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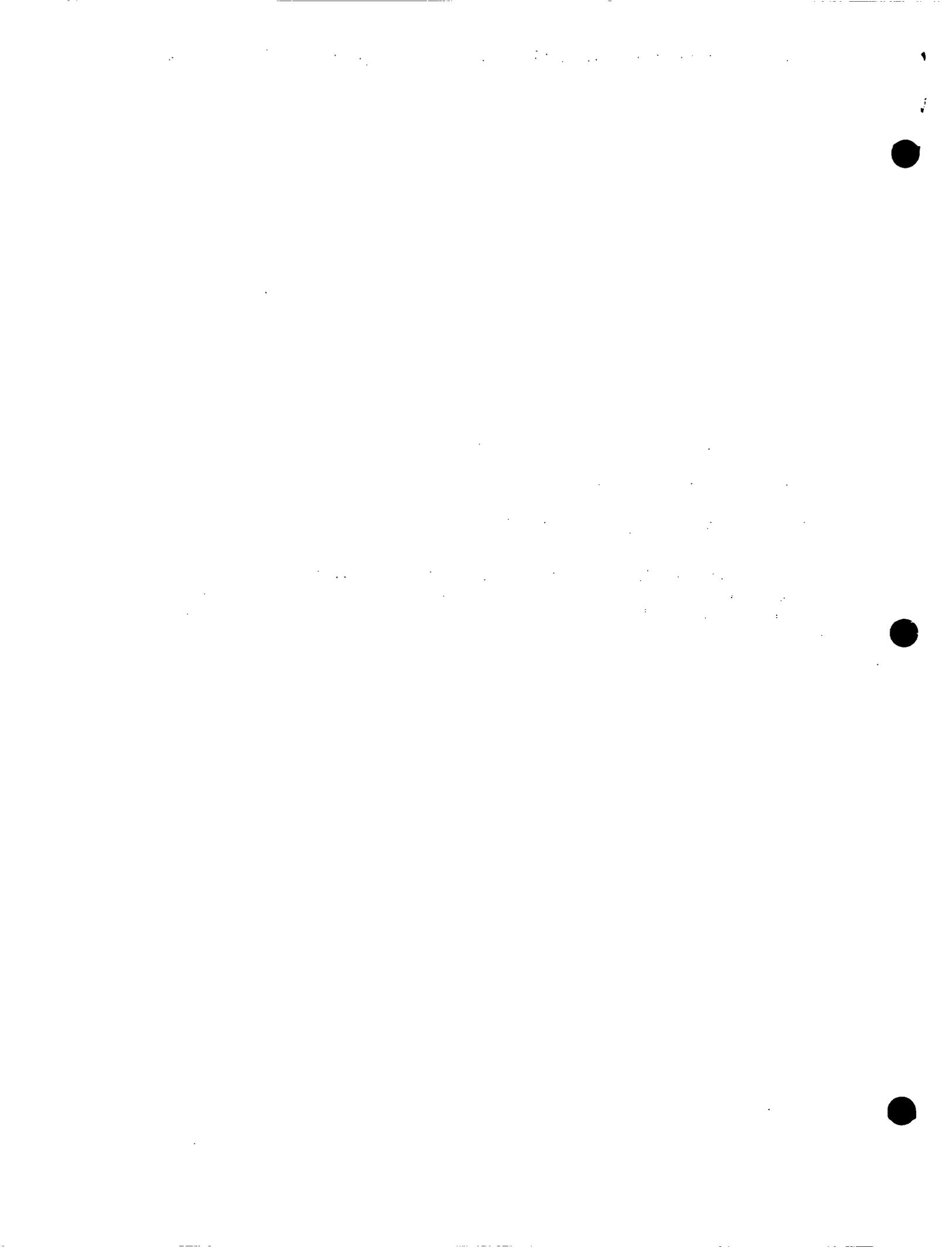
December 21, 1983

To: Members of the Executive Board
From: The Acting Secretary
Subject: Report on Morocco's External Debt Renegotiation

Attached for the information of the Executive Directors is a report by the Fund representatives on the meeting held in Paris on October 24 and 25, 1983 to consider Morocco's request for a rescheduling of its external debt.

Att: (1)

Other Distribution:
Department Heads



INTERNATIONAL MONETARY FUND

Report on Morocco's External Debt Renegotiation

Prepared by the African Department and
the Exchange and Trade Relations Department

(In consultation with the Legal Department)

Approved by Oumar B. Makalou and S. Kanesa-Thanan

December 21, 1983

Representatives of Morocco and 12 creditor countries 1/ met in Paris in the framework of the Paris Club on October 24 and 25, 1983 to discuss Morocco's request for a rescheduling of its external debt service obligations. Members of the Fund staff 2/ and observers of the Governments of Denmark, Finland, and Sweden, as well as the World Bank, the Secretariat of the United Nations Conference on Trade and Development (UNCTAD), and the Organization for Economic Cooperation and Development (OECD) also attended the meeting which was chaired by Mr. Jurgensen of the French Treasury.

