IMMEDIATE ATTENTION

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SM/83/227

November 7, 1983

To: Members of the Executive Board

From: The Secretary

Subject: Recent Experience with Multilateral Debt Restructurings with Official Creditors and with International Banks

The attached paper is scheduled for a seminar discussion by Executive Directors on Monday, December 12, 1983. The other papers scheduled for discussion and for background at the seminar are described in the Managing Director's Work Program statement at Executive Board Meeting 83/149 on October 24, 1983 (Buff document 83/256, 10/17/83, page 5).

The contents of the paper are based in substantial part on the staff memoranda dealing with external debt matters (SM/83/45, SM/83/46, and SM/83/47) that were discussed by the Executive Board on April 6, 1983, updated to reflect developments to early October 1983. It is proposed that the paper be published in the Occasional Paper series in late December 1983. The published version would, of course, incorporate changes made in the light of comments made by Executive Directors. A similar procedure was followed in 1981, when the Fund published Occasional Paper No. 3 (External Indebtedness of Developing Countries, May 1981).

To permit timely action, if publication of the paper is approved by the Executive Board, it would be helpful if Executive Directors could give any comments relating to a possible published version of the paper by Monday, November 28, 1983. Comments should be given to Mr. Brau, (ext. (5)8313) or Mr. Richard Williams, (ext. (5)7350).

Unless there is an objection by the close of business on Monday, November 28, 1983, Executive Board approval for the publication of the paper will be assumed, and it will be so recorded in the minutes of the next meeting thereafter.

Att: (1)

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INTERNATIONAL MONETARY FUND

Recent Experience with Multilateral Debt Restructurings with Official Creditors and with International Banks

Prepared by the Exchange and Trade Relations Department

Approved by Donald K. Palmer

November 3, 1983

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I. Introduction

Experience with multilateral debt restructurings with official creditors and with international banks in the second half of the 1970s was described in Occasional Paper No. 3, issued in 1981. 1/ The present paper reviews recent developments, covering the period through early October 1983. It discusses the external debt problems which countries have experienced, and the arrangements made for restructuring official and commercial bank debt. The paper does not deal with the broad economic conditions which are essential if debtor countries are to be successful in their adjustment efforts over the medium term. These conditions will include, inter alia, adequate flows of official and private capital on reasonable terms, economic policies in the industrialized countries that will promote a noninflationary recovery and a resurgence of world trade, and greater access to markets for developing countries.

The balance of payments and external debt situations of many developing countries have come under increasing strain in recent years. While most of the countries experiencing such difficulties have been "non-oil developing countries," 2/ debt servicing problems have also been encountered by several oil exporting countries and by certain centrally planned economies which are not Fund members. The growing severity of debt servicing difficulties has been manifest in two notable developments. First, external payments arrears rose to US$18 billion at end-1982, compared with an average level of around US$5-6 billion over the preceding five years. The increase in arrears is all the more striking since, during the course of 1982, a substantial amount of arrears was formally rescheduled by various creditor groups. Second, there have been significant increases in both the number of countries seeking debt relief and the frequency of their requests.

While in the second half of the 1970s only four countries per year on average undertook multilateral debt renegotiations, this number increased to 13 in 1981 and 18 in 1982. In 1983, through early October,

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1/ International Monetary Fund, External Indebtedness of Developing Countries (May 1981).

2/ "Non-oil developing countries" include all Fund members except "industrial" and "oil exporting countries." This latter group covers those countries where oil exports account for at least two thirds of total exports. Thus "non-oil developing countries" include certain countries classified as "net oil exporters" who export oil, though in relatively small amounts. Several of these net oil exporters (in particular, Ecuador, Gabon, Mexico, and Peru) have encountered debt difficulties during the period under review. For a comprehensive definition of the classification of countries adopted by the Fund, see International Monetary Fund, World Economic Outlook, Occasional Paper No. 21 (May 1983), pp. 168-69.

29 official and bank debt restructurings were completed--involving 22 countries--while others remain under negotiation. Increasingly, debt servicing problems have affected large borrowers. The amount of bank debt of Fund member countries that was restructured has increased from an annual average of US$1.5 billion during the period 1978-81 to about US$5 billion in 1982 and US$60 billion, through early October, in 1983. As regards official debt reschedulings, the yearly amount restructured averaged US$2.2 billion during the period 1978-81. In 1982 US$0.5 billion was restructured and in 1983, to early October, a further US$4.8 billion. During 1982 and so far in 1983, 9 of the 20 largest non-oil developing country borrowers, as measured by their bank debt outstanding, either completed or were in the process of negotiating the rescheduling or refinancing of their external debts. Several countries have restructured also debt with nonbank private creditors, mainly nonguaranteed suppliers' credits. While such restructurings were often parallel to restructurings with official creditors and commercial banks, information is limited and this paper does not cover such debt renegotiations.

Section II of the present study provides a background to the current difficulties. Following a description of trends in the growth of external indebtedness and debt service of developing countries, with particular emphasis on debt to commercial banks, the major sources of recent debt servicing difficulties are discussed. Section III then provides an overview of recent experience with multilateral debt restructurings, including a comparison of recent developments in commercial debt restructurings with the findings of the earlier study. Section IV describes in detail experience with official multilateral debt reschedulings (which were most usually conducted under the auspices of the Paris Club). The section reviews, in turn, the institutional arrangements adopted, the framework of renegotiations, the terms of rescheduling, the linkage between the rescheduling exercise and the adoption of economic adjustment programs, and, finally, the balance of payments impact of the debt relief obtained. Section V contains a similar, detailed review of recent experience with commercial bank debt restructurings. The terms of bank debt reschedulings and the relationship to economic adjustment programs are described. A country-by-country summary of the coverage and terms of individual bank debt reschedulings is provided in Annex Tables 1 and 2.

II. Background to the Recent Problems

1. Overview of the growth in external indebtedness and debt service

a. Rapid expansion, 1974 to 1981

The sharp increase in the frequency and severity of external debt servicing difficulties has taken place against the background of a rapid rise in foreign borrowing by developing countries in recent years. Over the seven years from the end of 1974 through the end of 1981, i.e., prior to the emergence of widespread major debt servicing difficulties, the total external debt of non-oil developing countries increased at a compound annual rate of 20 percent (Table 1). In real terms--deflated by the unit value index for the exports of these countries, for example 1/--this debt increased at an annual rate of 10 percent. As a result the ratio of external debt to exports of goods and services rose from 1.0 to 1.2, and the ratio of external debt to GNP from 0.22 to 0.30.

A major development during this period was the increasing importance of international banks as a source of funds for the developing countries. Thus, the share of debt owed to financial institutions in the total outstanding medium- and long-term public and publicly guaranteed debt of non-oil developing countries increased from 19 percent to 32 percent between 1974 and 1981. This was accompanied by a decline in the relative shares of debt to official creditors (which is usually of longer maturities) and debt to other private creditors. At the same time, short-term debt with an original maturity of one year or less increased at an unusually rapid pace. Between 1979 and 1981, short-term debt of non-oil developing countries rose twice as fast as medium- and long-term obligations, and by end-1981 it accounted for nearly one fifth of total debt outstanding of the non-oil developing countries. Over the same period, the rate of growth of short-term debt also exceeded by a substantial margin the rate of expansion of trade.

Debt service payments--comprising interest payments on total outstanding debt and amortization on long- and medium-term debt--of the non-oil developing countries increased at an annual rate of 23 percent over the seven years through 1981, somewhat faster than either their outstanding debt or their exports of goods and services, and the ratio of their debt service to their exports of goods and services rose from 14 percent to 20 percent. This rapid growth of debt service reflected primarily the rise in external debt outstanding and, to a lesser extent, the increasing share in total debt of bank credits at variable interest rates, combined with the sharp rise in international interest rates in recent years.

The relationship between the growth of medium- and long-term debt and debt service, on the one hand, and the growth of exports, on the other, varied considerably among various subgroups of non-oil developing countries. These differences may help explain in part the much greater incidence of debt servicing difficulties among some groups than others. Asia was the only region where exports of goods and services of non-oil developing countries actually grew faster than their medium- and long-term debt over 1974 to 1981. Although these countries faced the same difficult international environment as did other developing countries,

1/ The identification of the appropriate deflator for external debt is, however, a complex question; see Occasional Paper No. 3, Chapter III, pp. 12-16.

Table 1. External Debt: Non-Oil Developing Countries, 1973-1982 1/

	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	Average Annual Compound Rate of Change 1973-1982 (Percent)
	(In billions of U.S. dollars)										
Total debt outstanding 2/	130.1	160.8	190.8	228.0	278.5	336.3	391.1	467.6	550.8	614.2	18.8
By maturity											
Short-term 3/	18.4	22.7	27.3	33.2	42.5	49.7	56.8	83.1	99.2	111.9	22.2
Medium- and long-term	111.8	138.1	163.5	194.9	235.9	286.6	334.4	384.4	451.6	502.3	18.2
By creditor											
Government	37.3	43.4	50.3	57.9	67.6	79.1	89.1	101.7	113.4	125.7	14.5
International institutions	13.7	16.6	20.3	24.8	31.0	38.4	45.6	53.2	62.7	71.0	20.1
Private	60.8	77.9	95.1	114.8	137.3	169.1	199.7	229.5	275.5	300.8	19.4
Debt service payments	17.9	22.1	25.1	27.8	34.7	50.3	65.0	76.2	93.1	105.0	21.7
Interest	6.9	9.3	10.5	10.9	13.6	19.4	28.0	40.4	54.0	57.4	26.5
Principal	11.1	12.8	14.6	16.8	21.1	30.9	36.9	35.8	39.1	47.6	17.6
	(In percent)										
Ratio of debt to exports of goods and services	115.4	104.6	122.4	125.5	126.4	130.2	117.2	111.0	123.8	143.6	
Ratio of debt to GDP	22.4	21.8	23.8	25.7	27.4	27.9	26.8	26.9	30.4	35.8	
Ratio of debt service payments 4/ to exports of goods and services	15.9	14.4	16.1	15.3	15.4	19.0	19.0	17.6	20.1	23.4	

Source: International Monetary Fund.

1/ See footnote 2 on p. 1 for a definition of "non-oil developing countries."
2/ Covers public and publicly guaranteed debt and, where available, private nonguaranteed debt.
3/ Debt with an original maturity of one year or less; series excludes data for a number of nonreporting debtor countries.

their aggregate debt service ratio rose only from 8 percent to 9 percent over this period, although there were important differences among individual countries. For the African countries, by comparison, medium- and long-term debt increased over 80 percent faster than exports and, as a result, their debt service ratio more than doubled from 7 percent to 15 percent. The Latin American countries, which had entered this period with by far the largest debt and the highest debt service ratio, recorded the most rapid increase in debt of any region during 1974 to 1981. Their debt increased 27 percent faster than their exports, and their debt service ratio rose from 28 percent in 1974 to 42 percent in 1981. By the end of 1981, Latin American countries, which accounted for 43 percent of the debt of non-oil developing countries, were paying 57 percent of the debt service of that group of countries.

By country classification, the major exporters of manufactures among the non-oil developing countries accounted for 37 percent of the debt and 46 percent of the debt service by end-1981, and the corresponding figures for the net oil exporters were 23 percent and 27 percent. The low-income countries in this group of non-oil developing countries accounted for 17 percent of the outstanding debt, but only 4 percent of the debt service, since official creditors provided the great bulk of lending to these countries. At end-1981, the 20 major developing country borrowers 1/ owed 72 percent of the total outstanding debt of all developing countries and 81 percent of the debt service obligations due in 1981. For this group, 63 percent of their debt was owed to banks. The rapid increase in short-term debt noted above was largely attributable to these countries; at the end of 1981, one quarter of their debt was short term, compared to less than 10 percent for other developing countries.

b. The onset of difficulties, 1982

The total external debt of non-oil developing countries is estimated to have increased by only 12 percent in 1982, considerably less than the average rate of expansion over the preceding seven years. New disbursements on medium- and long-term loans fell by 20 percent compared to 1981, while principal repayments rose sharply. The growth of short-term debt outstanding continued to decline, largely as a result of the slowdown in commercial bank lending, the causes of which were discussed in detail in Occasional Paper No. 23. 2/ The reduction in gross flows to the developing countries extended across all types of debt, all regions, and all classes of creditors.

1/ The countries included are Algeria, Argentina, Brazil, Chile, Egypt, Hungary, Indonesia, Israel, Korea, Mexico, Morocco, Peru, the Philippines, Poland, Portugal, Romania, Thailand, Turkey, Venezuela, and Yugoslavia (selected according to stock of debt outstanding at end-1981).

2/ International Monetary Fund, International Capital Markets, Developments and Prospects, 1983, Chapter III, pp. 21-32.

The rate of increase in the debt service payments of non-oil developing countries also slowed in 1982, although the effects of a fall in the average nominal interest rate on outstanding debt of almost 1 percentage point was offset by a 22 percent increase in the amortization due on medium- and long-term loans. However, despite the slowing in the growth of total debt service payments, the aggregate debt service ratio for non-oil developing countries rose from 20 percent in 1981 to 23 percent in 1982, as export earnings actually declined by 3 percent. The increase in the aggregate ratio was accounted for almost entirely by Africa and Latin America, as the debt service ratios for other regions were broadly unchanged. By economic subgroup, the debt service ratio rose most sharply for net oil exporters and for the low-income countries.

In this environment of a marked reduction in new lending, a continued--albeit slower--rise in debt service, and declining export earnings, the number of developing countries experiencing external payments difficulties increased significantly. Payments arrears, which had remained at about US$5-6 billion over the preceding five years, rose to US$18 billion at end-1982; and many countries, including some of the largest debtors, approached their creditors for a rescheduling of debt service payments.

In light of the role of commercial bank financing, and growing importance of bank debt restructurings, the following section reviews some salient characteristics of bank lending during this period.

2. The evolution of commercial bank financing 1/

While the individual country experiences which form the basis for this paper are quite diverse, some generalizations may be useful regarding the evolution of bank finance. Of the non-oil developing countries that either have restructured or were in the process of restructuring their bank debt between 1978 and the third quarter of 1983, all experienced a period of very rapid increase in international bank loans prior to the development of debt service difficulties. The bank debt of countries engaged in restructuring grew by 25 percent per annum in the five years to 1981, as compared to about 19 percent for the remaining non-oil developing countries (Table 2). As regards the most recent cases of countries that have commenced negotiations or reached agreement with banks on debt restructuring since the end of 1982, their bank debt had risen even faster--by 28 percent annually--during this period.

For the group of non-oil developing countries there was a marked and sustained increase in bank debt of less than one year remaining to maturity during the 1978-82 period, with the share of such debt in total bank debt rising from 41 percent to 46 percent. While short-term

1/ Annex Table 3 provides an overview of developments in bank financing as regards certain nonmember countries.

Table 2. Growth Rates of Banks' Claims on Selected Group of Countries, 1978-82 1/

(Percentage)

	1978	1979	1980	1981	1982	Average 2/ over the Period 1977-81
Non-oil developing countries	23	26	23	18	7	23
Countries reviewed	30	28	25	19	5	25
Of which:						
Rescheduled or negotiated first in 1983	31	32	28	23	6	28
Other countries	13	23	20	18	11	19
Oil exporters	44	14	9	2	10	16
Countries reviewed	69	44	17	9	10	33
Other countries	37	2	4	-2	9	9

Source: Calculations based on data from the Bank for International Settlements, International Banking Developments.

1/ Weighted average of rates of growth for each country group. Derived from data on the stock of claims, which were not adjusted for exchange rate variations.
2/ Average annual compound rate of change.

debt, no doubt, had increased substantially for some countries subsequently involved in bank debt restructurings, Table 3 suggests that the share of debt with less than one year remaining to maturity was not very different, at least in aggregate, for the groups of countries engaged in restructurings and other countries. However, if short-term debt to banks is related to countries' claims on banks--which is an important component of their foreign exchange reserves--very striking differences become apparent (Table 4). The increase in the ratio of short-term debt relative to claims on banks and the high values of this ratio for countries involved in bank debt restructurings suggest that these countries had generally become vulnerable to any disruption or even a temporary slowdown in new finance. Scaling debt service payments by export earnings or import payments yields similar results.

In a number of cases, bank funding accompanied a surge in export receipts associated with the rise in commodity prices which characterized the late 1970s. With the subsequent stagnation or decline in many commodity prices, the willingness of banks to accommodate further large increases in their exposure to a number of countries declined. More specifically, an important source of subsequent financing difficulties for some oil exporting countries may be found in the initial overestimation of future oil revenues by both the country and the lending banks involved. On average, debt of oil exporting developing countries to banks grew by 16 percent annually between 1977 and 1981. However, the debt of the two oil exporting countries included in this review had grown on average at an annual rate of 33 percent, well above the rate of any other group of countries.

In almost every instance of debt service problems, bank lending expanded very rapidly prior to the onset of payments difficulties, and often financed a widening current account deficit associated, inter alia, with expansionary fiscal policies. Particularly in some of the more recent cases, capital flight and rising interest payments preempted a growing part of the commercial financing inflows. In many cases, the emergence of payments difficulties was anticipated by a sharp slowdown in the rate of growth in bank lending, sometimes accompanied by a pronounced shortening of maturities, which eventually led to a request to negotiate a debt relief arrangement. In previous periods, these developments often took place over several years, and there was generally a marked slowdown in the growth of bank lending well before the commencement of difficulties.

However, the emergence of serious bank debt problems since mid-1982 occurred much more abruptly, and as a result it was not generally accompanied by a marked slowdown in the growth of bank lending over the calendar year prior to the commencement of difficulties. For more than half of the non-oil developing countries for which data are available, debt restructuring discussions started after a year in which bank credit growth either approached or exceeded the average rate of expansion for the non-oil developing country group as a whole.

Table 3. Bank Debt of Less Than One Year Remaining to Maturity as a Percentage of Total Bank Debt, 1978-82 1/

(End of Period)

		1978	1979	1980	1981	1982
Non-oil developing countries		41	38	43	44	46
	(mean) 2/	47	45	45	44	44
	(median)	47	46	43	44	45
Countries reviewed	(mean) 2/	46	44	45	42	42
	(median)	49	46	44	39	40
Other countries	(mean) 2/	48	47	45	46	46
	(median)	46	48	41	45	46
Oil exporting countries		48	51	53	57	55
	(mean) 2/	55	57	60	63	62
	(median)	54	59	62	58	60
Countries reviewed 3/	(mean) 2/	45	45	45	48	47
Other countries	(mean) 2/	57	59	63	66	65
	(median)	55	59	72	66	71

Source: Calculations based on data from the Bank for International Settlements, The Maturity Distribution of International Bank Lending.

1/ For countries with more than US$100 million in total debt to banks.
2/ Unweighted average.
3/ The sample size of two makes the median a meaningless concept.

Table 4. Bank Debt of Less Than One Year Remaining to Maturity as a Ratio to Total Claims on Banks, 1978-82 1/

		1978	1979	1980	1981	1982
Non-oil developing countries		0.81	0.85	1.12	1.25	1.35
	(mean) 2/	0.54	0.38	0.30	0.38	0.53
	(median)	0.57	0.38	0.31	0.32	0.38
Countries reviewed	(mean) 2/	1.40	1.48	1.78	1.58	1.61
	(median)	1.14	1.16	1.18	1.27	1.43
Other	(mean) 2/	0.89	0.73	0.82	0.98	1.19
	(median)	0.43	0.49	0.44	0.62	0.64
Oil exporters		0.43	0.36	0.28	0.31	0.38
	(mean)	0.54	0.38	0.30	0.38	0.53
	(median)	0.57	0.38	0.31	0.32	0.38
Countries reviewed	(mean) 2/3/	0.96	0.70	0.56	1.03	1.65
Other	(mean) 2/	0.49	0.32	0.25	0.24	0.31
	(median)	0.48	0.29	0.25	0.22	0.30

Source: Calculations based on data from the Bank for International Settlements, The Maturity Distribution of International Bank Lending.

1/ For countries with more than US$100 million in total debt to banks.
2/ Unweighted average.
3/ The sample size of two makes the median a meaningless concept.

In some other cases, the rate of expansion in bank debt in the year prior to the restructuring discussions was relatively low but still positive. This is in sharp contrast with the findings in Occasional Paper No. 3, since all countries then reviewed had experienced a year of negative growth in net bank credit prior to requesting a bank debt restructuring.

Regardless of the speed with which a debt restructuring was sought, experience shows that additional bank credit became difficult to obtain once negotiations were under way. As a result, undisbursed commitments to countries reviewed in this study declined very sharply in recent years relative to total debt outstanding (Table 5). As a large number of negotiations took place since the second half of 1982, and since many countries which had rescheduled debt in earlier years have subsequently negotiated new restructuring arrangements, it is not possible to draw firm conclusions at this stage regarding future access to international capital markets once bank debt has been restructured.

