SM/03/399

December 18, 2003

To: Members of the Executive Board

From: The Secretary

Subject: **Official Financing—Recent Developments and Selected Issues**

Attached for the **information** of the Executive Directors is a paper on recent developments and selected issues on official financing. It is intended to publish this paper with minimal changes in the World Economic and Financial Survey series.

Questions may be referred to Mr. J-Y. Wang (ext. 37675) and Mr. Ronci (ext. 38549) in PDR.

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Official Financing: Recent Developments and Selected Issues

Prepared by the Policy Development and Review Department

Approved by Mark Allen

December 17, 2003

Contents

Frequently Used Abbreviations (See also glossary on pages 75–91).

AfDB	African Development Bank
AfDF	African Development Fund
AsDB	Asian Development Bank
CIRR	Commercial interest reference rate
DAC	Development Assistance Committee
DSA	Debt sustainability analysis
EBRD	European Bank for Reconstruction and Development
ECA	Export credit agency
ECG	OECD Working Party on Export Credits and Credit Guarantees
ECGD	Exports Credits Guarantee Department
EDF	European Development Fund
ESAF	Enahanced Structural Adjustment Facility
EU	European Union
FDI	Foreign direct investment
FSAP	Financial Sector Assessment Program
G-7	Group of Seven countries
G-8	Group of Eight countries
GDP	Gross domestic product
GNI	Gross national income
HIPC	Heavily indebted poor country
IBRD	International Bank for Reconstruction and Development (World Bank)
ICSID	International Centre for the Settlement of Investment Disputes
IDA	International Development Association
IFAD	International Fund for Agricultural Development
IFC	International Finance Corporation
IFI	International financial institution
JBIC	Japan Bank for International Cooperation
MDB	Multilateral development bank
MDGs	Millennium Development Goals
MIGA	Multilateral Investment Guarantee Agency
NEPAD	New Partnerships for Africa's Development
NEXI	Nippon Export & Investment Insurance
NGO	Nongovernmental organization
NPV	Net present value
ODA	Official development assistance
ODF	Official development finance
OECD	Organization for Economic Cooperation and Development
OOF	Other official flows
PRGF	Poverty Reduction and Growth Facility
PRSP	Poverty Reduction Strategy Paper
SAF	Structural Adjustment Facility

I. OVERVIEW: NET RESOURCE FLOWS TO DEVELOPING COUNTRIES

After increasing more than threefold between 1990 and 1996, total net resource flows to developing countries have since halved, despite a brief recovery in 1999 (Figure 1.1).[1, 2] Resource flows from private sources, comprising foreign direct investment (FDI), portfolio investment, bank lending, and international bond issuance by developing countries, dominated these developments. Private flows accounted for nearly 80 percent of the total net resource flows to these countries in 1996 and have remained around 60–70 percent since 1997. However, the overall dominance of private flows masked a vast difference in the composition of flows across income groups in developing countries. While private flows contributed the bulk of the resource flows to middle-income and transition economies, they accounted for less than 10 percent of net financing to low-income countries in the last two years. These countries, particularly the heavily indebted poor countries (HIPCs), have relied primarily on official development finance (ODF), absorbing about half of the net official development assistance (ODA) flows to developing countries (Figure 1.2).

This report provides an updated assessment of movements in official financing to developing countries during 2000–02, using the most recent creditor/donor-based data.[3] As recent developments in new aid flows including ODA have been reviewed elsewhere, based largely on debtor-reported data[4], this report focuses on recent developments in officially supported export credits and debt restructurings with Paris Club and other official bilateral creditors. It discusses the issue of trade finance in financial crises and new approach by the Paris Club to deal with unsustainable debt in non-HIPC countries.

Total official development assistance (ODA) remained little changed in U.S. dollar terms between 2000 and 2001, with multilateral institutions providing an increasing share of the ODA flows in 2001. However, preliminary data indicate that net ODA increased by 5 percent in 2002, compared with 2001, amounting to $57 billion (see Appendix I for more details). The ratio of ODA to gross national income (GNI) of DAC members fell to only 0.22 percent

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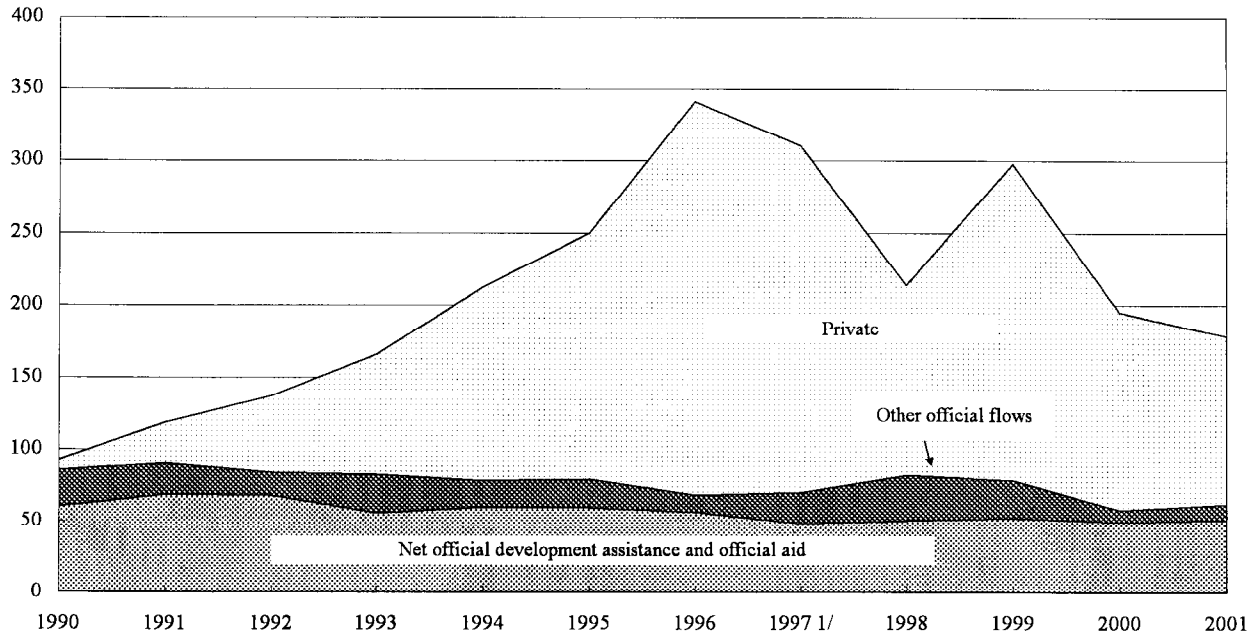
[1] Resource flow analysis in this report relies heavily on statistics compiled by the Development Assistance Committee (DAC) of the Organization of Economic Cooperation and Development (OECD), which defines net flows as total new flows (gross disbursements) minus repayments of principal, offsetting entries for debt relief, repatriation of capital, and occasional recoveries on grants and grant-like flows. Net transfers equal net flows minus interest and other returns on capital.

[2] Developing countries and territories as defined by the World Bank and used by the OECD's DAC on the basis of per capita gross national income (GNI) in 2001 includes 185 countries or territories (see Table A4.1 in Appendix IV).

[3] For an assessment of earlier developments, see Ross and Harmsen (2001).

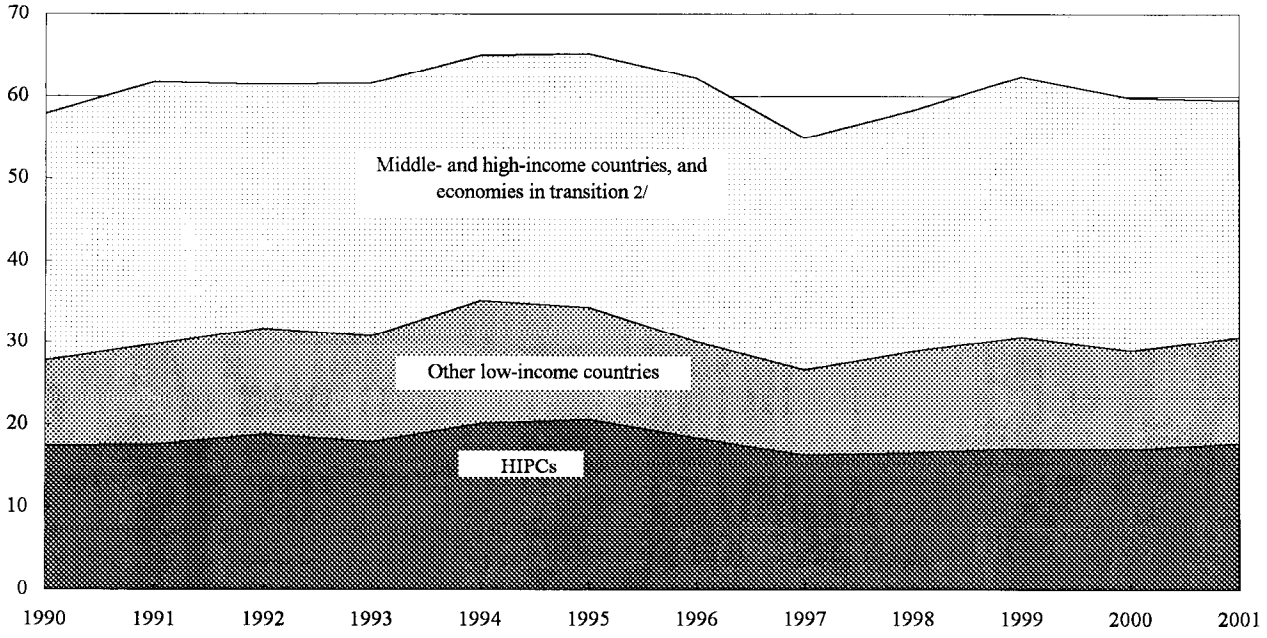
[4] See Global Development Finance, World Bank (2003).

Figure 1.1. Total Net Resource Flows to Developing Countries
(Official versus private sources; billions of U.S. dollars)



Source: OECD database.
1/ There is a series break in 1997 due to the reclassification of some ODA recipients (Part I countries) to official aid recipients (Part II countries). The latter include economies in transition, newly independent states of the former Soviet Union, and some more advanced developing countries. ODA figures up to 1996 include the flows to countries that were reclassified as Part II countries in 1997.

Figure 1.2. Net Official Development Assistance to Developing Countries
(By recipient country group; billions of U.S. dollars) 1/



Source: OECD database.
1/ There is a series break in 1997 due to the reclassification of some ODA recipients (Part I countries) to official aid recipients (Part II countries). The latter include economies in transition, newly independent states of the former Soviet Union, and some more advanced developing countries. ODA figures up to 1996 include the flows to countries that were reclassified as Part II countries in 1997.
2/ Includes other countries classified as Part II countries on OECD list of aid recipients.

in 2000–01, from 0.24 percent in the previous year, but recovered to 0.23 percent in 2002.To support the implementation of sound economic policies and institutional reform thereby achieving enduring poverty reduction in low-income countries, several bilateral donors have announced initiatives to raise ODA in the years ahead. For example, European Union (EU) members have committed themselves to raise their collective ODA to 0.39 percent of GNI by 2006, and the United States has announced plans for a $5 billion increase in its core development assistance by 2006, an increase of close to 50 percent from 2000 levels. While these plans for ODA increases are expected to be phased in, intensified efforts by low-income countries to increase the efficiency of resource use and to mobilize financing from other sources, including domestic savings and FDI, coupled with a substantial increase in ODA, will be critically important if these countries are to achieve the Millennium Development Goals (MDGs).[5]

Official export credit agencies, key players in the provision of nonconcessional official financing to (mainly middle-income) developing countries increased their exposure in 2002, reversing a declining trend since 1998. Available evidence suggests that trade financing, the bulk of which is provided by the private sector in normal circumstances, contracted during financial crises in a number of countries. Most official export credit agencies, which have played an important role in medium- and long-term financing, responded to these financial crises procyclically, tightening their policies on new commitments and reducing overall exposure to crisis countries. In response to the reduction in access to trade credit, the authorities of several crisis countries attempted to mitigate the adverse impact of the collapse in trade financing through alternative financing schemes, often with international support. The disruption caused by the generally unprecedented loss of access to trade finance points to the need for a better understanding of the causes and nature of the problem, and raises the broader question of what can be done to alleviate the harmful effects of sharp reversals in financing on developing countries affected by crisis.

Further progress was made in the debt-relief efforts for HIPCs, most of which are in sub-Saharan Africa. As of end-November 2003, 27 countries had reached their decision points under the enhanced HIPC Initiative, of which eight (Benin, Bolivia, Burkina Faso, Mali, Mauritania, Mozambique, Tanzania, and Uganda) had reached their completion points.[6] In combination with traditional debt relief and pledges of additional bilateral debt forgiveness, the external debt of the 27 decision point countries will be reduced by almost two-thirds in net present value (NPV) terms to $26 billion, bringing their indebtedness to levels below the average for all developing countries. For the 27 countries taken together, annual debt service paid during 2001–05 is expected to be about one-third less than that in 1998–99.

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[5] Adopted by heads of states in the course of the UN Millennium Summit held during September 6–8, 2000.

[6] For a detailed discussion of the status of implementation of the HIPC relief, see International Monetary Fund and World Bank (2003).

Paris Club creditors have agreed recently on a new approach—the Evian Approach—to deal with debt problems in non-HIPC countries. This new consensus aims to provide debtor countries a more tailored response to ensure that debt restructuring provides debtor countries with a debt treatment that reflects their financial needs and the objective of ensuring long-lasting debt sustainability. As such, it is expected to make a significant contribution to the current efforts to make resolution of debt crises more orderly, timely, and predictable.

Maintaining long-term external debt sustainability remains a key challenge for many developing countries, even for those that have benefited from significant debt relief under the enhanced HIPC Initiative. The experience of the past two years has shown that external debt indicators of HIPCs can deteriorate quickly when growth and export performance worsen. Similarly, large new borrowing, even on concessional terms, that outpaces the development of the country's repayment capacity can bring about a rapid deterioration of these indicators. After HIPC relief, these countries' external debts will be owed mainly to multilateral creditors, since financing from private sources is limited, most bilateral donors provide grants, and most Paris Club creditors have agreed to provide additional debt forgiveness above and beyond the HIPC Initiative. To ensure long-term external debt sustainability, debtors will need to pursue prudent new borrowing policies, and creditors, including multilateral creditors that have become the main sources of new loan disbursements, will have to provide their financial support on terms consistent with these countries' repayment capacity.

II. Recent Developments In Export Credits

Over 90 percent of world trade is conducted on the basis of cash or short-term credit, with the remainder supported by medium- and long-term credit and other means of financing. Trade financing therefore is an important component of external financing for developing countries. Export credits supported by official export credit agencies (ECAs) are a key element of nonconcessional financing from bilateral sources to developing countries and economies in transition (see Box 2.1).[1] The Berne Union of ECAs accounted for more than 16 percent of the total indebtedness of these countries and almost half of their indebtedness to official creditors in 2001.[2]

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[1] For a discussion of the role of export credit agencies in financing developing countries and economies in transition, and of the basic features of official export credits, see Stephens (1999).

[2] The Berne Union—the International Union of Credit and Investment Insurers—works for international acceptance of sound principles of export credit insurance and foreign investment insurance. It now has 51 members, including multilateral (Multilateral Investment Guarantee Agency), governmental, and some private institutions, from 42 countries and locations. Sixteen members are from non-OECD countries. Among members, HERMES (Germany), the U.S. Ex-Im Bank, the Nippon Export and Investment Insurance (Japan), the Export Credits Guarantee Department (United Kingdom), the Compagnie Française du Commerce Exterieur—COFACE (France), and SACE (Italy) represent about 70 percent of the total exposure of the Berne Union's

(continued...)

Box 2.1. Trade Financing and Official Export Credit Agencies

Financing international trade is a complex process, involving importers, exporters, and commercial banks in both exporting and importing countries, as well as central banks acting as regulators of commercial banks. Among the potential problems of trade financing are commercial risks (inadequate information about foreign customers), exchange risks (abrupt changes in the value of the relevant currency or financial crisis), and political risks (exchange controls).[1]

Official ECAs—which have been established in most industrial countries and many developing countries—provide insurance or guarantees to short-term as well as medium- and long-term export credits with the main purpose of promoting their own countries' exports. Only a few ECAs provide export credit directly.[2] Short-term cover often includes both commercial and political risks. During the 1990s, the provision of cover for short-term trade finance underwent a major transformation as the private sector increased its willingness and capacity to undertake such business and a significant part of official ECA operations has been privatized. Between 85 percent and 90 percent of short-term export credit insurance is now underwritten by insurers and reinsurers in the private sector, without the involvement of governments.[3]

The provision of trade financing and corresponding insurance cover depends on a number of factors, in most cases: (1) exporters who want to do business with the countries concerned and who are prepared to bear part of the risk of the transaction; (2) importers ready to buy goods; (3) in some cases, importing country governments prepared to guarantee the credits particularly for medium-term financing; (4) local banks willing to make letters of credit available to importers and banks in exporting countries ready to confirm them and provide credit lines as needed.

ECAs commit insurance or guarantees either directly to exporters or to exporters' banks only after this complex chain of transactions have been materialized. Moreover, ECAs' insurance coverage is limited to 85 percent of the total shipment cost under the OECD guidelines.

(Continued...)

[1] For a more detailed explanation on techniques and sources of international trade financing, see George and Giddy (1988). (NY:Wiley)
[2] For example, JBIC provides direct lending to finance trade and loans for balance of payments financing.
[3] See Stephens (1999), p. 33.

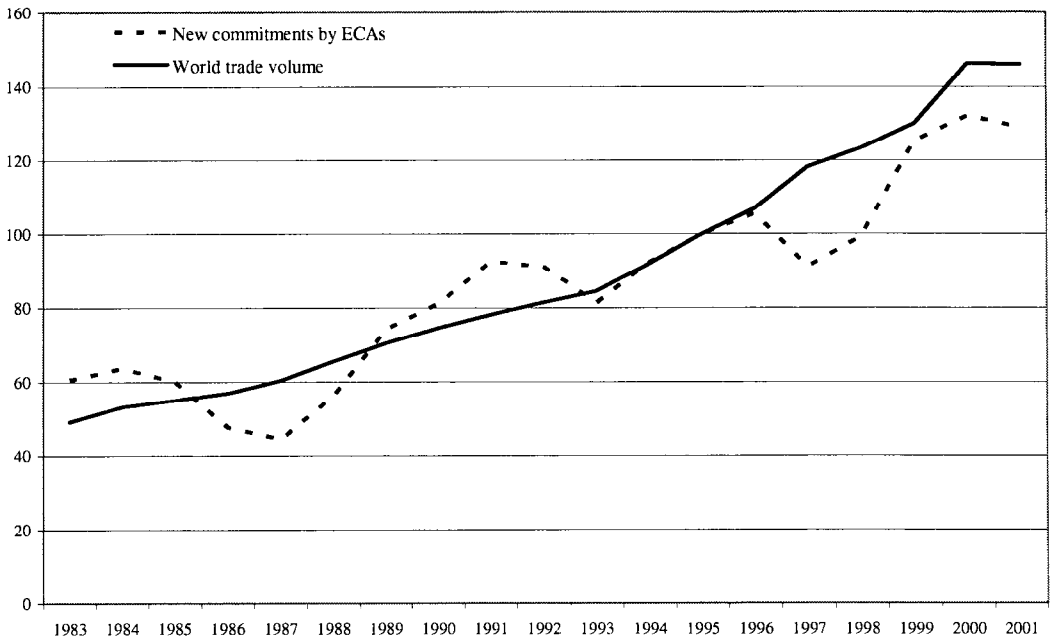
members. There are some official ECAs such as The Japan Bank for International Cooperation (JBIC) that are not the members of the Berne Union. JBIC provides direct lending to support Japanese exports.

Box 2.1. Trade Financing and Official Export Credit Agencies (concluded)

There is usually a major time lag involved between identification of an export to be covered and the decision to cover it, as a result of contract and documentation requirements, especially in the case of capital goods. With the possible exception of some short-term finance, export credit finance thus cannot be manipulated easily or quickly. Over the long term, ECAs appear to have facilitated a steady stream of finance to support imports in developing countries though their insurance coverage as suggested by the long-term relationship between the volume of world trade and ECAs' new commitments by ECAs (see figure).[4]

[4] The two series are statistically significantly correlated (cointegration at 5 percent level according to Johansen test).

World Trade Volumes and New Commitments by ECAs [1/]
(1995 = 100)



Sources: Berne Union and IMF.
1/ New commitments in U.S dollars of 1995.

A. Export Credit Supported by Export Credit Agencies

The exposure of ECAs to developing countries and economies in transition increased in 2002 following a three-year decline. The increase in 2002 was the result of both a recovery in new commitments and larger stock of arrears and unrecovered claims (including outstanding claims that have been rescheduled) (Figure 2.1).[3] Approximately two-thirds of the total exposure of ECAs represented outstanding commitments in short-term and medium- and long-term export credits, while unrecovered claims and arrears accounted for the remaining one-third. Although short-term exposure has remained virtually unchanged in the last several years, medium- and long-term exposure declined in 1995–2000. The declining trend appears to have been arrested during 2001–02, mainly reflecting higher new commitments. Arrears and unrecovered claims increased in 2002 as a number of emerging market economies in Latin America experienced financial difficulties.

