loan is the ratio to the principal of the loan of that principal less the discounted value of the stream of principal and interest payments due on the loan, i.e.:

$$GE = \frac{P - \sum_{t=1}^m (P_t + I_t) / (1+d)^t}{P}$$

where P is the principal of the loan, P_t and I_t are the payments of principal and interest, respectively, in year t; m is the maturity of the loan and d is the rate of discount. Once account is taken of grace periods and the frequency of payments, this formula becomes:

$$GE = (1 - i/d) - \frac{(1 - i/d)}{d(m-g)(1+d)^g} \left[1 - \frac{1}{(1+d)^{m-g}} \right]$$

which applies to equal annual payments of principal, and where i is the interest rate of the loan and g its grace period.

It is evident from this formula that the choice of the discount rate will significantly affect the calculated value of the grant element. The higher the rate of discount used, the closer the grant element will be to 100 per cent; when the discount rate equals the interest rate of the loan, the grant element will be zero, and it will turn negative when the discount rate drops below the interest rate.

The proper rate of discount, which in theory should be some measure of society's time preference or the opportunity cost of capital, is difficult to ascertain. In order to determine the degree of concessionality of official development assistance (ODA), the DAC of the OECD has assumed a discount rate of 10 per cent throughout the past decade. For a loan to qualify as ODA under the rules of DAC, there must be a minimum grant element of at least 25 per cent at the assumed discount rate of 10 per cent. This rate is only a conventional benchmark and no special significance should therefore be attached to any absolute value of the the grant element; however, within certain limits, grant element computations remain a useful device to rank and compare different loans. ^{1/} The following table shows the maximum interest rate a loan can have for a given maturity and grace period, in order to meet DAC's criterion of concessionality.

^{1/} It is possible that the ranking of two loans is reversed when different discount rates are used, especially when interest rates and maturities differ considerably for the loans being compared. For typical loans and discount rates, reversals in ranking are unlikely to occur.

Table . Maximum Interest Rate Compatible with Concessional Loans 1/
(In per cent)

Years to Maturity

	Grace Period (In years)														
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
1	...														
2	...	...											
3	...	...	...									
4	...	0.56	1.64	2.06											
5	0.45	1.58	2.41	3.06	3.32										
6	1.46	2.35	3.02	3.55	3.98	4.16									
7	2.23	2.95	3.51	3.95	4.31	4.62	4.75								
8	2.83	3.43	3.90	4.28	4.60	4.86	5.09	5.19							
9	3.32	3.83	4.23	4.56	4.84	5.07	5.27	5.45	5.52						
10	3.72	4.16	4.51	4.80	5.05	5.26	5.44	5.59	5.73	5.79					
11	4.06	4.44	4.75	5.01	5.23	5.42	5.58	5.72	5.84	5.95	6.00				
12	4.34	4.68	4.95	5.19	5.39	5.56	5.70	5.83	5.95	6.05	6.14	6.18			
13	4.58	4.88	5.13	5.34	5.52	5.68	5.82	5.93	6.04	6.13	6.22	6.29	6.33		
14	4.79	5.06	5.29	5.48	5.65	5.79	5.91	6.03	6.12	6.21	6.29	6.36	6.42	6.45	
15	4.98	5.22	5.43	5.60	5.76	5.89	6.00	6.11	6.20	6.28	6.35	6.42	6.47	6.53	6.55

Source: IBRD, Grant Element Tables.

1/ According to the DAC definition that defines as concessional those loans with a grant element in excess of 25 per cent on the basis of a 10 per cent rate of discount.

For the purpose of this table, loans are assumed to be repaid in equal semiannual installments of principal. Grace period is defined as the interval to first repayment, minus one payment period.

This table shows the maximum rate a loan can have and still meet the DAC criterion for concessional loans. For example, a ten-year loan with five years of grace would be concessional if the interest rate is less or equal to 5.05 per cent, but would fail the criterion at higher rates.