3. Sources of debt servicing difficulties

While the causes of debt servicing problems are not the principal focus of this study, some specific factors which contributed to the recent intensification of difficulties are discussed briefly below. However, it must be emphasized at the outset that the economic and financial circumstances, as well as the policies pursued, have differed widely among those countries that have sought a rescheduling or refinancing of their external debt obligations. These differences were apparent both in the period immediately preceding the onset of debt servicing problems and also in respect of underlying developments and policies pursued over a longer period. While it is possible to identify certain sources of debt servicing difficulties which were present in a large number of cases, or which played a major role in specific country groupings, firm conclusions cannot be drawn regarding the relative importance of the various factors involved.

In the case of most of the countries concerned, the emergence of debt servicing difficulties reflected a combination of adverse external developments and inadequate domestic economic management, including insufficient adjustment to external events. As regards adverse exogenous shocks, starting in 1979, many non-oil developing countries and centrally planned economies were affected by the second large increase in oil prices, the prolonged recession of the early 1980s, and the rise in real interest rates. The oil price increase led to a marked deterioration in the terms of trade of the non-oil developing countries as a group. It should be noted however that, reflecting different degrees of dependence on energy imports, the effects were far from uniform among individual countries; indeed several countries in the group experiencing difficulties were actually net oil exporters. The severe and prolonged recession in industrial countries induced an overall decline in nominal prices of primary commodities, which exacerbated the deterioration in the terms of trade of many non-oil

Table 5. Undisbursed Commitments as a Percentage of Total Bank Debt, 1978-82

		1978	1979	1980	1981	1982
Non-oil developing countries		30	26	23	19	14
	(mean) 1/	52	41	34	27	21
	(median)	37	26	23	19	13
Countries reviewed	(mean) 1/	40	21	19	15	9
	(median)	31	19	16	13	9
Other	(mean) 1/	60	54	44	35	29
	(median)	49	38	33	27	21
Oil exporters		33	29	25	25	22
	(mean) 1/	48	41	46	48	38
	(median)	35	39	34	28	22
Countries reviewed	(mean) 1/2/	36	42	34	36	27
Other	(mean) 1/	51	41	49	50	40
	(median)	35	39	34	28	22

Source: Calculations based on data from the Bank for International Settlements, The Maturity Distribution of International Bank Lending.

1/ Unweighted average.
2/ The sample size of two makes the median a meaningless concept.

developing countries and also affected directly the growth of export markets. More recently, the softening of world oil prices, together with production cutbacks, intensified already existing balance of payments pressures in some of the oil exporting countries, although it has had a positive effect for the countries which are net oil importers.

A common and important factor present in varying degrees in all cases of debt difficulties was the evolution of real interest rates. Low or negative real interest rates through much of the 1970s were an important influence in encouraging the uptake of debt. By contrast, the sharp increase in nominal rates from 1979 was subsequently sustained at a time when world inflation was declining, and this resulted in very high real rates of interest; this was particularly the case when the nominal rate of interest paid by some countries on their external debt is viewed in relation to changes in their export prices. Although there has been a decline in nominal rates in the period since 1982, real interest rates have remained close to historically high levels, especially for this point in the trade cycle. While during the 1970s high nominal rates combined with high rates of inflation had implied an "accelerated amortization" of debt, 1/ the high ex post real interest rates of the early 1980s have implied a transfer of resources for which many borrowing countries were unprepared.

Debt servicing difficulties reflected, to an important extent, the unfavorable external circumstances described above, but these were often compounded by inadequate economic policies (including weak external debt management policies) in many of the countries concerned. While, in general, countries had sought to adjust to adverse external events, the adjustment undertaken was in many cases either unduly delayed or was not on the scale necessary to restore external viability. Excess demand and balance of payments pressures often originated in the area of public finances and were reflected in large fiscal imbalances. Most frequently, this resulted from insufficient control over current expenditures. Furthermore, in several instances where capital expenditures were a major element underlying expanded domestic demand, projects were often not viable, involving low rates of return and financing terms inconsistent with the gestation period. The financing of budgetary imbalances, apart from leading to sharp and unsustainable increases in external borrowing, frequently took place by means of domestic credit expansion which resulted in inflationary pressures. As a result, exchange rates often became unrealistic, and domestic cost-price distortions tended to become more prevalent. The consequent loss in competitiveness strained the external current account position, while the internal and external imbalances were also encouraging speculative capital outflows and thus further increasing pressures on the country's external reserve position.

1/ For a discussion of this point see Occasional Paper No. 3, Appendix II.

The importance of bank borrowing in financing current account deficits in those countries encountering debt servicing difficulties differed markedly. Broadly, the countries concerned fell into two groups. The group comprising the African countries and some of the smaller Latin American countries had made relatively limited use of access to bank credit to finance their current account deficits. Except for occasional large inflows associated with major projects, bank borrowing generally financed less than 25 percent of the current account deficits of this group. For the remaining second group of countries, such borrowing accounted for 50 percent or more of the current deficits and, in some instances, approached or even exceeded the current account deficit.

It might have been assumed that the increase in the relative reliance by developing countries on commercial bank credit to finance growing balance of payments current account deficits would have influenced economic policy management, in view of the growing importance of maintaining perceived market creditworthiness to help ensure continued private financing. More typically, however, access to substantial and growing net lending flows from commercial banks in many instances has tended to facilitate the expansionary demand and incomes policies described above, and in some cases the maintenance of an unrealistic exchange rate. In several instances recourse to external finance delayed the necessary adjustment of domestic policies.

As regards the sequence of events immediately preceding the debt restructuring operation, experiences again varied considerably. In some instances, countries experienced a gradual drying up of external medium-term financing flows over a number of years and had recourse to shorter term credits and exceptional financing on relatively less favorable terms, while running down foreign exchange reserves and frequently building up payments arrears on debt service and imports. The underlying deterioration in their external debt situation often became acute with the disruption in normal trade-related financing and the inability to secure normal rollovers of short-term financial debt.

In other cases, however, the onset of debt servicing difficulties was rather more sudden and was sometimes brought on--or at least triggered--by regional events. This was the case, first, for some countries in Eastern Europe and, later on, for some Latin American countries where banks' perception of lending risks was influenced by the difficulties experienced by neighboring countries. In particular, even though in some instances major banks may have concluded that such countries were following prudent policies, uncertainty regarding the willingness of smaller lenders to continue to expand or even maintain their exposure in light of problems in neighboring countries led gradually to the view that there was an increase in the riskiness of continued net lending. The large reliance of some of the countries in the affected regions on bank financing for their current account financing needs, and the large rollover requirements associated with the high share of short-term debt relative to foreign reserves and export earnings, made many countries quite vulnerable to even a slowdown or temporary interruption of bank lending flows. In these circumstances, fears became, to some extent, self-fulfilling as bankers' concerns resulted in a marked decline in net inflows and in some cases in net withdrawals of funds. This latter type of situation was more typical of countries which had relied relatively heavily on bank financing--generally the higher income developing countries.

The following section summarizes the efforts of debtor countries to seek a resolution of the debt servicing difficulties just described by approaching official creditor groups and international banks for a rescheduling or refinancing of their external debt obligations.

III. An Overview of Recent Multilateral Restructurings

1. Objectives of the multilateral approach

The approach taken by most countries experiencing severe difficulties in servicing their external debt has been to request creditors to restructure debt service payments falling due or in arrears. Typically, the external debt accumulated by a country had been incurred against a relatively large number and a wide range of creditors, such as private suppliers, commercial banks, governments (either directly or indirectly, through export insurance schemes or other forms of official guarantee), and multilateral development institutions. Since debt service problems experienced by countries generally did not relate to specific loans by individual creditors but were symptomatic of more general balance of payments problems, the requests for debt rescheduling were normally directed to most creditors having significant claims on the country.

A multilateral approach to debt restructuring permitted the negotiations to proceed according to practices and policies which--in the case of official debt at least--were well established. This was advantageous to the parties concerned since it helped ensure that broadly comparable treatment was accorded to all creditors within a particular multilateral framework, as well as to different debtor countries over time. The adoption of a cooperative approach provided assurance that a debtor would not negotiate its debt on widely divergent terms with its various creditors, an eventuality that the latter would not have found acceptable. In the absence of a multilateral framework that embodied this principle of uniformity of treatment, it would have been possible for the foreign exchange saved by the debtor as a result of a bilateral rescheduling with one creditor to have been used to meet payments due to another.

Conducting debt renegotiations on a multilateral rather than bilateral basis also avoided some of the logistical problems inherent in the debtor negotiating with each creditor separately, and allowed the restructuring process to be conducted in a timely manner. The convenience associated with a multilateral approach was evident in a number of recent restructurings of commercial bank debt which have involved the participation of several hundred different creditors.

Furthermore, the multilateral approach provided a mechanism by which the creditors could be assured that an adequate adjustment effort was being undertaken by the debtor country to restore the viability of its external economic position. So far as the debtor countries were concerned, the advantage of this approach was that it helped ensure that the debt relief provided would be integrated with their adjustment effort and other forms of external financing. In this respect, the linkage that evolved between multilateral debt restructurings and Fund-supported economic adjustment programs was of importance. Debt servicing difficulties were often a manifestation of broader and more deep-rooted balance of payments problems reflecting in part the adoption of inappropriate external and domestic economic policies. Success in attaining a sustained improvement in the debtor's balance of payments position usually necessitated the adoption of new policy initiatives by the country concerned. For this reason, official and commercial bank creditors generally required that a financial program supported by the conditional use of Fund resources be in place at or before the time that the debt renegotiations were concluded. Other multilateral fora, notably aid consortia and commercial bank groupings, also provided a framework in which coordinated flows of new finance to the debtor country could be arranged at a time when such support was often crucial to the success of its adjustment efforts.

2. Official debt restructurings

Official multilateral debt renegotiations dealt with the rescheduling of payments on debt owed to, or guaranteed by, the government or the official agencies of the participating creditor countries. They were normally, though by no means exclusively, undertaken under the aegis of the Paris Club. The rescheduling exercise brought together the debtor country and all official creditors who were willing to participate, although in practice the participating creditors have generally been confined to OECD members with significant claims against the debtor country. Typically, both principal and interest payments on medium- and long-term loans falling due during a given period, including those already in arrears, were rescheduled, though not on terms that might be regarded as concessionary. As a matter of principle, the Paris Club was extremely reluctant to reschedule payments on short-term debt with an initial maturity of one year or less since this might have disrupted normal trade-financing and jeopardized continued guarantee cover offered by official export credit insurance agencies. Similarly, as a matter of principle, previously rescheduled debt normally was excluded from the restructuring.

To achieve a durable improvement in the debtor country's balance of payments consistent with the resumption of debt service payments, the official creditors have held the view that, concurrent with debt rescheduling, the debtor must take measures to restore its financial viability. For this purpose, each debtor country which was a Fund member was required, as a precondition for the initiation of debt renegotiations, to conclude a financial arrangement with the Fund subject to upper credit tranche conditionality. In addition, when creditors agreed to consider additional debt relief in the period after the consolidation period, the country was asked to have a Fund-supported program in place at the time the discussion of such relief took place.

The consolidation period (i.e., the period in which the payments to be restructured fall due) normally was 12 months. However, certain countries obtained debt relief on successive occasions and the length of the consolidation period thus became de facto medium term.

The terms for the repayment of rescheduled debt typically were structured as follows. Repayment of the total amount (principal and interest) falling due during the consolidation period was broken down into three parts. The first, a formally rescheduled portion covering on average 80 percent to 90 percent of the total, usually carried a maturity of seven to nine years, including a grace period of three to four years. The second represented an unconsolidated, but postponed, portion, the maturity of which was relatively short (around one to two years), with little or no grace period. The third segment comprised a downpayment which had to be paid during the consolidation period. The amount effectively rescheduled (i.e., the total amount due less the downpayment) typically covered 90-100 percent of total payments. As regards rescheduled arrears, the terms of repayment have normally been more stringent and the proportion rescheduled was less than that for payments falling due; very often, repayments of arrears were required during the grace period for repayments of rescheduled principal payments.

The terms agreed upon in the multilateral rescheduling meeting were embodied in a set of Agreed Minutes. These Minutes provided the guidelines for the details of the debt relief that subsequently was arranged on a bilateral basis between the debtor and each creditor country. The interest rate to be paid on the consolidated debt also was determined on a bilateral basis. The restructuring only attained legal status once these bilateral agreements were concluded.

As noted above, an important aspect of the multilateral approach to debt rescheduling was that it ensured that the rescheduling terms were broadly uniform across participating creditors. This principle of comparable treatment for all creditors and for all types of debt was a feature common to the recent multilateral debt renegotiations. In the case of the Paris Club, for example, the renegotiation agreements stipulated that the debtor country would seek to obtain from nonparticipating creditors debt relief on terms comparable to those granted by the Paris Club itself. Accordingly, many of the recent Paris Club reschedulings have been accompanied by a parallel commercial bank debt restructuring and, in a few cases, a consolidation of debt owed to commercial nonbank creditors; the exceptions to this related to cases where the amount of debt owed to private creditors was comparatively small.

The economic impact of debt relief in the consolidation period can be measured in a number of ways. Relative to export earnings and current account imbalances, the scale of official debt relief extended during the period under review was quite substantial. In about two fifths of the cases surveyed, debt relief represented in excess of 20 percent of exports of goods and services. Measured against the current account deficit of the countries concerned, the relief provided was equivalent to more than 40 percent of the deficit in around two fifths of the cases. Similarly, in terms of debt service payments, the impact of debt restructuring was marked, particularly when the agreement covered payments in arrears. For example, in about two fifths of the cases, the amount of relief was equivalent to over 100 percent of total debt service payments (after debt relief) due to official creditors, multilateral creditors, and private creditors.

Often, however, the true impact of debt relief cannot be fully assessed in these terms. In many instances, the debtor countries would have been unable to meet maturing commitments had the reschedulings not taken place. Consequently, the regularization of debt service payments facilitated by the restructuring permitted debtor countries to avoid a further deterioration in their international credit standing and their ability to borrow in the future.

3. Commercial bank debt restructuring

a. Earlier experience

Occasional Paper No. 3 focused on the experience of the six countries which undertook debt restructurings with banks during the period 1975-78. It found that in all the cases bank lending had expanded very rapidly over a relatively short period and then declined sharply, with net bank lending turning negative at some point prior to the restructuring. That review also indicated that bank lending flows generally were large relative both to the borrowing country's economy and nonbank sources of external financing, and that lending frequently had been procyclical relative to movements in export receipts which had usually originated from fluctuations in export prices. Frequently, these variations in bank lending were associated with serious problems of economic management. External bank loans in many cases financed unsustainable increases in public sector expenditure and were linked to expansionary domestic policies. In many of those cases where bank lending was directly associated with development projects, the productivity of the projects was low, or the payback period long, relative to the service of the corresponding debt, given the overall demand management and pricing policies which were pursued.

Regarding the terms of bank debt restructuring, it was noted that while banks were prepared to reschedule principal payments in arrears as well as those falling due for various future periods, interest payments were expected to be made on a current basis, and that arrears in respect of interest payments had to be cleared as a precondition for signing most arrangements. It had become apparent also that banks generally preferred a comprehensive "multilateral" restructuring of bank debt rather than the provision of additional credits to countries subject to payments difficulties. Very rarely were there explicit understandings on the provision of new bank financing--or even maintenance of existing exposure--in these arrangements. Generally, as a result of the restructuring, debt service payments were reduced during the first year after agreement, but in all of these earlier cases there was still a reduction in banks' exposure during the immediate postagreement period.

b. Recent experience

As mentioned earlier, some of the country cases examined in the present review are still under negotiation, while most others were only recently completed, and important issues are still evolving. Nevertheless, some major trends can be observed. In comparing the findings of the present study with those of the previous paper, one notes, perhaps most importantly, the different economic environment in which the recent bank debt restructurings took place. As discussed in Section II above, the sharp increase in the number of countries which have approached the banks for relief reflected in part the prolonged and severe deterioration of the global economic conditions which placed demand management, investment, and external debt policies of borrowing countries under extreme pressure.

By early October 1983, five of the ten largest borrowers among the developing countries had either completed or were engaged in formal multilateral debt restructurings with commercial banks. 1/ Total bank debt of these five countries amounted to US$188 billion at the end of 1982 (Table 6). 2/ With the sharp increase in the number of debt renegotiations, the process itself appears to have become more standardized and in some regards more efficient over time. Where countries have had successive reschedulings, negotiations often have been expedited by the statistical work already completed, the precedents set previously, and the prior existence of bank steering groups.

1/ In addition, in early October 1983 the Philippine authorities requested major banks to act as an advisory committee in connection with a request to extend for 90 days all principal payments on short- and medium-term bank debt falling due in the period commencing October 17, 1983. The debt owed to banks by the Philippines amounted to US$12.6 billion at the end of 1982.

2/ A ranking of developing countries by outstanding debt to banks is shown in Occasional Paper No. 23, p. 14.

Table 6. Countries Reviewed--Ranked by Debt to Banks as of end-December 1982 1/

(In millions of U.S. dollars)

1.	Mexico	62,888	15.	Sudan	1,119
2.	Brazil	60,453	16.	Bolivia	940
3.	Venezuela	27,474	17.	Zaire	873
4.	Argentina	25,681	18.	Dominican Republic	866
5.	Chile	11,610	19.	Nicaragua	814
6.	Yugoslavia	9,821	20.	Zambia	590
7.	Nigeria	8,527	21.	Jamaica	521
8.	Peru	5,353	22.	Honduras	469
9.	Ecuador	4,488	23.	Senegal	410
10.	Romania	4,243	24.	Madagascar	299
11.	Turkey	3,971	25.	Togo	253
12.	Morocco	3,882	26.	Malawi	202
13.	Uruguay	1,531	27.	Guyana	129
14.	Costa Rica	1,261			

Sources: Bank for International Settlements, The Maturity Distribution of International Bank Lending.

1/ Included in this table are Fund member countries which currently are in the process of formal multilateral debt restructuring (i.e., rescheduling or refinancing) with commercial banks or have completed such a process since 1978. Liberia also completed such a renegotiation in 1982; however, it is not included in this table because of its status as an offshore financial center.

Another important aspect in contrast to previous experience was the suddenness with which debt servicing difficulties of some countries in a region affected banks' perception of the creditworthiness of other countries in the area. This phenomenon was observed first in Eastern Europe and then on an even larger scale in Latin America. In a few cases, the perception of regional risks, together with a heightened awareness of cross-border lending risks in general, may have contributed to the need of some countries to approach the banks for debt relief, although their economic management had been judged by the market up to that moment to be relatively sound.

Regarding the terms of restructuring of bank debt, banks remained unwilling to reschedule payments at less than market-related interest rates. However, due to the magnitude of the external payments disequilibrium in a number of recent cases, debt restructuring on market terms appeared feasible only if the banks were willing to provide additional financing or at least assure maintenance of their existing "exposure." The banks firmly decided to restructure debt on commercial terms, while recognizing that this might require continued growth of their exposure in a number of instances. Thus, in some recent negotiations, the banks have been willing to agree to proposed understandings on maintaining (or restoring) short-term exposure together with commitments to provide net new medium-term financing in association with the restructuring arrangements.

Generally speaking, agreements in recent bank debt restructurings have applied to principal payments falling due within approximately 12 months from the onset of negotiations, although there were consolidation periods of up to two years and three years in exceptional cases. In a number of instances, arrears on principal payments were also rescheduled, but this has been less of an issue in some of the more recent large-scale restructurings to the extent that debtors had approached banks on a timely basis. Interest payments in arrears were rescheduled only in exceptional cases, and none of the concluded agreements included a restructuring of future interest payments.

In all but two of the completed agreements examined, at least 80 percent of the principal payments falling due was restructured, and in over half of the cases, the total amount was rescheduled. The restructuring loans for principal payments falling due typically carried seven years' to eight years' maturity and two years' to three years' grace, but there were a number of exceptions and, in some cases, new maturities have ranged to over 10 years. On occasion, the maturity of restructuring loans for short-term debt was shorter than that applicable to medium-term debt. In those exceptional instances where arrears were rescheduled, the terms were similar to those applied to rescheduled short-term debt falling due. Regarding the interest charged on consolidated debt, in the majority of restructuring agreements concluded during the period 1978 through early October 1983, the spread over LIBOR or the U.S. prime rate ranged between 1 3/4 percent and 2 1/4 percent. To the extent that restructuring agreements have incorporated new lending commitments, these often involved spreads, grace periods, and final maturities quite similar to the rescheduling agreements per se. Increasingly, published information has become available regarding the fees and charges involved in the restructurings, and in 1983 fees appear to have ranged between 1 percent and 1 1/2 percent of the amounts restructured.

Finally, an important new element in assisting the debtor country during the debt renegotiation period frequently has been the provision of bridging finance pending agreement on new medium-term finance. In some cases this has been provided by commercial banks and governments. Moreover, the Bank for International Settlements (BIS) has played a significant role in the provision of bridge finance, including, importantly, to non-BIS member countries, representing a new departure.