ECAs' exposure remained concentrated in relatively few, mostly middle-income countries. The 20 major recipients (Figure 2.2) accounted for over 80 percent of the agencies' total exposure. In particular, the ECAs' exposure to Russia and China far exceeded that to other countries, accounting for about 15 percent and 10 percent, respectively, of their total exposure in 2002. Asian countries represented about 30 percent of the total exposure; Middle East and Africa, about 30 percent; economies in transition, one-fourth; and Latin American countries, one-fifth.

New commitments of ECAs to developing countries and economies in transition fluctuated significantly between 1998 and 2002 (Figure 2.3). These fluctuations were caused by several factors, including the recovery in 2000 from the effects of the Asian crisis; the involvement of ECAs in some large projects; weak oil prices in 2001; and strong demand for trade credit in countries with improved growth outlook (e.g., China) in 2002. These effects were felt by all regions but were most pronounced in Asia and the Middle East (Figure 2.4). About 90 percent of the new commitments in 2001–02 were made to middle-income countries and economies in transition with the remaining 10 percent heavily concentrated on a few low-income countries in Asia (Bangladesh, India, Indonesia, Pakistan, and Vietnam). New commitments to HIPCs stayed at 2–3 percent of total new commitments.[4]

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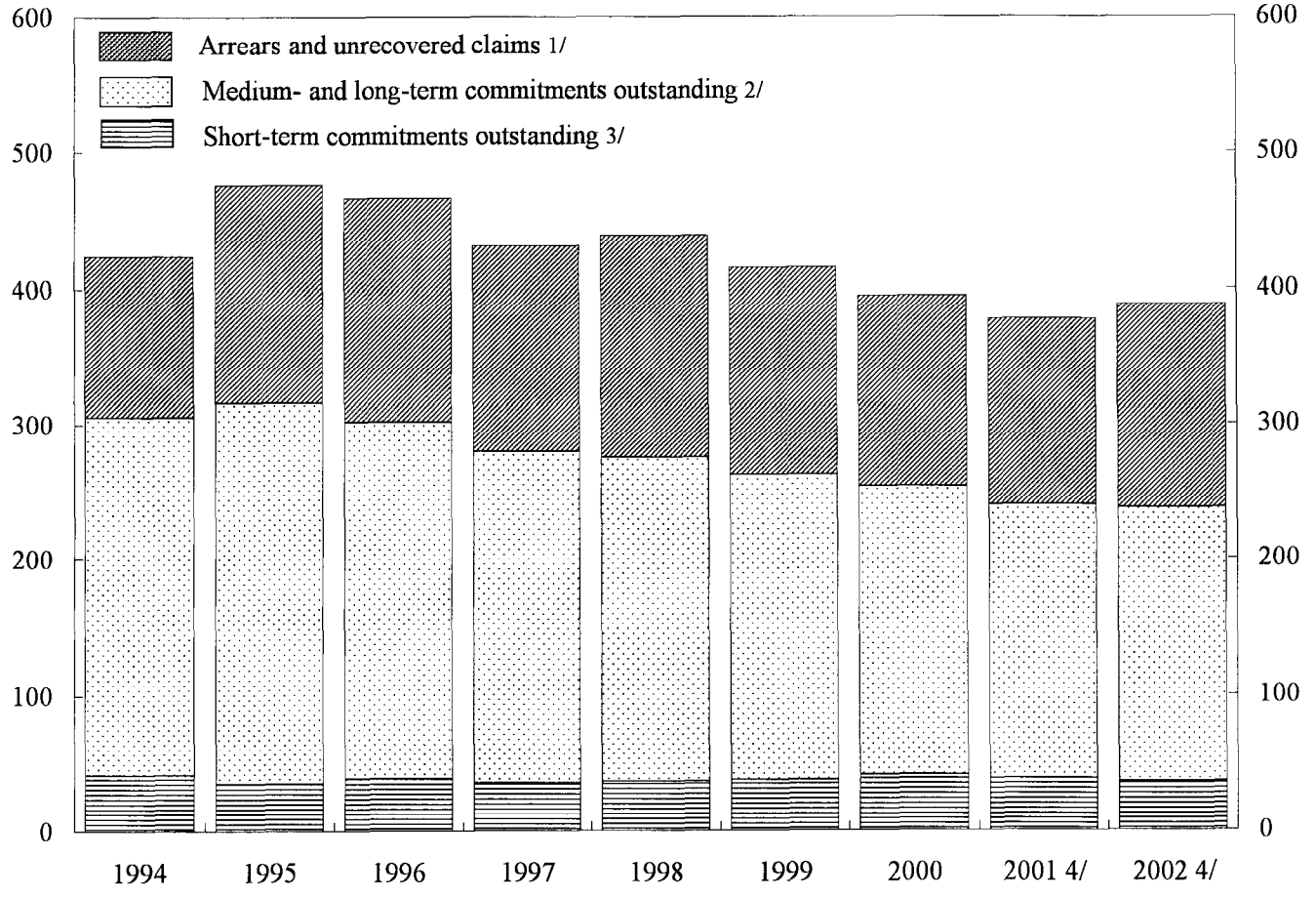
[3] The discussion in this chapter is based on the data provided quarterly by the Berne Union Secretariat. The data do not reflect the entire activities of the Berne Union's ECAs as they cover only 65 developing countries. The trend should be analyzed with caution because new commitments could change erratically if large projects are funded. Also, the classification between categories is not consistent among agencies and, occasionally, data are not fully updated by all agencies. For problems relating to export credit statistics, see Michael G. Kuhn, Balazs Horvath, and Jarvis (1995).

[4] Data provided by the Berne Union secretariat covers eight HIPCs—Angola, Cameroon, Côte d'Ivoire, Ghana, Kenya, Uganda, Vietnam, and Zambia.

Figure 2.1. Berne Union: Structure of Export Credits
(Billions of U.S. dollars)



Sources: Berne Union, and IMF staff estimates.

1/ Arrears and unrecovered claims. These include debt refinanced or rescheduled. Overdue payments by borrowers are classified as arrears if these payments have not yet resulted in claims on export credit agencies.

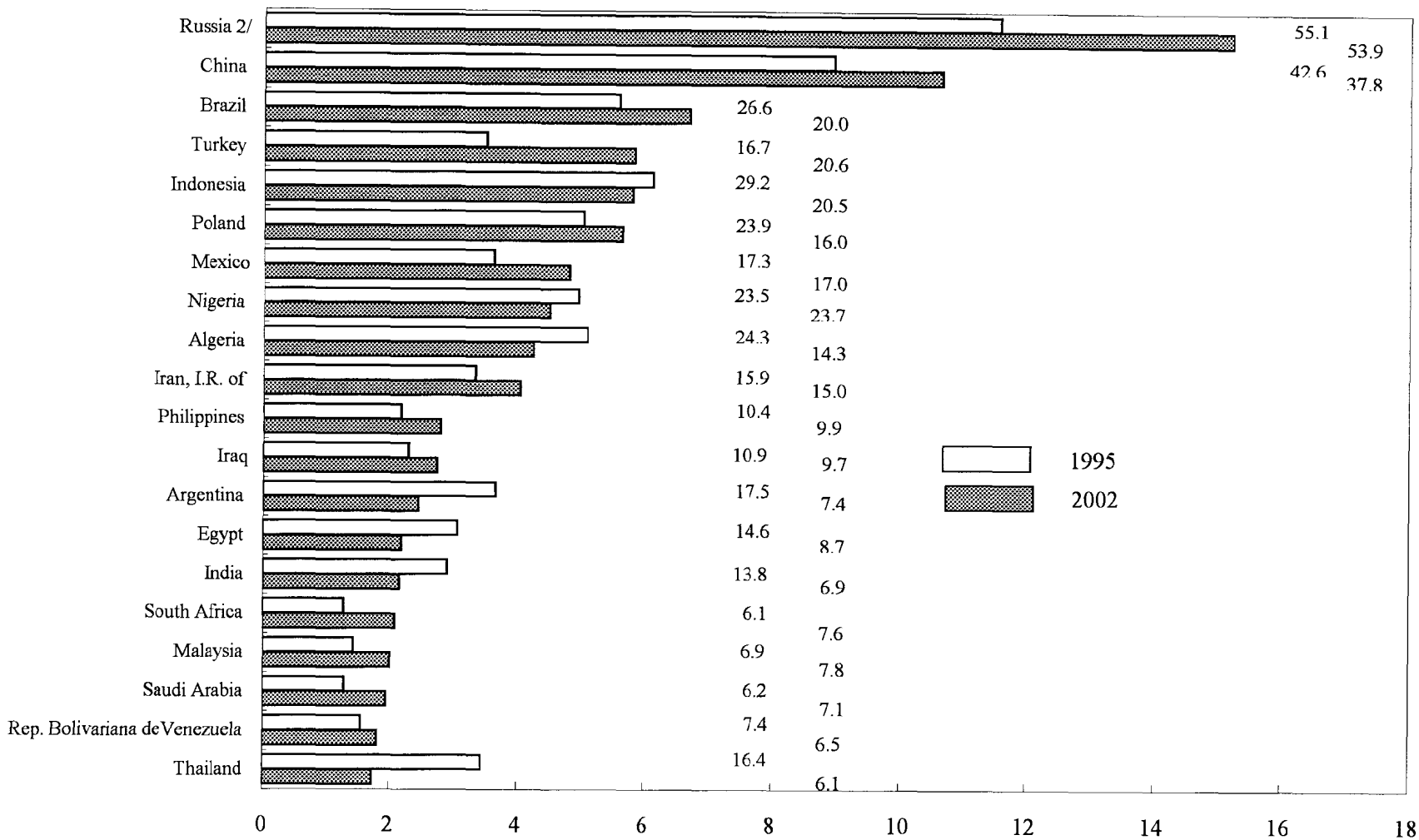
2/ Commitments: Total amount of loans by, or guaranteed or insured by, an export credit agency, either globally or to entities in a specific country, excluding amounts that are in arrears or on which claims have been paid. Usually includes principal and contractual interest payable by the importing country on disbursed and undisbursed credits, and sometimes includes not only liabilities of the agency but also uninsured parts of the loan.

3/ Short-term commitments: Commitments that provide repayment within a short period, usually six months. Some agencies define short-term credits as those with repayment terms of up to one or two years.

4/ Including IMF staff estimates of rescheduled amounts originating from commitments to the former Soviet Union, which were reported by some but not all agencies that had reported such claims earlier.

Figure 2.2. Exposure of Export Credit Agencies to Selected Major Developing Countries 1/, 2/ and Countries in Transition, 1995 and 2002

(Percent of total export credit agencies' exposure)



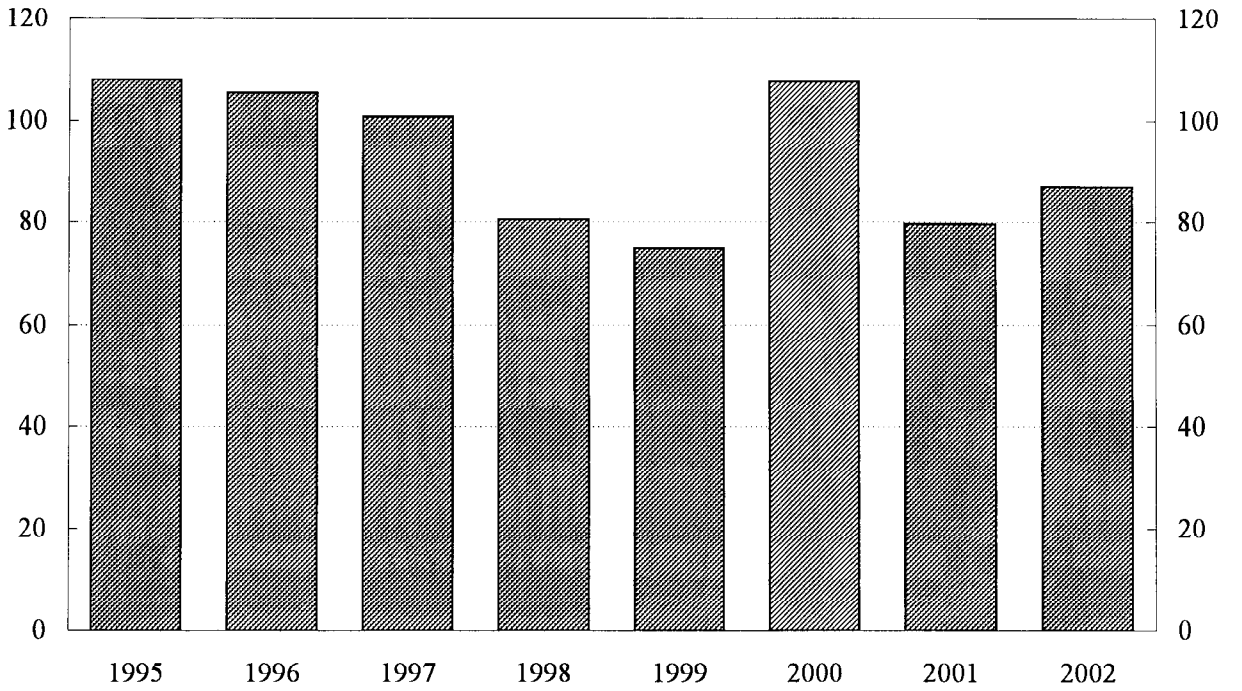
Sources: Berne Union, and IMF staff estimates.

Note: The figures represent agencies' exposure in billions of U.S. dollars.

1/ Berne Union reporting agencies.

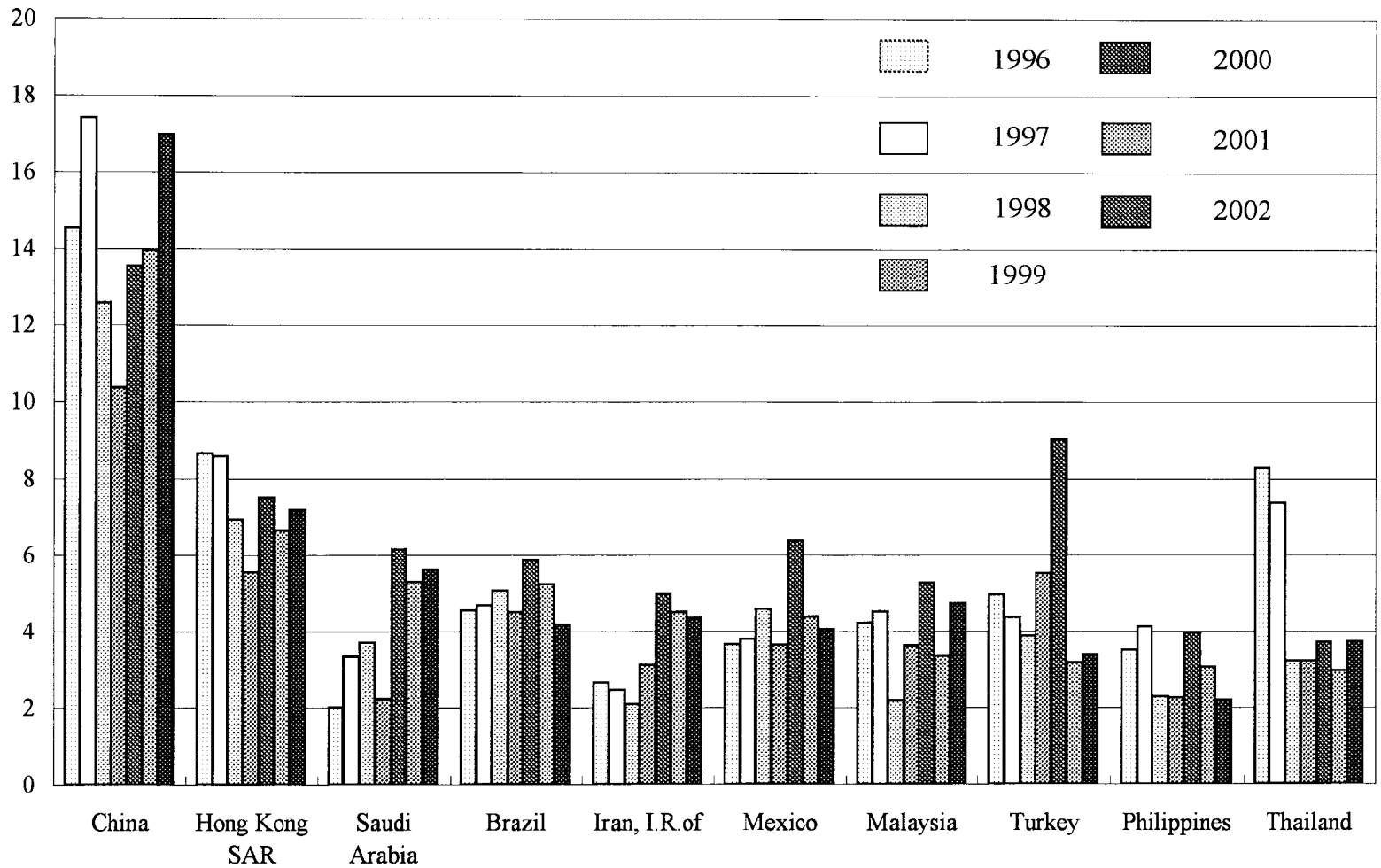
2/ Data for 2002 include IMF staff estimates of rescheduled amounts originating from commitments to the former Soviet Union.

Figure 2.3. Officially Supported Export Credits: New Commitments
(Billions of U.S. dollars)



Source: Berne Union.

Figure 2.4. New Export Credit Commitments in Selected Major Markets, 1996 - 2002
(Billions of U.S. dollars)



Sources: Berne Union, and IMF staff estimates.

Export credits accounted, on average, for about 25 percent of the total external debt of the main recipients of export credits by the end of 2001 (Figure 2.5). For several oil producing countries (Algeria, and the Islamic Republic of Iran), export credits represented more than half of their external debt. In the cases of Algeria and Nigeria, this represents long-standing rescheduled debt or arrears rather than recent new commitments. For other countries with a more diversified base of foreign financing, such as major Latin American and Asian countries, export credits represented less than 20 percent of their external debt.

B. Financial Performance of Export Credit Agencies

The financial performance of most ECAs, as measured by net cash flow (the sum of premium income and recoveries minus claim payments), improved significantly during 2000–02 (Figure 2.6; data for 2002 are not yet available).[5] The net cash flow of the Berne Union members has been in surplus since 1996, following negative balances since 1981. The surplus increased from $2.9 billion in 1999 to an average of about $6 billion in 2001–02 . The improvement of the net cash flow during 2000–01 was mainly due to the increase in recoveries, and the decline in the payments of claims. A sharp increase in recoveries in 2001 reflected the payments made by Nigeria in the context of the Paris Club rescheduling, as well as continued payments by other countries that rescheduled their debt with the Paris Club in the past (e.g., Russia).

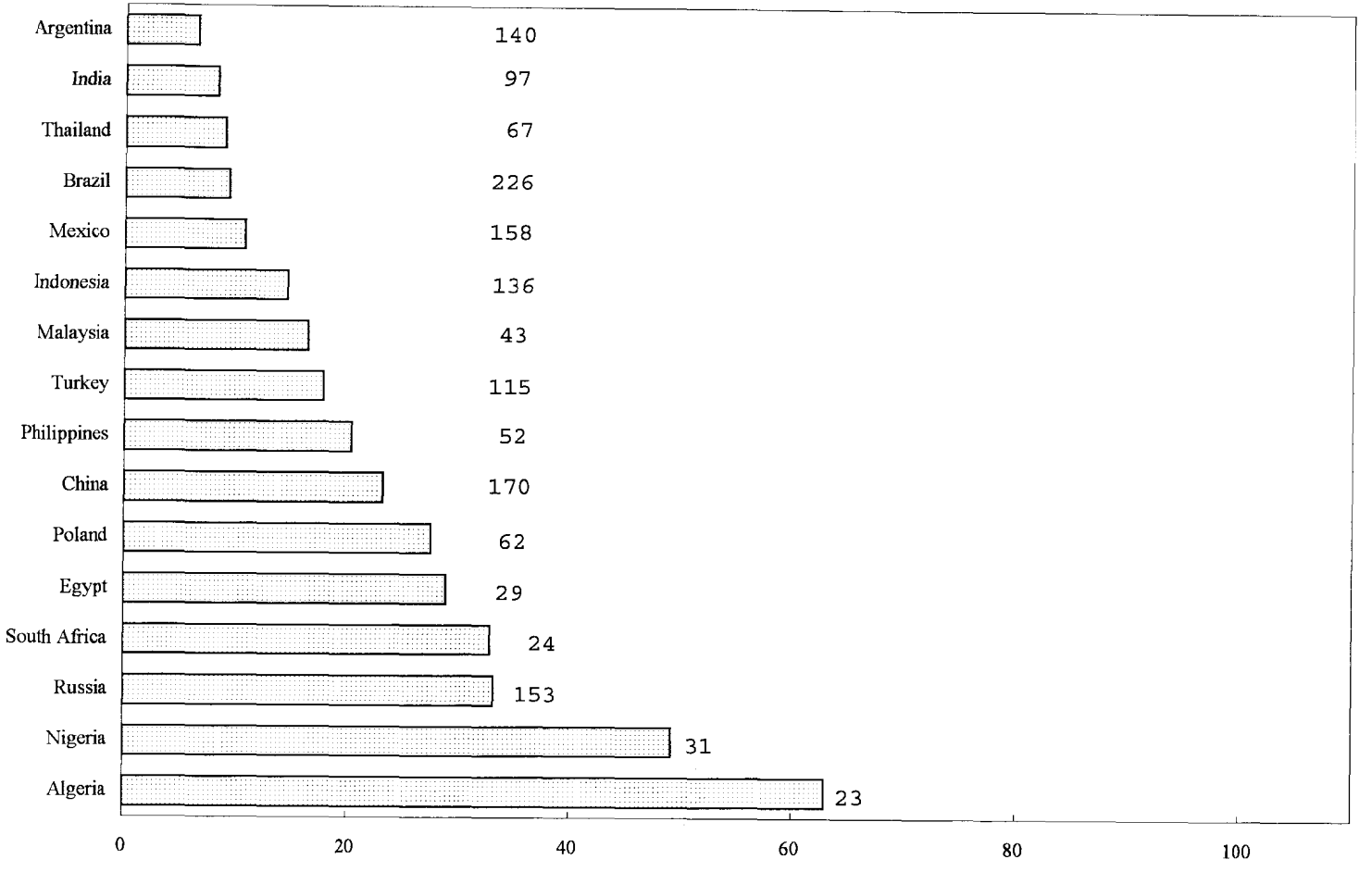
C. New Commitments and Cover Policy for Selected Countries

The export cover policy of ECAs can vary from very cautious to very active, and significantly affects new commitments to specific countries. Business demand for insurance cover has an impact on cover policy, as rising business opportunities in a country may stimulate ECAs' commercial interests and encourage them to adopt an active policy stance. The macroeconomic situation of the country to be covered, the economic policies of its government, and its payments record will also affect cover policies.