The delegation of the Kingdom of Morocco, which was headed by the Minister of Finance, outlined the serious economic and financial difficulties faced by their country and expressed the strong determination of their Government to reduce the economic and financial imbalances and to reach the targets of the program underlying the stand-by arrangement with the Fund. The Fund representatives, at the request of the Chairman, described the economic situation of the Kingdom of Morocco as well as the major elements of the adjustment program undertaken by the Government of the Kingdom of Morocco and supported by the stand-by arrangement from the Fund approved by the Executive Board on September 16, 1983 (EBS/83/178). The representatives of the governments of the participating creditor countries took note of the measures of adjustment taken to date in the economic and financial program undertaken by the Government of the Kingdom of Morocco and stressed the importance they attached to the continuing and full implementation of this program, in particular the revitalization of the productive sector of the economy

1/ Austria, Belgium, Canada, France, the Federal Republic of Germany, Italy, Japan, the Netherlands, Spain, Switzerland, the United Kingdom, and the United States.

2/ The Fund staff representatives were Messrs. Bhatia and Tahari (AFR) Messrs. Donovan and Clement (ETR), and Mr. Taplin from the Office in Paris.

and the improvement of public finances and foreign exchange management, while emphasizing the need to take strengthened adjustment measures from early 1984. This was felt to be particularly important in light of the medium-term nature of the debt problem and the need to take adjustment measures over that period.

In the Agreed Minute of October 25, 1983, the representatives of the participating creditor countries agreed to recommend to their governments or appropriate institutions that they provide debt relief for the Kingdom of Morocco, through rescheduling or refinancing, on loans from governments as well as commercial credits guaranteed or issued by the governments of the participating creditor countries or their appropriate institutions, having an original maturity of more than one year and contracted prior to May 1, 1983. Representatives of participating creditor countries also agreed to reschedule the amounts of principal and interest due as of August 31, 1983 inclusive and not paid in respect of loans and credits mentioned above.

The Agreed Minute provides for a rescheduling of (1) arrears in six semi-annual payments, the first payment to be made on October 31, 1984 and the final payment to be made on April 30, 1987. The first payment will amount to 10 percent, the five other payments will amount to 18 percent; (2) 85 percent of the amounts of principal and interest due September 1, 1983 up to December 31, 1984, inclusive, and not paid, on loans and credits mentioned above. Repayment of the corresponding sums will be made in eight equal and successive semi-annual payments, the first payment to be made on September 30, 1988 (end of the grace period) and the final payment to be made on March 31, 1992 (end of the repayment period). The remaining 15 percent of principal and interest will be paid according to the following schedule: 2.5 percent according to the original schedule; as regards maturities already due and unpaid, they will be paid not later than December 31, 1983; 2.5 percent on December 31, 1984; 5 percent on December 31, 1985; and 5 percent on December 31, 1986.

The details of the arrangements for the rescheduling of the refinancing, including the rate and the conditions of interest to be paid, will be determined bilaterally between the Government of the Kingdom of Morocco and the governments or appropriate institutions of each participating creditor country. The bilateral agreements should be concluded with the least delay and in any case before March 31, 1984. The provisions of the present agreement will apply provided that the Government of the Kingdom of Morocco continues to have an arrangement from the Fund in upper credit tranches. For this purpose, the Government of the Kingdom of Morocco agrees that the Fund inform the Chairman of the Paris Club regarding the status of the Kingdom of Morocco's relations with the Fund.

The Moroccan delegation agreed to negotiate promptly rescheduling or refinancing arrangements with all other creditor countries and to seek from external creditors rescheduling or refinancing arrangements; these arrangements should provide debt relief on terms comparable to those set in the present agreement, avoiding inequity between different categories of creditors. The participating creditor countries agreed in principle to consider the matter of the Kingdom of Morocco's debt service payment falling due after December 31, 1984, provided that the Kingdom of Morocco continues to have an arrangement with the Fund involving use of Fund resources in the upper credit tranches and that the Kingdom of Morocco has reached agreement with the banks and other creditors meeting the conditions described above.

The provisions set forth in the Agreed Minute do not apply to countries with respect to which debt falling due during the reorganization period is less than SDR 1 million. The payments owed to these countries should be made on the original due date. Payments already due and not paid should be made as soon as possible and not later than December 31, 1983.

