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August 17, 1983

To: Members of the Executive Board

From: The Acting Secretary

Subject: Report on the Central African Republic'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 July 8, 1983 to discuss the Central African Republic's request for a rescheduling of its external debt service obligations.

Att: (1)

Other Distribution:
Department Heads

In the Agreed Minute of July 8, 1983, the representatives of the participating creditor countries agreed to recommend to their governments or appropriate institutions that they provide debt relief, through rescheduling or refinancing on: (1) commercial credits extended to the Government of the C.A.R. or covered by its guarantee, guaranteed or insured 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 January 1, 1983; (2) loans from governments or appropriate institutions of the participating creditor countries to the Government of the C.A.R. or covered by its guarantee, having an original maturity of more than one year and contracted prior to January 1, 1983. The debt service due as a result of the June 12, 1981 consolidation is not included in this reorganization.

The rescheduling terms covered 90 per cent of arrears on principal and interest as of December 31, 1982 and 90 per cent of maturities falling due in 1983, not resulting from previous rescheduling. Repayment will be made in ten equal and successive semiannual installments beginning December 31, 1988 (end of the grace period). The remaining 10 per cent will be paid in two equal installments on June 30, 1984 and June 30, 1986.

The provisions set forth in the Agreed Minute do not apply to countries with respect to which debts in principal and interest falling due during the reorganization period are less than SDR 250,000. Payments to these countries should be made on the original due dates. Payments already due to these countries and not paid, as well as all debt service due and not paid, and owed to or guaranteed by the governments of the participating creditor countries or their appropriate institutions and not covered by the Agreed Minute, should be paid as soon as possible, and not later than October 31, 1983.

The details of the arrangements for the rescheduling or the refinancing, including the rate and the conditions of interest to be paid, will be determined bilaterally between the Government of the C.A.R. and the governments or appropriate institutions of each participating creditor country. These bilateral agreements should be concluded with the least delay and, in any case, before December 31, 1983. The participating creditor countries agreed to indicate to the Chairman of the Paris Club the date of the signature of the bilateral agreements, the interest rates, and the amounts of debt involved. The Government of the C.A.R. agreed to negotiate promptly rescheduling or refinancing arrangements with all other creditor countries and to seek to secure from external creditors, including banks, rescheduling or refinancing on terms comparable to those set in the present agreement, making sure to avoid inequity between different categories of creditors.

The provisions of the 1983 agreement will apply provided that: (1) the Government of the C.A.R. has concluded the bilateral agreements provided for in the June 12, 1981 agreement with each of the participating creditor countries or observers at the present meeting whose

debts are concerned by the above-mentioned agreement; (2) the Government of the C.A.R. continues to have an arrangement with the Fund in the upper credit tranches. For this purpose, the Government of the C.A.R. agrees that the Fund inform the Chairman of the Paris Club regarding the status of the C.A.R.'s relations with the Fund.

The agreed terms of the rescheduling are more favorable than the assumptions made by the staff in the 1983 financial program supported by the stand-by arrangement approved by the Board on April 22, 1983. The resulting debt service payments in 1983 are lower than in the staff's balance of payments forecast. The present agreement does not include a "goodwill clause", under which the creditors would agree to consider debt relief for 1984. In that year, there will be only one creditor country to whom the C.A.R. owes payments in excess of the minimum set in the Agreed Minute. For this reason, debt relief could be obtained through bilateral negotiations with that country.