ECAs' cover policies to Asian markets were generally positive during 2001–02. For China, the largest recipient of new commitments, all agencies remained open for business, generally without restrictions. New commitments rose sharply to about $17 billion in 2002, building on the recovery since 2000. As agencies' payments experience was generally positive, they were open for short-, medium-, and long-term business with bank or sovereign guarantees. New commitments to Hong Kong SAR, Indonesia, Malaysia, and Thailand followed a similar trend: new commitments increased, in some cases quite strongly in 2002 (e.g., Malaysia), but

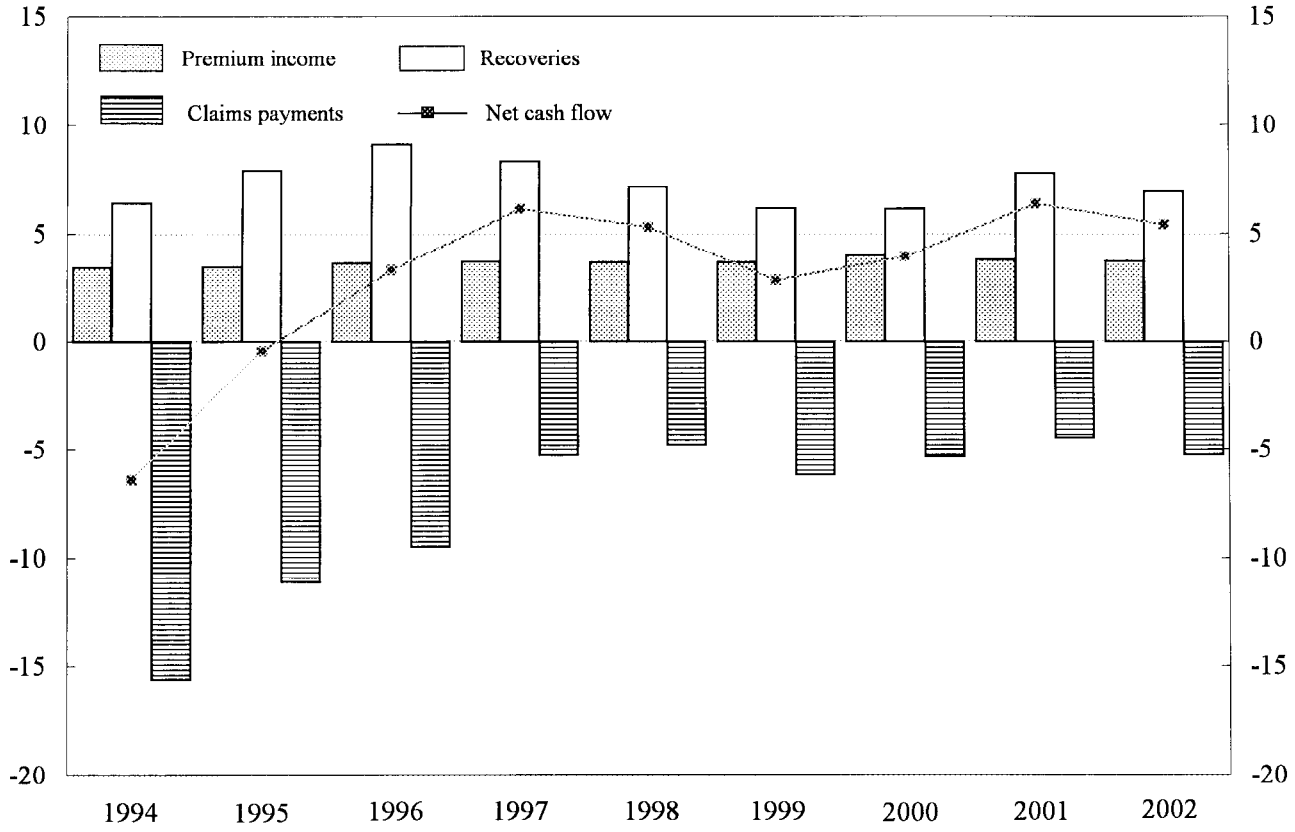
[5]Accounting practices of agencies differ, and only net cash flow data—not accrual data—are available on a consistent basis from all ECAs. Assessing the financial position of ECAs on an accrual basis requires, among other steps, estimating the expected recovery of claims and provisioning for possible eventual losses. An increasing number of agencies have moved toward more sophisticated accounting systems, but interagency comparisons remain extremely difficult, given agencies' different accounting practices.

Figure 2.5. Main Recipients of Export Credits Among Developing Countries and Countries in Transition, 2001 1/
(Percent share of export credits in total external debt)



Sources: Berne Union, and IMF staff estimates.
Note: The figures represent total external debt in 2001, in billions of U.S. dollars.
1/ Data for stocks of debt of the Islamic Republic of Iran and Iraq are not available or could not be reconciled.

Figure 2.6. Export Credit Agencies: Premium Income, Recoveries, Claims, and Net Cash Flow 1/
(Billions of U.S. dollars)



Source: Berne Union.

1/ Medium-, Long-term and Short-term Committees' data only. Investment Committee's data are not included.

fell in 2001. However, demand for export credit cover still remains fragile in several countries. Many agencies reported arrears and restructuring operations in Indonesia; hence, cover policies remained restrictive. New commitments to Thailand declined sharply in 1998 due to the Asian crisis, and remained at relatively low levels since then. New commitments to the Philippines fell by over 20 percent each year in 2001–02, following a surge in 2000 on account of investments in mobile telephone operations.

The ECAs significantly tightened their cover policy in major Latin American markets during 2001–02. New commitments to Brazil declined by 11 percent and 20 percent, respectively, in 2001 and 2002, as the country's financial crisis deepened. New commitments to Argentina halved to $1 billion in 2001 and almost came to a halt in 2002, falling to only $0.2 billion. Reflecting Argentina's financial difficulties, arrears and overdue claims began to accumulate in the second quarter of 2001, leading many ECAs to tighten their cover policy in the middle of 2001. Participants in the export credit arrangement (OECD consensus) downgraded the country risk category for Argentina to 7 (the worst). While ECAs remained open for business, generally without restriction, in Mexico, new commitments declined in 2001–02 in part on account of concerns about the financial stability in the region.

With the strong economic recovery in Russia, ECAs eased their cover policy and new commitments increased during 2000–02. The large increase in the second quarter of 2000 was related to the gas pipeline project under the Black Sea extending from Russia to Turkey. New commitments to Poland and Romania increased in 2002, but fell in the Czech Republic and the Slovak Republic.

New commitments to Turkey swung erratically during 2000–02: after a 63 percent increase in 2000, they fell by 65 percent in 2001 and remain little changed in 2002. The surge of commitments in 2000 was partly due to investment activity following the earthquake of 1999, while the subsequent decline reflected the effect of the financial crisis at the end of 2000 and the resulting economic slowdown. New commitments to The Islamic Republic of Iran increased markedly in 2000 and remained at relatively high levels in 2001–02, as several agencies eased their cover policy on account of improved diplomatic relations between The Islamic Republic of Iran and some European countries and demand for export credit for oil-related projects. As a result of high oil prices, new commitments to Saudi Arabia rose by 176 percent in 2000, with continued high levels of commitments in 2001–02. New commitments to Algeria increased by 52 percent and 18 percent, respectively, in 2000 and 2001, and remained at about $1.5 billion in 2002 due to large gas and oil projects. In contrast, new commitments to Egypt and Tunisia declined during 2000–01, but recovered somewhat in 2002.

D. Institutional Changes

In November 2001, the members of the OECD Working Party on Export Credits and Credit Guarantees (ECG) agreed on a recommendation to improve transparency by reporting on the environmental effects of projects financed by export credits. The discussions on this subject

in the ECG started in 1998. With the 2001 recommendation, the members are expected to identify and evaluate the environmental impact of projects.

In July 2001, in support of the HIPC Initiative, the members of the ECG adopted a Statement of Principles designed to discourage the provision of officially supported credits for "unproductive" expenditures in HIPCs. Unproductive expenditure generally refers to transactions that are not consistent with countries' poverty reduction and debt sustainability strategies and do not contribute to their social and/or economic development. The members of the ECG agreed to review their commitments to HIPCs on an annual basis. During 2002, official ECAs committed some $2.4 billion to HIPCs, with roughly $1.1 billion provided to Vietnam.[6] Other major HIPC recipients of export credit in 2001–02 include Angola, Cameroon, Ghana, and Kenya.

In December 2000, the members of the ECG adopted the Action Statement on bribery and officially supported export credits. The Action Statement calls for members to take appropriate measures to deter bribery related to officially supported export credits, and to take appropriate action in cases where bribery is found to be involved in the awarding of an export contract. The ECG will review periodically actions taken by the members pursuant to the Action Statement.

As regards changes in individual ECAs, in April 2001, the export insurance division of the Japanese Ministry of Economy, Trade, and Industry was transformed into an independent agency, called Nippon Export and Investment Insurance (NEXI). In November 2001, China Export and Credit Insurance Corporation (Sinosure) was founded, combining the business and personnel of the export credit insurance department of the People's Insurance Company of China (PICC) and China Exim Bank.

E. Trade Financing in Financial Crises

Virtually all recent financial crises in emerging market economies were associated with a sharp contraction in imports and exports. While import contraction could be caused by factors other than the availability of external financing, such as exchange rate depreciation, weak domestic demand, or insolvency problems in local banks and the corporate sector, declines in trade financing could have depressed exports and other activities that depended on imported inputs, exacerbating recession in crisis countries. The bulk of the trade financing to emerging market economies is provided by the private sector in the form of bank financed (short-term) credit but official ECAs also play an important role in providing insurance, particularly for medium- and long-term projects. The demand for ECAs' insurance is a derived demand from exporters, importers, and banks involved in trade finance. ECAs'

[6] Vietnam's external debt is expected to be sustainable after full use of traditional debt relief mechanisms, and, therefore, the country would not require debt relief under the HIPC Initiative.

operations during financial crises thus reflect their own policies in granting insurance cover and business demand in crisis countries.

Available evidence from recent financial crises appears to suggest that ECAs responded to crises procyclically. New commitments by official ECAs typically fell during financial crises but the extent and duration of the decline appear to be related to the duration of a crisis and whether there had been accumulation of arrears (see Box 2.2). A short crisis in the absence of arrears brings about a fast recovery of new ECA commitments as suggested by the cases of Brazil (1999), Malaysia (1997), and the Philippines (1997/98), whereas a protracted crisis in the presence of large arrears discourages new ECA commitments as suggested by the cases of Argentina (2002) and Indonesia (1997/98). Consistent with these observations, a study found that the 1997 crisis in South East Asia was neither caused by ECAs, nor did their subsequent actions contribute to a recovery.[7]

It is worth noting that country authorities attempted to address the sudden loss of access to trade financing during financial crises, often with international support. As summarized in Box 2.3, the central banks of Brazil, Indonesia, and Korea launched facilities to support exports and imports, with foreign funding in the cases of Indonesia and Korea. Korean commercial banks worked with the U.S. Ex-Im Bank, a key trading partner country, to enable local firms to import.

F. IFI Schemes to Support Trade Financing

International financial institutions (IFIs) have played an increasingly active role in the area of export credit insurance and finance. IFIs have supported programs fostering national and regional trade development in developing countries, with a variety of approaches. The World Bank's Multilateral Investment Guarantee Agency (MIGA) was created in 1988 to promote foreign direct investment into emerging economies by offering political risk insurance (guarantees) to investors and lenders. Other multilateral development banks also developed trade finance schemes to promote foreign trade in their member countries.[8] While many such schemes attempt to address political and/or commercial risks in the context of medium- and long-term project financing, several IFIs have set up trade finance facilities to address problems arising from financial crises as well as trade development problems (Table 2.1).

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[7] Stephens (1998).

[8] See Stephens and Smallridge (2002).

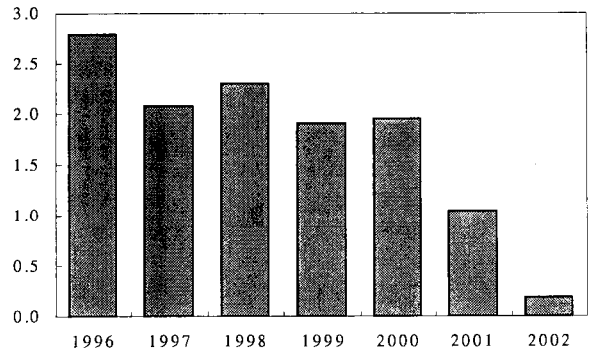
Box 2.2. New Commitments by Official Export Credit Agencies to Crisis Countries

The ECAs' policy to provide insurance cover or guarantee for exports is typically reviewed and adjusted in light of an importing country's economic situation, including business opportunities, government policies, and payment records. As illustrated below, new commitments by ECAs to crisis countries tend to be procyclical. The figures showing ECAs' new commitments are in billions of U.S. dollars.

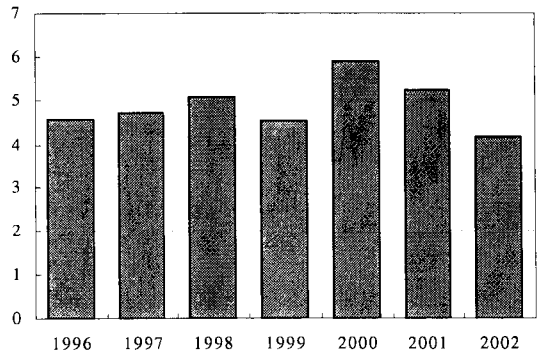
Argentina. As the crisis deepened and arrears accumulated, ECAs' new commitments declined for two consecutive years in 2001–02, and their total exposure is estimated to have fallen by $2.6 billion to $7.4 billion in 2002. Many ECAs tightened their cover policy substantially in the middle of 2001. The country risk for Argentina was downgraded by ECAs to 7 (the worst).

Brazil. At the height of the 1999 crisis, only one agency closed its business with Brazil, and a year later almost all ECAs were open for business without restrictions. Operations were hardly affected as the crisis was relatively short and there was no accumulation of arrears. New commitments fell in 2002 as the country ran into payment difficulties.

Argentina



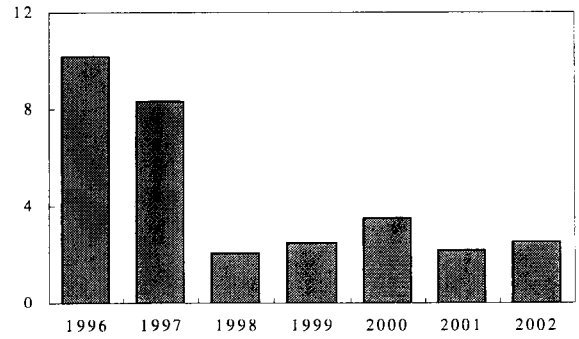
Brazil



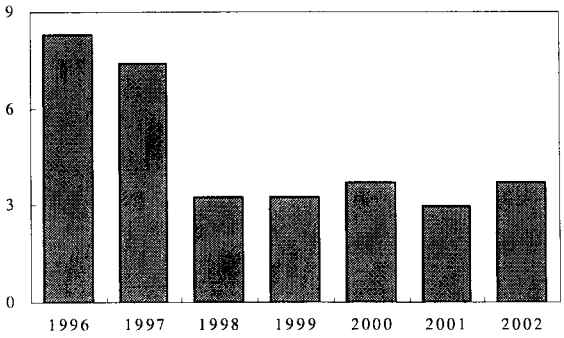
Indonesia. As the 1977/78 crisis persisted, many ECAs reported arrears and restructuring operations in Indonesia, hence cover policies remained restrictive, resulting in substantially lower levels of ECAs' commitments in 1999–2002 compared with precrisis levels.

Thailand. Demand for export credit cover remained fragile for Thailand after the Asian crisis. It is possible that the level of precrisis imports was inflated by overinvestment, leading to the apparent weak recovery to ECAs' commitments.

Indonesia



Thailand



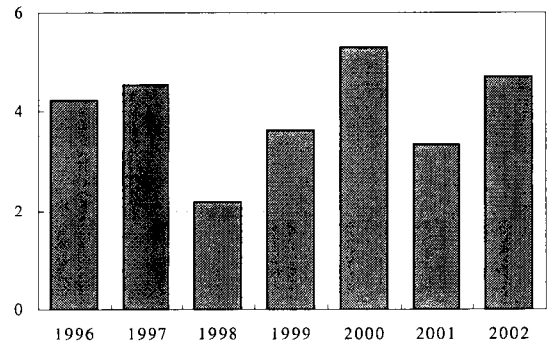
(Continued...)

Box 2.2. New Commitments by Official Export Credit Agencies to Crisis Countries (concluded)

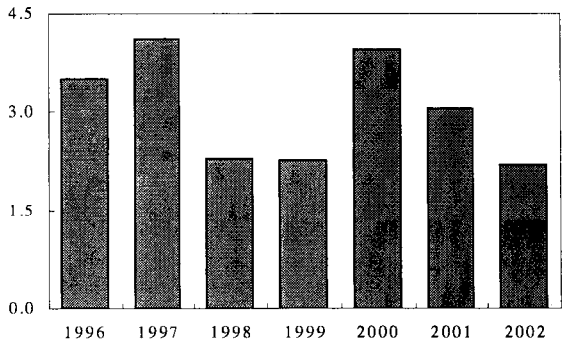
Malaysia. ECAs' commitments to Malaysia recovered rapidly after the Asian crisis reflecting relatively mild economic slowdown and no accumulation of arrears. The surge in new commitments in 2000 was related to specific investments and telecommunications projects.

Philippines. New commitments after the Asian crisis also recovered relatively quickly. The increase in 2000 reflected investments in mobile telephone operations.

Malaysia



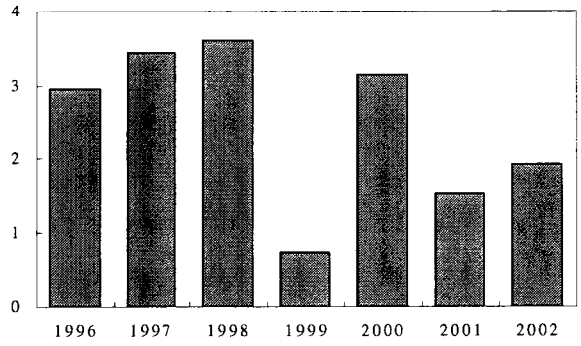
Philippines



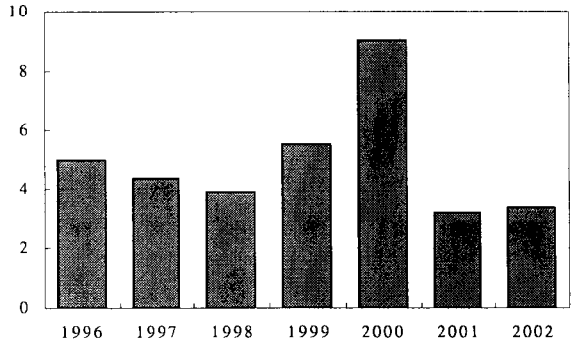
Russia. The 1998 default on external debt had a devastating effect on ECAs' new commitments in 1999. In mid-1998 all ECAs were open for business although many had already adopted a case-by-case approach. A year later, four ECAs suspended their business and the remaining adopted a cautious case-by-case approach. With the subsequent strong economic recovery, ECAs eased their cover policy and increased their operations but the level of new commitments has not recovered to pre-crisis level. The large increase in new commitments in 2000 was mainly related to the gas pipeline project under the Black Sea from Russia to Turkey.

Turkey. ECAs' operations to Turkey surged in 2000 largely reflecting investments in reconstruction following the earthquake of 1999, and fell sharply in 2001 as a result of the financial crisis at the end of 2000 and the resulting economic slowdown.

Russia



Turkey



Box 2.3. Recent Approaches to Support Trade Financing in Financial Crisis

Three schemes implemented by crisis country authorities to mitigate the loss in trade financing to importers and exporters in their countries are worth mentioning.