Since in quantitative terms many of the important initiatives in the area of commercial bank debt restructuring have come within the last year or even the past few months, generalizations would be premature at this stage. Nevertheless, an examination of the principal issues which have arisen can aid in understanding some of the difficulties which have emerged in attempts to find a resolution of their external debt problems and their implications for countries' adjustment efforts.

c. Selected issues

One of the most significant issues concerns the timing of a country's approach to commercial banks. In general, it cannot be in the best interest of any of the parties involved to enter lightly into negotiations for a restructuring of commercial bank debt or otherwise seek relief from contractual obligations. However, in instances where such an approach had become inevitable, experience has shown that delays in initiating and concluding discussions frequently exacerbated the emerging debt servicing difficulties. A decline in creditor confidence has tended to occur and creditors (including commercial banks) typically have slowed new lending and have withdrawn short-term financial credits, interbank deposits, and trade credits. This acted to jeopardize the quality of assets of lenders who did not or could not reduce their exposure. It also made the formulation of a viable balance of payments program more difficult. In light of these considerations, it is not surprising that, in general, the more dependent a country was on market borrowing for external finance, the more rapidly it initiated negotiations in the face of a perceived or actual change in market sentiment.

Without a timely and coherent resolution of an emerging debt problem, banks' attempts to reduce their exposure may give rise to difficult questions about the distribution of the restructuring "burden" and lead to significant delays in reaching agreement. Banks have often placed great emphasis on maintaining "market discipline," i.e., preventing an uneven reduction in exposure by a large number of different lenders during the period when restructuring arrangements were being negotiated. In several very recent instances, commercial banks were willing to accept--or even welcomed--a "standstill"--in some cases unilaterally imposed by the country--on the repayment of principal on most categories of loans in order to maintain the total exposure of all institutions and to prevent a further aggravation of balance of payments pressures. However, both during the standstill period and subsequently, the maintenance of short-term exposure has proven difficult to enforce in practice.

Complex and important issues of intercreditor equity have also arisen in the context of determining the coverage of restructuring agreements themselves. Of particular significance has been the treatment of short-term debt and interbank deposits, as well as the treatment of bank credits relative to nonbank commercial debt, including nonguaranteed export credits, floating rate notes, bonds and officially guaranteed debt. The restructurings of debt to nonbank private creditors, primarily unguaranteed suppliers credits, were important and difficult aspects of the Turkish and Romanian reschedulings. 1/ In some major recent cases, the proposed agreements include undertakings not to reduce short-term credits and interbank deposits. In most of the instances where arrears had been permitted to accumulate, particularly on interest payments, bank debt restructuring agreements have been considerably more difficult to complete. With few exceptions, the banks have resisted the rescheduling of interest in arrears and have generally insisted on an elimination of such arrears as a precondition to a debt restructuring. This attitude reflects, inter alia, constraints imposed by bank supervisory authorities on the classification of assets, as well as by questions of profitability, and the banks' own funding activities. In certain cases, significant problems have arisen due to the initial drain on the debtor's external resources associated with the clearing up of arrears when the agreement was signed. In some instances, the banks agreed to help overcome this problem by committing new funds along with the restructuring agreement. In some other cases, banks have been willing to reschedule short-term debt in arrears.

Sustaining commercial lending flows to countries undertaking economic adjustment programs, through the commitment of new banking funds, has become of great importance in some recent major instances of bank debt restructurings. Although any predetermined level of net financing could be achieved by various combinations of new lending commitments together with appropriate rescheduling terms on outstanding obligations, banks have been extremely reluctant, lest the earning capacity of their existing assets be eroded, to reschedule on less

1/ As noted in the introduction, this paper does not review nonbank private debt restructurings.

than "market" terms. The market perception that it would be counterproductive for a country to seek "nonmarket" terms on rescheduled amounts has been based on a concern that the country's access to normal credit facilities could be seriously impeded for a significant period after the rescheduling process is completed. At the same time, there is growing recognition that rescheduling terms need to be consistent with debtor countries' adjustment potential and should not undermine their ability to restore normal payments relations in the future.

Large new ex ante lending commitments have formed an integral part of the restructuring process in some major recent cases, and in some others (e.g., Yugoslavia) an attempt has been made to avoid a formal rescheduling by negotiating an increase in the banks' exposure through significant new lending commitments. In some recent instances, the weight of scheduled interest payments has proven to be so burdensome that any rescheduling of principal payments on commercial terms has required a commitment of new funds if interest were to be paid as scheduled.

The role of the Fund vis-à-vis the resolution of bank debt payments difficulties and its relations with commercial banks continue to evolve in response to the changing circumstances of member countries. This evolution also reflects the relative flexibility of procedures for bank debt restructuring. As in the case of restructurings of official credits, private bank creditors generally had required countries experiencing payments difficulties to negotiate upper credit tranche arrangements with the Fund prior to the conclusion of their negotiations. In almost all cases this was done, with the Nicaraguan reschedulings being the major exception. Negotiations with the banks and the Fund typically took place simultaneously and in some of the major recent cases their successful conclusions were closely interrelated.

Rescheduling agreements generally contain provisions outlining the conditions under which creditors have the right to declare rescheduled loans due and repayable on demand. These provisions, which cover a wide variety of circumstances, often include nonfulfillment of "equal treatment" clauses with respect to other creditors. Recent agreements have also provided for the possibility of accelerated repayment in the event that the debtor becomes ineligible to draw under an arrangement with the Fund.

In the recent difficulties facing the larger debtors, Fund management and staff have played an important role in coordinating the international response to these events. The evolving role of Fund officials has taken several forms. On some occasions, the Fund has been instrumental in assisting negotiations between the parties when it became evident that a feasible stabilization program would require some kind of debt rearrangement. In some recent cases, it was necessary to establish a close link between official and commercial bank debt restructuring arrangements and Fund-supported programs by seeking confirmation of financing assumptions from official creditors and commercial banks. These were instances where in the absence of such assurances on debt restructurings and new intergovernmental and bank lending, it would not have been possible to recommend approval of a member's request for the use of Fund resources because of the existence of an otherwise unfinanced balance of payments gap.

As already mentioned above, adding to the banks' assessment of the risk of cross-border lending in general has been the perception of regional risk. Both in Eastern Europe and later in Latin America, certain countries found their access to capital markets restricted, partly because the debt problems in neighboring countries had changed bankers' assessment of their creditworthiness. In some such cases, the Fund, at the request of the debtor authorities, has been a conduit of information between the countries and their creditors, in an effort to help ensure that market sentiments be guided by more comprehensive and reliable economic information.

Finally, it can be noted that the restructuring terms applied to official and bank debt have become increasingly harmonized in recent years, even though official creditors in general have not always drawn a sharp distinction between rescheduling arrears on payments of principal and on interest. In some instances, where the debt to governmental creditors was relatively large, the debtor country made simultaneous approaches to official and commercial lenders.

IV. Official Multilateral Debt Renegotiations

1. Institutional arrangements

The history of official multilateral debt renegotiations dates back to 1956 when a number of European countries met in Paris to reschedule Argentina's foreign debt. Between 1975 and early October 1983 (the period reviewed in this section), there were 37 official multilateral debt reschedulings involving 19 debtor countries that are members of the Fund (Table 7). These countries were all non-oil developing countries, including 11 classified as low income. While basically all geographic areas were represented in the group, by far the largest group consisted of African countries. The amount of debt relief provided amounted to less than US$500 million in all cases, except for Mexico, Romania, Sudan, Turkey and Zaire.

A notable recent development has been a sharp increase in the frequency of multilateral reschedulings. Seven agreements were signed in 1981, six in 1982, and nine during the first nine months of 1983. This compares with between one to four agreements each year during 1975 through 1980. However, of the total of 22 reschedulings between 1981 and September 1983, only 10 involved countries which had not sought debt relief on a previous occasion. The Paris Club creditors have agreed to consider rescheduling requests by Morocco and Malawi in

Table 7. Official Multilateral Debt Renegotiations Involving Fund Members, 1975-1983: Summary 1/2/

Debtor Country	Date of Agreement Mo./Day/Yr.	Forum	Number of Participating Creditors	Amount Rescheduled (In millions of U.S. dollars)	Type of Debt Consolidated 3/	Consolidation Period (In months)	Proportion of due Payments Rescheduled 4/ (In percent)	Terms 5/ Grace (In yrs.)	Terms 5/ Maturity (In yrs.)
Chile	5/6/75	Paris Club	7	230	PI	12	70	2	8
Zaire	6/16/76	Paris Club	11	270	PA	18	85	1	7 1/2
Zaire	7/7/77	Paris Club	11	170	PA	12	85	3	8 1/2
Sierra Leone	9/15/77	Paris Club	6	39	PIA	12	80	1 1/2	8 1/2
Zaire	12/1/77	Paris Club	10	40	I	6	75	3	9
Turkey	5/20/78	OECD	14	1,300	PIAt	12	80	2	6 1/2
Gabon	6/20/78	Special task force	5	63	Ap	...	...	...	...
Peru	11/3/78	Paris Club	14	420	P	24	90	3	7 1/2
Togo	6/15/79	Paris Club	9	260	PIA	21	80	3	8 1/2
Turkey	7/25/79	OECD	17	1,200	PIAs	12	85	3	7 1/2
Sudan	11/13/79	Paris Club	11	487	PIA	21	85	3	7 1/2
Zaire	12/11/79	Paris Club	14	1,040	PIAtR	18	90	3 1/2	9
Sierra Leone	2/8/80	Paris Club	7	37	PIA	30	90	4	9 1/2
Turkey	7/23/80	OECD	17	3,000	PtItAtR	36	90	4 1/2	9
Liberia	12/19/80	Paris Club	8	35	PIA	18	90	3 1/4	7 3/4
Togo	2/20/81	Paris Club	11	232	PI	24	85	4	8 1/2
Madagascar	4/30/81	Paris Club	11	140	PIAt	18	85	3 3/4	8 1/4
Cen. Afr. Rep.	6/12/81	Paris Club	6	72	PIA	12	85	4	8 1/2
Zaire	7/9/81	Paris Club	12	500	PI	24	90	4	9 1/2
Senegal	10/12/81	Paris Club	13	75	PI	12	85	4	8 1/2
Uganda	11/18/81	Paris Club	6	30	PIA	12	90	4	8 1/2
Liberia	12/16/81	Paris Club	8	30	PI	8	90	4 1/4	8 1/2
Sudan	3/18/82	Paris Club	13	80	PIA	18	90	4 1/2	9 1/2
Madagascar	7/13/82	Paris Club	11	107	PIAt	12	85	4 3/4	9 1/4
Romania	7/28/82	Paris Club	15	234	PI	12	80	3	6
Malawi	9/22/82	Paris Club	6	25	PI	12	85	3 1/2	8
Senegal	11/29/82	Paris Club	12	74	PI	12	85	4	8 1/2
Uganda	12/1/82	Paris Club	4	19	PI	12	90	4 1/4	9
Costa Rica	1/11/83	Paris Club	10	200	PIA	18	85	3 3/4	8 1/4
Sudan	2/4/83	Paris Club	15	536	PtItAtR	12	100	5 1/2	15
Togo	4/12/83	Paris Club	11	300	PIAR	12	90	5	9 1/2
Zambia	5/16/83	Paris Club	12	375	PIAt	12	90	5	9 1/2
Romania	5/18/83	Paris Club	11	736	P	12	60	3	6
Mexico	6/22/83	Creditor Group Meeting	15	2,000	PAt	6	90	3	5 1/2
Cen. Afr. Rep.	7/7/83	Paris Club	5	13	PIA	12	90	5	9 1/2
Peru	7/26/83	Paris Club	20	400	PI	12	90	3	7 1/2
Ecuador	7/28/83	Paris Club	13	200	PI	12	85	3	7 1/2

Source: Agreed Minutes of debt rescheduling.

1/ Situation as of October 21, 1983; official debt negotiations for Malawi and Morocco are scheduled to take place at the end of October 1983.

2/ Excludes debt renegotiations which were conducted under the auspices of aid consortia (India on three occasions during 1975-77 and Pakistan in 1981). Official debt reschedulings which involved non-Fund members during this period were (a) Poland in 1981 (90 percent of principal and interest due during an 8-month consolidation period rescheduled over a period of 7 1/2 years with total relief equivalent to US$2,200 million); and (b) Cuba in 1983 (95 percent of principal and interest due during a 12-month consolidation period rescheduled over a period of 7 years).

3/ Key:

P	-	Principal, medium- and long-term debt
Pt	-	Principal, debt of all maturities
I	-	Interest, medium- and long-term debt
It	-	Interest, debt of all maturities
A	-	Arrears on principal and interest, medium- and long-term debt
As	-	Arrears on principal and interest, short-term debt
At	-	Arrears on principal and interest, debt of all maturities
Ap	-	Arrears on principal, medium- and long-term debt
R	-	Previously rescheduled debt

4/ Excludes cases where payments falling due were not formally consolidated but may have been postponed, typically with a maturity of one to two years and little or no grace period.

5/ Grace and maturity periods are defined to begin at the end of the consolidation period.

late October 1983. In addition, Brazil has requested a rescheduling of debt service on medium- and long-term debt owed to official creditors and due in the period August 1983 to December 1984. The debt relief sought would be in support of Brazil's adjustment program and form part of a total financing package also involving contributions by commercial banks and official export credit agencies. Before initiating debt renegotiations with a country that is a member of the Fund, official creditors required that the member had adopted an economic adjustment program supported by the use of Fund resources subject to upper credit tranche conditionality.

Most of the reschedulings were undertaken within the framework of the Paris Club, which meets in Paris under the chairmanship of a senior official of the French Treasury. Debt relief was also provided through other multilateral fora such as aid consortia, 1/ the Organization for Economic Cooperation and Development (OECD), and special creditor groups. However, irrespective of the auspices, the framework for the negotiations has been essentially the same. The practices and procedures of the Paris Club (and other creditor clubs) have evolved on a pragmatic basis within an informal framework. There is no fixed membership for creditor countries and there are no written operating rules. All rescheduling cases are dealt with on a case-by-case basis and, while due regard is accorded to precedent, the approach has remained flexible and adaptable. As a consequence, there has been some diversity in the scale and terms of the relief granted, largely reflecting differences in the severity of the balance of payments difficulties facing the debtor countries.

Multilateral official debt renegotiations are only convened at the request of the government of a debtor country. The participating creditors in the renegotiations have typically been members of the OECD which have had large claims on the debtor (Chart 1). It should be noted, however, that the Paris Club has encouraged and welcomed the participation of all official creditors with claims on the country seeking debt relief. The number of participating creditor countries generally ranged between 10 and 15, although it has been as small as 4 and as large as 20. In addition to the debtor and participating creditors, the rescheduling meetings are also attended by observers from a number of international institutions, including the Fund, World Bank, UNCTAD, OECD, and the Commission of European Communities. At a Paris Club meeting, the debtor country makes a presentation in support of its request for debt relief. The representatives from the international institutions are normally invited to make a statement. At the meeting, the creditors and the debtor reach an understanding between themselves on the general terms of the rescheduling which are described

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1/ Typically, debt renegotations conducted under the auspices of aid consortia only determined the proportion of due payments subject to rescheduling (for example, 45 percent in the case of India in 1975 and 1976 and 90 percent in the case of Pakistan in 1981); other terms of the rescheduling were left to be determined on a bilateral basis.

in the Agreed Minutes. These terms form the basis for the bilateral rescheduling agreements between the debtor and each creditor country. The exercise is completed when the bilateral agreements have been concluded.

The Paris Club approach has reflected the creditors' view that debt relief should not be provided as a vehicle for concessional development finance but should be designed to assist the debtor bridge temporary foreign exchange difficulties. This approach has been reflected in the terms of the restructuring agreements negotiated within the Paris Club framework. Some countries, which experienced acute debt difficulties and had Fund-supported adjustment programs in place, have successfully sought concessional assistance from other quarters. In these cases, Paris Club reschedulings were also accompanied by a meeting of donor countries conducted under the auspices of the World Bank and designed to provide additional aid flows on concessional terms. 1/

2. Framework of renegotiations

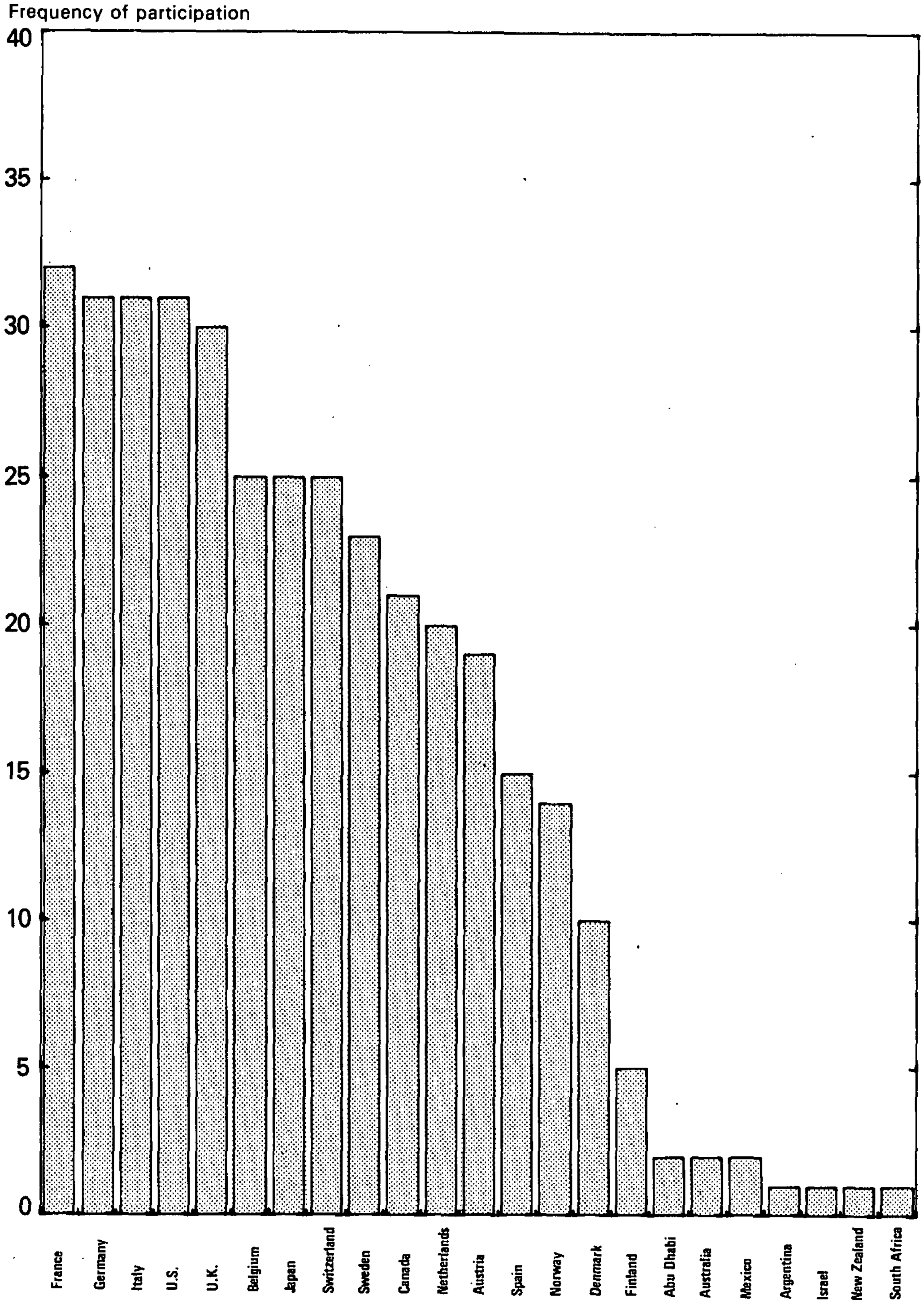
Official multilateral debt renegotiations deal with the rescheduling of payments on debt incurred by the public and private sectors of the debtor country and owed to, or guaranteed by, the government or the appropriate agencies of the participating countries. The Agreed Minutes of the debt rescheduling meeting specify the maturity of the debt to be consolidated and the date by which the debt to be consolidated must have been contracted ("cut-off date"). They also stipulate the terms of the consolidation, i.e., the period in which payments to be rescheduled must fall due ("consolidation period"), whether interest as well as principal is to be consolidated, the amounts to be rescheduled as a proportion of total repayments, and the repayment schedule for the consolidated debt. The rescheduling agreement generally excludes creditors whose eligible claims for rescheduling are less than a specified amount ("de minimis threshold"). Payments in arrears are consolidated, if creditors believe this to be appropriate.