Table 1. Selected Performance Criteria in Upper Credit Tranche Conditionality Programs
Associated with Official Multilateral Debt Rescheduling, 1980-January 1983

Country	Quantitative Performance Criteria					Review Clause
	Domestic Credit or Net Domestic Assets		External Payments Arrears		External Debt	
Date of Rescheduling Agreement Date of Board Approval and Type of Program	Number of Quarterly Limits Specified	Automatic Adjustment or Other Special Provision Related to Debt Relief	Number of Quarterly Limits Specified	Automatic Adjustment or Other Special Provision Related to Debt Relief	Limits <u>1/</u>	
<u>1980</u>						
Sierra Leone Feb. 8 Nov. 2, 1979 (1-year SBA)	3	no	2	no	yes	yes
Turkey July 23 June 18 (3-year SBA)	2	no	No phasing; arrears not to increase in first year, and to be regularized or eliminated during rest of period.		yes	yes
Liberia Dec. 19 Sept. 15 (2-year SBA)	4	no	Not applicable--no arrears.		yes	no
<u>1981</u>						
Pakistan Jan. 15 Nov. 24, 1980 (EFF)	2	no	Not applicable--no arrears.		yes	yes

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Table 1. Selected Performance Criteria in Upper Credit Tranche Conditionality Programs Associated with Official Multilateral Debt Rescheduling, 1980-January 1983 (continued)

Debtor Country	Quantitative Performance Criteria					Review Clause
	Date of Rescheduling Agreement Date of Board Approval and Type of Program	Domestic Credit or Net Domestic Assets Number of Quarterly Limits Specified	Automatic Adjustment or Other Special Provision Related to Debt Relief	External Payments Arrears Number of Quarterly Limits Specified	Automatic Adjustment or Other Special Provision Related to Debt Relief		External Debt Limits ^{1/}
<u>1981</u>						
Togo Feb. 20 Feb. 13 (2-year SBA)	4	no	4	4 for total arrears outstanding.	yes	yes
Madagascar April 30 April 13 (1-year SBA)	3	no	4	Reductions in terms of net cash payments.	yes	yes
Central African Rep. June 12 April 10 (1-year SBA)	3	no	3	Net reduction through cash payments; mid-year review to reach understanding concerning further reduction after debt relief outcome is known.	yes	yes
Zaire July 9 June 22 (EFF)	3	no	3	Net cumulative reduction through cash payments by end-program.	yes	yes

Table 1. Selected Performance Criteria in Upper Credit Tranche Conditionality Programs Associated with Official Multilateral Debt Rescheduling, 1980-82 (continued)

Country	Quantitative Performance Criteria					Review Clause
	Domestic Credit or Net Domestic Assets		External Payments Arrears		External Debt	
Date of Rescheduling Agreement Date of Board Approval and Type of Program	Number of Quarterly Limits Specified	Automatic Adjustment or Other Special Provision Related to Debt Relief	Number of Quarterly Limits Specified	Automatic Adjustment or Other Special Provision Related to Debt Relief	Limits ^{1/}	
1981						
Senegal Oct. 12 Sept. 11 (1-year SBA)	2	Automatic adjustment for deviations between actual and assumed values of debt rescheduling; upward adjustment is subject to additional limits.	1	Minimum reduction specified for first half of program year and elimination at end of program year.	yes	yes
Uganda Nov. 18 June 5 (13-month SBA)	1	no	1	no	yes	yes
Liberia Dec. 16 Aug. 26 (1-year SBA)	5	no	5	Ceilings on amount outstanding.	yes	no

OFFICIAL MULTILATERAL DEBT RESCHEDULING

Table 1. Selected Performance Criteria in Upper Credit Tranche Conditionality Programs Associated with Official Multilateral Debt Rescheduling, 1980-January 1983 (continued)