Indonesia

At the height of the 1997–98 crisis, Indonesia established two facilities to help export-oriented firms finance imported inputs. This was in addition to trade facilities under the Frankfurt agreement of June 4, 1998.[1] Bank Indonesia (BI) deposited reserves of $1 billion in banks abroad to guarantee letters of credit issued by Indonesian banks. The Export-Import Bank of Japan (JEXIM) also provided funding via Bank Indonesia to guarantee payment of letters of credit issued by Indonesian banks. Bank Indonesia also agreed to maintain a minimum foreign exchange balance no less than the amount of actual and contingent liabilities of the foreign banks related to letters of credit issued by Indonesian local banks. According to an IMF staff assessment in 1999, the Bank Indonesia scheme was relatively successful but guaranteed mostly imports by public entities, while the JEXIM scheme was hardly used initially because it had less attractive terms than the Bank Indonesia scheme. Despite these efforts, trade financing plummeted. The lack of financing for trade activities may have reflected the difficult situation of Indonesia's domestic banks, which may have been using all their liquidity to cover losses associated with negative spreads and large nonperforming loans.

Korea

Immediately after the outbreak of the 1997 financial crisis, as trade financing provided by the Korean banking sector fell abruptly, the Bank of Korea set up facilities with total funding of $2.3 billion from its official foreign exchange reserves. Of this amount, $2 billion were used for payment of imports of raw materials, and $0.3 billion for the purchase of export bills of exchange from export companies. The role of the Bank of Korea was restricted to providing financial support to banks that handled trade financing.[2]

During 1998, the U.S. Ex-Im Bank provided insurance to letters of credit issued by several Korean banks to enable Korean firms to import from the United States. The U.S. Ex-Im Bank supported about $1 billion out of the total of $16 billion U.S. exports to Korea in 1998. The prompt action by the U.S. Ex-Im Bank sent a positive signal to financial markets on the Korean market's financial viability despite its temporary difficulties.[3]

Brazil

In August 2002, the Brazilian central bank announced that it would provide about $1 billion in foreign exchange from its reserves to meet the demand for export finance. The credit lines had a 90- to 180-day maturity and carried a market-determined interest rate. The central bank decided to auction the $1 billion through the end of 2002, to offset in part the reduction in external trade credit lines by foreign banks to Brazilian exporters. From August 23 to October 18, 2002, the central bank provided $1.5 billion in trade credits. The central bank announced on November 11 that it would stop financing exports as trade financing seemed to be normalizing, but it would be vigilant in monitoring trade financing conditions and it could still intervene if market conditions deteriorated.

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[1] The agreement, signed between Indonesia and the Bank Steering Committee representing foreign creditor banks, had three main elements: (1) a voluntary program that created a framework for the restructuring of the external debt of the Indonesian private sector to creditor banks and provided debtors and creditors with foreign exchange rate protection; (2) a scheme under which obligations owed by Indonesian domestic banks to foreign banks were exchanged for new loans with tenors of up to four years; and (3) an arrangement on the maintenance of trade credit wherein foreign banks were asked to maintain their exposure in letters of credit at the level of end-April 1998.

[2] Information provided by the Bank of Korea.

[3] See Hufbauer and Goodrich (2002), p. 2.

Table 2. 1. Selected Trade Finance Facilities of International Financial Institutions

	International Finance Corporation	Asian Development Bank		European Bank for Reconstruction and Development	Inter-American Development Bank
		(1)	(2)		
Name of facility	Trade Finance Facility.	Export Financing Facility.	Small/Medium Enterprises Trade Enhancement Facility.	Trade Facilitation Program.	International Trade Finance Reactivation Program.
Key objectives	Address the shortages of trade finance resulting from the cutback in credit lines being offered to crisis country banks.	Provide credit to private exporters suffering currency turmoil.	Increase access of small and medium-sized enterprises and emerging exporters to trade finance.	Promote foreign trade.	Help countries suffering recent economic crises to resume growth.
Mode of operation	Direct credit to private commercial banks that are major players of foreign trade finance.	In the case of Thailand, loan to the Ex-Im Bank of Thailand for on-lending to Thai banks.	In the case of Pakistan, loan to the State Bank of Pakistan for a foreign exchange-based trade finance facility; partial risk guarantee.	Short-term loan to local banks for on-lending to local exporters and importers; and EBRD guarantees (stand-by letter of credit).	Loans and guarantees to the private sector.
Terms of financing	Short-term (360 days) market rates.	5 years, 1½ years grace, cost plus 1 percent.	Market rates.	Short-term (180–360 days) market rates.	Credit lines as short as 160 days, market rates.
Sector targeted	Export sector (pre- and post-shipment).	Export sector (pre- and post-shipment).	Small and medium-sized exporters.	Export and import sectors (pre- and post-shipment and working capital for trade).	Export and import sectors.
Recent cases	Brazil (2002–03).	Thailand (1998).	Pakistan (2002).	27 Commonwealth of Independent States and Eastern European Countries.	$1 billion program approved in March 2003.

Sources: Websites of international financial institutions.

During the Asian crisis, the Asian Development Bank (AsDB) provided loans to Thailand for on-lending to local banks who would in turn provide working capital to small and medium-sized enterprises in order to enable them to continue exporting. More recently, the AsDB also supported trade financing facilities in Pakistan to cope with the difficulties in the aftermath of the war in a neighboring country. In response to the shortages of liquidity in Brazil's export sector as foreign banks cut back their trade credit lines to Brazilian financial institutions, the International Finance Corporation (IFC) of the World Bank Group began in 2002 to extend credit to Brazilian banks that were major players in the country's trade finance sector. Preliminary assessment suggests that the IFC-supported trade finance facilities have been successful in convincing international banks to re-extend trade finance that had been withdrawn and thus contributed to the government's crisis resolution efforts. The Trade Facilitation Program of the European Bank for Reconstruction and Development (EBRD) includes guarantees for import- and export-related transactions, as well as financing to banks for on-lending to traders. Thus far, the EBRD has provided, under the TFP, guarantees totaling over $1 billion to foreign banks to support their trade credit lines to local banks in development member countries.

III. Financing From Multilateral Institutions

A. Lending by Multilateral Development Banks

Gross multilateral development bank (MDB) lending to developing countries remained relatively flat over the latter half of the 1990s and through 2001 (Table 3.1). Lending did increase briefly, in 1998, as MDBs expanded financing to Brazil following its crisis. This trend of MDB gross financing is reflected in the nearly constant share of MDB disbursements in total disbursements to developing countries. However, unlike trends in gross financing over 1998–2001, net financing to developing countries exhibited a much lumpier pattern mainly on account of repayments to MDBs following the Asian and Russian crises, namely by Korea. Overall, the pattern of MDB lending to all developing countries reflected that of middle-income countries (Table 3.2).

MDB lending remained the dominant source of financing for low-income countries and HIPCs. Gross financing to low-income countries fell between 1998 and 2001, while such lending to HIPCs rose, although it remained below levels reached in the early 1990s. Net financing to low-income countries fell moderately between 1998 and 2001, from $7 billion to $5 billion. For HIPCs as a group, net disbursements from MDBs rose slightly over the period, although the average level in 1998–2001 was lower than that throughout the 1990s. The increase was primarily due to increases in net disbursements to Ethiopia, Senegal, Uganda, and Vietnam.

Table 3.1. Developing Countries: Gross and Net Disbursements on Public External Debt 1/

	Gross Disbursements								Net Disbursements							
	Annual averages								Annual averages							
	1985-89	1990-95	1996	1997	1998	1999	2000	2001	1985-89	1990-95	1996	1997	1998	1999	2000	2001
	(Billions of U.S. dollars)															
All developing countries 2/	103.7	127.6	164.3	193.1	198.9	161.5	158.0	157.4	38.7	42.7	38.1	57.8	80.7	20.3	10.8	12.2
Multilateral	25.6	40.7	42.2	64.2	75.1	52.7	44.8	66.0	9.1	16.9	13.7	35.9	46.5	6.1	0.5	28.8
IMF	4.7	11.4	8.7	23.2	29.1	14.7	10.1	31.3	-3.2	4.1	1.0	14.7	19.2	-12.6	-10.8	13.4
Other	20.9	29.4	33.6	40.9	46.0	38.0	34.7	34.7	12.2	12.8	12.6	21.2	27.3	18.7	11.2	15.3
Official bilateral	22.2	25.1	22.3	24.9	21.8	23.3	19.0	17.0	11.4	10.1	-10.2	-6.9	-3.4	-2.3	-7.0	-7.9
Private	55.9	61.8	99.8	104.0	102.0	85.5	94.2	74.4	18.3	15.7	34.6	28.8	37.6	16.5	17.3	-8.7
Middle-income countries 3/	76.6	98.2	134.6	159.9	158.7	134.1	130.9	137.3	24.1	30.9	33.7	48.0	61.2	14.3	5.9	13.4
Multilateral	15.9	26.8	28.1	47.9	55.9	37.2	32.2	53.2	3.7	9.3	8.3	27.1	33.9	-2.2	-4.4	24.9
IMF	3.5	8.8	6.4	18.7	21.6	11.0	7.9	29.1	-1.8	3.5	0.8	11.9	13.3	-14.3	-10.8	14.7
Other	12.4	18.0	21.7	29.2	34.4	26.2	24.3	24.1	5.5	5.8	7.5	15.3	20.6	12.1	6.4	10.1
Official bilateral	14.1	17.2	15.7	17.8	13.3	15.6	13.6	12.7	6.0	6.6	-10.0	-6.0	-5.3	-4.9	-6.3	-7.0
Private	46.6	54.2	90.8	94.2	89.5	81.3	85.1	71.4	14.4	15.0	35.4	26.9	32.6	21.4	16.6	-4.5
Low-income countries 4/	27.1	29.4	29.8	33.1	40.2	27.4	27.1	20.2	14.6	11.8	4.3	9.6	19.5	6.0	4.8	-1.1
Multilateral	9.7	13.9	14.2	16.3	19.2	15.4	12.7	12.8	5.4	7.6	5.3	8.7	12.6	8.3	4.9	3.9
IMF	1.2	2.5	2.2	4.6	7.6	3.7	2.2	2.2	-1.4	0.5	0.2	2.8	6.0	1.7	0.1	-1.3
Other	8.5	11.4	11.9	11.7	11.6	11.8	10.5	10.6	6.7	7.1	5.1	5.9	6.6	6.6	4.8	5.2
Official bilateral	8.1	7.9	6.6	7.1	8.5	7.7	5.4	4.4	5.3	3.5	-0.2	-0.9	1.9	2.6	-0.7	-0.9
Private	9.4	7.6	9.0	9.6	12.5	4.3	9.1	3.0	3.9	0.7	-0.8	1.8	5.0	-4.9	0.7	-4.2
Heavily indebted poor countries 5/	10.2	9.1	8.5	9.8	7.9	7.4	7.4	8.1	6.3	4.9	3.3	4.5	2.1	1.5	1.7	2.3
Multilateral	4.2	5.6	5.8	6.0	5.1	4.9	4.8	5.4	2.3	3.1	3.3	3.6	2.6	2.7	2.8	3.0
IMF	0.8	1.1	1.0	0.7	1.0	0.8	0.6	0.9	-0.3	0.1	0.3	0.0	0.2	0.2	0.0	0.0
Other	3.4	4.6	4.8	5.3	4.1	4.1	4.2	4.5	2.6	3.0	3.0	3.6	2.4	2.5	2.8	3.1
Official bilateral	3.8	2.2	1.4	1.1	1.6	1.2	1.4	1.2	3.0	1.4	0.1	0.0	0.2	-0.2	0.1	0.1
Private	2.2	1.3	1.3	2.7	1.2	1.3	1.2	1.5	1.1	0.4	0.0	0.9	-0.7	-0.9	-1.2	-0.8
Memorandum items																
	(Percent of total)															
All developing countries 2/																
Multilateral	24.6	31.7	25.7	33.2	37.8	32.6	28.4	41.9	23.6	39.9	35.9	62.1	57.6	30.0	4.5	236.6
IMF	4.5	8.4	5.3	12.0	14.6	9.1	6.4	19.9	-8.2	7.8	2.7	25.4	23.8	-62.0	-99.8	110.7
Other	20.1	23.3	20.4	21.2	23.1	23.5	22.0	22.0	31.8	32.1	33.2	36.7	33.8	92.0	104.3	125.9
Official bilateral	21.4	19.7	13.6	12.9	11.0	14.4	12.0	10.8	29.6	24.7	-26.8	-11.9	-4.2	-11.3	-64.9	-65.0
Private	53.9	48.6	60.7	53.9	51.3	53.0	59.6	47.3	46.8	35.3	90.9	49.9	46.6	81.3	160.4	-71.6
	(Billions of U.S. dollars)															
Private nonguaranteed debt 6/																
All developing countries 2/	7.4	36.9	90.3	114.0	122.0	116.0	109.0	121.0	-1.6	18.9	47.3	55.1	50.1	5.0	-3.0	-1.0
Middle-income countries 3/	4.9	30.3	74.0	97.7	116.0	112.0	105.0	117.0	-2.3	16.4	39.2	47.5	53.2	10.0	1.0	2.0
Low-income countries 4/	2.5	6.6	16.3	16.7	5.6	4.2	4.6	4.2	0.6	2.5	8.2	7.9	-3.4	-5.1	-3.2	-3.0
Heavily indebted poor countries 5/	0.5	0.4	0.9	0.5	0.4	0.7	1.0	0.5	0.0	0.0	0.4	-0.1	-0.1	-0.1	0.1	-0.3

Sources: World Bank, Debtor Reporting System and *Global Development Finance;* and IMF, *International Financial Statistics*.

1/ Disbursements on medium- and long-term public and publicly guaranteed debt, including to the IMF. Differences in coverage and definitions make the World Bank data presented in this table incompatible with OECD data. GDF aggregate estimates are used.

2/ A group of 150 countries covered by the GDF. Of these, 138 report to the DRS, while World Bank estimates are used for the others.

3/ A group of 87 countries covered by the GDF for which 2001 GNI per capita was between $746 and $9,205 as calculated by theWorld Bank; 77 countries report to the DRS, and World Bank estimates are used for the others.

4/ A group of 63 countries for which 2001 GNI per capita was no more than $745 as calculated by the World Bank. Of these, 61 report to the DRS.

5/ A group of 42 countries.

6/ Not all countries report their private nonguaranteed debt to the DRS; World Bank estimates are used where this type of debt is not reported but known to be significant.

Table 3.2. Selected Countries: Gross and Net Disbursements on Public External Debt 1/

	Gross Disbursements						Net Disbursements					
	1996	1997	1998	1999	2000	2001	1996	1997	1998	1999	2000	2001
	(Billions of U.S. dollars)											
Middle-income countries 2/	134.6	159.9	158.7	134.1	130.9	137.3	33.7	48.0	61.2	14.3	5.9	13.4
Multilateral	28.1	47.9	55.9	37.2	32.2	53.2	8.3	27.1	33.9	-2.2	-4.4	24.9
IMF	6.4	18.7	21.6	11.0	7.9	29.1	0.8	11.9	13.3	-14.3	-10.8	14.7
Other	21.7	29.2	34.4	26.2	24.3	24.1	7.5	15.3	20.6	12.1	6.4	10.1
Official bilateral	15.7	17.8	13.3	15.6	13.6	12.7	-10.0	-6.0	-5.3	-4.9	-6.3	-7.0
Private	90.8	94.2	89.5	81.3	85.1	71.4	35.4	26.9	32.6	21.4	16.6	-4.5
Thailand	2.6	10.6	5.6	4.3	3.0	2.3	1.3	9.4	4.6	1.9	-0.2	-2.5
Multilateral	0.3	3.5	1.8	1.4	0.8	0.5	0.0	3.3	1.6	1.1	-0.2	-1.1
IMF	0.0	2.5	0.7	0.3	0.0	0.0	0.0	2.5	0.7	0.3	-0.2	-1.3
Other	0.3	1.1	1.1	1.1	0.8	0.5	0.0	0.8	0.9	0.8	0.0	0.2
Official bilateral	1.1	5.5	0.7	2.0	1.4	1.5	0.4	5.1	0.2	1.5	0.5	-0.1
Private	1.3	1.5	3.1	0.9	0.9	0.4	0.9	1.0	2.8	-0.6	-0.5	-1.3
Mexico	23.0	15.3	13.2	11.1	20.6	15.7	0.7	-10.1	0.5	-3.8	-1.7	-1.9
Multilateral	2.1	1.5	1.9	2.7	3.7	1.4	-1.7	-3.6	-0.8	-4.1	-3.6	-0.3
IMF	0.0	0.0	0.0	1.4	1.2	0.0	-2.1	-3.4	-1.1	-3.7	-4.3	0.0
Other	2.1	1.5	1.9	1.3	2.5	1.4	0.4	-0.1	0.3	-0.4	0.7	-0.3
Official bilateral	0.4	0.2	0.3	0.2	0.3	0.2	-8.0	-4.5	-1.1	-1.3	-1.2	-0.4
Private	20.5	13.6	11.0	8.2	16.6	14.1	10.3	-2.1	2.4	1.5	3.1	-1.2
Philippines	3.2	3.9	3.4	7.8	4.1	4.1	0.3	1.8	1.3	4.6	1.6	0.6
Multilateral	0.7	1.3	1.4	0.7	0.7	0.4	-0.2	0.5	0.7	0.0	0.1	-0.1
IMF	0.0	0.7	0.7	0.3	0.3	0.0	-0.3	0.5	0.7	0.3	0.3	0.0
Other	0.7	0.6	0.7	0.3	0.4	0.4	0.1	0.0	0.1	-0.3	-0.2	-0.1
Official bilateral	0.9	1.2	0.8	1.3	1.2	0.6	-0.2	0.0	-0.1	0.2	0.2	-0.2
Private	1.7	1.4	1.3	5.8	2.2	3.0	0.7	1.2	0.6	4.4	1.3	0.8
Russia	10.2	9.0	20.9	2.7	1.0	0.7	7.1	7.1	16.2	-3.5	-3.8	-7.3
Multilateral	5.0	4.8	7.5	1.2	0.6	0.4	4.1	4.2	6.5	-3.2	-2.6	-3.8
IMF	3.8	2.0	6.2	0.6	0.0	0.0	3.2	1.5	5.3	-3.6	-2.9	-3.8
Other	1.2	2.8	1.3	0.6	0.6	0.4	0.9	2.7	1.2	0.4	0.3	0.1
Official bilateral	2.9	0.3	0.9	0.7	0.2	0.1	2.7	0.0	-0.2	0.2	-0.7	-1.4
Private	2.4	3.9	12.5	0.8	0.3	0.2	0.2	2.9	9.9	-0.5	-0.5	-2.1
Korea, Republic of	7.1	26.1	20.5	8.7	4.5	1.9	3.3	23.3	14.9	-20.8	-9.8	-9.0
Multilateral	0.2	16.5	12.8	1.6	0.0	0.0	-0.3	16.0	9.7	-9.5	-0.2	-5.9
IMF	0.0	11.3	7.9	0.5	0.0	0.0	0.0	11.3	5.2	-10.3	0.0	-5.7
Other	0.2	5.2	4.8	1.1	0.0	0.0	-0.3	4.7	4.5	0.8	-0.2	-0.2
Official bilateral	0.0	0.0	1.0	3.5	1.5	0.1	-0.2	-0.2	1.0	2.5	0.9	-0.1
Private	6.9	9.6	6.7	3.7	3.0	1.8	3.8	7.5	4.2	-13.8	-10.4	-3.0
Brazil	10.2	10.5	24.3	20.8	17.3	22.6	2.7	-0.3	12.0	0.5	-6.7	9.4
Multilateral	2.3	2.7	11.6	10.6	4.5	9.4	0.7	1.4	10.3	6.1	-6.5	8.2
IMF	0.0	0.0	4.6	6.1	0.0	6.7	-0.1	0.0	4.6	4.1	-6.7	6.7
Other	2.3	2.7	7.0	4.5	4.5	2.7	0.7	1.4	5.7	1.9	0.2	1.5
Official bilateral	0.9	0.3	2.5	1.2	0.8	1.7	-1.5	-2.6	-0.9	-1.6	-2.0	1.2
Private	7.0	7.5	10.1	9.0	12.0	11.5	3.5	0.9	2.6	-4.0	1.8	-0.1
Memorandum items												
Indonesia 3/	7.5	9.3	13.2	7.5	4.8	2.7	-0.6	3.6	9.0	2.0	0.9	-2.2
Multilateral	1.7	4.6	8.1	3.9	2.9	1.5	-1.3	3.0	7.2	2.9	1.8	-1.4
IMF	0.0	3.0	5.8	1.4	1.1	0.4	0.0	3.0	5.8	1.4	1.1	-1.4
Other	1.7	1.6	2.4	2.6	1.8	1.1	-1.3	-0.1	1.4	1.5	0.6	0.0
Official bilateral	2.3	2.4	2.9	3.3	1.7	1.0	0.5	0.6	1.3	2.0	1.2	0.7
Private	3.6	2.3	2.2	0.3	0.3	0.2	0.2	0.1	0.6	-2.8	-2.0	-1.4

Sources: World Bank, Debtor Reporting System and *Global Development Finance;* and IMF, *International Financial Statistics.*

1/ Disbursements on medium- and long-term public and publicly guaranteed debt, including to the IMF. Differences in coverage and definitions make the World Bank data presented in this table incompatible with OECD data.