As regards provisions for future reschedulings, the agreement sometimes provided for an extension of the consolidation period, subject to the fulfillment by the debtor country of specified conditions ("conditional further rescheduling"). However, the Minutes may only express the creditors' willingness to consider a future meeting to reschedule payments falling due beyond the consolidation period, provided that certain conditions are met ("goodwill clause").

1/ On four occasions during 1975-1983 (India 1975-77, and Pakistan 1981) debt relief was provided by aid consortia as a means of providing concessional assistance to help meet the targets of economic development plans.

CHART 1

OFFICIAL MULTILATERAL DEBT RENEGOTIATIONS, 1975-83: PARTICIPATING CREDITOR COUNTRIES



Source: Agreed Minutes of debt renegotiations.

It has been a long-standing principle of the Paris Club that the participation of a particular creditor in the rescheduling exercise does not imply any judgment by the Paris Club on the validity of individual claims of the creditor, including those which may be in legal dispute. The validity of any claim which is disputed by the debtor country is a matter to be resolved bilaterally.

The Agreed Minutes generally contain two other important provisions. First, in order to ensure that the debts to nonparticipating creditors are not repaid on more favorable terms, the debtor government expresses its general intention to seek rescheduling with other creditors, including banks and suppliers, on comparable terms. Also, the participating creditors require that the debtor country (i) not agree to any renegotiation that would result in more favorable treatment being accorded to nonparticipating creditors ("most favored creditor clause"); and (ii) seek renegotiation of debt on terms comparable to those outlined in the Agreed Minutes ("initiative clause"). Second, the Agreed Minutes stipulate that the debt relief may take the form of either rescheduling (i.e., a stretching out of the original repayment schedule) or refinancing (i.e., the provision of new funds in an amount equal to the value of consolidated payments). However, the economic implications for the debtor of these two forms of debt relief are identical.

While the Agreed Minutes specify the terms of the debt rescheduling, the legal basis of the rescheduling is not established until the bilateral agreements between the debtor and each creditor country are concluded. The interest rate on rescheduled debt service payments (the moratorium rate) is also set on a bilateral basis, although the Agreed Minutes usually make a reference to the market rate and sometimes stipulate that each creditor country make the maximum effort to keep the rate of interest as low as market conditions and legal considerations permit. There have often been considerable delays in concluding bilateral agreements and, recently, the Minutes have specified a date (usually during the consolidation period) by which the agreement has to be signed.

3. Terms of rescheduling

a. Coverage of debt consolidated

During the period under review, the official multilateral negotiations rescheduled payments relating to (a) commercial credits guaranteed or insured by the government or the official agencies of the participating creditor countries; and (b) loans extended directly by governmental entities. In general, the reschedulings covered liabilities incurred by both public and private debtors. However, in several cases, only debt owed by or guaranteed by the government or official entities of the debtor country was included in the consolidation, 1/ while in another the rescheduling applied only to private sector debt that was not covered by a debtor government guarantee. In rescheduling private debt not guaranteed by the debtor country government, creditors maintain all conditions contained in the original loan contract. Thus, if private borrowers did not have local currency to service the debt on the original due date as a consequence of commercial liquidity or solvency problems, the debtor government would not take over the responsibility to repay the debt. At the time the bilateral agreements are negotiated, the debtor and creditor governments determine whether the private borrowers are capable of repaying their debts in local currency. If a favorable determination is made and the debt is included in the rescheduling, the debtor government would normally be responsible to make the repayments according to the schedule stipulated in the Agreed Minutes. Private debt determined to be in commercial default at the time of the conclusion of the bilateral agreement is not subject to rescheduling.

The renegotiation agreements typically covered both principal and interest payments falling due on eligible debt including, where applicable, those in arrears. However, a limited number of agreements excluded current interest payments falling due during the consolidation period, while in one case only principal payments in arrears were rescheduled.

The debts covered by the rescheduling agreement included all eligible debt with an original maturity of more than one year, although in one case the rescheduling was limited to debt with an original maturity of 1-40 years. An important general principle governing official multilateral negotiations has been the exclusion of short-term debt with an original maturity of one year or less in order to avoid impeding the flow of trade financing, particularly that guaranteed by official export credit insurance agencies. There have, however, been several exceptions to this principle during the review period. Arrears on principal as well as interest payments on short-term debt were consolidated on seven occasions (involving four countries), while in a further two cases the rescheduling covered maturities on short-term debt falling due during the consolidation period.

Official creditors have also been extremely reticent in rescheduling previously consolidated debt. The four occasions when this principle was not strictly followed involved countries facing particularly severe debt servicing difficulties. In one case the amount involved was small and the period of deferral short. In the second case, the rescheduling, which was conducted outside the framework of the Paris Club, applied to 90 percent of unpaid principal and interest on previous consolidations;

1/ These cases related to countries participating in joint central bank arrangements; their debt servicing difficulties, rather than reflecting a general shortage of foreign exchange, were due to difficulties encountered by the public sector in obtaining local currency.

in the third case, 80 percent of maturing principal payments on previously rescheduled debt was restructured, but not interest. In the fourth, highly exceptional case, all due principal and interest payments on previously consolidated debt were restructured over a longer than normal repayment period, but on overall terms explicitly designed to avoid the provision of assistance on concessional terms as defined by the Development Assistance Committee (DAC) of the OECD. 1/

Creditors with claims eligible for rescheduling that are less than a specified amount are excluded from the rescheduling agreement under the *de minimis* clause. During 1975-80, the *de minimis* amount was set at around SDR 1 million, but since then two thirds of the agreements have provided for limits of SDR 500,000 or less. The debtor is required to pay all claims covered by this clause on the due dates.

b. Cut-off date

The cut-off date (i.e., the date by which debt to be consolidated must have been contracted) is a factor determining the extent of the debt relief provided. The closer this date is to the beginning of the consolidation period, the greater will be the amount of debt that is eligible for consolidation. In virtually all cases during 1975-80, the cut-off date was between 5 and 18 months before the date of agreement, and between 0 and 12 months before the beginning of the consolidation period. However, between 1981 and September 1983, the cut-off date was set within a range of 3 to 9 months before the date of agreement for almost all cases 2/ and, in the majority of cases, the date was fixed so as to include all loans contracted up until the beginning of the consolidation. As a principle, the cut-off date remains unchanged in the case of successive reschedulings.

c. Consolidation period and goodwill clause

The length of the consolidation period is an additional factor determining the scale of debt relief. In about half of the rescheduling agreements reached during the period under review, the length of the consolidation period was 12 months. However, a rescheduling of payments falling due over a period in excess of 18 months was not uncommon,

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1/ The degree of concessionality of a particular loan varies positively with its maturity and grace period and negatively with its interest rate. Formally, the "concessional value" of a loan is defined as its face value minus the stream of debt service payments, discounted at a rate to reflect the opportunity cost of capital. A loan is defined as concessional by the DAC when its "grant element" (the concessional value of the loan divided by its face value) is at least 25 percent, as computed using a discount rate of 10 per cent.

2/ Those instances where the cut-off date was greater than 9 months before the date of agreement related to countries which had undertaken previous reschedulings.

particularly for several countries that faced especially acute debt-servicing difficulties. The official rescheduling that involved the longest consolidation period (36 months) was held outside the framework of the Paris Club. All but one of the cases where the consolidation period was longer than 18 months involved conditional further rescheduling. This provision allows for an extension of the consolidation period if certain conditions are met. These conditions generally include the adoption of a Fund-supported program or continued eligibility to draw under a Fund program.

Traditionally, the creditor groups' have responded to a request from the debtor country for a consolidation of maturities over a period in excess of 12-18 months by agreeing in principle to consider the restructuring of debt service payments falling due in a specified time after the consolidation period (goodwill clause). While a goodwill clause was rarely included in the Agreed Minutes during 1975-80, it was a feature of all subsequent reschedulings, except in those instances where the debtor had obtained debt relief on at least one occasion in the preceding one- to two-year period. Implementation of the goodwill clause has been subject to fulfillment by the debtor country of the conditions that it has (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, on occasion, have agreed to further debt relief, irrespective of whether a goodwill clause existed in a previous agreement when the debtor country was experiencing intense balance of payments pressures and had a Fund-supported adjustment program in place. Overall, during the review period, 19 countries undertook debt renegotiations on successive occasions and the cumulative consolidation period for these countries ranged from 24 months to as long as 60 months.

d. Structure of the repayment schedule

The restructuring (or stretching out) of an original schedule of debt repayments is typically broken down into three parts: (a) an amount which is to be repaid during the consolidation period (the downpayment); (b) an unconsolidated, but postponed, portion which usually carries a maturity of around 1 to 2 years and a short grace period; and (c) a formally rescheduled portion, the maturity of which is generally between 5 and 10 years, with a grace period of 3 to 4 years; the repayment period depends in part on whether it relates to the restructuring of current payments or arrears. The amount of debt which is effectively rescheduled therefore corresponds to the total amount due less the downpayment.

In most of the cases reviewed, the repayment terms for rescheduled arrears were considerably more stringent than for rescheduled current payments. For example, the average downpayment associated with the consolidation of arrears was 10 percent between 1975 and early October

1983, compared with only 6 percent in the case of current payments. In three instances, the downpayment on rescheduled arrears represented over one third of the total amount due.

On average, therefore, the proportion of debt effectively rescheduled was higher for current payments than for arrears. Chart 2 shows that the proportion of cases which involved a rescheduling of 95 percent to 99 percent or more of the total amount due was noticeably greater for current payments. A more obvious difference in the repayment terms between the two types of debt is evident in Chart 3, which shows the average repayment schedule for current payments and arrears in the years following the consolidations. 1/ On average, half of the arrears covered by the restructurings were to be repaid within four years, whereas the repayment of rescheduled current payments was longer, with half of the total repayment not due until six years after the consolidation. It is also worthwhile noting that, since 1981, a backloaded repayment scheme (i.e., where the bulk of the repayments fall due during the second half of the repayment period) has been used in an increasingly large number of cases.

As is clear from Chart 3, however, the scale of debt relief as measured by the proportion of payments rescheduled, was by no means uniform across countries. Generally speaking, those instances where 100 percent of payments was rescheduled involved countries that would have found it very difficult to make any downpayment during the consolidation period on account of the acuteness of their balance of payments problems. Similarly, there were significant differences between countries as regards the maturity of the consolidated debt. Again, those debtors whose foreign exchange position was considered particularly grave, generally obtained a rescheduling of current payments normally over a period of up to nine to ten years, while, in cases where the balance of payments problems were regarded as less pressing, debt was consolidated over a period of seven years or less. The repayment terms for rescheduled arrears were even more varied. Around one third of such reschedulings carried a maturity of five years or less, while, in two fifths of the cases, repayments were stretched out over a period of eight years or more.

e. Nondiscrimination clauses

In order to ensure that debt owed to nonparticipating creditors is not repaid on terms more favorable than those for the participating creditors, the Agreed Minutes incorporated two provisions to avoid discriminatory treatment of different groups of creditors. These provisions, the "most favored creditor clause" and the "initiative clause" (see page 29 above), were included in all agreements during the review period with the exception of three restructurings which took place outside the framework of the Paris Club.

1/ It should be noted that Chart 3 excludes one exceptional agreement involving the rescheduling of previously consolidated debt.

Since 1979, most multilateral commercial bank debt renegotiations have been initiated and/or concluded at around the time of the official rescheduling. Those instances where there has not been a parallel commercial bank rescheduling have generally involved countries whose indebtedness to banks is comparatively small. In a few instances, the nondiscriminatory clauses were also made applicable to a rescheduling of private nonguaranteed debt owed to suppliers and which would not be covered by a commercial bank rescheduling. On a number of occasions, greater emphasis was placed on the need for equitable treatment by explicitly specifying a date in the Agreed Minutes by which rescheduling agreements with nonofficial creditors had to be concluded.

4. Linkage with economic adjustment programs

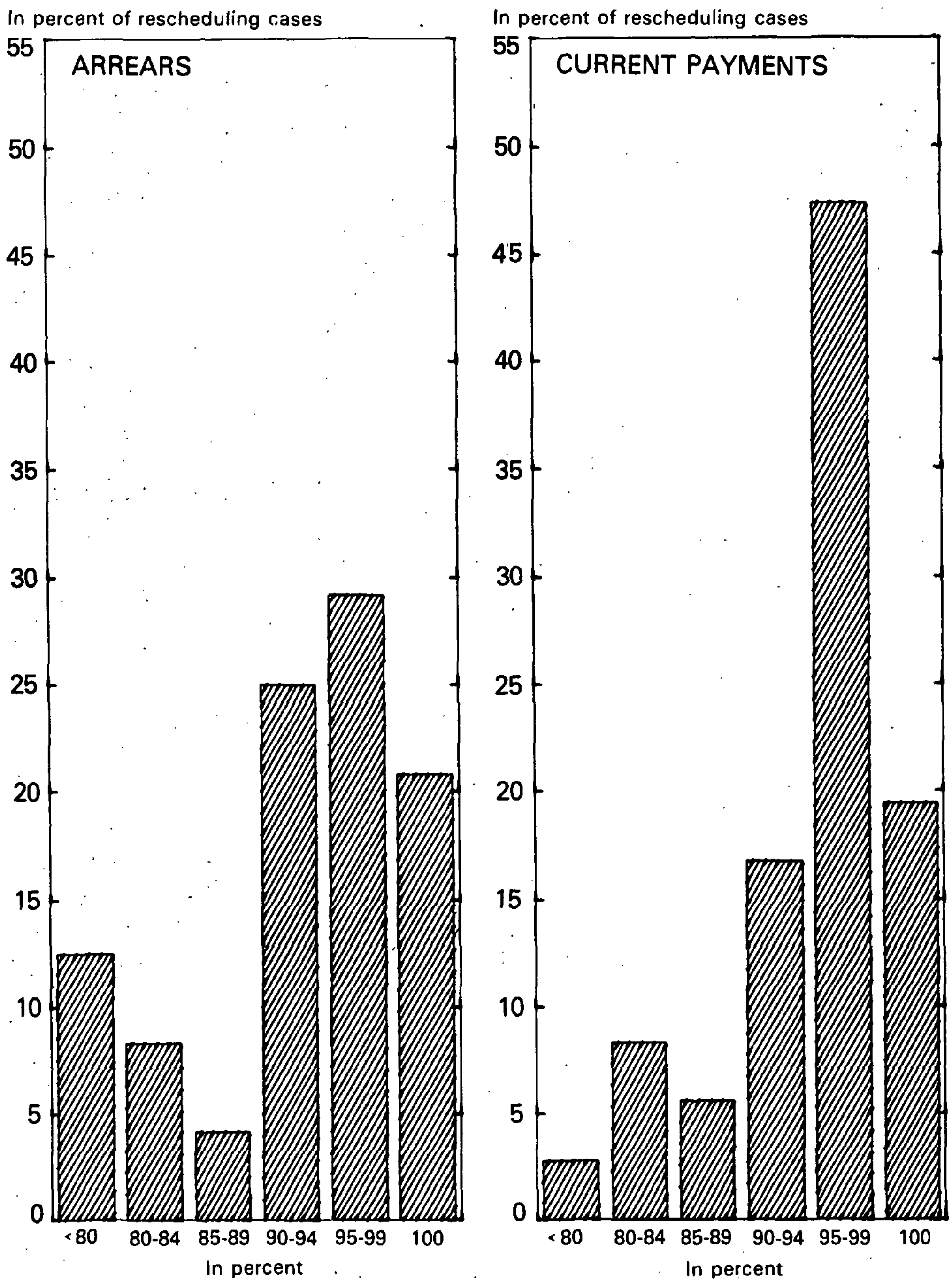
External debt problems are generally symptomatic of underlying balance of payments difficulties arising, in part, from the adoption of inappropriate economic and financial policies on the part of the debtor country. Where Fund resources are made available to a country facing balance of payments problems, policies to constrain debt service payments within appropriate bounds constitute an integral element in the overall framework of economic policies designed to restore external viability. For example, Fund-supported adjustment programs include undertakings by the member to strengthen its external debt management policies, including ceilings directly limiting the growth in the members' external indebtedness.

The importance of a Fund-supported program as a complement to the provision of debt relief has been recognized by the various official creditor groups and this is reflected in the structure of rescheduling agreements. As a precondition for the consideration by official creditors of a request for debt relief by a Fund member country, the debtor country is required to have reached agreement with the Fund involving the use of Fund resources in the upper credit tranches. There have been no exceptions to this practice since 1977. Also, implementation of the goodwill clause has been made conditional on the debtor country having an upper credit tranche program agreed with the Fund at the time a further rescheduling is to be considered. 1/

1/ On the occasions when the restructuring agreement covered debts incurred by non-Fund members, the countries concerned were asked to submit to the creditors a description of the economic policies that would be implemented in the effort to redress their balance of payments problems. A special task force consisting of the representatives of the participating creditors was established to monitor the progress under the adjustment plans. One of the agreements relating to a non-Fund member also contained a goodwill clause, activation of which was subject to (a) satisfactory implementation of the economic program and achievement of its targets; and (b) adoption during the period covered by the goodwill clause of an economic program containing a set of targets agreed upon with the participating creditors.

CHART 2

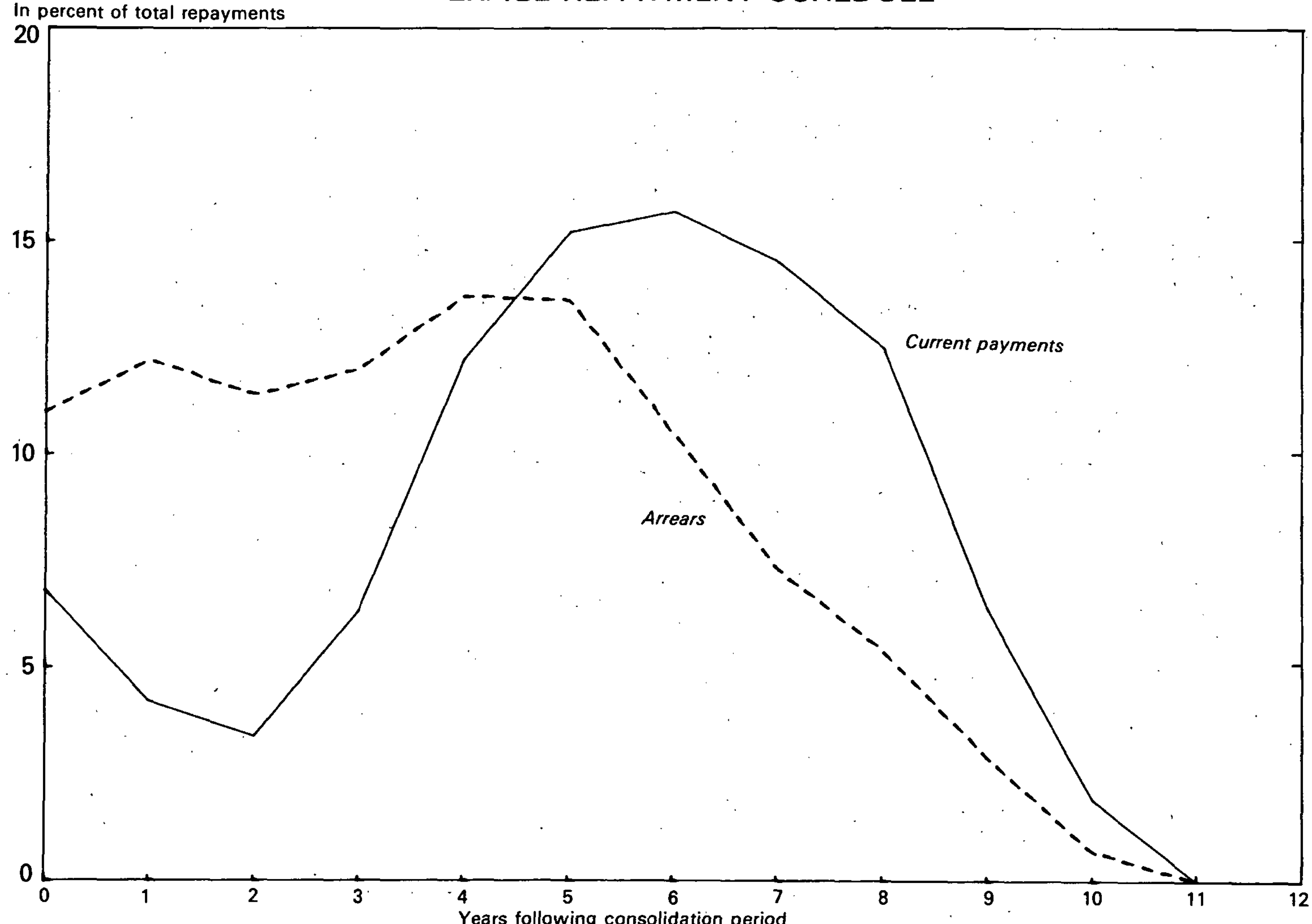
OFFICIAL MULTILATERAL DEBT RENEGOTIATION 1978-83: PROPORTION OF PAYMENTS RESCHEDULED



Source: Agreed Minutes of debt renegotiations.