Country	Quantitative Performance Criteria					Review Clause
	Domestic Credit or Net Domestic Assets		External Payments Arrears		External Debt Limits ^{1/}	
Date of Rescheduling Agreement Date of Board Approval and Type of Program	Number of Quarterly Limits Specified	Automatic Adjustment or Other Special Provision Related to Debt Relief	Number of Quarterly Limits Specified	Automatic Adjustment or Other Special Provision Related to Debt Relief		
<u>1982</u>						
Sudan March 18 Feb. 18 (1-year SBA)	2	no		No phasing; not to build up arrears on debt that has been rescheduled.	yes	yes
Madagascar July 13 July 9 (1-year SBA)	2	no	2	Minimum reductions through net cash payments, i.e., excluding reductions through consolidation.	yes	yes
Romania July 28 June 21 (3-year SBA) (second year)	2	no		No phasing; to eliminate by end-1982 and not to incur any new arrears except on debt repayments which are the subject of rescheduling negotiations or in respect of which rescheduling will be required in the context of these negotiations.	yes	yes ^{2/}

Table 1. Selected Performance Criteria in Upper Credit Tranche Conditionality Programs Associated with Official Multilateral Debt Rescheduling, 1980-January 1983 (continued)

Country	Quantitative Performance Criteria					Review Clause
	Domestic Credit or Net Domestic Assets		External Payments Arrears		External Debt Limits ^{1/}	
Date of Rescheduling Agreement Date of Board Approval and Type of Program	Number of Quarterly Limits Specified	Automatic Adjustment or Other Special Provision Related to Debt Relief	Number of Quarterly Limits Specified	Automatic Adjustment or Other Special Provision Related to Debt Relief		
<u>1982</u>						
Malawi Sept. 22 Aug. 6 (1-year SBA)	1	Ceilings to be adjusted downward by amount of debt relief.		Not applicable--no arrears.	yes	yes
Senegal Nov. 29 Nov. 24 (1-year SBA)	2	Automatic adjustment for deviations between actual and assumed values of debt relief; upward adjustment is subject to additional limits.	2	no	yes	yes
Uganda Dec. 1 Aug. 11 (1-year SBA)	2	no	2	Net reduction for all arrears and minimum net reduction through cash payments.	yes	yes

Table 1. Selected Performance Criteria in Upper Credit Tranche Conditionality Programs Associated with Official Multilateral Debt Rescheduling, 1980-January 1983 (concluded)

Country	Quantitative Performance Criteria					Review Clause
	Domestic Credit or Net Domestic Assets	External Payments Arrears		External Debt Limits ^{1/}		
Date of Rescheduling Agreement Date of Board Approval and Type of Program	Number of Quarterly Limits Specified	Automatic Adjustment or Other Special Provision Related to Debt Relief	Number of Quarterly Limits Specified	Automatic Adjustment or Other Special Provision Related to Debt Relief		
1983						
Costa Rica Jan. 11 Dec. 20, 1982 (1-year SBA)	5	For ceilings on net domestic assets and BOP test targets, net international reserves are defined to include external payments arrears as reserve liabilities. Ceilings are to be adjusted for the difference between projected arrears (subject to rescheduling) and actual values for end-December 1982.	No phasing; temporary accumulation of external payments arrears on debt service payments permitted until rescheduling agreements concluded; not to incur other payments arrears.		yes	yes
Sudan Jan. 28 (1-year SBA)	2	no	No phasing; not to incur arrears in respect of payments and transfers for current international transactions, except for arrears on debt servicing obligations in the period until agreements on comprehensive debt rescheduling are concluded.		yes	yes ^{3/}

^{1/} Unless indicated otherwise, external debt limits were defined to exclude refinancing/rescheduling loans in the context of multilateral debt renegotiations. For other details, see Annex .

^{2/} Purchase conditional upon conclusion of review with the Fund that satisfactory rescheduling arrangements have been made.

^{3/} Arrangement in effect only after Fund being satisfied that suitable arrangements for a global debt restructuring have been made.