2/ A group of 87 countries covered by the GDF for which 2001 GNI per capita was between $746 and $9,205 as calculated by the World Bank; 77 countries report to the DRS, and World Bank estimates are used for the others.

3/ Indonesia was reclassified as a low-income country by the World Bank in 2000.

Table 3.3. Developing Countries: Gross and Net Disbursements from Multilateral Institutions By Region 1/

	Gross Disbursements								Net Disbursements							
	Annual average								Annual average							
	1985-89	1990-95	1996	1997	1998	1999	2000	2001	1985-89	1990-95	1996	1997	1998	1999	2000	2001
	(Billions of U.S. dollars)															
All developing countries 2/	25.6	40.7	42.2	64.2	75.1	52.7	44.8	66.0	9.1	16.9	13.7	35.9	46.5	6.1	0.5	28.8
IMF	4.7	11.4	8.7	23.2	29.1	14.7	10.1	31.3	-3.2	4.1	1.0	14.7	19.2	-12.6	-10.8	13.4
Other	20.9	29.4	33.6	40.9	46.0	38.0	34.7	34.7	12.2	12.8	12.6	21.2	27.3	18.7	11.2	15.3
Sub-Saharan Africa	4.4	5.8	4.8	6.2	5.1	3.7	3.7	4.0	2.1	3.1	2.2	2.8	1.6	0.5	1.0	1.3
IMF	0.8	1.1	0.6	1.0	1.1	0.5	0.5	0.6	-0.4	0.3	0.0	-0.1	-0.4	-0.4	0.0	-0.5
Other	3.6	4.7	4.2	5.1	4.0	3.2	3.2	3.4	2.7	3.0	2.2	2.1	1.6	1.2	1.5	1.8
North Africa and the Middle East	2.2	3.3	4.6	4.8	3.6	3.2	1.8	2.6	1.0	1.2	1.7	1.2	0.5	0.3	-0.4	0.1
IMF	0.4	0.4	1.0	1.4	0.6	0.5	0.0	0.2	0.0	0.0	0.0	1.0	-0.1	-0.3	-0.2	-0.2
Other	1.8	2.9	3.6	3.4	2.9	2.7	1.8	2.4	1.0	1.2	1.7	0.2	0.6	0.6	-0.2	0.4
East Asia and the Pacific	4.2	5.7	6.4	17.8	18.2	9.3	8.4	6.1	2.3	2.4	1.6	15.6	15.0	6.0	4.1	-1.9
IMF	0.6	0.3	0.2	12.1	9.9	2.1	1.5	0.6	0.0	-0.3	0.0	11.9	9.6	1.9	1.2	-4.0
Other	3.6	5.4	6.2	5.7	8.3	7.3	6.9	5.5	2.3	2.7	1.6	3.7	5.4	4.1	2.9	2.1
South Asia	3.8	5.7	4.7	5.9	5.2	5.1	4.5	5.1	2.0	3.1	2.7	1.5	1.5	1.5	1.2	2.1
IMF	0.3	1.2	0.2	0.5	0.4	0.6	0.2	0.6	-0.9	0.1	0.0	-0.6	-0.6	-0.5	-0.3	0.2
Other	3.5	4.6	4.6	5.3	4.8	4.4	4.3	4.5	2.9	3.0	2.7	2.1	2.1	2.1	1.5	2.0
Western Hemisphere	8.7	13.1	11.1	16.1	26.9	23.2	17.1	29.9	2.2	3.2	2.6	1.1	14.6	0.6	-7.0	21.0
IMF	2.3	4.8	1.5	1.5	6.9	8.0	3.5	17.2	-1.1	1.5	0.0	-3.2	3.4	-6.4	-10.8	14.8
Other	6.4	8.3	9.6	14.6	20.0	15.2	13.6	12.7	3.2	1.7	2.6	4.3	11.2	6.9	3.8	6.3
Europe and Central Asia	2.2	7.2	10.6	13.4	16.1	8.0	9.2	18.4	-0.3	4.0	2.3	9.8	9.6	-4.0	1.3	6.3
IMF	0.2	3.6	5.2	6.6	10.2	2.9	4.4	12.2	-0.9	2.5	0.0	5.6	7.3	-6.9	-0.7	3.3
Other	2.1	3.5	5.4	6.8	5.9	5.1	4.9	6.2	0.6	1.5	2.3	4.2	2.3	2.9	2.0	3.1
	(Percent of total)															
Sub-Saharan Africa	17	14	11	10	7	7	8	6	23	18	16	8	3	7	214	5
North Africa and the Middle East	9	8	11	7	5	6	4	4	10	7	17	2	1	4	-58	1
East Asia and the Pacific	16	14	15	28	24	18	19	9	22	14	10	49	33	39	590	-1
South Asia	15	15	11	9	7	10	10	8	20	21	10	6	4	13	178	7
Western Hemisphere	34	31	26	25	36	44	38	45	30	13	4	2	37	38	-1015	63
Europe and Central Asia	9	17	25	21	21	15	21	28	-7	24	43	33	21	-1	191	26

Sources: World Bank, Debtor Reporting System and *Global Development Finance;* and IMF, *International Financial Statistics.*

1/ Disbursements on medium- and long-term public and publicly guaranteed debt, including to the IMF.

2/ See footnote 1 in Table 3.1.

The regional distribution of MDB lending reflected the factors discussed above (Table 3.3). However, it is worthwhile noting that gross disbursements to sub-Saharan Africa, while roughly constant on average over 1998–2001, were well below their average levels in the early 1990s and late 1980s. Net disbursements to this region increased in 2001 after declining between 1998 and 2000, but again were lower than levels achieved in the late 1980s and early 1990s. The Western Hemisphere region experienced the greatest volatility of MDB gross and net lending, with large swings throughout the second half of the 1990s through 2001. Lending to other regions stayed roughly flat, with the exception of East Asia in the crisis years.

Gross nonconcessional lending by MDBs was relatively constant over the latter half of the 1990s and into 2001, with a spike in 1998 associated with the Asian crisis (Table 3.4). Concessional lending, forming the majority of lending to low-income countries and HIPCs, fell between 1996 and 2000, before increasing in 2001. Net disbursement to these countries remained positive over the period and followed a similar pattern to gross lending, also increasing in 2001.

B. Lending by the IMF

Gross disbursements from the IMF to developing countries fluctuated dramatically from $29 billion in 1998 to substantially lower levels in 1999 and 2000, before increasing to $31 billion in 2001 (see Table 3.1). Most of the decline between 1998 and 2000 resulted from lower disbursements to middle-income countries and Indonesia,[9] as lending associated with the Asian, Russian, and Brazilian crises declined. Gross IMF financing to low-income countries also fell sharply over the period. This decline, both for middle- and low-income countries, was reversed in 2001, and was particularly striking for middle-income countries. Leading the reversal were new gross disbursements in 2001 to Argentina, Brazil, and Turkey.

Following the fluctuations in gross lending, net financing from the IMF also fluctuated significantly, turning sharply negative in 2000 mainly on account of repayments by Brazil to the IMF, and rising significantly in 2001 in line with the pattern of gross financing (see Table 3.2). Net financing to low-income countries fell considerably between 1998 and 2001, while for HIPCs, net disbursements declined between 1999 and 2000 and remained unchanged in 2001. Several HIPCs experiencing declines in net disbursements (e.g., Guinea, Honduras, Malawi, Nicaragua, and Rwanda) also had difficulties implementing their macroeconomic reform programs.

The regional distribution of IMF disbursements reflects the factors discussed above, particularly financing patterns associated with crises (see Table 3.3). Gross and net IMF lending to the East Asian region fell as crisis lending tailed off, from a peak of over $9 billion in 1998 to around $2 billion in 1999 and close to zero in 2001. Large swings also

[9] Indonesia was reclassified as a low-income country by the World Bank in 2000.

Table 3.4. Developing Countries: Gross and Net Disbursements from Multilateral Institutions by Concessionality 1/

	Gross Disbursements								Net Disbursements							
	Annual average								Annual average							
	1985-89	1990-95	1996	1997	1998	1999	2000	2001	1985-89	1990-95	1996	1997	1998	1999	2000	2001
	(Billions of U.S. dollars)															
All developing countries 2/	25.6	40.7	42.2	64.2	75.1	52.7	44.8	66.0	9.1	16.9	13.7	35.9	46.5	6.1	0.5	28.8
IMF	4.7	11.4	8.7	23.2	29.1	14.7	10.1	31.3	-3.2	4.1	1.0	14.7	19.2	-12.6	-10.8	13.4
Other	20.9	29.4	33.6	40.9	46.0	38.0	34.7	34.7	12.2	12.8	12.6	21.2	27.3	18.7	11.2	15.3
Concessional	6.0	9.1	11.0	10.2	10.2	9.7	8.7	10.2	4.9	7.5	8.5	7.6	7.3	6.8	5.5	6.5
IMF 3/	0.5	1.1	1.0	1.0	1.2	1.0	0.7	1.1	-0.1	0.8	0.3	0.2	0.4	0.2	-0.1	0.1
Other	5.5	8.0	10.0	9.2	8.9	8.7	8.1	9.1	4.9	6.7	8.2	7.4	6.9	6.6	5.6	6.4
Nonconcessional	19.6	31.7	31.3	54.0	64.9	42.9	36.1	55.9	4.2	9.4	5.1	28.3	39.2	-0.7	-5.0	22.3
Middle-income countries 4/	15.9	26.8	28.1	47.9	55.9	37.2	32.2	53.2	3.7	9.3	8.3	27.1	33.9	-2.2	-4.4	24.9
IMF	3.5	8.8	6.4	18.7	21.6	11.0	7.9	29.1	-1.8	3.5	0.8	11.9	13.3	-14.3	-10.8	14.7
Other	12.4	18.0	21.7	29.2	34.4	26.2	24.3	24.1	5.5	5.8	7.5	15.3	20.6	12.1	6.4	10.1
Concessional	1.3	2.3	3.0	2.6	2.5	2.7	1.9	1.9	0.9	1.8	2.3	1.8	1.6	1.7	0.7	0.7
IMF 3/	0.1	0.1	0.1	0.1	0.1	0.2	0.1	0.1	-0.1	0.1	0.0	0.0	-0.1	0.0	-0.1	-0.1
Other	1.3	2.1	3.0	2.5	2.4	2.5	1.8	1.8	1.1	1.7	2.3	1.9	1.6	1.7	0.8	0.8
Nonconcessional	14.6	24.6	25.1	45.3	53.4	34.6	30.3	51.3	2.7	7.5	6.1	25.3	32.4	-3.9	-5.1	24.1
Low-income countries 5/	9.7	13.9	14.2	16.3	19.2	15.4	12.7	12.8	5.4	7.6	5.3	8.7	12.6	8.3	4.9	3.9
IMF	1.2	2.5	2.2	4.6	7.6	3.7	2.2	2.2	-1.4	0.5	0.2	2.8	6.0	1.7	0.1	-1.3
Other	8.5	11.4	11.9	11.7	11.6	11.8	10.5	10.6	6.7	7.1	5.1	5.9	6.6	6.6	4.8	5.2
Concessional	4.6	6.8	8.0	7.6	7.7	7.1	6.9	8.4	3.9	5.8	6.3	5.8	5.8	5.2	4.8	5.8
IMF 3/	0.4	0.9	1.0	0.9	1.1	0.8	0.6	1.0	0.1	0.7	0.3	0.2	0.4	0.2	0.0	0.2
Other	4.2	5.8	7.0	6.7	6.6	6.3	6.3	7.3	3.8	5.0	6.0	5.6	5.3	5.0	4.9	5.7
Nonconcessional	5.0	7.1	6.2	8.7	11.5	8.3	5.7	4.5	1.5	1.8	-1.0	2.9	6.8	3.1	0.0	-1.9
Heavily indebted poor countries 6/	4.2	5.6	5.8	6.0	5.1	4.9	4.8	5.4	2.3	3.1	3.3	3.6	2.6	2.7	2.8	3.0
IMF	0.8	1.1	1.0	0.7	1.0	0.8	0.6	0.9	-0.3	0.1	0.3	0.0	0.2	0.2	0.0	0.0
Other	3.4	4.6	4.8	5.3	4.1	4.1	4.2	4.5	2.6	3.0	3.0	3.6	2.4	2.5	2.8	3.1
Concessional	2.7	4.2	5.1	4.7	4.7	4.6	4.3	5.1	2.3	3.7	4.0	3.7	3.5	3.5	3.1	3.6
IMF 3/	0.3	0.8	0.8	0.6	0.9	0.8	0.5	0.8	0.1	0.6	0.4	0.1	0.3	0.3	0.1	0.1
Other	2.4	3.5	4.2	4.1	3.9	3.8	3.7	4.3	2.2	3.0	3.7	3.6	3.1	3.1	3.0	3.5
Nonconcessional	1.5	1.4	0.7	1.3	0.4	0.3	0.5	0.3	0.0	-0.5	-0.8	-0.1	-0.9	-0.7	-0.4	-0.6
	(Percent)															
Concessional share in disbursements																
All developing countries 2/	23.2	22.6	26.0	15.9	13.5	18.5	19.5	15.4	58.4	47.7	62.4	21.1	15.6	112.0	1,133.0	22.6
Middle-income countries 4/	8.4	8.9	10.8	5.4	4.5	7.2	5.8	3.6	195.5	24.0	27.0	6.7	4.6	-77.2	-15.9	3.0
Low-income countries 5/	48.6	48.4	56.4	46.8	40.2	46.2	54.6	65.3	73.7	77.4	118.5	66.4	45.8	62.1	99.0	149.7
Heavily indebted poor countries 6/	63.3	75.3	88.1	78.7	92.5	93.7	89.4	95.3	100.3	116.6	123.1	102.2	134.9	126.5	112.9	119.0

Sources: World Bank, Debtor Reporting System and *Global Development Finance;* and IMF, *International Financial Statistics*.

1/ Disbursements on medium- and long-term public and publicly guaranteed debt, including to the IMF.
2/ See footnote 2 in Table 3.1.
3/ SAF, ESAF, PRGF, and Trust Fund.
4/ See footnote 3 in Table 3.1.
5/ See footnote 4 in Table 3.1.
6/ See footnote 5 in Table 3.1.

occurred in the Western Hemisphere region between 1998 and 2001, and were driven by crisis-related lending in 1998 to Brazil followed by large net repayments in 1999–2000 and significant new financing in 2001, namely to Argentina and Brazil. Net disbursements to Brazil alone fell from $4 billion in 1999 to minus $7 billion in 2000—a turnaround of $11 billion—before rising to $7 billion in 2001.

IMF lending to other regions showed more stable patterns over 1998–2001. Gross disbursements to Europe and Central Asia increased between 1998 and 2001, due primarily to crisis lending to Turkey. IMF gross lending to sub-Saharan Africa remained relatively constant, while net lending was negative over most of the period. For the South Asian region, movements in both gross and net lending were due almost exclusively to the lending patterns in Pakistan, where disbursements initially declined due to the application of economic sanctions in 1999–2000 in response to nuclear weapons tests, before rising in 2001 as economic aid resumed after September 11.

As the Asian, Russian, and Brazilian crises ended, gross nonconcessional lending by the IMF fell dramatically (see Table 3.4). Gross concessional lending also fell, but not nearly as sharply. The decline in concessional lending occurred across a range of countries and does not appear to have followed a particular pattern or event. Most IMF concessional lending was directed to HIPCs and other low-income countries, although for both of these groups concessional lending fell between 1998 and 2000, before rebounding in 2001.

C. Multilateral Debt and Debt Service

Reflecting the reductions in debt repayments associated with the Asian and Russian crises, debt service payments to MDBs and the IMF declined in 2001 to 2.5 percent of exports of goods and service, down from 3.3 percent in 1999 (Table 3.5). For low-income countries and HIPCs, the debt service ratios in 2000 and 2001 remained below the average levels of previous years, reflecting the concessional nature of new lending.

The multilateral (MDB and the IMF) debt of developing countries increased over the last decade from 21 percent of public external debt in 1990 to just over 28 percent in 2001 (Table 3.6). For low-income countries, the share of this debt grew faster from 29 percent in 1990 to 40 percent in 2001, largely reflecting their lower access to international capital markets. The World Bank remains the largest lender in absolute terms, accounting for about 50 percent of multilateral debt in 2000 and 2001 (Table 3.7). Regional development banks comprised roughly a quarter of developing countries' multilateral debt. The IMF's share of the multilateral debt increased from 15 percent in 1990 to about 18 percent in 2001, with a pattern between 1998 and 2001 which clearly reflected the large nonconcessional crisis lending in those years. Concessional debt continued to amount to roughly one-third of total multilateral debt (Table 3.8).

Table 3.5. Developing Countries: Multilateral Debt-Service Paid

	Annual Average							
	1985-89	1990-95	1996	1997	1998	1999	2000	2001
			(Billions of U.S. dollars)					
Multilateral debt-service								
All developing countries 1/	25.6	38.1	44.0	42.8	40.8	53.3	62.9	55.3
Middle-income countries 2/	18.4	27.3	30.6	31.0	30.1	41.5	50.3	42.0
Low-income countries 3/	7.2	10.8	13.4	11.8	10.7	11.8	12.6	13.2
Heavily indebted poor countries 4/	3.0	3.8	3.7	3.6	3.5	3.1	2.8	3.1
			(Percent of exports of goods and services)					
Multilateral debt-service ratio								
All developing countries 1/	4.2	3.7	2.9	2.6	2.6	3.3	3.2	2.5
Middle-income countries 2/	3.7	3.2	2.4	2.2	2.5	3.8	3.0	2.5
Low-income countries 3/	6.7	6.2	5.6	4.6	4.5	4.7	4.1	4.4
Heavily indebted poor countries 4/	11.2	11.0	6.8	6.2	5.3	4.4	3.5	3.9
			(Percent of exports of goods and services)					
Memorandum items								
Multilateral debt outstanding								
All developing countries 1/	30.8	27.5	22.6	20.8	25.1	24.8	19.8	21.0
Middle-income countries 2/	22.2	18.2	15.1	13.9	17.0	16.7	13.2	14.7
Low-income countries 3/	70.2	74.1	62.1	58.4	70.8	69.4	56.0	55.5
Heavily indebted poor countries 4/	127.7	156.8	119.6	112.9	123.6	113.3	93.3	92.4

Sources: World Bank, Debtor Reporting System and *Global Development Finance;* and IMF, *International Financial Statistics.*

1/ See footnore 2 in Table 3.1.

2/ See footnore 3 in Table 3.1.

3/ See footnore 4 in Table 3.1.

4/ See footnore 5 in Table 3.1.

Table 3.6. Developing Countries: Medium- and Long-Term Public External Debt by Creditor

	1980	1985	1990	1995	1996	1997	1998	1999	2000	2001
					(Billions of U.S. dollars)					
Public external debt										
All developing countries 1/	379	757	1,132	1,471	1,454	1,451	1,556	1,561	1,511	1,480
Middle-income countries 2/	276	570	775	1,038	1,037	1,041	1,102	1,099	1,067	1,050
Low-income countries 3/	101	182	354	432	416	403	445	450	432	418
Heavily indebted poor countries 4/	47	86	162	187	181	172	181	172	158	149
					(Percent of group total)					
All developing countries 1/										
Multilateral	16.0	19.4	21.4	23.8	23.7	24.8	27.1	27.2	27.1	28.7
IMF	3.2	5.2	3.1	4.2	4.1	4.9	6.0	5.0	4.3	5.1
Other	12.8	14.2	18.3	19.7	19.6	19.9	21.0	22.2	22.8	23.6
Official bilateral	33.0	28.5	34.5	38.8	37.3	34.5	32.9	33.1	32.4	30.5
Private	51.0	52.1	44.1	37.4	39.0	40.7	40.0	39.7	40.5	40.7
Middle-income countries 2/										
Multilateral	12.3	15.1	17.3	19.0	18.8	19.6	22.1	21.7	21.2	23.4
IMF	2.5	4.6	3.0	4.4	4.4	5.2	6.4	4.9	3.8	5.1
Other	9.8	10.5	14.3	14.5	14.5	14.4	15.7	16.7	17.4	18.3
Official bilateral	26.9	24.6	28.5	35.1	33.3	30.8	29.0	29.0	28.5	26.3
Private	60.8	60.4	54.2	46.0	47.9	49.6	48.9	49.3	50.3	50.3
Low-income countries 3/										
Multilateral	24.6	31.2	29.3	35.0	35.8	36.9	37.7	38.9	39.5	40.1
IMF	5.2	7.5	3.2	3.5	3.6	4.2	5.3	5.5	5.5	5.2
Other	19.3	23.7	26.2	31.5	32.2	32.7	32.4	33.4	34.0	34.9
Official bilateral	50.5	41.7	48.3	48.1	47.4	44.6	43.2	43.8	43.0	42.1
Private	24.9	27.1	22.3	16.9	16.8	18.5	19.1	17.3	17.5	17.8
Heavily indebted poor countries 4/										
Multilateral	25.6	29.4	28.7	34.3	36.1	38.1	39.0	41.2	43.8	46.8
IMF	7.1	7.9	4.3	4.4	4.5	4.5	4.5	4.8	4.9	5.0
Other	18.4	21.5	24.4	30.0	31.6	33.6	34.5	36.5	38.9	41.8
Official bilateral	44.3	48.7	56.0	53.5	52.6	49.7	49.8	48.2	45.4	42.7
Private	30.2	22.0	15.4	12.2	11.3	12.3	11.2	10.5	10.7	10.5

Sources: World Bank, Debtor Reporting System and *Global Development Finance;* and IMF, *International Financial Statistics.*

1/ See footnote 2 in Table 3.1.
2/ See footnote 3 in Table 3.1.
3/ See footnote 4 in Table 3.1.
4/ See footnote 5 in Table 3.1.