CHART 3

OFFICIAL MULTILATERAL DEBT RENEGOTIATIONS, 1975-83: AVERAGE REPAYMENT SCHEDULE[1]



Source: Agreed Minutes of debt renegotiations.

[1] Excludes one exceptional case, involving the rescheduling of debt, including that previously rescheduled, over a considerably longer than normal repayment period.

5. <u>Balance of payments measures of the scale of debt relief</u>

In the reschedulings concluded during the period under review, the amount of official debt relief provided varied widely from US$13 million in the case of the Central African Republic (1983) to US$3 billion for Turkey (1980). The importance of debt relief can be measured in a number of ways, for example, in relation to export earnings, the current account deficit, external debt service payments, and the stock of outstanding debt.

For most of the debt reschedulings, the amount of relief extended was quite substantial relative to both export earnings and the current account deficit (Chart 4). In about 40 percent of the cases surveyed, debt relief represented more than 20 percent of exports of goods and services in the year of the rescheduling, and, for one country, the amount of debt relief provided was greater than the value of its export earnings. The impact of debt relief was even more pronounced relative to the size of the current account deficit. Debt relief amounted to more than 50 percent of the current account deficit in over one third of all cases, and exceeded it in one fifth.

In agreements concluded in 1982, the scale of debt relief relative to both export earnings and the current account deficit fell significantly. This was largely attributable to the fact that four of the six debtor countries involved in restructuring agreements had had debt rescheduled on previous occasions, and such debt was not eligible for further rescheduling. However, in January-early October 1983, two agreements involved the consolidation of previously rescheduled debt, thus increasing the amount of effective debt relief.

A particularly important measure of the scale of official debt relief is the ratio of the amount rescheduled to total debt service payments (after debt relief) due to official, multilateral, and private creditors in the year of the rescheduling. This ratio was generally less than 30 percent in those cases where only current maturities were rescheduled. On the other hand, the extent of debt relief was quite substantial when the rescheduling covered arrears as well as current maturities; debt relief was equivalent to 100-200 percent of actual debt service payments in about one fifth of the cases surveyed and more than 200 percent in a further quarter. However, relative to the outstanding stock of total external debt the scale of official debt relief was in general rather limited since, for a number of countries, indebtedness to official creditors represented a relatively low proportion of their total foreign debt, and the consolidation periods were normally limited to 12-18 months. In around 60 percent of the reschedulings during 1975 to early October 1983, debt relief was equivalent to less than 10 percent of total debt outstanding. In all but two of the 15 cases involved where this ratio exceeded 10 percent, the rescheduling agreements covered arrears as well as current payments.

The rescheduling of payments falling due during any given period provides real savings in foreign exchange if the debtor country otherwise would have fulfilled its maturing commitments. Quite often, however, because of acute foreign exchange difficulties these payments might not have been made and external arrears would have been accumulated. In this sense, the regularization of debt service payments reduces for the debtor country the unfavorable impact on its international credit standing that arises from inability to service obligations on a timely basis. Debt relief, therefore, can provide important balance of payments assistance by facilitating a continuation of capital inflows at a critical phase in the debtor country's economic adjustment process.

V. Multilateral Bank Debt Restructuring

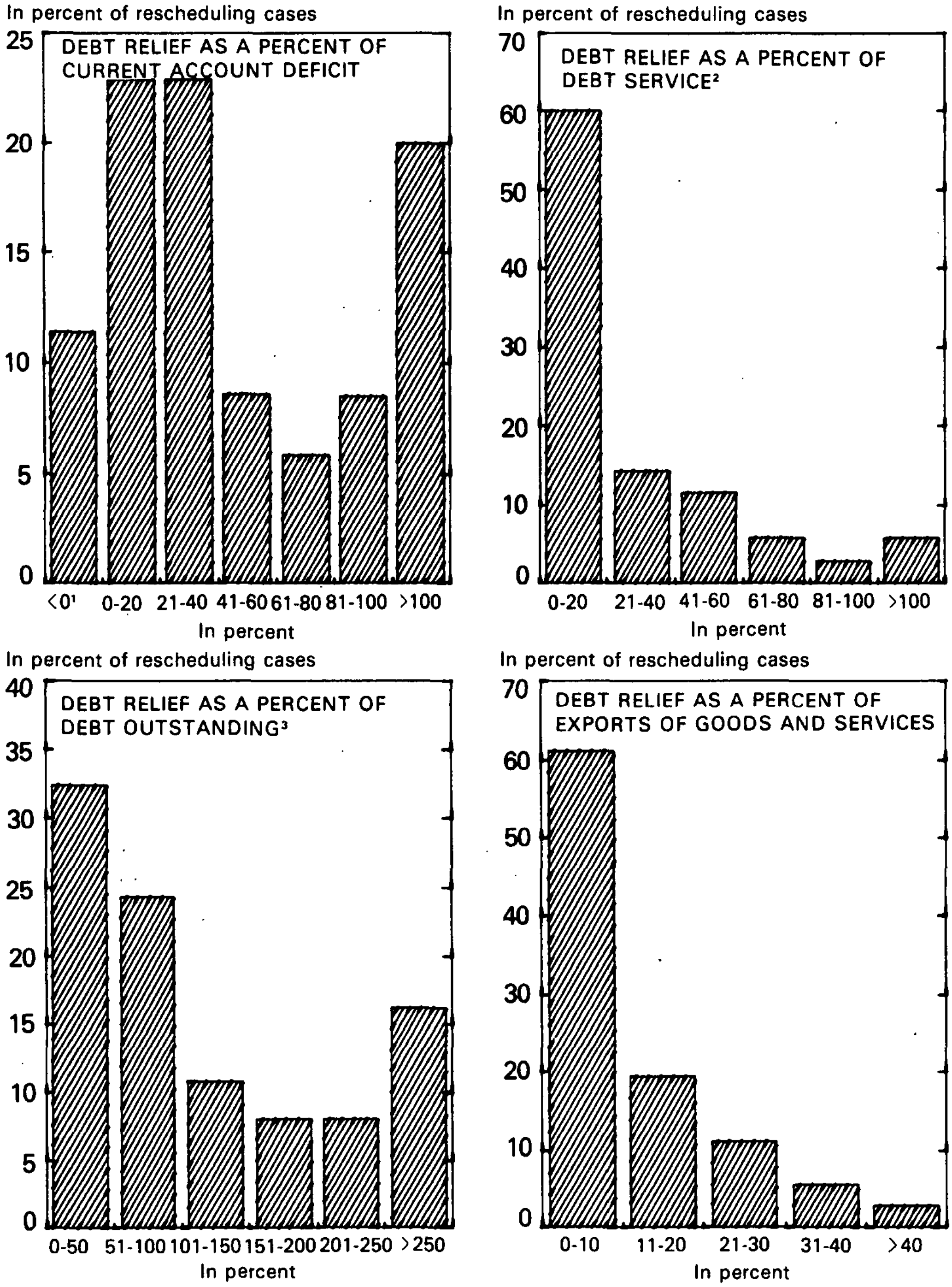
1. Introduction

As noted in Section II above, the balance of payments position of many developing countries has become increasingly difficult in recent years for a number of reasons, and debt servicing difficulties have become widespread. As a result, there has been a sharp increase since 1980 in the number of countries which have approached commercial banks, either for formal debt restructuring in the form of refinancing or rescheduling, or for other forms of relief arrangements such as rollovers and informal extensions of maturing loans. This trend intensified in late 1982 and the first part of 1983, when in rapid succession some of the largest developing country borrowers in the international capital markets, including two major oil exporting countries, started negotiations with their creditor banks. As a result, the amount of member countries' commercial bank debt that was restructured has risen dramatically from an annual average of about US$1.5 billion during the period 1978 to 1981 to about US$5 billion in 1982 and nearly US$60 billion, by early October, in 1983 (Table 8).

This section reviews the experience of the 28 member countries--26 non-oil developing countries and 2 oil exporting countries--which have sought a restructuring of their bank debt, from the beginning of 1978 to early October 1983. As of December 1982, claims of banks in the BIS reporting area on the non-oil developing countries examined in this study were equivalent to 61 percent of total external claims on all non-oil developing countries and 57 percent of total external claims on all developing countries. The experience with bank debt restructuring, whether completed or still continuing, is examined with a view to establishing a reasonably comprehensive factual record of the developments through early October 1983. Because several countries have negotiated a bank debt restructuring more than once, the number of case studies is significantly larger than the number of countries (Table 9). As of early October 1983, 43 negotiations had already been completed by 24 Fund member countries. Thirteen of these agreements were concluded since the end of June 1983 alone, resulting for the first time in recent years in a very significant reduction in the number of bank debt renegotiations in process.

CHART 4

OFFICIAL MULTILATERAL DEBT RENEGOTIATIONS, 1975-83: MEASURES OF THE SCALE OF DEBT RELIEF



Source: Agreed Minutes of debt rescheduling.
[1]Countries reporting current account surpluses.
[2]After incorporating the effects of rescheduling.
[3]At end of calendar year preceding consolidation period.

Table 8. Incidence of Bank Debt Restructurings, 1978-October 1983 1/

	1978	1979	1980	1981	1982	Jan.-Early October 1983
Number of country cases	2 2/	2 3/	5	6	6	20
Estimated amount of debt restructured (millions of U.S. dollars)	449	2,847	1,243	1,656	4,867 4/	59,288 5/

Source: Annex Table 2.

1/ Signed or agreed in principle; excluding two non-Fund members.
2/ Peru rescheduled twice in the year.
3/ Turkey rescheduled twice in the year.
4/ Excluding the two Polish reschedulings (April and November) with a combined total of US$4.6 billion.
5/ Excluding the Polish rescheduling for an amount of US$1.4 billion.

Table 9. Chronology of Bank Debt Restructuring Cases, 1978–October 1983 1/

Completed

(Classified by month of agreement) 2/

1978
Peru - June (rollover and refinancing)
Jamaica - September (refinancing)
Peru - December (rollover and rescheduling)

1979
Jamaica - April (refinancing)
Turkey - June (rescheduling) 3/
Turkey - August (rescheduling) 3/

1980
Peru - January (refinancing)
Togo - March (rescheduling)
Zaire - April (refinancing)
Bolivia - August (temporary deferment)
Nicaragua - December (rescheduling)

1981
Bolivia - April (rescheduling
Jamaica - June (refinancing) 3/
Madagascar - July - Nov. (rescheduling)
Turkey - August (rescheduling)
Nicaragua - September (rescheduling)
Sudan - December (rescheduling)

1982
Nicaragua - March (rescheduling)
Turkey - March (rescheduling)
Guyana - June (temporary deferment)
Senegal - June (rescheduling) 4/
Liberia - December (rescheduling)
Romania - December (rescheduling)

1983
Argentina - January (refinancing) 3/4/
Brazil - February (refinancing) 3/
Bolivia - March (deferment)
Malawi - March (rescheduling)
Sudan - April (modification of 1981 agreement)
Jamaica - June (rescheduling) 3/ 4/
Romania - June (rescheduling)
Chile - July (refinancing) 3/
Guyana - July (temporary deferment)
Nigeria - July (rescheduling) 3/
Peru - July (rescheduling) 3/
Uruguay - July (rescheduling) 3/
Mexico - August (rescheduling) 3/
Costa Rica - September (rescheduling) 3/
Dominican Republic - September (refinancing) 4/
Madagascar - September (refinancing) 5/
Nigeria - September (rescheduling)
Yugoslavia - September (refinancing) 3/
Ecuador - October (rescheduling) 3/
Togo - October (rescheduling)

Under Negotiation

(Classified by year of original approach to banks)

1982
Honduras (refinancing) 3/

1983
Brazil (rescheduling) 3/
Chile (rescheduling)
Liberia (rescheduling)
Morocco (rescheduling)
Nicaragua (rescheduling) 3/
Venezuela (refinancing)
Zambia (refinancing)

Source: Annex Table 1.

1/ Fund members only. Bank debt restructuring is defined here to cover either the rescheduling or the refinancing, or both, of debt service payments in arrears (generally principal repayments) and/or of future service payments on the short- and medium-term debt. Rescheduling is a formal deferment of debt service payments over a period exceeding one year with new maturities applying to the deferred amounts. Refinancing is either a straight rollover of maturing debt obligations or involves the conversion of existing and/or future debt service payments into a new medium-term loan.

2/ Agreement either signed or reached in principle as of early October 1983. In addition, Poland--a non-Fund member country--completed reschedulings on 1981 maturities in April 1982, on 1982 maturities in November 1982, and on 1983 maturities in August 1983. Moreover, Cuba--also a nonmember country--has been engaged in rescheduling negotiations since 1982.

3/ The restructuring agreement includes new financing.

4/ Agreed in principle but not finally signed.

5/ Tentative agreement.

2. Institutional arrangements and framework

In contrast to the arrangements for official rescheduling, no formal framework existed for conducting commercial bank debt negotiations when the serious problems of major borrowing countries became manifest during the course of 1982. As noted above, instances of bank debt restructuring in previous years were sporadic and involved smaller amounts, and thus posed less serious difficulties for bank management or potential strains on the international financial system. The problems which emerged in 1982 required effective procedures to achieve agreements involving significantly greater amounts and a far greater number of banks than in the past. Moreover, creditor banks and officials in the borrowing countries needed to find a framework to facilitate the maintenance of short-term bank exposure both during and after the debt restructuring exercise, and to reach agreement on very sizable commitments of new money. Both of these objectives were crucial to the success of orderly adjustment in the debtor countries, but they raised difficult issues of "burden-sharing" among the creditors concerned, including nonbank private creditors and official creditors.

During the course of restructurings in the second half of 1982 and so far in 1983, the recurrent need to resolve the problems of short-term debt and new financing, with several hundred creditor banks involved in some cases, resulted in some further convergence in the framework and approach adopted. While there remained important variations in modalities, the major restructuring operations included a number of common features. A coordinating or steering committee of bankers was established to act as an advisory and liaison group with all bank creditors, to discuss the coverage and terms of the restructuring and, as required, the maintenance of short-term bank exposure and the provision of new financing. Generally there was close linkage between the debtor country's negotiation of rescheduling or refinancing with the advisory committee and its discussion of a Fund-supported adjustment program. In this context the Fund, at the request of the interested parties, has participated in meetings with the bank coordinating committees in several of the negotiations and, on occasion, has sought assurances that the additional financing crucial for an orderly adjustment and progress toward a viable balance of payments position would be forthcoming.

Achievement of these objectives has demanded intensive coordination among banks, governments, the Fund, and other multilateral agencies on the financial requirements associated with the adjustment programs, including the provision of new finance as well as liaison by the coordinating banks with all creditor banks to secure agreement on the restructuring packages. In several cases, the large number of creditor banks, and significant differences in their degree of involvement in lending to the countries concerned, made it difficult to achieve agreement on rolling over short-term debt and commitment of new medium-term financing. During these negotiations, bridging finance to debtor countries was provided in various ways, including loans from commercial banks, interested governments, and the Bank for International Settlements.

Thus, in concluding these major negotiations, two elements in the framework have proved especially important. The first is the role of the committee of banks--and its regional coordinators--in ensuring broad financial support for the package from all banks with exposure to the debtor country. The second is the continuing linkage between the commitment of the borrowing country to a viable economic program and the assurance by the various official and private creditor groups of adequate new financing.

3. Terms of restructuring 1/

a. Coverage of debt consolidated

Bank debt restructuring has evolved in recent years from simple refinancing of specific outstanding debt obligations into formal "multilateral" rescheduling or refinancing arrangements. Increasingly these have involved large future principal payments on the nonguaranteed 2/ medium-term commercial debt, and the number of individual banks involved has increased significantly. Prior to 1981, in problem cases banks frequently refinanced outstanding debt obligations as they matured either by simply rolling them over or by consolidating them into a new medium-term loan. Banks generally preferred to avoid a formal debt renegotiation (although there were exceptions); to some extent, this view was also shared by debtor countries. More recently, however, both debtors and creditors have been willing to discuss, on a more timely basis, formal restructuring arrangements, including rescheduling or refinancing of principal in arrears and principal payments falling due. In a number of the most recent cases, banks have been discussing the restructuring of large amounts of principal payments falling due in the future and, often to support the initiatives underlying the country's economic program, the provision of considerable new net medium-term financing.

The bank debt restructuring agreements here reviewed covered in all cases--except one 3/--principal repayments on the medium- or long-term bank debt contracted or guaranteed by the public sector of the debtor country. However, these restructurings excluded all bank debt guaranteed by a creditor country government or export insurance agency, as such debts were restructured--if at all--as part of a Paris Club or

1/ Detailed country-by-country information is contained in Annex Tables 1 and 2.

2/ Refers to the absence of a guarantee by official institutions in the creditor bank's home country.

3/ In the case of Nigeria, only trade-related arrears were rescheduled.

other official multilateral agreements. In only a few instances was medium- or long-term debt contracted by the private sector in the debtor country, and not officially guaranteed by the debtor government, also included in the restructuring arrangements. In some such cases where debtor country authorities proposed the inclusion of this type of private sector debt in the debt restructuring, banks requested that a public guarantee be extended. In some instances, private borrowers discharged their obligations by effecting debt service payments in local currency to the central bank of the debtor country which then became the debtor vis-à-vis foreign banks. However, in most instances official entities did not extend guarantees to cover purely commercial risks. Thus, loans to private borrowers which, at the time of the agreement, were judged to be unable to meet the debt service payments in local currencies were excluded from the restructuring.

Short-term debt was covered in about half of the agreements. As indicated earlier, the maintenance of short-term bank exposure was often an important and difficult task, due to the larger number of creditor banks, the divergence of interests among them, and the various types of short-term debt instruments involved. Often, when short-term debt was not formally restructured, it was agreed that it would be rolled over on an informal basis, and its level maintained over time. This particular approach was taken in a number of cases, both with regard to trade-related short-term debt and financial short-term deposits. In some instances, interest spreads were adjusted commensurate with the de facto transformation of short-term into medium-term debt.

An important problem that emerged was the treatment of interbank obligations (including private deposits or placements). In one important recent case (Mexico), banks initially considered that only "true" interbank credits (i.e., money market operations used for short-term liquidity management) should be excluded from a restructuring arrangement. Even though it appears that part of the interbank borrowing of foreign branches and subsidiaries of developing country banks may have been used to fund lending operations in their home country, rather than as an instrument of short-term liquidity management, the consensus that eventually emerged was to exclude all interbank operations from the debt to be covered in the formal restructuring arrangement. However, there was an informal agreement among the banks to maintain the prenegotiation level of interbank exposure. In another major recent case (Brazil), interbank deposits (placements), which were sizable, were specifically covered in the debtor's proposal, with a view to restoring the level of such interbank placements as of a date some months in the past. However, it proved very difficult to ensure that each of the several hundred banks contributed its share under these agreements and many questions arose as to the treatment of different categories of deposits. In the end, the attempt to restore interbank placements fell substantially short of target and new solutions were explored. In the financing package for Brazil under negotiation in October 1983, it was proposed by the commercial bank advisory committee that banks provide some form of firm commitment regarding the maintenance of current levels of exposure to Brazilian banks abroad.

The treatment of publicly issued securities and notes, including floating rate notes, proved to be a further difficult issue in the negotiation of a few recent arrangements. In one case, floating rate notes and other similar marketable securities were covered by the agreement. In another recent case, it was agreed that only bonds and floating rate notes held by financial institutions would be covered by the arrangement. In a further instance, the arrangement covers publicly issued bonds and floating rate notes held (for their own account) by lenders signing both the extension and the restructuring of maturities due in 1983.

Most of the recent bank debt restructuring agreements covered principal payments that were falling due within approximately 12 months from the opening of negotiation. Given the procedural delays in several instances, the agreements were actually signed well after the due dates of much of the restructured principal payments. Since the beginning of 1982, there have been only two cases where no future debt service was covered. Moreover, one of the cases was only a modification of a previous arrangement. This was in contrast to earlier years, where it was somewhat more frequent that debt servicing payments falling due would not be covered, as only overdue payments were rescheduled.

As a result of regulatory procedures, as well as accounting practices, banks have been generally unwilling to reschedule either interest in arrears or interest payments falling due in the future. There have only been two country cases where interest in arrears was rescheduled. In general, countries that had accumulated interest arrears at the time negotiations started were required under the terms of the agreements to clear the arrears either on the consolidation date or shortly thereafter. Even in the exceptional cases where arrears on interest payments were rescheduled, part of such arrears had to be settled before signing, and in one case the terms relating to the rescheduled amounts were less favorable than those relating to principal repayments in arrears.

b. Consolidation periods

The consolidation period of a restructuring arrangement refers to the period of time encompassing the original due dates of all the debt which is refinanced or rescheduled in the arrangement. Consolidation periods may include those periods during which (i) arrears accumulated, 1/

1/ In many bank debt restructurings, the consolidation period for accumulated arrears did not end at the time when the agreement was reached in principle or signed, but rather at the beginning of the consolidation period for future maturities.

or (ii) future debt payments fall due, either or both of which may be refinanced or rescheduled in the arrangements. Consolidation periods (covering arrears and principal payments falling due to be restructured) varied significantly between bank debt restructuring agreements reached in principle or signed since 1978.