Table 2. Selected Performance Criteria in Upper Credit Tranche Conditionality Programs Associated with Commercial Bank Debt Rescheduling, 1980-January 1983

Country	Quantitative Performance Criteria						Review Clause
	Domestic Credit, or Net Domestic Assets, and/or International Reserves			External Payments Arrears			
	Date of Board Approval and Type of Program	Number of Quarterly Limits Specified	Automatic Adjustment or Other Special Provision Related to Debt Relief	Number of Quarterly Limits Specified	Automatic Adjustment or Other Special Provision Related to Debt Relief	External Debt Limits ^{1/}	
1980							
Zaire 8/27/79 (18-month SBA)	2	No	2	Minimum reduction through cash settlement and a significant reduction effected by rescheduling from both public and commercial bank creditors.	Yes	Yes	
1981							
Jamaica 4/13 (EFF)	4	Upward adjustment in ceilings (subject to limits) and unlimited downward adjustment for shortfall/excess of disbursements of external loans and credits.	No phasing--Ceiling on increase in arrears on current international payments and transfers for current international transactions.		Yes	No	

Table 2. Selected Performance Criteria in Upper Credit Tranche Conditionality Programs Associated with Commercial Bank Debt Rescheduling, 1980-January 1983 (continued)

Country Date of Board Approval and Type of Program	Quantitative Performance Criteria					Review Clause
	Domestic Credit, or Net Domestic Assets, and/or International Reserves		External Payments Arrears			
	Number of Quar- terly Limits Specified	Automatic Adjustment or Other Special Provision Related to Debt Relief	Number of Quar- terly Limits Specified	Automatic Adjustment or Other Special Provision Related to Debt Relief	External Debt Limits <u>1/</u>	
<u>1982</u>						
Turkey 9/9/81 (2nd year of 3-year SBA)	2	No	No phasing; to eliminate all payments arrears by June 1982	No	Yes	Yes
Liberia 9/29 (1-year SBA)	4	No	Not applicable--no arrears.	No	Yes	Yes
Honduras 11/5 (14-month SBA)	5	No	Targeted reduc- tion for end- December 1982, and to eliminate all arrears by end- October 1983.	No	Yes	No
Mexico 12/23 (EFF)	4	No	No phasing; targeted reduction is specified for 1983, and mid-year review of progress in arrears reduction.	No	Yes	Yes

Table 2. Selected Performance Criteria in Upper Credit Tranche Conditionality
 Programs Associated with Commercial Bank Debt Rescheduling, 1980-January 1983
 (continued)

Quantitative Performance Criteria								
Country	Date of Board Approval and Type of Program	Number of Quarterly Limits Specified	Domestic Credit, or Net Domestic Assets, and/or International Reserves		External Payments Arrears		External Debt Limits <u>1/</u>	Review Clause
			Automatic Adjustment or Other Special Provision Related to Debt Relief	Number of Quarterly Limits Specified	Automatic Adjustment or Other Special Provision Related to Debt Relief			
1983	Dominican Rep. 1/21 (EFF)	4	Net international reserves defined to include as liabilities external payments arrears and Central Bank's refinancing of Letters of Credit due to commercial banks, with maturity of under 5 years.	4	No	Yes	Yes	

Table 2. Selected Performance Criteria in Upper Credit Tranche Conditionality Programs Associated with Commercial Bank Debt Rescheduling, 1980-January 1983 (conclusion)

Country	Quantitative Performance Criteria					
	Domestic Credit, or Net Domestic Assets, and/or International Reserves			External Payments Arrears		
	Date of Board Approval and Type of Program	Number of Quarterly Limits Specified	Automatic Adjustment or Other Special Provision Related to Debt Relief	Number of Quarterly Limits Specified	Automatic Adjustment or Other Special Provision Related to Debt Relief	External Debt Limits <u>1/</u>	Review Clause
1983						
Argentina 1/24 (15-month SBA)	5	Quarterly net domestic asset ceilings and quarterly overall BOP targets defined with all external payments arrears classified as reserves-related liabilities of the Central Bank.	No phasing, elimination of all external payments arrears by June 1983.		Yes <u>1/</u>	Yes

Source: Staff papers dealing with requests by members for upper credit tranche stand-by arrangements and extended arrangements.

1/ Additional limits on maturities falling due within three years, which are subject to a downward adjustment for, inter alia, any net debt relief on maturities falling due within these periods obtained through multicreditor agreements involving a formal refinancing or rescheduling of the external debt of the public sector.