Table 3.7. Developing Countries: Multilateral Debt by Institution

	1980	1985	1990	1995	1996	1997	1998	1999	2000	2001
					(Billions of U.S. dollars)					
Total	60.7	146.6	241.7	350.1	344.8	359.5	421.0	424.3	408.3	424.8
World Bank	32.2	70.8	137.3	183.3	180.5	178.9	192.6	198.0	199.0	201.4
IBRD	20.4	46.6	92.3	111.7	105.3	101.5	108.5	111.3	112.2	112.4
IDA	11.8	24.2	45.0	71.6	75.1	77.4	84.1	86.6	86.8	89.0
Regional development banks 1/	7.9	19.2	44.9	77.0	76.0	77.6	90.5	101.5	103.0	104.7
AfDB and AfDF	0.7	2.1	8.1	16.5	16.5	16.0	17.2	17.0	16.3	15.8
AsDB	1.9	5.1	15.1	28.7	27.6	28.1	34.2	39.1	38.2	37.5
EBRD	-	-	-	0.9	1.3	1.5	1.8	2.2	2.1	2.1
IDB	5.2	12.1	21.7	30.9	30.7	31.9	37.3	43.2	46.4	49.2
European institutions	1.5	3.1	8.3	12.8	12.1	10.9	12.8	11.9	10.7	9.6
EIB and EDF	1.3	2.3	5.9	9.8	9.8	9.0	10.8	10.3	9.6	9.2
Other 2/	0.3	0.8	2.4	2.9	2.4	1.9	2.0	1.6	1.1	0.5
IMF	12.2	39.7	34.6	61.1	60.1	70.8	93.8	78.8	64.2	75.3
Of which										
Concessional	3.4	2.7	3.6	8.6	8.3	7.9	8.9	9.1	8.3	8.4
Others	6.9	13.8	16.5	16.0	16.0	21.3	31.3	34.2	31.4	33.9
					(Percent of total)					
World Bank	53.0	48.3	56.8	52.3	52.3	49.8	45.7	46.6	48.7	47.4
IBRD	33.6	31.8	38.2	31.9	30.5	28.2	25.8	26.2	27.5	26.4
IDA	19.4	16.5	18.6	20.4	21.8	21.5	20.0	20.4	21.3	21.0
Regional development banks 1/	13.0	13.1	18.6	22.0	22.1	21.6	21.5	23.9	25.2	24.6
AfDB and AfDF	1.2	1.4	3.4	4.7	4.8	4.5	4.1	4.0	4.0	3.7
AsDB	3.2	3.5	6.2	8.2	8.0	7.8	8.1	9.2	9.4	8.8
EBRD	-	-	-	0.2	0.4	0.4	0.4	0.5	0.5	0.5
IDB	8.6	8.2	9.0	8.8	8.9	8.9	8.9	10.2	11.4	11.6
European institutions	2.5	2.1	3.4	3.6	3.5	3.0	3.0	2.8	2.6	2.3
EIB and EDF	2.1	1.6	2.4	2.8	2.8	2.5	2.6	2.4	2.3	2.2
Other 2/	0.4	0.6	1.0	0.8	0.7	0.5	0.5	0.4	0.3	0.1
IMF	20.1	27.1	14.3	17.4	17.4	19.7	22.3	18.6	15.7	17.7
Of which										
Concessional 3/	27.6	6.8	10.4	14.0	13.8	11.1	9.4	11.5	12.9	11.1
Others	11.4	9.4	6.8	4.6	4.6	5.9	7.4	8.1	7.7	8.0

Sources: World Bank, Debtor Reporting System and *Global Development Finance;* IMF, *International Financial Statistics,* and IMF staff estimates.

1/ Including development funds and other associated concessional facilities.
2/ Council of Europe and European Union.
3/ In percent of IMF total.

Table 3.8. Developing Countries: Multilateral Debt on Concessional Terms

	1980	1985	1990	1995	1996	1997	1998	1999	2000	2001
				(Billions of U.S. dollars)						
Total multilateral debt										
All developing countries 1/	60.7	146.6	241.7	350.1	344.8	359.5	421.0	424.3	408.3	424.8
Middle-income countries 2/	36.3	90.4	138.7	200.2	197.0	211.1	254.1	250.6	239.1	258.0
Low-income countries 3/	24.5	56.2	103.0	149.9	147.8	148.4	166.9	173.7	169.3	166.9
Heavily indebted poor countries 4/	12.0	25.2	46.4	64.4	65.4	65.4	70.6	71.1	69.4	69.7
Multilateral concessional debt										
All developing countries 1/	21.6	39.8	72.3	115.6	119.3	121.9	132.9	139.1	137.3	138.4
Middle-income countries 2/	6.0	10.1	15.0	25.2	26.6	27.2	29.8	31.4	31.1	30.9
Low-income countries 3/	15.6	29.7	57.3	90.0	92.9	94.4	103.6	107.7	106.3	107.7
Heavily indebted poor countries 4/	6.2	12.7	30.4	50.4	52.5	53.8	59.5	61.3	60.8	62.4
				(Percent of total multilateral debt)						
Multilateral concessional debt										
All developing countries 1/	35.5	27.1	29.9	33.0	34.6	33.9	31.6	32.8	33.6	32.6
Middle-income countries 2/	16.6	11.1	10.8	12.6	13.5	12.9	11.7	12.5	13.0	12.0
Low-income countries 3/	63.6	52.9	55.7	60.1	62.8	63.6	62.1	62.0	62.8	64.5
Heavily indebted poor countries 4/	51.7	50.5	65.6	78.2	80.3	82.3	84.3	86.2	87.6	89.6
				(Billions of U.S. dollars)						
Memorandum items										
SAF/ESAF/PRGF Trust Fund										
All developing countries 1/	3.4	2.7	3.6	8.6	8.3	7.9	8.9	9.1	8.3	8.4
Middle-income countries 2/	1.0	1.0	0.5	1.1	1.0	0.9	0.9	0.9	0.8	0.7
Low-income countries 3/	2.4	1.7	3.1	7.4	7.3	6.9	7.9	8.1	7.5	7.7
Heavily indebted poor countries 4/	1.2	0.9	2.5	6.0	5.9	5.6	6.4	6.7	6.3	6.4
				(Percent of multilateral concessional debt)						
SAF/ESAF/PRGF Trust Fund										
All developing countries 1/	15.6	6.8	5.0	7.4	7.0	6.5	6.7	6.5	6.0	6.1
Middle-income countries 2/	16.8	9.7	3.2	4.5	3.9	3.4	3.1	2.9	2.5	2.3
Low-income countries 3/	15.2	5.8	5.4	8.2	7.8	7.4	7.7	7.6	7.1	7.1
Heavily indebted poor countries 4/	19.9	6.9	8.3	11.9	11.3	10.4	10.7	10.9	10.4	10.3

Sources: World Bank, Debtor Reporting System and *Global Development Finance;* and IMF, *International Financial Statistics.*

1/ See footnote 2 in Table 3.1.
2/ See footnote 3 in Table 3.1.
3/ See footnote 4 in Table 3.1.
4/ See footnote 5 in Table 3.1.

D. Lending Terms

Lending terms remained broadly unchanged in recent years (Table 3.9). The World Bank offers loans with variable interest rates on nonconcessional resources, based on the cost of funding and a margin determined on the basis of a targeted net income. Borrowers from the World Bank can choose to borrow in one or more currencies in which the Bank can fund itself, including the yen, the euro, and the U.S. dollar. Maturity on these loans is also variable, and borrowers have the flexibility to configure the grace period and maturity profile within certain limits in a manner consistent with the purpose of the loan. In some cases, they can chose to make bullet payments.

MDBs also offer concessional resources to eligible countries through special windows, and fixed service charges are applied instead of interest rates. Concessional loans typically have a 6- to 10-year grace period with maturity ranging between 20 and 40 years. In the case of the IMF, concessional loans have a maturity of 10 years, a grace period of 5½ years, and an interest rate of 0.5 percent.

On average, the terms of concessional lending by multilateral institutions in 2000 consisted of an interest rate of 1.7 percent, maturity of about 33 years, and a grace period of about 9 years. The grant element calculated on these terms, using a discount rate based on commercial interest reference rates, was roughly 60 percent. Loans from the African Development Fund (AfDF) and IDA were the most concessional, with grant elements of 78 percent and 75 percent, respectively. The grant element of the IMF's concessional lending was 37 percent.

E. IDA Grants

The thirteenth replenishment of resources for the International Development Association (IDA), which was discussed by the IDA Deputies on July 1, 2002, envisages a link between grants to be provided by IDA and the indebtedness of recipient countries. The IDA Deputies recommended that grant support up to 40 percent of their IDA allocation be provided to debt-vulnerable countries. These include countries with an annual per capita income of $360 or less and an expected long-term NPV of debt-to-export ratio of 150 percent or above, after all possible debt relief options have been exhausted. In special country cases, where there is a high export concentration (i.e., where three products account for over 60 percent of exports), the debt vulnerability threshold is an NPV of debt-to-exports ratio of 120 percent.

The IDA Deputies recommended various other types of grants, including for post-conflict countries and other low-income countries, natural disaster assistance, and HIV/AIDS programs.

Table 3.9. Composition and Average Terms of Multilateral Debt by Major Institutions, 1990-2000

	Debt Outstanding				Average Terms of New Commitments in 2000 1/				
	Amount		Share of total					Grant element using discount rate of 2/	
	1990	2000	1990	2000	Interest	Maturity	Grace	10 percent	CIRRs 3/
	(Billions of U.S. dollars)		(Percent)		(Percent)	(Years)		(Percent)	
Concessional debt	72.3	137.3	100.0	100.0	1.7 4/	32.7 4/	8.8 4/	68 4/	62 4/
IDA 5/	45.0	86.8	62.2	63.3	0.8	38.2	10.1	80	75
AsDB soft window	6.33	15.67	8.8	11.4	1.4	30.8	8.1	70	55
AfDF	3.51	7.68	4.9	5.6	0.8	49.8	10.3	83	78
IDB soft window	4.03	5.78	5.6	4.2	2.2	39.3	10.3	68	62
Arab Fund for Economic and Social Development	1.14	4.15	1.6	3.0	4.4	18.5	5.7	39	29
International Fund for Agricultural Development	1.66	2.70	2.3	2.0	1.2	39.4	9.9	76	72
European Development Fund	1.8	1.5	2.5	1.1	7.8	10.2	4.4	9	3
Islamic Development Bank	0.6	1.0	0.8	0.7	1.3	24.2	7.2	64	60
OPEC Fund	1.2	0.8	1.7	0.6	1.7	17.8	5.0	5	47
Other	7.1	2.9	9.8	2.1	2.2	28.9	8.2	61	55
IMF (SAF/ESAF/PRGF/Trust Fund)	-	8.3	0.0	6.0	0.5	10.0	5.5	52	37
Nonconcessional	169.4	271.1	100.0	100.0	7.1 4/	16.4 4/	4.3 4/	16 4/	6 4/
IBRD	92.3	112.2	54.5	41.4	7.6	16.1	5.2	13	3
IDB	17.7	40.6	10.4	15.0	6.7	20.8	4.4	20	7
AsDB	8.8	22.5	5.2	8.3	6.8	17.6	3.9	19	4
AfDB	4.6	8.5	2.7	3.1	7.3 6/	14.8	4.3	18	1
European Investment Bank	4.2	8.0	2.5	3.0	4.8	20.8	5.9	35	30
EBRD	...	2.1	...	0.8	5.0	11.8	5.2	27	12
Corporación Andina de Fomento	0.4	1.8	0.2	0.7	9.5	9.1	2.3	1	-6
Central American Bank for Economic Integration	1	1.4	0.5	0.5	...	...	...	...	...
Nordic Investment Bank	0.5	0.9	0.3	0.3	6.2	17.0	0.5	19	14
Council of Europe	1.8	0.8	1.1	0.3	5.5	9.7	5.7	23	8
Islamic Development Bank	0.5	0.7	0.3	0.3	7.6	2.5	0.4	4	1
Other	7.0	15.6	4.1	5.8	6.9	8.4	2.7	11	-1
IMF (General Resources Account)	31.0	55.9	18.3	20.6	4.4	5.9	3.5	22	9

Sources: World Bank, Debtor Reporting System and *Global Development Finance;* OECD Press Releases; Annual Reports of the World Bank, AfDB/AfDF, AsDB, and IDB; and IMF staff estimates.

Note: Multilateral debt (including to the IMF) of a group of 138 countries reporting to DRS. World Bank estimates are used for the other 12 countries. A major institution is defined as one with $0.5 billion or more debt outstanding at end-2000. Concessional debt is that with a grant element of at least 25 percent according to the OECD's definition, and is usually provided through special windows, or funds within the lending institutions.

1/ Weighted by new commitments in reference year.

2/ For the purpose of calculating the grant element, loans are assumed to be repaid in equal semiannual installments of principal, and the grace period is defined as number of periods between contracting of the loan and the first principal repayment minus one payment period, or one semester, in this case.

3/ Commercial interest reference rates (CIRRs). For the World Bank and the main regional development banks (AfDB/AfDF, AsDB, and IDB), the CIRR-based discount rate is derived from the average CIRRs in February-August 2000, weighted for the top five currencies in which the outstanding loans are repayable. For the other institutions, average CIRRs in 2000 for either the U.S. dollar, ECU/euro, or SDR are used. For loans with an original maturity of 15 years or more, CIRRs averaged over the period 1990-99 are used. A margin reflecting longer repayment periods is added (0.75 percentage point for repayment period of less than 15 years, 1 percentage point for 15-20 years, 1.15 percentage points for 20-30 years, and 1.25 percentage points for over 30 years).

4/ Excluding the IMF.

5/ IDA credits have maturities of 35 and 40 years with a 10-year grace period on repayment of principal. There is no interest charge, but credits carry a small service charge, currently 0.75 percent on disbursed balances.

6/ Rate needs to be confirmed.

IV. Debt Restructuring with Official Bilateral Creditors

A. Debt Rescheduling with Paris Club Creditors

Developments in 2001–02

During 2001–02, Paris Club creditors concluded 30 rescheduling or deferral agreements, involving debt service obligations and arrears amounting to about $44 billion (Table 4.1). As in previous years, most of the rescheduling agreements were concluded with low-income countries, usually on concessional terms[1] (Table 4.2). Most middle-income countries have graduated from rescheduling agreements with Paris Club creditors, as evidenced by the fact that there were only three rescheduling agreements with debtor countries in this category during the period under review: Jordan, Ukraine, and the Federal Republic of Yugoslavia (Table 4.3). Although the possibility of further reschedulings with middle-income countries cannot be excluded, the debt treatment offered by official creditors, as well as the progress many of these countries are making in stabilizing their economies, should make this less likely.

As in the past, the consolidation periods of flow rescheduling agreements usually covered the periods of IMF arrangements. In July 2002, however, the Paris Club broke new ground by agreeing with Jordan on a flow rescheduling covering maturities falling due from mid-2002 through end-2007, well beyond the period of the IMF's Stand-By Arrangement (which will expire in mid-2004).

Paris Club agreements typically covered medium- and long-term debt contracted before the cutoff date by the government or the public sector (or guaranteed by the government). In cases of exceptional financing need, arrears on post-cutoff date or short-term debts were deferred over a shorter period of time. All multiyear agreements included (typically annual) tranches and (with the exception of the agreement with Jordan) trigger clauses that linked the effectiveness of the tranches to the existence of an appropriate arrangement with the IMF and a good payments record to creditors. All agreements contained a comparability of treatment clause requiring debtor countries to seek reschedulings from other official bilateral and commercial creditors on terms at least as favorable as those granted by the Paris Club.

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[1] In general, the Paris Club grants concessional terms to countries that are eligible only for concessional assistance from the World Bank ("IDA-only countries"). Other countries usually receive nonconcessional terms. Creditors decide the terms to be applied on a case-by-case basis. For a detailed explanation on debt rescheduling under Paris Club, see Ross and Harmsen (2001), pp. 43-50. The reference to 30 agreements excludes cases involving amendments.

Table 4.1. Paris Club Reschedulings of Official Bilateral Debt, January 2000 - December 2002

(In chronological order)

Debtor Countries	Number of Reschedulings 1/	Date of Agreement Mo./Day/Yr	Amount Consolidated 2/ (Millions of U.S. dollars)	Type of Debt Consolidated 2/, 3/ Not-previously rescheduled	Previously rescheduled	Consolidation Period (Months)	Terms 4/ Grace (Years)	Maturity (Years)
2000								
Madagascar	VIII Amended 1	01/13/00	23	PIAL	PIAL	12	Naples terms	
Mozambique 5/	VI Amended	03/15/00	71	PIAL	---	12	0.2	4.7
Mauritania	VII	03/16/00	98	PIAL	PIAL	36	Cologne terms	
Djibouti	I TOR	03/22/00	17	PIAL	---	32	4.5	9.0
Indonesia	II	04/13/00	5,440	P	---	24	3.2	15.0
Tanzania 6/	VI	04/13/00	709	PIAL	PIAL	21	Cologne terms	
São Tomé and Príncipe	I	05/16/00	28	PIAL	---	37	Naples terms	
Bosnia and Herzegovina	I Amended	07/28/00	9	PI	PI	12	Naples terms	
Madagascar 5/	VIII Amended 2	08/18/00	34	PIAL	PIAL	6	1.5	8.0
Macedonia, FYR 5/	II TOR	09/01/00	46	PIAL	PIAL	12	1	5.5
Benin	V	10/24/00	5	---	PI	12	Cologne terms	
Uganda	VIII	09/12/00	145	---	Stock	---	Cologne terms	
Ecuador 6/	VII	09/15/00	804	PIAL	PI	12	3	18.0
Burkina Faso	IV	10/24/00	2	---	PI	12	Cologne terms	
Mali	V	10/25/00	4	---	PI	10	Cologne terms	
Senegal	XIII	10/24/00	21	---	PI	18	Cologne terms	
Kenya	II	11/15/00	302	PIA	PIA	12	3	18.0
Nigeria 6/	IV	12/13/00	23,380	PI	PI	12	3	18.0
Gabon 6/	VIII	12/15/00	687	PIA	PIA	n.a.	3.3	12.0
2001								
Pakistan	II	01/23/01	1,752	PIA	---	10	3	14.5
Cameroon	VI	01/24/01	1,300	PIA	PIA	37	Cologne terms	
Malawi	IV	01/25/01	66	PIA	PI	37	Cologne terms	
Niger	X	01/25/01	115	---	PIA	37	Cologne terrms	
Guinea-Bissau	IV	01/26/01	139	PIA	PIA	37	Cologne terms	
Burkina Faso	IV Amended 1	07/02/01	1	---	PI	6	Cologne terms	
Georgia	I	03/06/01	58	P	---	24	3	20.0
Madagascar	IX	03/07/01	254	PI	PI	39	Cologne terms	
Ethiopia	III	04/05/01	446	PIA	PI	37	Naples terms	
Guinea	VI	05/15/01	151	PIA	PIA	40	Cologne terms	
Chad	IV TOR	06/12/01	15	---	PIA	23	Cologne terms	
Yemen, Republic of	III	06/14/01	420	Stock	Stock	---	Naples terms	
Benin	V Amended 1	07/02/01	3	---	PI	6	Cologne terms	
Mali	V Amended 1	07/02/01	0.5			6	Cologne terms	
Bolivia	VIII	07/10/01	685	Stock	Stock	---	Cologne terms	
Ukraine	I	07/13/01	578	Stock	---	21	3.5	12.0
Sierra Leone	VIII	10/16/01	177	ALI	PIALI	36	Naples terms	
Yugoslavia, FYR 5/	V	12/28/01	4,309	Stock	Stock	---	6	22.0
Mozambique	VII	11/20/01	2,344	Stock	Stock	---	Cologne terms	
Ghana	II	12/10/01	97	PIA	PIA	6	0.3 Non-conces.defer.7/	5.0
Pakistan	III	12/13/01	12,444	Stock	Stock	---	6	23.0
2002								
Tanzania	VII	01/17/02	1,245	---	Stock	---	Cologne terms	
Benin	V Amended 2	03/05/02	4	---	PI	6	Cologne terms	
Burkina Faso	IV Amended 2	03/05/02	2	---	PI		Cologne terms	
Rwanda	II	03/07/02	1	PI	PI	31	Cologne terms	
Kyrgyz Republic	I	03/08/02	101	PIA	---	36	5	20.0
Sierra Leone	VIII Amended	03/10/02	35	PI	PI	36	Cologne terms	
Cote d'Ivoire	IX	04/10/02	1,822	PIALI	PIALI	33	Lyon terms	
Indonesia	III	04/12/02	5,400	PI	---	21	5	18.0
Ethiopia	III Amended	06/18/02	95	PI	PI	29	Cologne terms 7/	
Ghana	III	05/16/02	164	PI	PI	10	Cologne terms	
Burkina Faso	V	06/20/02	38	Stock	Stock	---	Cologne terms	
Mali	V Amended 2	06/25/02	1	---	PI	12	Cologne terms	
Senegal	XIII Amended	06/25/02	11	---	PI	9	6	23.0
Jordan	VI	07/10/02	1,171	PIALI	PIALI	66	2	16.0
Mauritania	VIII	07/08/02	385		Stock	Stock	Cologne terms	
Zambia	VIII	09/13/02	249	PI	PI	27	Cologne terms 7/	
Congo, Democratic Republic of 8/	XI	09/13/02	8,163	PIALI	PIALI	36	Naples terms	
Burkina Faso	V Amended	09/09/02	2	Stock	Stock	---	Completion point Top-up	
Benin	V Amended 3	09/18/02	5	---	PI	14	Cologne terms 9/	
Nicaragua	IV	12/13/02	580	PILI	PI	36	Cologne terms	

Sources: Agreed Minutes of debt reschedulings; Paris Club Secretariat; and IMF staff estimates.