Consolidation periods for principal payments falling due typically fell within a one- to two-year period with a period of one year somewhat more frequent than of two years, while consolidation periods for arrears ranged from a few months to more than three years. Consolidation periods generally include the year in which an agreement was reached in principle or a formal agreement was signed. In many restructuring exercises taking place in 1982 and 1983, consolidation periods for principal payments falling due have lengthened noticeably. In one case, all scheduled principal payments on short-, medium-, and long-term debt, as well as financial payments arrears outstanding, were refinanced. In some recent instances, the debtor countries had asked the creditor banks to consider overall consolidation periods (including arrears and principal payments falling due) of up to four years, but banks were generally unwilling to agree to such terms.

With only four exceptions, the agreements completed since 1978 cover at least 80 percent of the principal payments falling due during the consolidation periods, and in over half of the cases, 100 percent of the principal payments falling due. Between 90 percent and 95 percent of principal payments falling due was restructured in virtually all the other cases.

c. Maturity and interest rate on bank debt restructured

During 1978-81, the maturities applying to restructured principal payments falling due in the future typically ranged from five to seven years. In general, the restructured maturities for principal payments in arrears and for short-term debt were about the same as those for principal payments falling due on medium- and long-term debt. The maturity has increased slightly for those cases dealt with in 1982 and 1983. Overall, such terms compared favorably with average maturity terms in both 1981 and 1982 of new medium- and long-term bank lending commitments not related to restructuring arrangements. In few cases have maturities of restructuring loans differed substantially from these averages, with new maturities of ten years in some instances. In the case of Brazil, the debt restructuring proposed for other banks by the banks' advisory committee at the end of September 1983 contains for medium- and long-term debt maturing in 1984 new maturities of nine years, with five years' grace, and new financing on identical terms. This compares with a grace period of 2 1/2 years and a final maturity of eight years on rescheduling and new lending contained in the February 1983 agreement.

In most of the agreements reviewed, including arrangements under negotiation, interest charges are based on the three- or six-month London interbank offer rate (LIBOR) for the U.S. dollar or on the interbank rates for the respective other currencies. However, in some completed agreements and other arrangements under negotiation, interest charges are to be based on either LIBOR or the U.S. prime rate, at the lenders' option.

Spreads applied to the basic interest rate (i.e., LIBOR or U.S. prime rate) in agreements reached in principle or signed since 1978, typically ranged from 1 3/4 percent to 2 1/4 percent. There were few exceptions and in only one case did the spread amount to as high as 2 1/2 percent. In the case of Brazil, the terms proposed by the banks' advisory committee in September 1983 for the restructuring of 1984 maturities and for new loans entail slightly lower spreads than those in the agreement signed in February 1983 for the rescheduling of 1983 maturities and for new financing. In most cases detailed information on the (weighted) original spreads of the loans that were restructured is not available, but it is known that these spreads have differed greatly.

Comprehensive information on the refinancing or rescheduling fees applied between 1978 and 1982 is not available. However, as regards more recent restructuring agreements, relatively more information has been published mainly by various news agencies; complete information has not been released by the banks or the debtor country authorities. While types and amounts of fees appear to have varied on a country-by-country basis, for some of the large restructuring agreements completed in 1983 such fees amounted to 1 percent to 1 1/2 percent of the amounts restructured. Available information suggests that these restructuring fees were by and large identical to, or lower than, the fees charged on the new lending commitments extended to these countries at the time of the restructuring (Table 10). In addition to these restructuring fees, there may have been other costs and charges as well, but these cannot be quantified because of an absence of specific information.

4. Linkage with economic adjustment programs and official debt restructuring

Except in the most recent cases of bank debt restructuring under negotiation and some recently completed agreements, there is only limited information available concerning the specific scope and types of undertakings by both the banks and the debtor countries. In most cases, the full documentation on restructuring loans has not been made public. Nonetheless, certain recurring features are noteworthy.

In some instances bank debt restructuring arrangements were made conditional on the existence of an arrangement in the upper tranches with the Fund before an agreement in principle could be reached with

Table 10. Partial Overview of Restructuring and Commitment Fees, 1983 1/

Country	Proposal or Agreement Date	Restructuring Fees (Percent)	Commitment Fees On New Loans (Percent)
Argentina	January 1983	1 1/8	1 1/8
Brazil	February 1983	1 - 1 1/2	1 1/2
Chile	July 1983	1 1/4	1 3/4
Costa Rica	September 1983	1	
Ecuador	October 1983	1	
Madagascar	September 1983	3/4	
Mexico	August 1983	1	1 1/2
Nigeria 2/	July 1983	1/2	
Romania	June 1983	1	
Sudan	April 1983	--	
Yugoslavia	September 1983	1 1/8 - 1 1/4	1 1/2

Sources: Agefi; Euromoney; Institutional Investor; and other news sources.

1/ Data on restructuring and commitment fees are based on news services and must be considered tentative in nature. As regards the August 1983 agreement with Poland, a rescheduling fee of 1 percent was reported.

2/ Only trade financing was restructured.

banks. In other instances, the signing of the agreement reached in principle was made conditional upon there being an arrangement with the Fund before the end of the consolidation period. In one case, the agreement explicitly specified that the nonexistence of an arrangement with the Fund by a specified date would be treated as an "event of default." 1/ Many bank debt restructuring agreements were conditional upon compliance with performance tests under arrangements with the Fund. On occasion, the disbursement of a new medium-term syndicated loan was timed to coincide with drawings scheduled under the stand-by arrangement.

In one instance, the bank debt restructuring was conditional upon the debtor country reaching agreements with its official creditors on a debt restructuring. In a number of other instances, undertakings by the debtor country also included assurances regarding broadly comparable treatment between debt restructured by banks and that restructured under the auspices of the Paris Club or through individual arrangements with other creditors. Also, in all the cases reviewed, the debtor country committed itself to be current on rescheduled interest in arrears by a specified date and to remain current on all future interest payments.

5. New financing in bank debt restructuring arrangements

Few of the bank debt restructuring agreements completed between 1978 and end-1982 provided for new bank financing within the context of the arrangements. However, some of the major restructuring arrangements since concluded or still under negotiation involve sizable new medium-term bank financing closely linked to the restructuring per se, in addition to official new financial assistance and other forms of new financing (e.g., trade-related credits). For four major restructurings (i.e., Argentina, Chile, Mexico, and Brazil), the total of new bank lending commitments agreed to as a part of the package amounted to over US$13 billion in the first eight months of 1983, accounting for more than half of new publicized medium-term commitments by banks to non-oil developing countries in that period. In the case of Yugoslavia, emphasis had been placed on the provision of new lending in lieu of a formal "rescheduling." In certain other cases under negotiation, proposals include possible new financing. In some cases, the commitment of substantial new bank financing was identified as crucial to the success of an orderly adjustment program, and agreement on the provision of additional bank loans was obtained before approval of the Fund arrangement. In a number of instances, short-term bridge financing was provided by various sources (including commercial banks) to cover financing needs while new medium- and long-term lending commitments were finalized. Bridge finance was often provided by the Bank for International Settlements, including for the first time to non-BIS member countries, and such short-term financing in the case of Argentina, Brazil, and Mexico alone amounted to about US$3.5 billion.

1/ That is, the creditors have the right to declare restructured loans due and repayable on demand.

6. Impact of bank debt restructuring

The assessment of the impact of bank debt restructuring on a country's external payments position is a complex matter, in part because in many recent instances the restructurings involved more or less simultaneously, the rescheduling or refinancing of maturing medium- and long-term debt, formal or informal rollover of short-term bank debt, and the establishment of a payments schedule for arrears. At the same time--particularly in recent large rescheduling exercises--banks often committed very large new medium-term credits, either as part of the restructuring effort per se or closely linked to it. Moreover, since a large number of debt restructuring exercises were completed as recently as early October 1983, the precise amounts rescheduled or refinanced and the timing of the disbursement of new loan commitments remain to some degree uncertain. Also, as mentioned earlier insufficient information is available to adequately assess the fees and other costs of restructuring which were payable in the year these arrangements were completed.

In many cases, anticipated debt relief from banks was so important that it was an essential element in the financing foreseen in the adjustment programs supported by the Fund, as were the new medium-term credits extended in conjunction with various debt restructuring exercises. The total consolidated amounts typically represented between 15 percent and 30 percent of the disbursed debt owed to banks, although, in some cases, it represented more than 60 percent of total bank debt outstanding. In one instance, all commercial bank debt, including arrears, is to be restructured. When compared to the bank debt falling due in the year of the agreement, the consolidated amounts generally exceeded 50 percent. Also, except in a few cases, the debt relief has been large in relation to GDP, typically ranging from 4 percent to 8 percent.

Although available data on bank debt restructuring suggest that the relative importance of the debt relief varied considerably from country to country, the restructuring of medium- and long-term debt in conjunction with the postponement or rollover of short-term debt resulted, in most instances, in a very significant reduction of scheduled debt service payments to banks for the period covered by the agreement. In some instances, the countries' debt service ratio was further reduced by the existence of a multilateral official restructuring (e.g., Paris Club). For the eight largest bank debt restructuring cases (all in 1983), the average debt service ratio (including short-term debt) is estimated to have declined in 1983 from over 80 percent to less than 50 percent. Moreover, the new bank lending commitments extended as part of, or in conjunction with, the debt restructuring exercise were often very high relative to the post-rescheduling debt service payments and often critical to the countries' ability to adhere to the revised debt servicing schedule.

Because the restructuring of medium- and long-term loans and the new lending commitments carried, in most instances, a grace period of two years or more, the debt servicing schedule in the immediate post-consolidation period was only marginally affected by the postponement of maturities. On the other hand, short-term bank debt was typically rolled over or otherwise extended for relatively shorter periods, thus affecting significantly the debt servicing requirements of the post-consolidation period. In most instances, prospects are for significantly increased debt servicing obligations after the expiration of the grace period, reflecting a "bunching" of amortization payments due on consolidation loans. These considerations underscore the importance of visible, sustained progress in the implementation of Fund-supported adjustment programs. Such progress will be essential to the early restoration of external confidence and the resumption of financing flows at levels consistent with balance of payments and external debt management prospects.

Table 1. Aspects of Bank Debt Restructurings, 1978-October 1983

Country	Status of Restructuring: Completed (date of agreement and type)	Coverage: Medium- and long-term debt: Private sector debt	Medium- and long-term debt: Public and publicly guaranteed debt	Medium- and long-term debt: Public sector debt	Short-term debt: Public	Short-term debt: Private	Arrears: Principal	Arrears: Interest	Future debt service	New Medium-Term Loan	Bridge Loan	Other New Financing	Official Debt Rescheduling	IMF Arrangement: In place	IMF Arrangement: Conditional upon
Argentina	January 1983 (agreement in principle: refinancing)	No	Yes	Yes 1/	Yes (principal)	No	Yes	No	Yes	Yes 2/	Yes 3/	Yes 4/	No	Yes	Yes
Bolivia	August 1980 (temporary deferment)	No	Yes	No	Yes (principal)	No	No (rolled over)	No	Yes	No	No	No	No	No	No
	April 1981 (rescheduling)	Yes	Yes	No	Yes (principal)	No	Yes	No	Yes	No	No	No	No	No	Yes 5/
	March-May 1983 6/ (informal agreement: deferment)	No	No	Yes	No	No	Yes	Yes 7/	Yes	No	No	No	No	No	Yes
Brazil	February 25, 1983 (refinancing)	Yes	Yes	Yes	Yes (rollover through 1983)	Yes	No	No	Yes	Yes 8/	Yes 9/	Yes 10/	No	Yes	Yes
	In process 11/ (proposed agreement)	Yes	Yes	Yes	Yes (rollover through 1984)	Yes	No	No	Yes	Yes	Yes (Under consideration)	Yes	Yes	Yes	Yes
Chile	July 28, 1983 (Agreed in principle: refinancing)	Yes 12/	Yes	No	Yes (rolled over)	Yes 12/	No	No	Yes	Yes	No	Yes	No	Yes	Yes

Table 1 (continued). Aspects of Bank Debt Restructurings, 1978-October 1983

Country	Status of Restructuring: Completed (date of agreement and type)	Coverage: Medium- and long-term debt: Private sector debt	Public and publicly guaranteed debt	Public sector debt	Short-term debt: Public	Short-term debt: Private	Arrears: Principal	Arrears: Interest	Future debt service	New Medium-Term Loan	Bridge Loan	Other New Financing	Official Debt Rescheduling	IMF Arrangement: In place	IMF Arrangement: Conditional upon
Costa Rica	September 10, 1983 (rescheduling)	No	Yes 13/	No	Yes (principal)	No	Yes	No 14/	Yes	No 14/	No	No	Yes 15/	Yes	Yes
Dominican Republic	September 15, 1983 (refinancing)	Yes	Yes	No	Yes	Yes	Yes	No	Yes	No	No	No 16/	No	Yes	Yes
Ecuador	October 1983 (agreement in principle: deferment and rescheduling)	Yes	Yes	Yes	Yes	Yes	No	No	Yes	Yes	No	No	Yes 17/	Yes	Yes
Guyana	June 1982 (temporary deferment)	No	Yes	No	No	No	No	No	Yes	No	No	No	No 18/	No	Yes
	July 1983 19/ (temporary deferment)	No	Yes	No	No	No	No	No	Yes	No	No	No	No	No	Yes
Honduras	In process (rescheduling)	No	Yes	Yes	No	No	Yes	No	Yes	Yes 20/	No	No	No	Yes	Yes

Table 1 (continued). Aspects of Bank Debt Restructuring, 1978-October 1983

Country	Status of Restructuring: Completed (date of agreement and type)	Coverage: Medium- and long- term debt: Private sector debt	Coverage: Medium- and long- term debt: Public and publicly guaranteed debt	Coverage: Medium- and long- term debt: Public sector debt	Coverage: Short-term debt: Public	Coverage: Short-term debt: Private	Coverage: Arrears: Principal	Coverage: Arrears: Interest	Future debt service	New Medium Term Loan	Bridge Loan	Other New Financing	Official Debt Rescheduling	IMF Arrangement: In place	IMF Arrangement: Conditional upon
Jamaica	September 1978 (refinancing)	No	No	Yes	No	No	No	No	No	No	No	No	No 21/	Yes	Yes
	November 1978 (effective April 1, 1979 (rollover and refinancing)	No	No	Yes	No	No	No	No	No	No	No	No	No 21/	Yes	Yes
	June 1981 (refinancing)	No	No	Yes	No	No	No	No	Yes	Yes	No	Yes	No	Yes	Yes
	June 1983 (agreement in principle: rescheduling)	No	No	Yes	No	No	No	No	Yes	Yes	Yes 22/	No	Yes 23/	Yes	Yes
Liberia	December 1982 (rescheduling)	No	Yes	No	No	No	No 24/	No	Yes	No	No	No	Yes	Yes	Yes
	In process (rescheduling)	No	Yes	No	No 25/	No	No	No	Yes	No	No	No	Yes 23/	Yes	Yes
Madagascar	July-November 1981 (rescheduling) 26/	No	No	No	Yes	No	Yes	No	No	No	No	No	Yes	Yes	Yes
	September 21, 1983 (tentative agreement: refinancing) 27/	No	Yes	No	Yes	No	Yes	No	Yes	No	No	No	Yes	Yes	Yes 28/
Malawi	March 1983 (rescheduling)	No	No	Yes	No	No	No	No	Yes	No	No	No	Yes	Yes	Yes 29/
Mexico	August 1983 (agreement in principle: rescheduling)	No 30/	Yes	Yes	Yes	No 30/	No	No	Yes 31/	Yes 32/	Yes 33/	Yes 34/	Yes	Yes	Yes
Morocco	In process 35/ (rescheduling)	No	Yes	Yes	No	No	No	No	Yes	No	No	No	Yes 36/	Yes	Yes

Table 1 (continued). Aspects of Bank Debt Restructuring, 1978-October 1983

Country	Status of Restructuring: Completed (date of agreement and type)	Coverage: Medium- and long- term debt: Private sector debt	Coverage: Medium- and long- term debt: Public and publicly guaranteed debt	Coverage: Medium- and long- term debt: Public sector debt	Coverage: Short-term debt: Public	Coverage: Short-term debt: Private	Coverage: Arrears: Principal	Coverage: Arrears: Interest	Coverage: Future debt service	New Medium Term Loan	Bridge Loan	Other New Financing	Official Debt Rescheduling	IMF Arrangement: In place	IMF Arrangement: Conditional upon
Nicaragua	December 1980 37/ (rescheduling)	No	No	Yes	Yes	No	Yes	Yes	Yes	No	No	No	No	No	No
	September 1981 37/ (rescheduling)	No	No	Yes	Yes	No	Yes	Yes	Yes	No	No	No	No	No	No
	March 1982 37/ (rescheduling)	No	No	Yes	Yes	No	Yes	Yes	Yes	No	No	No	No	No	No
	In process 38/ (rescheduling)	No	No	Yes	Yes	No	Yes	Yes	Yes	Yes 39/	No	No	No	No	No
Nigeria	July and September 1983 (rescheduling) 40/	Yes	No	No	No	No	Yes	No	No	No	No	Yes 41/	No	No	No 42/
Peru	June 1978 (rollover and refinancing)	No	No	Yes	No	No	No	No	Yes	No	No	No	Yes	Yes	Yes
	December 1978 (rollover and rescheduling)	No	No	Yes	No	No	No	No	Yes	No	No	Yes	Yes	Yes	Yes
	January 1980 (refinancing) 43/	No	No	Yes	No	No	No	No	Yes	No	No	Yes	Yes	No	Yes
	July 1983 (refinancing)	No	Yes	No	No 45/	No	No	No	Yes	Yes 44/	Yes 45/	Yes 46/	Yes 47/	Yes	Yes

Table 1 (continued). Aspects of Bank Debt Restructurings, 1978-October 1983

Country	Status of Restructuring: Completed (date of agreement and type)	Coverage: Medium- and long- term debt: Private sector debt	Coverage: Medium- and long- term debt: Public and publicly guaranteed debt	Coverage: Medium- and long- term debt: Public sector debt	Coverage: Short-term debt: Public	Coverage: Short-term debt: Private	Coverage: Arrears: Principal	Coverage: Arrears: Interest	Coverage: Future debt service	New Medium-Term Loan	Bridge Loan	Other New Financing	Official Debt Rescheduling	IMF Arrangement: In place	IMF Arrangement: Conditional upon
Romania	December 1982 (rescheduling)	No	No	Yes	Yes	No	Yes	No	Yes	No	No	No	Yes	Yes	Yes
	June 1983 (rescheduling)	No	No	Yes	No	No	No	No	Yes	No	No	No	Yes	Yes	Yes
Senegal	June 1982 48/ (rescheduling)	No	Yes	No	No	No	Yes	Yes	Yes	No	No	No	Yes	Yes	Yes
Sudan	Dec. 1981 49/ (rescheduling)	No	Yes	No	Yes	No	Yes	Yes	No	No	No	No	Yes	Yes	Yes
	April 1983 50/ (modification of 1981 agreement)	No	Yes	No	Yes	No	Yes	Yes	Yes	No	No	No	Yes	Yes	Yes
Togo	March 1980 (rescheduling)	No	Yes	No	No	No	Yes	No	Yes 51/	No	No	No	Yes	Yes	Yes
	October 1983 (rescheduling)	No	Yes	No	No	No	Yes 52/	No	Yes	No	No	No	Yes	Yes	Yes
Turkey	June 1979 53/ (rescheduling and new financing)	No	No	No	Yes	Yes	Yes	No	No	Yes	No	No	Yes 54/	Yes	Yes
	August 1979 55/ (rescheduling and new financing)	No	No	No	Yes	Yes	Yes	No	No	Yes	No	No	Yes 54/	Yes	Yes
	March 1982 56/ (rescheduling)	No	Yes	No	No	No	No	No	No	No	No	No	No	Yes	No

Table 1 (concluded). Aspects of Bank Debt Restructurings 1978-October 1983

Country	Status of Restructuring: Completed (date of agreement and type)	Coverage: Medium- and long-term debt: Private sector debt	Medium- and long-term debt: Public and publicly guaranteed debt	Medium- and long-term debt: Public sector debt	Short-term debt: Public	Short-term debt: Private	Arrears: Principal	Arrears: Interest	Future debt service	New Medium Term Loan	Bridge Loan	Other New Financing	Official Debt Rescheduling	IMF Arrangement: In place	IMF Arrangement: Conditional upon
Uruguay	July 1983 (rescheduling)	No	No	Yes	Yes	No	No	No	Yes	Yes	No	Yes	No	Yes	Yes
Venezuela	In process 57/ (refinancing)	No	Yes	Yes	Yes	No	No	No	Yes 58/	No	No	No	No	No	...
Yugoslavia	September 9, 1983 (refinancing and rollover)	Yes	No	Yes	Yes 59/	Yes	No	No	Yes	Yes 60/	Yes 61/	Yes 62/	No	Yes	Yes
Zaire	April 1980 63/ (refinancing)	No	No	No	No	No	Yes	No	Yes	No	No	No	Yes	Yes	No
Zambia	In process (refinancing)	No	Yes	No	No	No	No	No	Yes	No	No	No	Yes 64/	Yes	Yes
Memorandum item:															
Non-Fund members 65/															
Cuba	In process 66/ (rescheduling)	No	No	Yes	No	No	No	No	Yes	No	No	No	Yes (requested)	N.A.	N.A.
Poland	April 1982 67/ (rescheduling)	No	No	Yes	No	No	No	No	Yes	No	No	No	Yes 68/	N.A.	N.A.
	November 1982 (rescheduling)	No	No	Yes	No	No	Yes 69/	No 70/	Yes	No	No	No	No 71/	N.A.	N.A.
	August 1983 (rescheduling)	No	No	Yes	No	No	No	No 72/	Yes	No	No	No	No 71/	N.A.	N.A.