1/ Roman numerals indicate, for each country, the number of debt reschedulings in the period beginning 1976. TOR = terms of reference reschedulings.

2/ Includes debt service formally rescheduled as well as deferred.

3/ Keys: P - principal; I - interest; A - arrears on principal and interest; and L - late interest. P, I, and A are on pre-cutoff date medium- and long-term debt.

4/ Terms for rescheduled debt, calculated from the midpoint of the consolidation period plus six months; terms for deferred amounts, if any, tend to be shorter.

5/ Nonconcessional deferral.

6/ Agreement featured an entry-into-force clause.

7/ Small amounts of pre-cutoff debt were rescheduled on Naples terms.

8/ The agreement included a deferral of all the remaining payments due during the consolidation period.

9/ Rescheduling with the Group of Participating Creditor Countries.

Table 4.2. HIPCs: Paris Club Reschedulings by Type of Terms, 1976 - End of December 2002

		Number of Reschedulings 1/	Number of Countries	Amounts consolidated: Total (Millions of U.S. dollars)	Amounts consolidated: o/w stock operations (Millions of U.S. dollars)	Stock or Flow Reschedulings
Nonconcessional	Since 1976 2/	89	29	23,377	--	flow deals only
Toronto terms	October 1988-June 1991	27	19	5,984	--	flow deals only
London terms	December 1991-December 1994	24	22	8,774	--	flow deals only
Naples terms	Since January 1995	40	27	25,875	3,100	8 stock deals
Lyon or Cologne terms	Since December 1996	40	24	15,333	7,496	11 stock deals

Sources: Paris Club Secretariat, and IMF staff estimates.

1/ Including subsequent amendments.
2/ Since October 1988, 17 reschedulings involved nonconcessional treatment for 13 countries.

Table 4.3. Status of Paris Club Rescheduling Countries, End-December 2002

Low-Income 1/		Lower-Middle-Income 2/		Other Middle-Income		Total
Countries that graduated from reschedulings 3/						
** Albania	6/00 4/	Dominican Rep.	12/99	Algeria	5/98	
**** Bolivia	7/01	Ecuador	4/01	Argentina	3/95	
** Bosnia-Herzegovina	4/00	Egypt	5/91	Brazil	8/93	
**** Burkina Faso	9/02	El Salvador	9/91	Bulgaria	4/95	
** Cambodia	6/97	Gabon	12/00 5/	Chile	12/88	
* Equatorial Guinea	2/96	Guatemala	3/93	Costa Rica	6/93 5/	
** Haiti	3/96	Jamaica	9/95 5/ 7/	Croatia	12/95	
**** Tanzania	1/02	Kenya	6/01 7/	Macedonia, FYR	3/00 4/	
**** Uganda	9/00	Morocco	12/92	Mexico	5/92	
* Vietnam	12/93 5/	Peru	12/98 8/	Panama	3/92	
*** Yemen, Republic of	6/01	Philippines	7/94 9/	Romania	12/83	
		Poland	4/91	Russia	12/00	
				Trinidad and Tobago	3/91	
				Turkey	6/83	
Number of countries	**11**		**12**		**14**	**37**
Countries with rescheduling agreements in effect						
**** Benin	2/03	Indonesia	3/02 4/	Yugoslavia, FR 4/	12/01	
**** Cameroon	12/03	Jordan	12/07 4/			
**** Chad	3/03	Kyrgyz Republic	12/04 4/			
*** Côte d'Ivoire	3/04					
*** Congo, Democratic Republic of	6/05					
**** Ethopia	3/04					
**** Ghana	11/02 5/6/					
**** Guinea	3/04					
**** Guinea-Bissau	12/03					
**** Madagascar	2/04					
**** Malawi	12/03					
**** Nicaragua	9/05					
**** Niger	12/03					
**** Rwanda	6/03					
** São Tomé and Príncipe	4/03					
**** Sierra Leone	9/04 4/					
**** Zambia	3/03					
Number of countries	**17**		**3**		**1**	**21**
Countries with previous rescheduling agreements, but without current rescheduling agreements, which have not graduated from reschedulings						
Angola	9/90	Djibouti	6/02			
** Central African Republic	6/01	Georgia	12/02			
** Congo, Republic of	6/99	Nigeria	1/01			
Gambia, The	9/87	Pakistan	11/01			
*** Guyana	6/99	Ukraine	9/02			
** Honduras	3/02 4/					
**** Liberia	6/85					
**** Mali	9/02					
**** Mauritania	7/02					
**** Mozambique	9/01 4/					
**** Senegal	4/02					
Somalia	12/88					
Sudan	12/84					
** Togo	6/98					
Number of countries	**14**		**5**		**0**	**19**
All countries	**42**		**20**		**15**	**77**

Sources: Paris Club Secretariat, and IMF staff estimates.

Note: Stock treatment underlined. Dates refer to end of current or last consolidation period. In the case of a stock-of-debt operation, canceled agreements, or rescheduling of arrears only, date shown is that of relevant agreement.

1/ * = rescheduling on London terms, ** = rescheduling on Naples terms, *** = rescheduling on Lyon terms, and **** = rescheduling on Cologne terms.

2/ Defined here as countries that obtained lower-middle-income but not concessional terms with Paris Club reschedulings.

3/ For some countries, this inevitably represents an element of judgment: in certain circumstances, for example, if hit by an external shock, a country may need further reschedulings.

4/ Including deferral of maturities.

5/ Rescheduling of arrears only.

6/ Limited deferral of long-standing arrears to three creditors on nonconcessional terms.

7/ Nonconcessional rescheduling at the authorities' request.

8/ Agreement includes a reprofiling of the stock of certain debts at the end of the consolidation period.

9/ The 1994 rescheduling agreement was canceled at the authorities' request.

Rescheduling Agreements on Nonconcessional Terms[2]

Since January 2001, there have been two stock and six flow rescheduling agreements on middle-income terms. Depending on the financing need of the countries involved, Paris Club creditors in some cases substantially broadened the coverage of the reschedulings or granted more favorable terms than traditionally associated with middle-income countries.

Pakistan received two reschedulings in 2001. The first, in January, was on Houston terms and covered principal and interest arrears as of end-November 2000 and debt service falling due from December 2000 through September 2001 on pre-cutoff date debt not scheduled previously.[3] The cut-off date was moved to September 30, 1997. Eligible commercial debt was rescheduled over 18 years with a 3-year grace period, and eligible ODA debt was rescheduled over 20 years with a 10-year grace period. In light of the fragility of Pakistan's external position stemming from the deteriorating security situation in the region, Paris Club creditors granted Pakistan a comprehensive stock-of-debt rescheduling in December 2001. All pre-cutoff date debt was rescheduled over 23 years with a 5-year grace period for commercial debt, and over 38 years with 15 years grace for ODA debt. Maturities on post-cutoff date debt and moratorium interest falling due during October 2001 to June 2002 were deferred, as was 20 percent of the moratorium interest falling due in the following two years. As a result of the extension of maturities and the application of lower interest rates by some creditors, the ratio of the NPV of debt-to-exports ratio declined by about 30 percentage points to 230 percent at end-2001.

In March 2001, Georgia received a flow rescheduling of principal payments falling due in 2001 and 2002 on public sector debt contracted prior to the November 1, 1999 cutoff date. Payments due were rescheduled over 20 years with a 3-year grace period for commercial debt and a 10-year grace period for ODA debt. Creditors agreed to apply a somewhat lower interest rate on debt rescheduled under previous bilateral agreements (outside the Paris Club). The agreement included a goodwill clause to extend the rescheduling—if needed to close a financing gap—through 2003 on terms no less favorable than the present agreement.

A flow rescheduling agreement with Ukraine was reached in July 2001. It covered principal arrears as of December 2000 and principal due from December 2001 through September 2001 on pre-cutoff date debt, which were rescheduled over 12 years with a 3-year grace period. The cutoff date was December 31, 1998.

In November 2001, the former Federal Republic of Yugoslavia agreed with Paris Club creditors on a comprehensive, phased restructuring of its stock of debt. When fully implemented, the degree of concessionality will be close to that of Naples terms, involving a

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[2] Nonconcessional terms as defined in Appendix IV, Table A4.1.

[3] Small amounts of previously rescheduled debt were also included.

66 percent debt reduction in NPV terms. Sixty percent of the moratorium interest will be capitalized during the first three years of the agreement. The first phase covered arrears as of July 31, 2001, and maturities falling due from August 2001 through March 2002 on debt contracted prior to the cutoff date (December 20, 2000). The second phase of the agreement came into force in April 2002, triggered by the approval by the IMF's Executive Board of a three-year arrangement under the Extended Fund Facility. This phase involved a 51 percent reduction in the NPV of the Federal Republic of Yugoslavia's commercial debt and the rescheduling of the remainder over 22 years including a 6-year grace period, and the rescheduling of its ODA debt over 39 years including a 16-year grace period. The final phase, with a future debt reduction of 15 percent in NPV terms, will come into force on the successful conclusion of the Federal Republic of Yugoslavia's three-year arrangement with the IMF, assuming a good payments record with the Paris Club.

In March 2002, creditors reached agreement with the Kyrgyz Republic on a three-year flow rescheduling on nonconcessional terms. Arrears as of December 5, 2001, and maturities on pre-cutoff date debt falling due through December 5, 2004, were rescheduled over 20 years with a 5 year grace period for commercial debt and a 10-year grace period for ODA debt. Moratorium interest was capitalized at 50, 60, and 70 percent in each of the three years. The agreement includes a goodwill clause for a possible concessional stock-of-debt operation at the end of the consolidation period. The cutoff date was set on August 31, 2001.

In April 2002, Indonesia concluded an agreement with the Paris Club on Houston terms. The agreement covers principal maturities on pre-cutoff date debt from April 2002 through December 2003, excluding those arising from the previous two rescheduling agreements. Commercial debt was rescheduled over 18 years with a 5-year grace period, and ODA over 20 years with a 10-year grace period. Interest payments falling due in 2002 were fully rescheduled. Depending on the financing need in 2003, another 50–100 percent of interest falling due in 2003 may also be rescheduled.

In July 2002, Jordan received a nonconcessional flow rescheduling of debt service falling due from mid-2002 through end-2007. The unusually long consolidation period was to provide the country an exit from Paris Club reschedulings, and recognized Jordan's good payments record under previous rescheduling agreements. All arrears and debt service on pre-cutoff date (January 1, 1989) commercial and ODA debt falling due through mid-2004 were rescheduled over 20 years, as was a declining share of those maturities falling due during the remainder period through end-2007.

Rescheduling Agreements on Concessional Terms[4]

From January 2001 to December 2002, Paris Club creditors reached agreement on reschedulings on low-income terms (or topping up of existing agreements) with 20 countries, including five stock-of-debt operations. Most of these agreements were related to the implementation of the enhanced HIPC Initiative and thus based on Cologne terms, which imply a 90 percent NPV reduction on eligible debt for flow reschedulings and even more under stock-of-debt operations if necessary to achieve the debt-reduction targets under the Initiative. Agreements (including topping up of existing agreements) were reached with Bolivia, Burkina Faso, Cameroon, Chad, Côte d'Ivoire, the Democratic Republic of the Congo, Ethiopia, Ghana, Guinea, Guinea-Bissau, Madagascar, Malawi, Mauritania, Mozambique, Nicaragua, Niger, Sierra Leone, Tanzania, the Republic of Yemen, and Zambia.

During this period, Paris Club creditors agreed to provide flow reschedulings on Cologne terms in the context of the enhanced HIPC Initiative to 12 countries: Cameroon, Chad, Ethiopia, Ghana, Guinea, Guinea-Bissau, Madagascar, Malawi, Nicaragua, Niger, Sierra Leone, and Zambia. Côte d'Ivoire, which had previously reached its decision point under the original HIPC Initiative but not yet under the enhanced Initiative, received a flow rescheduling on Lyon terms, while the Democratic Republic of the Congo received a flow rescheduling on Naples terms. In the cases of Ethiopia, Sierra Leone, and Zambia, existing flow rescheduling agreements on Naples terms were topped up to Cologne terms. The topping up to Cologne terms of the Naples stock treatment for Benin, Burkina Faso, and Senegal, which were initially agreed in 2000 for the period up to each country's completion point as projected at the time, were extended on several occasions because of delays in reaching their completion points.

The coverage of the flow rescheduling agreements was comprehensive. In all cases, current maturities and arrears on pre-cutoff date medium- and long-term debt (with the exception of debt service obligations on the most recent Paris Club rescheduling in some instances) were consolidated. Obligations were treated under Naples, Lyon, or Cologne terms, and debt-service due under previous less concessional rescheduling agreements were typically topped up to the concessionality level of the latest agreement. Consistent with a practice adopted by the Paris Club in 2000, Cologne terms applied only to debt service falling due after the date of the decision point under the enhanced HIPC Initiative; arrears accumulated before the decision point were treated on Naples terms.[5]

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[4] As defined in Table A4.1. Includes reschedulings under Toronto, London, Naples, Lyon, and Cologne terms.

[5] For Guinea-Bissau, such arrears were rescheduled on Lyon terms (80 percent NPV reduction) as they had been incurred since the preliminary HIPC Initiative consideration of Guinea-Bissau in early 1998.

Bolivia, Burkina Faso, Mauritania, Mozambique, Tanzania, and Uganda reached their completion points under the enhanced HIPC Initiative and received HIPC relief from the Paris Club in the form of stock of debt reductions. In addition to the provision of HIPC relief at the completion point, most Paris Club creditors agreed to cancel, on a bilateral basis (outside the context of the Paris Club), part or all of the remaining ODA and commercial debt outstanding after implementation of the stock operation.[6]

During the period under review, the Paris Club also concluded rescheduling agreements on Naples terms with three HIPCs—Ethiopia, Ghana, and Sierra Leone—to cover the period preceding the decision points. On the basis of a goodwill clause in the previous rescheduling agreement, creditors also agreed to provide the Republic of Yemen with a stock-of-debt operation on Naples terms, as an exit from the HIPC Initiative.[7] The stock-of-debt operation covered pre-cutoff date debt not rescheduled previously, with 67 percent debt reduction of commercial debt and a rescheduling over 40 years (including a 16-year grace period) of ODA claims. In light of the Republic of Yemen's comfortable reserve position, the authorities agreed to a buyback of the remaining 33 percent of pre-cutoff date commercial debt.

In cases of exceptional financing need, Paris Club creditors provided additional relief through treatment of debt categories that are normally not treated, or through a shift in the cutoff date for reschedulable debt. In light of the exceptional payment difficulties experienced by Ghana in 2001, this country received a partial deferral of arrears and debt service obligations on post-cutoff date debt falling due from June 2001 to January 2002 (in addition to the Naples flow rescheduling of pre-cutoff date debt mentioned above). After Ghana reached its decision point under the HIPC Initiative (February 2002), the subsequent Cologne flow rescheduling involved a change in the cutoff date to increase Ghana's eligible debt. A similar change in the cutoff date was agreed for Malawi.[8] In light of the tight financing situation of Guinea-Bissau, creditors agreed to capitalize one-third of moratorium interest due during the consolidation period and deferred arrears on post-cutoff debt over a relatively long period (10 years with 3 years' grace). The latter was also granted to Niger (10 years with 3 years' grace) and Sierra Leone (5 years with 2 years' grace). Small amounts of arrears on post-cutoff date debt were also deferred over a brief period in the case of Chad.

All agreements with low-income countries included debt swap clauses. These allowed creditors to sell or exchange on a voluntary basis part of their commercial claims (and all of their ODA claims) in the framework of debt-for-nature, debt-for-aid, or debt-for-equity swaps of other local currency debt swaps.

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[6] Some countries grant these reductions on a case-by-case basis.

[7] The Republic of Yemen's debt had been considered sustainable within the framework of the Initiative.

[8] For Malawi, the cutoff date was moved from 1982 to January 1, 1997, making all of Malawi's debt pre-cutoff date debt. For Ghana, it was moved from January 1, 1983 to June 20, 1999.

All flow rescheduling agreements under low-income country terms contained a goodwill clause. Under this clause, creditors indicated their willingness to consider a stock-of-debt operation at the end of the consolidation period, if the country continued to have an appropriate arrangement with the IMF and had fully implemented the rescheduling agreement. The agreements on Cologne terms included a HIPC clause, indicating creditors' willingness to consider possible debt relief under the HIPC Initiative.

B. Transparency and Methodology Issues in Paris Club Rescheduling

Increased Transparency

In an effort to increase the transparency of its operations, the Paris Club established a website in May 2001 (www.clubdeparis.org). The website includes general information on the Paris Club, its functioning and its principles, rescheduling terms and their evolution, a database with detailed information on previous reschedulings of all countries that have had a Paris Club agreement, as well as press releases and recent news on Paris Club activities.

In April 2001 and again in April 2002, Paris Club representatives met with private investors gathered by the Institute of International Finance, the Emerging Markets Creditors Association, and the Emerging Markets Traders Association for an exchange of views on issues of mutual interest and recent developments related to the restructuring of sovereign external debt. Participants discussed the transparency policy of the Paris Club, ways to organize and conduct exchanges of views between the public and private sectors on issues of common interest, and the implementation of comparability of treatment. Creditors from both sides agreed that this exchange of views was useful and that annual discussions should continue in the future.

Modifications of Methodology

Since the beginning of 2001, Paris Club creditors adopted a number of new methodology rules, most of them regarding the implementation of the enhanced HIPC Initiative. Starting with Bolivia (July 2001), creditors agreed to actualize the amounts of HIPC assistance delivered at the completion point to take into account the passage of time between the base year for the calculation of HIPC relief (usually the year before reaching the decision point) and the date of the completion point. In early 2002, creditors adopted a pragmatic topping-up methodology for countries that reach the decision point while a Naples flow rescheduling is still in place, cutting debt service on eligible debt under the existing rescheduling by 70 percent to bring cash payments in line with what these countries would have paid under a Cologne flow rescheduling. Outside of the HIPC context, the creditors specified in April 2001 their policy on entry-into-force clauses in Paris Club agreements. They decided to limit the scope of entry-into-force clauses to the provisions on the payment of consolidated (or deferred) amounts in the future. This would provide creditors the possibility of demanding payment of nonconsolidated amounts (for instance, arrears) even if the selected provisions of the Agreed Minute had not entered into force because of the nonfulfillment of the conditions

stipulated in the entry-into-force clause. The creditors reached this decision in light of their experience with one debtor country, which had refused to make payments to Paris Club creditors on nonrescheduled debt because the Agreed Minute had not entered into force as a result of delays in the adoption of a new IMF-supported economic program.

C. The Evian Approach

In October 2003, representatives of Paris Club creditors agreed on a new, more tailored approach to deal with unsustainable debt in non-HIPC countries.

Key elements of the new approach

Under the Evian Approach, consideration by the Paris Club of a debtor country's request for debt restructuring will be based on a debt sustainability analysis that would help determine whether there is a sustainability concern in addition to financing needs. The assessment will take into account the evolution of the debtor country's external debt and debt-service burden relative to its payment capacity over time, its fiscal consolidation efforts, adverse impact of external shocks, and other factors including the debtor's past and possible future recourse to Paris Club debt restructuring. Paris Club creditors will assess a debtor country's debt sustainability in close cooperation with the IMF staff.

For countries which face a liquidity problem, but their debt is considered to be sustainable, debt rescheduling or restructuring by the Paris Club will be based on existing terms. However, Paris Club creditors agreed that key parameters of these terms (e.g., grace period and maturities) could be adjusted in light of the specific financial situations of a debtor country.

Paris Club creditors agreed that comprehensive debt treatment is warranted in cases where (i) debt is judged to be unsustainable; (ii) the authorities concerned are committed to policies that will ensure a lasting exit from Paris Club rescheduling; and (iii) the debtor countries are seeking comparable treatment from their other external creditors, including private creditors.

Comprehensive debt treatment under the Evian Approach is expected to be delivered in stages in order to maintain a strong link between economic policy performance and public debt management. In the first stage, the debtor country would need to put in place an IMF-supported program which would be accompanied by a Paris Club flow rescheduling. This stage, lasting from one to three years, aims to enable the debtor country to establish a satisfactory track record in the implementation of an IMF-supported program and in payment to Paris Club creditors. In the second stage, the country is expected to have a second arrangement with the IMF and could receive the first phase of the comprehensive treatment granted by the Paris Club. In the third stage, the Paris Club could complete the exit treatment based on the full implementation of the successor IMF program and a satisfactory payment record. In this process, coordination between official and other creditors, notably private creditors, would be particularly important.