Sources: Restructuring agreements; and Fund staff estimates.

1/ Excluding obligations covered by an official guarantee from the creditor banks' home countries.
2/ US$1.5 billion.
3/ US$1.1 billion.
4/ BIS loan of US$500 million granted in January 1983.
5/ The 1981 arrangement was conditional on an agreement with the Fund, which, however, never materialized.
6/ In March 1983 a moratorium on principal repayments falling due during April 6-October 6, 1983 was agreed on, and in May 1983 outstanding arrears (including those on interest) were rescheduled for a 6-month period. The banks informally agreed to extend grace period under the 1981 rescheduling, and to reschedule with four years of grace principal repayments falling due in 1983, 1984 and 1985. The finalization of the agreements is subject to the reaching of an agreement with the IMF.
7/ A schedule was fixed for interest payments in arrears to be repaid in five monthly payments, between April and September 1983.
8/ US$4.4 billion, in addition to US$1.5 billion already committed in 1982.
9/ US$2.3 billion.
10/ US$1.2 billion obtained from BIS and US$1.23 billion from the short-term Exchange Stabilization Fund of the U.S. Treasury, maintenance of money market financing to Brazilian banks abroad, and rollover of trade financing from banks.
11/ Proposal of the Advisory Committee to other creditor banks presented in late September 1983.
12/ Financial sector only.
13/ The publicly issued securities, bonds, and floating rate notes held by foreign financial institutions are covered by the agreement.
14/ The banks agreed to provide a revolving credit facility equivalent to 50 percent of all interest paid during 1983 whether referring to accumulated arrears or interest accrued in 1983.
15/ An agreement for a rescheduling of official credits was signed in January 1983.
16/ The agreement might include a commitment by some banks to participate in efforts to raise about US$20 million of cofinancing in connection with a US$35 million loan by the World Bank to the sugar company.
17/ Agreed in July 1983.
18/ The authorities are known to have approached individual donor governments for bilateral debt relief; however, except for two successful bilateral reschedulings, major foreign creditors turned down Guyana's request, expressing their preference for making debt arrangements within the Paris Club and with a Fund-supported program in place. A donors' meeting was held at the IBRD headquarters in December 1982.
19/ Banks have indicated their intention to negotiate a refinancing agreement to convert the deferred principal repayments into a longer term loan.
20/ A new trade facility of US$40 million, with one year grace and three years maturity.
21/ While there was no multilateral rescheduling of debts to official creditors, the U.S. Eximbank deferred some payments and new financing was provided through the Caribbean Group for Cooperation and Economic Development, organized under the chairmanship of the IBRD.

22/ Under the understanding reached with the leading commercial banks, maturities will not be paid if the rescheduling agreement has not been reached by the time the first maturities fall due.

23/ Only on a bilateral basis.

24/ However, Liberia informally agreed to repay such arrears in 12 monthly installments.

25/ US$26 million of short-term debt in arrears are not guaranteed by the state.

26/ Individual private debt rescheduling operations (primarily with French commercial banks, Arab banks based in Paris, and German banks).

27/ The agreement is subject to Madagascar being current on interest payments. The agreement also envisages the provision of a revolving trade facility, for an amount equivalent to the principal repayments falling due in 1983 (US$12 million) or a one-year grace period on that amount.

28/ The draft agreement refers to "compliance with an IMF program."

29/ The agreement was also conditional on a World Bank structural adjustment loan.

30/ The private sector's debt was renegotiated under separate schemes.

31/ Principal repayments were initially rolled over twice, i.e., on August 22, 1982 (for 90 days) and on November 23, 1982 (for 120 days). The rescheduling of future maturities on medium-term debt of the public sector was linked to the settlement of the issue of the interest in arrears on the Mexican private sector's short- and medium-term debt. Maturities falling due during the August 22, 1982-December 31, 1984 period were rescheduled.

32/ US$5 billion (net new medium-term bank financing).

33/ A coordinated effort was made among the monetary authorities of the major lending countries in the context of a major line of credit to the Bank of Mexico agreed in August 1982 through the BIS and a separate use of a swap arrangement with the U.S. Federal Reserve System. Of a total short-term financial assistance of US$2.55 billion, the United States contributed US$1.6 billion, including US$500 million in the form of a drawdown under a swap arrangement with the U.S. Federal Reserve System.

34/ New medium-term financing from official sources (other than the IMF) in an amount of US$2-2.5 billion, mostly in the form of export credits and government-to-government financial assistance; assumed to be fully disbursed in 1983.

35/ Maturities falling due in the second half of 1983 and in 1984.

36/ In process.

37/ The three agreements all contained several highly unusual features, especially with respect to the treatment of interest on the rescheduled amounts. The December 1980 agreement did not cover debt obligations owed by the nationalized banks and the nationalized commercial enterprises, which were covered under the 1981 and 1982 agreements, respectively.

38/ In a very preliminary stage: information is based on the authorities' request as provided in press reports.

39/ A new loan of US$150 million has been requested by Nicaragua.

40/ Rescheduling of trade arrears.

41/ New revolving trade facility of US$1 billion.

42/ A good faith effort to reach a stand-by arrangement with the IMF has been required by the banks.

43/ 90 per cent of the maturities due in 1980 was rolled over until early 1981 at a lower than originally agreed spread over LIBOR, before being consolidated into a new medium-term loan. In 1981, however, the Peruvian authorities decided to forego the refinancing of the amounts rolled over during 1980 and repaid them in full.

44/ However, the short-term debt outstanding as of March 7, 1983 has been rolled over on a short-term basis.

45/ A US$450 million medium-term loan is included in the rescheduling package; US$200 million have been disbursed in the form of a bridge loan.

46/ US$830 million of new money will be provided in 1983 by multilateral and bilateral sources as well as in the form of suppliers' credits.

47/ A Paris Club rescheduling was agreed on in July 1983.

48/ An agreement in principle was reached in June 1982 on both the amounts and the terms but has not yet been signed. The signing is contingent upon a further agreement on penalty clauses and terms.

49/ As Sudan was unable to make the March 29, 1982 payment in full, which was scheduled under the December 1981 agreement, banks agreed to postpone the unpaid portion for settlement in three equal installments three months apart starting in September 1982.

50/ The agreement of April 1983 consolidated all outstanding principal and interest (as of April 5, 1983) under the 1981 agreement into a single loan, including payments in arrears.

51/ On a number of specified loans only.

52/ Including arrears under the March 1980 rescheduling agreement.

53/ Bankers' credits and third party reimbursement claims. The agreement with respect to third party reimbursement claims (US$100 million) was actually signed in August 1981.

54/ OECD consortium.

55/ Convertible Turkish lira deposits.

56/ Consolidation of terms under the June and August 1979 agreements.

57/ In a preliminary stage.

58/ Medium- and long-term debt maturing in 1983 and 1984.

59/ A short-term loan estimated at US$1.5 billion was rolled over until January 17, 1985.

60/ US$600 million.

61/ US$500 million from the BIS.

62/ 15 Western governments agreed at referendum in January 1983 to grant US$1.3 billion of mostly commercial medium-term credits.

63/ Agreement signed on the outstanding uninsured syndicated bank debt.

64/ An agreement with Paris Club creditors is one of the requirements for the rescheduling of commercial bank debt.

65/ In the two cases reviewed here, the countries were asked to submit to the creditors a description of the economic policies that would be implemented in the effort to redress their balance of payments problems. A special task force consisting of the representatives of the participating creditors was established to monitor the progress under the adjustment plans. One of the agreements relating to a non-Fund member also contained a goodwill clause, activation of which was subject to (1) satisfactory implementation of the economic program and achievement of its targets; and (2) adoption during the period covered by the goodwill clause of an economic program containing a set of targets agreed upon with the participating creditors.

66/ At a very initial stage. Information based on the Cuban authorities' request of September 1982 (as reported in the press) and subsequent press reports.

67/ Signature date of the rescheduling of maturities due to foreign commercial banks during March 26-December 31 1981; Poland filed an application for Fund membership on November 10, 1981.

68/ The negotiation of the bank debt restructuring started after Poland had reached an agreement in principle on rescheduling its debt obligations due to 14 official creditors.

69/ Principal in arrears on maturities due in 1981 which were not rescheduled under the April 1982 agreement.

70/ A six-month trade credit, revolving up to three years, was extended under separate agreement. The amount of this credit is equivalent to 50 percent of the US$1.1 billion interest due.

71/ Negotiations on the 1982 and 1983 official debt rescheduling have not yet formally started owing to political developments.

72/ A six-month trade credit, revolving up to three years, was extended under separate agreement. The amount of this credit is equivalent to 65 percent of the US$1.1 billion interest due.

Table 2. Terms and Conditions of Bank Debt Restructuring, 1978-October 1983

Country, Date of Agreement, and Type of Debt Rescheduled	Basis	Amount Provided	Grace Period	Maturity	Interest Rate
		(US$ million)	(In years, unless otherwise noted)		(In percent; spread over LIBOR/U.S. Prime)
Argentina					
Agreed on "draft principles" January 1983					
Arrears at end-1982	100 percent of principal)	7,000	3	7	2 1/8 - 2
Due in 1983	100 percent of principal)		3	7	2 1/8 - 2
New medium-term loan (1983)	New financing	1,500	3	4 1/2	2 1/4 - 2 1/8
Bridge loan (1982)		1,100 1/	7 months	1 year and 2 months	1 5/8 - 1 1/2
Bolivia					
Deferment of August 1980 of short- and medium-term debt falling due August 1980-January 1981	100 percent of principal	156	—	to April 1981	1 3/4
Agreement of April 1981 2/					
Deferred short-term debt	80 percent of principal	99	2	3 1/2	2
Deferred medium-term debt	90 percent of principal	69	3	7	2 1/4
Due April 1981/March 1982	90 percent of principal	122	3	6	2 1/4
Due April 1982/March 1983	90 percent of principal	126	2	5	2 1/4
Agreement of March 1983					
Principal payments falling due April 6-Oct. 6, 1983	Moratorium on 100 percent of principal	87	—	—	Originally contracted rates
Arrears on interest payments	New schedule of payments 3/	118	—	Within Sept. 1983.	
Informal agreement of May 1983 2/ 4/					
Extension of 1981 rescheduling	100 percent of rescheduled principal	Amounts rescheduled in 1981	2 more years	5	2 1/4
Rescheduling of maturities in 1983, 1984, 1985	100 percent of principal	225	3	7	...
Brazil					
Agreement of February 25, 1983					
Rescheduling of medium- and long-term due in 1983	100 percent of principal	4,800	2 1/2	8	2.125 - 1.875 5/ 2.250 - 2.000 5/ 2.50 - 2 1/4 5/
Short-term debt	100 percent rollover in 1983	9,400 (trade-related)	—	—	...
New loan commitments (1982)	New financing	1,500	...	...	...
New loan commitments (1983)	New financing	4,400	2 1/2	8	2.125 - 1.875 6/
Bridge loan (1982)		2,339	...	...	...
Proposed agreement of September 1983 7/					
Rescheduling of medium- and long-term debt due in 1984	100 percent of principal	5,350	5	9	2.0 - 1.75
Short-term debt	100 percent rollover in 1984	10,300 (trade-related)	—	—	...
New loan commitment (1983-1984)	New financing	6,500	5	9	2.0 - 1.75

1/ The cumulative loan disbursements outstanding should never exceed US$1.1 billion at any point.

2/ The April 1981 agreement was subject to the requirement of a Fund program. As this requirement was not satisfied, it was informally extended in May 1983.

3/ On arrears as of June 5, 1983. Thirty percent of arrears on interest payments were paid by April 5, 1983. The remainder was divided into five monthly payments.

4/ The agreement would be finalized, subject to (1) payment of interest arrears according to the schedule agreed on in March; (2) the payment of the existing arrears on the 10 percent of principal due on the basis of the 1981 agreement; and (3) the reaching of an agreement with the Fund.

5/ The spreads over LIBOR/U.S. prime rate are 2.125 percent/1.875 percent for amounts on deposit with the Central Bank or--as generally acceptable maxima--for loans to public sector borrowers with the Republic's guarantee, PETROBAS, and CVRD; 2.25 percent/2.0 percent as the generally acceptable maxima for public sector borrowers without the Republic's guarantee, private sector borrowers with Development Bank guarantee and for commercial and investment banks under Resolution 63; 2.5 percent/2.25 percent as generally acceptable maxima for private sector borrowers.

6/ The Central Bank stands ready to borrow the committed funds at either 2.125 percent over LIBOR or 1.875 percent over U.S. prime rate. For loans to other borrowers, the spreads agreed must be acceptable to the Central Bank, which indicated the following maxima for spreads over LIBOR to be generally acceptable (spreads over U.S. prime rate in parentheses): public sector borrowers with the Republic's guarantee as well as PETROBAS and CVRD--2.125 percent (1.875 percent); public sector borrowers without the Republic's guarantee, private sector borrowers with Development Bank guarantee, and Resolution 63 loans to commercial and investment banks--2.25 percent (2.0 percent); private sector borrowers, including multinationals--2.5 percent (2.25 percent). Brazil is also prepared to pay a 0.5 percent commitment fee on undisbursed commitments, payable quarterly in arrears, and a 1.5 percent flat facility fee on amounts disbursed, payable at the time of disbursement.

7/ Proposal by the advisory committee of the banks. This proposal also seeks to put the maintenance of interbank lines on some form of contractual basis. At the same time, the Brazilian authorities proposed a rescheduling (including arrears) under the Paris Club.

Table 2 (continued). Terms and Conditions of Bank Debt Restructuring, 1978-October 1983

Country, Date of Agreement, and Type of Debt Rescheduled	Basis	Amount Provided	Grace Period	Maturity	Interest Rate
		(US$ million)	(In years, unless otherwise noted)		(In percent; spread over LIBOR/U.S. Prime)
Chile					
Agreement of July 28, 1983					
New loan (July, 1983) agreed in principle	New financing	1,300	4	7	2 1/4
Medium-term due:					
in 1983	100 percent of principal	1,100	4	7	2 1/8
in 1984	100 percent of principal	1,000	4	7	2 1/8
Short-term debt trade related	100 percent rollover till December 1984	1,800	—	—	...
Nontrade related	100 percent of principal	1,300	4	7	2 1/8
Costa Rica					
Agreement of September 10, 1983					
Principal in arrears	95 percent	369	4	8	2 1/4 - 2 1/8
Principal falling due in 1983	95 percent	110	4	8	2 1/4 - 2 1/8
Principal falling due in 1984	95 percent	136	5	8	2 1/4 - 2 1/8
Certificates of deposit 8/ falling due prior to 1984	100 percent of principal and interest accrued prior to 1983	...	4	8	— - —
Certificates of deposit falling due in 1984	100 percent of principal	...	5	8	— - —
New revolving facility 9/	Revolving credit equivalent to 50 percent of interest payments actually paid in 1983	225 (approximately)	2	3	1 3/4 - 1 5/8
Dominican Republic					
Agreement signed on September 15, 1983 10/					
Letters of credit outstanding as of Nov. 30, 1982, and in arrears at that date	)95 percent of amounts) deferred to January 18,) 1984 and converted into) a medium-term loan)	568	1	5	2 1/4 - 2 1/8
Central Bank acceptances	)				
Principal payments on public and private debt in arrears as of November 30, 1983					
Principal payments on public and private debt falling due between December 1, 1982-December 31, 1983					
Ecuador					
Agreement of October 1983					
Rescheduling of private debt falling due in 1983	100 percent of principal	1,000	1	7	2 1/4 - 2 1/8
Refinancing (effective December 31, 1983) 11/	90 percent of principal	970 (including 670 in short-term debt)	1	6	2 1/4 - 2 1/8
New loan	New financing	431	1 1/2	6	2 3/8 - 2 1/4

8/ These certificates were issued against existing arrears.

9/ The banks agreed to provide Costa Rica with a revolving trade related credit facility equivalent to 50 percent of interest payments actually paid in 1983, which were either in arrears or had accrued in 1983.

10/ In December 1982, the Dominican authorities started negotiations for refinancing arrears on letters of credit and further external financing. The commercial banks refused to extend new loans, counter-proposed a postponement of amortization payments due in 1983, and a refinancing of the letters of credit. The agreement requires congressional approval. The loan would be signed, subject to congressional approval being obtained by January 1, 1984 or six months after the signing, whichever is first.

11/ Payments of 100 percent of the maturities falling due are to be deferred until December 31, 1983, when they will be refinanced.

Table 2 (continued). Terms and Conditions of Bank Debt Restructuring, 1978-October 1983

Country, Date of Agreement, and Type of Debt Rescheduled	Basis	Amount Provided	Grace Period	Maturity	Interest Rate
		(US$ million)	(In years, unless otherwise noted)		(In percent; spread over LIBOR/U.S. Prime)
Guyana					
Deferment Agreement of June 1982 12/					
Medium- and long-term due during March 11, 1982-March 31, 1983 (public and publicly guaranteed medium- and long-term debt)	100 percent of principal (temporary deferment)	14.5	6 to 12 months	—	2 1/2
Deferment Agreement (July 1983)					
Amount deferred in June 1982, and amount due until January 1984	100 percent of principal	24.0	—	Until Jan., 1984	2 1/2
Honduras					
In process, asked by the Authorities in Jan. 1982 13/					
Refinancing of medium- and long-term debt (public entities):					
Due 1981 (arrears)	100 percent of principal	11.0	9 months	6	2 1/4
Due 1982 (arrears)	100 percent of principal	41.0	9 months	6	2 1/4
Due 1983	100 percent of principal	36.0	3 to 15 months 14/	6	2 1/4
Due 1984	100 percent of principal	32.0	3 to 15 months 14/	6	2 1/4
New trade facility	—	40.0	1	3	2 1/4
Jamaica					
Agreement of September 1978					
Due April 1978/March 1979	7/8 of principal	63.0	2 15/	5 15/	2
Agreement of April 1979					
Due April 1979/March 1980	7/8 of principal 16/	77.0	2	5	2
Due April 1980/March 1981	7/8 of principal 16/	72.0	2	5	2
Agreement of June 1981					
Due April 1981/March 1983	100 percent of principal	89.0	2	5	2
(of which: 1982/1983)	(100 percent of principal)	(41.0)	(2)	(5)	(2)
Syndicated loan (July 1981)	New financing	71.0	3	7	2 1/4
Other new loans (March 1982)	New financing	17.5	2	7	2 1/2
Agreement (in principle) of June 1983					
Due July 1983 to March 1984	100 percent of principal	65.0	2	5	2 1/4
Due April 1984 to March 1985	100 percent of principal	101.0	2	5	2 1/2
New loan (under negotiation)		18.0	...	...	...
Liberia					
Agreement of December 1, 1982 17/					
Due July 1, 1981 - June 30, 1983	95 percent of principal	27	3	6	1 3/4
In process:					
Maturities falling due during July 1983-June 1984	95 percent of principal	14	3	6	...

12/ In June 1982, banks indicated their intention to negotiate a refinancing agreement to convert the principal repayment into a longer term loan prior to January 31, 1983, conditional upon successful completion of negotiations for an upper credit tranche program with the Fund. The protracting of negotiation with the Fund prevented the finalization of negotiations. In July 1983, the banks agreed to a further deferment, which could be converted into a permanent refinancing agreement, conditional upon successful completion of negotiations with the Fund, prior to January 31, 1984.

13/ Agreement in principle was tentatively reached in early 1983.

14/ Repayments to start in March 1984, for the maturity due in 1983 and in March 1985, for the maturities due in 1984.

15/ Grace period and maturity were measured from the date of the first disbursement of the refinancing loan.

16/ The rescheduled amounts were rolled over on a short-term basis and were converted into medium-term loans on April 1, 1980 and on April 1, 1981 for the 1979/80 and 1980/81 reschedulings, respectively.

17/ Also, the bank that was owed most of the arrears informally agreed to allow Liberia to repay the arrears in 12 monthly installments.

Table 2 (continued). Terms and Conditions of Bank Debt Restructuring, 1978-October 1983

Country, Date of Agreement, and Type of Debt Rescheduled	Basis	Amount Provided	Grace Period	Maturity	Interest Rate
		(US$ million)	In years, unless otherwise noted)		(In percent; spread over LIBOR/U.S. Prime)
Madagascar					
Agreement of July-Nov. 1981					
Rescheduling of arrears on overdrafts	100 percent of principal	147.0 18/	—	3 1/2	1 1/2
September 1983: tentative agreement 19/					
Global restructuring of total stock of outstanding debt 20/		195.3			
Of which: in arrears	100 percent of principal	69.6	—	7 1/2	...
(a) medium-term		(18.0)	(--)	(7 1/2)	2
(b) short-term		(51.6)	(--)	(7 1/2)	1 3/4
Of which: future maturities	100 percent of principal	125.7	(--)	7 1/2	...
(a) medium-term		(60.0)	(--)	(7 1/2)	2
(b) short-term		(65.1)	(--)	(7 1/2)	(1 3/4)
Malawi					
Agreement of March 6, 1983					
Medium- and long-term debt					
Due during Sept. 1982 to August 1983	85 percent of principal	28.0	3	6 1/2	1 7/8
Due during Sept. 1983 to August 1984	85 percent of principal	29.0	3	6 1/2	1 7/8
Mexico					
Agreement of August 27, 1983 21/					
Mexico's public sector short-, medium- and long-term debt 22/ due during August 23, 1982 - December 31, 1984	100 percent of principal	20,000	4	8	1.7/8 - 1.3/4
Syndicated loan 23/	New financing (net)	5,000	3	6	2.1/4 - 2 1/8
Official financing	New financing	2,000 to 2,500	...	...	...
Settlement of interest in arrears on private sector's debt 24/	—	1,000 to 1,500	—	—	1.0 - .7/8
Morocco					
In process					
Medium- and long-term debt maturing in the second half of 1983 and in 1984	Principal	...	...	...	...

18/ Includes about US$50 million of arrears on overdrafts rescheduled on similar terms in late 1980.

19/ The agreement is subject to Madagascar being current on interest payments. The agreement also envisages the provision of a revolving trade facility, for an amount equivalent to the principal payments falling due in 1983 (US$12 million) or a one-year grace period on that amount.

20/ Based on outstanding debt, including short-term debt, as of December 31, 1982 and including payments arrears on both short- and medium-term debt. Includes a special agreement for the rescheduling of Air Madagascar debt, secured by aircrafts.

21/ Agreement took effect with disbursement of new a loan in March 1983. As of August 27, 1983, a formal agreement had been signed for the rescheduling of at least US$11.5 billion.

22/ For the purpose of the rescheduling, Mexico's public sector debt (short-, medium-, and long-term) excludes (1) loans made, guaranteed, insured, or subsidized by official agencies in the creditor countries; (2) publicly issued bonds, private placements (including Japanese yen-denominated registered private placements) and floating rate certificates of deposit and notes (including floating rate notes); (3) debt to official multilateral entities; (4) forward exchange and precious metal contracts; (5) spot and lease obligations in respect of movable property, short-term import and export-related trade credits; (6) interbank obligations (including placements) of the foreign agencies and branches of Mexican banks, excluding guarantees on interbank placements; (7) financing secured by legally recognized security interest in ships, aircraft and drilling rigs; and (8) the Central Bank's obligations arising from the arrangements to liquidate interest payments in arrears.

23/ The US$5 billion loan was raised in the form of a medium-term international syndicated credit in which banks participated on the basis of their pro rata exposure to Mexico as of August 23, 1982. The loan document included a specific reference to a written explanation and confirmation from the Fund Managing Director with respect to a US$2-2.5 billion financial assistance to be obtained from official creditors (other than the Fund), a requirement to provide information about the implementation of the financial program, a request on the part of the lending syndicate not to object to the final restructuring principles of the contemplated rescheduling operation, the customary cross-default clause, a specification of events of defaults (including the failure of Mexico to comply with the performance criteria agreed with the Fund in connection with the three-year extended arrangement, and nonmembership), and the implementation of the proposed mechanism to eliminate the interest arrears on the private sector debt.

24/ Specifically, Mexican private borrowers owing interest on foreign bank debts payable in foreign currency and outstanding prior to September 1, 1982 could use the procedures proposed by the Mexican authorities to settle interest payments due in the period from August 1, 1982 to January 31, 1983. Settlement had to be made by depositing the local currency equivalent of the amount of interest due in foreign currency, at the controlled exchange rate of the date at which the deposit was constituted. Special foreign currency deposits were being opened by the foreign lenders with the Bank of Mexico, and the amounts of interest owed were being credited to thes. accounts. Ten per cent of the outstanding balance in these accounts was paid to creditors on January 31, 1983, while the remainder had to be settled subject to the availability of foreign exchange. Any balance outstanding as of September 30, 1983 would be refinanced as a loan on terms to be agreed with individual banks.

Table 2 (continued). Terms and Conditions of Bank Debt Restructuring, 1978-October 1983

Country, Date of Agreement and Type of Debt Rescheduled	Basis	Amount Provided	Grace Period	Maturity	Interest Rate
		(US$ million)	(In years, unless otherwise noted)		(In percent; spread over LIBOR/U.S. Prime)
Nicaragua					
Agreement of December 1980					
Arrears on interest or due up to December 1980 25/ 26/	75 percent of arrears and amount due	90	—	5	) 3/4 - 1 1/4, but with deferred interest payment provision and interest recapture clause 27/
Arrears on principal as of December 1979 25/	100 percent of arrears on principal	252	5	11	)
Due after December 1979	100 percent of principal	240	5	12	)
Agreement of September 1981					
Accumulated arrears	90 percent of interest and principal)		1	10	
Due after September 1981 (debt of nationalized banks)	100 percent of principal)	180	5	10	) 3/4 - 1 1/4, but with deferred interest payment provision and interest recapture clause 27/
Agreement of March 1982					)
Accumulated arrears	90 percent of interest and principal)		—	10	)
Due after March 1982 (debt of nationalized businesses)	100 percent of principal)	55	5	10	)
Rescheduling in process 28/					
Interest and principal payment between June 1983 and June 1984	...	...	...	...	...
New loan	New financing	150	...	...	...
Nigeria					
Agreement of July 1983					
Arrears as of end-March 1983	100 percent of arrears on letters of credit	1,350	5 1/2 months	3	1.5-1.375
Agreement of Sept. 1983					
Arrears as of end-March 1983	100 percent of arrears on letters of credit	480	3 1/2 months	2 5/6	1.5-1.375
Peru 29/					
Agreement of June 1978					
Due during second semester of 1978	Rollover of 100 percent of principal	186 30/	—	due 1/3/79	...
Agreement of December 1978					
Due in 1979	90 percent of principal)		2	6	1 7/8
Due in 1980	90 percent of principal)	200 30/	2	5	...
Due in 1/1979 as per June 1978 agreement	50 percent of amount rolled over)		—	1	1 3/4
Agreement of January 1980 31/					
Due in 1980	90 percent of principal	340 30/	2	5	1 1/4
Agreement of July 1983					
Medium- and long-term maturities falling due between March 7, 1983 and March 7, 1984	100 percent	380	3	8	2 1/4
Bridge loan	—	200	...	...	...
New loan	New financing	450	3	8	2 1/4

25/ On short- and medium-term debt.

26/ Banks agreed to recalculate the interest due but unpaid at a spread of 1/2 percentage point above the actual LIBOR during the relevant period, rather than at the higher spreads specified in the original contracts.

27/ All four categories of debt are subject to interest accrual at a spread of 1 percent above LIBOR between December 15, 1980 and December 14, 1983; of 1 1/4 percent between December 15, 1983 and December 14, 1986; of 1 1/2 percent between December 15, 1986 and December 14, 1990; and of 1 3/4 percent between December 15, 1990 and December 14, 1992. However, actual payments of interest can be limited to 7 percent a year for the agreement of 1980 and to 6 percent for the agreements of 1981 and 1982. Any excess of accrued interest will be added to a deferred interest payment pool which will be repaid whenever the accrued interest rate payments are less than 7 percent per annum, or, if this does not exhaust the pool by December 15, 1985, the balance will be amortized between 1986 and 1990 with 10 percent due in each of 1986 and 1987, and the rest during the remaining three years. The agreement also contains an interest recapture clause. If Nicaragua fulfills all the terms of the contract, the interest rate spread would be reduced by 1/8 percentage point for every US$20 million of principal repaid after 1985. However, the spread would not be reduced below 1 percent.

28/ Based on press information. Data refer to the request by the Nicaraguan authorities.

29/ All rescheduling agreements cover only public sector obligations. Bank loans with creditor country guarantees were included in the Paris Club agreement, rather than the bank reschedulings.

30/ Under the 1978 and 1980 bank reschedulings, amounts were initially rolled over on a short-term basis to be consolidated into a medium-term loan at a specified date early in the following year. The estimates are actual amounts of debt relief.

31/ In January 1980 Peru prepaid the 1979 bank rescheduling and the terms of the 1980 rescheduling were renegotiated.

Table 2 (continued). Terms and Conditions of Bank Debt Restructuring, 1978–October 1983

Country, Date of Agreement, and Type of Debt Rescheduled	Basis	Amount Provided	Grace Period	Maturity	Interest Rate
		(US$ million)	(In years, unless otherwise noted)		(In percent; spread over LIBOR/U.S. Prime)
Romania					
Agreement of December 7, 1982					
Arrears on the 1981 debt obligations	80 percent of such debt obligations)	) 1,598	3	6 1/2	1.75
Due in 1982 on all debts (including short-term)	80 percent of principal)		3	6 1/2	1.75
Agreement of June 20, 1983					
Medium- and long-term due in 1983	10 percent of principal	82	1 1/2	1 1/2	1.75
	60 percent of principal	490	3 1/2	6 1/2	1.75
Senegal					
Restructuring partially completed 32/ (June 1982)					
Due between May 1, 1981 and June 30, 1982 (including arrears)	90 percent of principal	48.6	3	6 1/2	2
Due between July 1, 1982 and June 30, 1983	90 percent of principal	28.7	4	7 1/2	2
Sudan					
Agreement of December 1981					
Arrears on interest as of end-December 1979)	82 percent of interest in arrears	115	—	3	1 3/4
Arrears on interest due in first quarter of 1981)		55	5 months	9 months	1 3/4
Arrears on principal as of end-December 1979	100 percent of arrears on principal as of end-1979	398	3	7	1 3/4
Modification (April 1983) of 1981 agreement	100 percent of principal and interest, including arrears as of April 1983	646	2	6	1 3/4
Togo					
Agreement of March 1980					
Arrears as of end-1979	100 percent of arrears				
Interest		8.0	Settlement to be made in 1980 in 3 equal installments		
Principal		17.4	6 months	1 1/2	Original rates maintained. However, spreads on Euroloan reduced to 1 1/2
Due in 1980 on a number of specific loans	100 percent of principal	44.0	1	3 1/2	Original rates maintained
Agreement of October 1983					
Arrears as of end-1982	100 percent of arrears	57.5	—	7 1/4	2
Due in 1983 and 1984 on medium- and long-term public and publicly guaranteed loans	100 percent of principal	26.0	—	7 1/4	2

32/ An agreement in principle was reached on both the amounts and the terms but has not yet been signed. All arrears as of April 30, 1981 are to be cleared before the finalization of the agreement. The signing is also contingent upon a further agreement on the penalty clauses and terms.

Table 2 (continued). Terms and Conditions of Bank Debt Restructuring, 1978-October 1983

Country, Date of Agreement, and Type of Debt Rescheduled	Basis	Amount Provided	Grace Period	Maturity	Interest Rate
		(US$ million)	(In years, unless otherwise noted)		(In percent; spread over LIBOR/U.S. Prime)
Turkey					
Euroloan of June 1979 33/	New financing (net)	407	3	7	1 3/4
Agreement of June 1979					
Banker's credits	100 percent of principal	429 34/	3	7	1 3/4
Agreement of August 1979					
Convertible Turkish lira deposits 35/	100 percent of principal	2,269 36/	3	7	1 3/4
Agreement of August 1981					
Third party reimbursement claims	100 percent of principal	100	—	3	1 1/2
Agreement of March 1982					
Improve the maturity profile of the August 1979 rescheduling agreement	100 percent of principal	37/	2 38/	3 38/	1 3/4
Uruguay					
Agreement of July 29, 1983					
New medium-term loan	—	240	2	6	2 1/4 - 2 1/8
Short-term other than trade related 39/	90 percent of principal	521	2	6	2 1/4 - 2 1/8 2 1/4 - 2 1/8
Medium-term maturities falling due in 1983	90 percent of principal	40	2	6	2 1/4 - 2 1/8
Medium-term maturities falling due in 1984	90 percent of principal	132	2	6	2 1/4 - 2 1/8
Venezuela 40/					
Refinancing of short-term debt of public sector and publicly guaranted debt	100 percent of principal	...	...	...	...
Rescheduling of maturities on medium- and long-term public debt falling due in 1983 and 1984	100 percent of principal	...	...	...	...
Yugoslavia					
Agreement of October 1983					
Medium-term loans due in 1983	Refinancing of 100 percent of principal	1,400	3	6	1 3/4
Short-term debt	Rolled over (through either 1983 or 1984)	1,800	2	2	
All debt payments due in first half of 1983	100 percent of principal rolled over	...	—	180 days	1 3/4
New syndicated loan	New financing (net)	600	3	6	1 3/4

33/ The disbursement was to be based on letter of credit financing for imports. Other conditions for the first disbursement (50 percent) included making the first purchase under IMF stand-by arrangement and the signing of the agreement on convertible tible Turkish lira deposits. For the second and third disbursements (25 percent each), other conditions included making the purchases under the IMF stand-by arrangement scheduled for November 1979 and March 1980, and the implementation of programs for third-party reimbursement claims and arrears on nonguaranteed debts.

34/ All previously rolled over.

35/ Holders were allowed to switch currency of denomination, with liability being switched from commercial banks to the Central Bank.

36/ US$2.0 billion rolled over prior to June 30, 1979; US$0.2 billion due in second half of 1979.

37/ The amount rescheduled is equivalent to the sum of obligations rescheduled in June and August 1979, including a new syndicated credit extended at that time.

38/ The years shown represent the extension to the grace period and maturity granted under the original rescheduling arrangement.

39/ The trade-related short-term debt was rolled over with the guarantee of the Central Bank of Uruguay until July 1, 1984.

40/ In March 1983, with the endorsement of the Steering Committee, Venezuela declared a deferral on principal payments of external debt owed to foreign commercial banks. The amount of short-term debt involved was about US$11 billion. The deferral was extended until October 1, 1983.

Table 2 (concluded). Terms and Conditions of Bank Debt Restructuring, 1978–October 1983

Country, Date of Agreement and Type of Debt Rescheduled	Basis	Amount Provided	Grace Period	Maturity	Interest Rate
		(US$ million)	(In years, unless otherwise noted)		(In percent; spread over LIBOR/U.S. Prime)
Zaire 41/					
Agreement of April 1980					
Arrears on principal as of end-1979	76 percent of principal	287	5	10	1 7/8 for first 5 years 2 thereafter
Principal payments due after end-1979	100 percent of principal	115	5	10	1 7/8 for first 5 year 2 thereafter
Zambia					
In process					
Principal payments of medium- and long-term public and publicly guaranteed unsecured debt, falling due between April 1, 1983 and May 31, 1985 42/	85 percent of principal	40 in the first year 35 in the second year	2	5	2 1/4 - 2
Memorandum item:					
Non-Fund members					
Cuba 43/					
In process, asked by authorities in September 1982					
Medium- and long-term due during September 1982-December 1985	100 percent of principal	1,000 (tentative)	3	10	...
Poland					
Agreement of April 1982 44/					
Medium-term debt due March 26, 1981-Dec. 1981	95 percent of principal	2,300	4	7	1 3/4
Agreement of November 1982 45/					
Medium-term debt due in 1982, including arrears on unrescheduled maturities due in 1981	95 percent of principal	2,300	4	7 1/2	1.3/4 - 1.1/2
Agreement of August 1983 46/					
Medium-term debt due during 1983	95 percent of principal	1,400	5	10	1 7/8

Sources: Restructuring agreements, unless otherwise indicated; and Fund staff calculations.

41/ Bank debt refinancing agreement covers only syndicated loans (and other floating rate loans) without creditor country guarantee.

42/ Data shown in the table are those indicated in the banks' proposal. Payments cover principal repayments on public and publicly guaranteed debt. The agreement is subject to payment of interest and principal payment arrears. In addition, three other conditions have to be fulfilled, i.e., (1) an operative stand-by with the Fund has to be in place; (2) an agreement has to be reached with the Paris Club regarding debt service falling due in 1983 and 1984; and (3) all interest payments have to be kept current.

43/ Information based on the Cuban authorities' request of September 1982, as reported in the press.

44/ The agreement, which covers maturities due during March 26-December 31, 1981, was effective May 10, 1982. Short-term facilities and interbank deposits were specifically excluded.

45/ A six-month trade credit, revolving up to three years was extended under separate agreement; the amount of the credit was equivalent to 50 percent of the US$1.1 billion in interest due.

46/ A six-month trade credit, revolving up to three years, was extended under separate agreement; the amount of the credit was equivalent to 65 percent of the US$1.1 billion in interest due.

Table 3. Evolution of International Bank Financing to Certain Non-Fund Member Countries, 1978-82

		1978	1979	1980	1981	1982
Percentage growth rates of banks' claims on certain non-Fund members 1/						
Centrally planned economies 2/		20	15	5	2	-12
Countries which rescheduled 3/		28	26	-1	-4	-11
Other countries		17	10	8	5	-13
Bank debt with less than one year remaining to maturity as a percentage of total bank debt						
Centrally planned economies 2/		42	41	38	43	39
	(mean) 4/	46	43	40	43	39
	(median)	46	41	39	43	39
Countries which rescheduled 3/	(mean) 4/	45	48	44	45	39
Other countries	(mean) 4/	46	42	39	43	40
	(median)	46	41	39	43	39
Bank debt with less than one year remaining to maturity as a ratio to total claims on banks						
Centrally planned economies 2/		1.67	1.35	1.35	1.56	1.11
	(mean)	2.48	2.45	3.02	2.78	1.92
	(median)	2.37	1.86	1.34	1.37	1.20
Countries which rescheduled 3/	(mean) 4/	4.35	5.18	7.53	6.41	3.83
Other countries	(mean) 4/	1.73	1.36	1.22	1.33	1.15
	(median)	1.82	1.38	1.21	1.14	1.13
Undisbursed commitments as a percentage of total bank debt						
Centrally planned economies 2/		27	19	17	13	15
	(mean) 4/	17	13	14	11	11
	(median)	15	10	13	12	10
Countries which rescheduled 3/	(mean) 4/	22	15	15	8	5
Other countries	(mean) 4/	15	12	13	12	14
	(median)	15	10	13	12	13
Memorandum items:						
Percentage growth rates of banks' claims on certain non-Fund members during the period 1977-81						
Centrally planned economies 2/						10 5/
Countries which rescheduled 3/ 6/						11 5/
Other countries						10 5/

Source: Calculations based on data from the Bank for International Settlements, International Banking Developments and The Maturity Distribution of International Bank Lending.

1/ Weighted average rates of growth for each country group. Derived from data on the stock of claims, which were not adjusted for exchange rate variations.

2/ Mainly Eastern European countries, excluding Fund members, North Korea, and Cuba.

3/ Cuba and Poland.

4/ Unweighted average.

5/ Average annual compound rate of change for the period 1973-1982.

6/ With respect to fluctuations in financing flows, the experience of Cuba and Poland appears to have been broadly similar to that of the Fund member countries. Cuba's debt grew by more than 20 percent annually during 1975 to 1978, but the growth rate fell to less than 10 percent in 1979, and outstanding bank debt declined significantly in 1980 and 1981. A small bank loan syndication was arranged in 1981, but there were no others after the debt renegotiation talks were initiated in late 1982. Poland's bank debt grew at an average annual rate of over 30 percent between 1975 and 1979. In 1980, outstanding bank debt ceased to grow--Poland was unable to raise new syndicated commitments--and in 1981, the year rescheduling talks started, it declined slightly.