Debt restructuring options

There will be no standard debt rescheduling or restructuring terms. Under the Evian Approach, Paris Club creditors will tailor their approach to the individual debtor's financial situations, drawing on available modalities including flow treatment, stock reprofiling, and stock reduction. Debt reduction, either in nominal or in NPV terms, will be considered only in exceptional cases. Other options such as debt buybacks, swaps, contingency clauses, and adjustment of the "cut-off date" could be considered if needed. Regarding the latter, the guiding principle is to provide adequate debt relief to achieve debt sustainability without undermining the incentives for new lending to the debtor country. In considering whether to adjust the "cut-off date," attention is to be paid to the "age" of the date, the share of post cut-off date debt in total debt, and burden-sharing among creditors.

D. Recent Debt Restructurings with Non-Paris Club Creditors

Countries that reschedule debt with Paris Club creditors typically also have debts to other bilateral official and commercial creditors. The Paris Club agreements include standard provisions requiring these debtors to seek relief from non-Paris Club bilateral creditors on terms at least as favorable as Paris Club terms. Also, non-Paris Club creditors are expected to deliver their share of assistance under the HIPC Initiative based on the principle of proportional burden sharing. In practice, such comparable treatment is often not provided, and arrears accumulate instead. As of December 2002, 24 non-Paris Club creditor countries had not yet expressed their intention to provide HIPC relief. In a small number of cases, official bilateral creditors even resorted to litigation against debtor countries. Litigation by commercial creditors is more common, and there are a few instances where these creditors have been successful in recovering their claims through litigation.[9] Notwithstanding these setbacks in the delivery of debt relief to poor countries, some non-Paris Club creditors have delivered their share of HIPC relief (Table 4.4).

[9] See International Monetary Fund and World Bank (2002 a, pp. 18–23).

Table 4.4. Reschedulings of HIPCs with non-Paris Club Official Bilateral Creditors, 1996 - 2002

		Agreement Date	Total amount (US$ million)	Coverage 1/	Terms and other comments
Algeria	Mozambique	Dec-98	382.0	P+I	Lyon terms.
Argentina	Benin	Jun-98	20.5	P	Buyback with 84 percent discount.
Argentina	Guinea	Dec-98	22.5	P	Buyback with 86 percent discount.
Brazil	Bolivia	Jan-01 2/	...	P+I	Rescheduling of outstanding obligations to be on terms comparable to Paris Club agreement.
Brazil	Guyana	Jan-01 2/	...	P+I	Rescheduling of outstanding obligations to be on terms comparable to Paris Club agreement.
China	African HIPCs	Oct-00	1,200.0	A+P	Full debt write-off pledged to 16 African HIPCs.
Costa Rica	Nicaragua	Dec-00	383.0 3/	A+P	Creditor agreed to deliver HIPC assistance.
Côte d'Ivoire	Mali	Aug-99	6.3	A+P	Lyon terms.
Côte d'Ivoire	Burkina Faso	Apr-02	8.5	P+I	Creditor agreed to deliver HIPC assistance.
Czech Republic	Guinea	Oct-97	20.0	A	Buyback with 88.5 percent discount; payment in local (Guinean currency).
Czech Republic	Nicaragua	Nov-96	132.0 4/	P	Rescheduled over 13 years, zero interest rate for first 8 years and 5 percent thereafter.
Czech Republic	Zambia	Nov-00	0.1 3/	P	Buyback with 89 percent discount.
Czech Republic	Benin	...	7.7	P+I	Buyback on Paris Club terms.
Egypt	Tanzania	Jul-00	0.4 3/	P	Creditor agreed to 90 percent NPV reduction of outstanding debt.
Egypt	Guinea	...	9.7	P+I	Creditor agreed to 67 percent of stock and the remainder has been rescheduled.
Guatemala	Nicaragua	Dec-00	364.0 3/	A+P	HIPC assistance delivered through a debt swap with Spain.
Honduras	Nicaragua	Dec-00	100.0 3/	A+P	Creditor agreed to deliver HIPC assistance.
Hungary	All HIPCs	Dec-01	...	A+P	Creditor indicated willingness to provide HIPC relief.
India	All HIPCs	Jun-02	139.4	P+I	Creditor agreed to deliver HIPC assistance.
Korea	Uganda	Aug-02	4.7	P+I	Creditor agreed to deliver HIPC assistance.
Korea	Ghana	...	10.3	P+I	Creditor indicated willingness to provide HIPC relief.
Kuwait	Burkina Faso	...	17.4	A+P	Rescheduled over 40 years with 16 years grace; HIPC relief not delivered.
Kuwait	Cameroon	...	12.0	A+P 4/	Rescheduled over 40 years with 16 years grace; HIPC relief not delivered.
Kuwait	Uganda	...	25.5	A+P 4/	Rescheduled over 30 years with 9 years grace; HIPC relief not delivered.
Kuwait	Madagascar	Sep-99	13.6	P+I	Creditor agreed to deliver interim relief.
Kuwait	Ghana	May-02	23.6	P+I	Rescheduled over 40 years with 16 years grace; HIPC relief not delivered.
Kuwait	Tanzania	May-02 2/	49.5	P+I	Creditor indicated willingness to provide HIPC relief.
Kuwait	Mauritania	May-02 2/	130.1	P+I	Creditor indicated willingness to provide HIPC relief.
Kuwait	Mali	...	32.4	P+I	Creditor indicated willingness to provide HIPC relief.
Kuwait	Sierra Leone	Jun-02	14.0	P+I	Creditor indicated willingness to provide HIPC relief.
Kuwait	Benin	...	21.9	P+I	Creditor indicated willingness to provide HIPC relief.
Kuwait	Niger	Oct-02	46.2	P+I	Creditor indicated willingness to provide HIPC relief.
Libya	All HIPCs	Sep-02	1,156.2	P+I	Creditor indicated willingness to provide HIPC relief.
Mexico	Nicaragua	Sep-96	996.0	P	Upfront reduction of 92 percent; remaining $83 mn to be paid over 15 years.
Mexico	Honduras	Oct-02	52.6	P+I	Creditor indicated willingness to provide HIPC relief.
Morocco	Guinea	Dec-00 2/	24.7 3/	A+P	Creditor pledged to forgive outstanding claims.
Morocco	Sierra Leone	...	12.1	P+I	Creditor pledged to forgive outstanding claims.
Pakistan	Uganda	Nov-01	1.6 3/	P+I	Creditor indicated willingness to provide HIPC relief.
Poland	Bolivia	Jul-97	1.5	P	Upfront payment of 18 percent.
Poland	Mozambique	...	10.0	P+I	Creditor indicated willingness to provide HIPC relief.
Rwanda	Uganda	Aug-02	0.6	P+I+A	Full debt write-off granted by creditor.
Saudi Arabia	Madagascar	Apr-01	5.9	A+P	Rescheduled over 40 years with 7 years grace; falls short of HIPC relief.
Saudi Arabia	Mauritania	Jun-02	86.8	P+I	Creditor agreed to deliver HIPC assistance.
Saudi Arabia	Mali	...	71.0	P+I	Creditor agreed to deliver HIPC assistance.
Saudi Arabia	Ghana	May-02	17.1	P+I	Provided flow rescheduling on Naples terms.
Saudi Arabia	Uganda	Aug-02	8.8	P+I	Provided HIPC assistance.
Slovak Republic	Nicaragua	Apr-00	81.1	P	90 percent upfront reduction; remaining $8 mn to be repaid over 13 years.
Slovak Republic	Tanzania	Mar-01	0.6 5/	P+I	Buyback with 90 percent discount.
Slovak Republic	Zambia	Oct-00	0.2	P	Buyback with 88 percent discount.
South Africa	Malawi	Aug-01	3.2	P	Full debt write-off granted by creditor
South Africa	Mozambique	Mar-00 2/	2.0	P	Full debt write-off granted by creditor.
Tanzania	Uganda	Aug-97	122.5	A	Buyback with 85 percent discount; $58.1 million of the total is pending verification.
Venezuela	Bolivia	Jun-97	4.0	P	100 percent forgiven.
Zambia	Tanzania	Dec-01	0.5	P+I	Creditor pledged to provide HIPC relief.

Sources: Country authorities; and IMF and World Bank staff estimates.

1/ A = arrears; P = principal; I = interest

2/ Approximate date.

3/ Amounts in net present value terms.

4/ Only arrears on principal (not on interest) were included in the rescheduling agreement.

5/ To be confirmed by debtor.

V. Debt Relief, New Aid Flows, and the Challenge of Maintaining External Debt Sustainability

A. Debt Relief under the HIPC Initiative

Excessively high levels of external debt have been a serious obstacle to economic growth and poverty alleviation in heavily indebted poor countries. A high external debt service burden can directly reduce resources available for social expenditures, and adversely affect economic growth, hence indirectly leading to increases in poverty (Box 5.1). The HIPC Initiative, launched in 1996 and enhanced in 1999, aims to reduce heavily indebted poor countries' external debt to sustainable levels, removing this obstacle to poverty reduction and growth in these countries.

The enhanced HIPC Initiative, building on debt reduction in the context of the Paris Club over the last decade or so, has already provided substantial debt relief to qualifying countries (see Table 5.1). At the end of November 2003, 27 countries were benefiting from debt relief under the enhanced HIPC Initiative, of which 8 had reached their completion points, rendering them eligible to receive unconditional and irrevocable debt relief. Most of the 19 countries between their decision and completion points are receiving interim relief from their major creditors. Combined with traditional debt relief mechanisms and other debt relief initiatives, debt relief under the HIPC Initiative is estimated to reduce the overall debt stock of these 27 countries by about two-thirds in NPV terms (see Appendix II).

B. Beyond the HIPC Initiative: New Aid Flows Versus Debt Relief

Although HIPC relief is substantial and provides a sound basis for maintaining long-term external debt sustainability, its magnitude is relatively modest when compared to net resource transfers needed by these countries. Historically, net resource flows to the 27 HIPCs, including loans, grants, and funding for technical assistance, have been sizable—they averaged $5.9 billion annually during the 1980s (12.6 percent of GNP) and $8.8 billion (13.7 percent of GNP) during the 1990s. Annual savings from HIPC relief, in contrast, are estimated at about $1.2 billion or ½ percent of GNP for the period 2001–05.

Looking forward, low-income countries, including HIPCs, will need significant external financing inflows if they are to meet the MDGs. Debt relief, while critical in removing the burden of existing debt, can only realistically be expected to contribute a small share of the financing needed by these countries. The bulk of the external financing will have to come from new flows. This is especially true for HIPCs where there is little scope for further debt relief by official bilateral and commercial creditors after the HIPC Initiative. Additional debt relief from multilateral creditors—the main sources of new financing to HIPCs—essentially boils down to the need for new aid flows from bilateral donors to re-capitalize these institutions (Box 5.2). Moreover, repeated debt relief may discourage creditors from lending

Box 5.1. The Impact of External Indebtedness on Poverty in Low-Income Countries

High debt service can directly reduce resources that are available for expenditures on health, education, and other social areas such as social safety nets. Based on the debt overhang theory, high indebtedness can also indirectly impact poverty through its effect on investment and hence growth. A recent study by IMF staff estimated both the direct and indirect links, focusing on the relationship between per capita GDP, nonincome poverty indicators, and debt indicators.[1] The study confirmed that (1) higher real GDP per capita is associated with longer life expectancy and a lower infant mortality rate, and (2) external debt indicators are negatively correlated with per capita GDP and life expectancy, and positively correlated with the infant mortality rate.

The estimation used annual data for 67 low-income countries over the period 1985–99. The study used two standard human development indicators to measure poverty—life expectancy at birth and the infant mortality rate—as dependent variables. Several studies have shown that these indicators can be used to measure variations in physical well-being (World Development Report 2000/2001), and that, in many countries, health indicators are worse for the income-poor than for the income-nonpoor. Per capita GDP corrected for purchasing power parity (PPP), and five different external debt indicators: nominal debt-to-GDP ratio, NPV of debt-to-GDP ratio, NPV of debt-to-exports ratio, debt service-to-GDP ratio, and debt service-to-exports ratio were used as explanatory variables.

Using panel data and generalized method of moments (GMM) to simultaneously address the problems of endogeneity and omitted-variable bias, the estimations show that the impact of external debt on poverty is largely indirect, and occurs mainly through income or per capita GDP (see table below). The estimation results suggest that a 5 percent increase in real per capita GDP could lead to a 1 percent increase in life expectancy, while a 20 percent increase in the debt-service-to-export ratio could lead to a 1 percent decline in life expectancy at birth. The results imply that, along with its effect through income, high indebtedness can also directly affect life expectancy, notably through its effect on relevant social expenditures. Ratios of nominal debt to GDP and NPV of debt to GDP were found to correspond positively with the infant mortality rate.
While the above results suggest that high indebtedness adversely affects key poverty indicators, it is important to note that the purposes for which the **initial** indebtedness was incurred can have an important effect on the results. Debt incurred for extra poverty-reducing spending may mitigate some of the adverse outcomes associated with higher indebtedness to an improvement of poverty indicators.

Empirical Evidence on Measures of Nonincome Poverty and External Indebtedness

	Life Expectancy	Life Expectancy	Infant Mortality Rate	Infant Mortality Rate
GDP per capita	0.25***	0.24***	-1.05***	-1.46***
Nominal debt to GDP	-0.06**		0.33**	
NPV of debt to GDP				0.28**
Debt service to exports		-0.05**		
Observations	309	297	308	287

NOTE: ** significant at 5 percent and *** significant at 1 percent levels.

[1] Loko and others (2003).

Box 5.2. New Aid Flows Versus Debt Relief: Beyond the Enhanced HIPC Initiative

As reported in recent IMF-World Bank HIPC Initiative progress reports,[1] most industrial country creditors (Paris Club creditors excluding Russia) have provided or committed to provide additional debt relief above and beyond the HIPC Initiative. This additional bilateral debt forgiveness implies that almost all debt owed by HIPCs to these creditors would be forgiven. For the 26 countries that have reached their decision points under the enhanced HIPC framework, their total external debt, after HIPC relief and additional bilateral debt forgiveness, is estimated at $22 billion in NPV terms. Of this amount, roughly about 70 percent would be owed to multilateral creditors, 16 percent (about $3.5 billion) to Paris Club creditors, and the remaining 14 percent to non-Paris Club official bilateral and commercial creditors. These estimates do not take into account new borrowing by these countries after the decision point. Taking into account new borrowing—which has been mostly from multilateral creditors—these creditors' share would be much higher.[2]

Excluding Cameroon, which is projected to have the largest remaining debt (about $1.6 billion) to Paris Club creditors, each of the other 25 HIPCs would have very little or no debt to industrial country creditors (on average less than $100 million a country) after the completion point.[3] This analysis indicates clearly that the scope for more debt relief by industrial country creditors after HIPC and associated debt relief initiatives is very limited. Similarly, non-Paris Club creditors are unlikely to be willing to provide additional debt relief, especially as many of them are reluctant to participate in the HIPC Initiative.

Therefore, additional debt relief beyond the HIPC Initiative would have to come primarily from multilateral creditors. However, the provision of debt relief by these creditors would require donor funding in order to preserve the integrity of these institutions' balance sheets and safeguard their capacity to provide financial support to low-income countries including the HIPCs. Thus, additional debt relief by multilateral creditors boils down to the need for new flows from donors to these creditors/institutions.

Given the limited scope for additional debt relief, and the very large financing needs for achieving the MDGs (estimated at $50 billion a year through 2015), external financial support for low-income countries would have to be in the form of new concessional loans or grants. Efforts should also be made to increase aid efficiency to ensure that recipient countries do not fall back into a situation of unsustainable debt.

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[1] International Monetary Fund and World Bank (2002 b).

[2] Multilateral creditors are estimated to account for 89 percent of the remaining debt for the 8 countries projected to have external debt to exports ratio exceeding the HIPC Initiative threshold at the completion point (see International Monetary Fund and World Bank (2002 c).

[3] Cameroon's annual exports, including oil products, amounted to $2 billion in the last few years.

Table 5.1. Debt Indicators for Developing Countries and HIPCs
(In percent, weighted averages)

	Developing Countries		HIPC Countries 1/			
	Developing countries average 2001 2/	Non-HIPC low -income countries 2001	Before enhanced HIPC relief 3/	Debt indicators for 2001	Debt indicators for 2002	After enhanced HIPC relief at the completion point
NPV of debt-to-exports ratio 4/	120	143	274	275	214	128 5/
NPV of debt-to-GDP ratio	38	39	61	65	50	30 5/
Debt service-to-exports 6/	19	15	16 7/	10	10	8 5/

Sources: World Bank's Global Development Finance, International Monetary Fund and World Bank (2003); HIPC country documents; and staff estimates. Liberia, Somalia, Turkmenistan, and the former Federal Republic of Yugoslavia have been excluded because of incomplete data.

1/ The term HIPCs refers to the 27 countries that have reached by July 2003 the decision point under the enhanced HIPC Initiative. The debt indicators for HIPCs are for public and publicly guaranteed debt only.

2/ Developing countries comprise low- and middle-income countries according to the World Bank income classification.

3/ Debt stocks are after traditional mechanisms. Decision point data, refers mostly to end-1998 and end-1999 data. For the Democratic Republic of Congo, data refer to end-June, 2002.

4/ Exports are defined as the three-year average exports of goods and services up to the date specified.

5/ Data are for 2005.

6/ Exports are defined as exports of goods and services in the current year.

7/ Average over 1998 and 1999.

even for good projects and could have a detrimental effect on the creation of credit culture in low-income countries. Thus, it is critically important that HIPCs pursue sound economic policies and practice good governance in order to attract adequate external financing, especially non-debt-creating capital inflows (e.g., grants and foreign direct investment), while

C. The Challenge of Maintaining External Sustainability in Developing Countries

The sharp fluctuations in financing flows to developing countries and the ensuing financial crises in recent years underscore the importance of increasing these countries' resilience to external shocks. Better monitoring and assessment of countries' debt sustainability outlooks and efforts to address financial and structural vulnerabilities would need to be key elements of any framework that would support countries' effort to maintain external sustainability. As part of its work on surveillance and financial assistance, the IMF has adopted recently a strengthened framework for assessing debt sustainability in emerging market economies (see Appendix III).

Low-income countries, particularly heavily indebted poor countries, will need to strengthen their ability to cope with exogenous shocks, especially since many of them rely heavily on commodity production and exports—the prices of which have been very volatile in world markets. Studies by the IMF and World Bank staffs indicate that the recent global economic slowdown, coupled with a significant decline in commodity prices, weakened HIPCs' growth and export performance in 2000–01 and led to a deterioration of the external debt indicators in many of these countries.[10] There are considerable differences in the evolution of the debt indicators among the HIPCs, reflecting their individual exposure to shocks and differences in macroeconomic management, including external borrowing policies.

With limited access to international capital markets, most low-income countries, particularly HIPCs, will continue to rely on external financing from official sources in their efforts to achieve the MDGs. Maintaining external debt sustainability over the longer term in these countries is, therefore, a challenge for both the debtors and their international supporters. For low-income countries, meeting this challenge will require prudent borrowing policies and the implementation of reforms to increase the effectiveness of external financing. However, even if countries design borrowing policies on the basis of reform scenarios, their vulnerability to external shocks can quickly lead to deteriorations in their debt indicators. Thus, stress testing would be a useful tool for examining the path of a countries' debt indicators in the face of external shocks. For creditors and donors, adequate financing on terms consistent with low-income countries' capacity to repay, including grants where warranted, will no doubt improve recipient countries' debt sustainability prospects while still providing the financing needed to meet the MDGs. Perhaps most important, increased market access for low-income countries' exports will encourage export diversification in these countries.

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[10] International Monetary Fund and World Bank (2002 a) and (2002c).

Recent Developments in Official Development Assistance

Net official development finance (ODF) fell from an average of $82 billion in the second half of the 1990s to an average of $67 billion in 2000–01 (Table A1.1.a and Figure A1.1).[1] The main factor behind the decline in ODF was a significant fall in other official financing, which includes nonconcessional finance provided mainly to middle-income countries and economies in transition. This form of financing fell in 2000 mainly as a result of both reduced lending and substantial repayments of loans associated with the Asian, Brazilian, and Russian crises of 1997–98.[2] Despite a rebound in new lending in 2001, large repayments continued to keep this element of the net ODF at a depressed level. In contrast, net ODF to HIPCs remained at about $15 billion each year in the last few years, in part reflecting the resumption of IMF- and World Bank-supported economic programs in a number of HIPCs in 2000–01. Although net ODF fell substantially during this period, its share of total net resource flows to developing countries (inclusive of private flows) remained near the 1990s average of 34 percent, due to the sharp fall in private flows to developing countries.

Net official development assistance (ODA), the major component of net ODF, fell slightly from $52 billion in 1999 to about $50 billion in 2000, before rising to an estimated $57 billion in 2002.[3] The decline in 2000 and 2001 resulted from lower gross disbursements by donor countries both directly to the recipient countries and through contributions to multilateral institutions. After adjusting for changes in prices and exchange rates, real net ODA actually increased by 6 percent in 2001 (Table A1.2). For 2001, declines in net ODA disbursements from several countries were observed, including Japan, where a substantial decline in net ODA reflected repayments on large short-term credits that had been extended during the Asian crisis. A rise in net disbursements by other DAC donors, however, partially offset these declines (Table A1.3). Preliminary data indicate that, in 2002, large increases in ODA were observed for Greece (34.2 percent), Italy (31.5 percent), Canada (31.6 percent), Norway (16 percent), and the United States (11.6 percent). A variety of factors led to these increases, including higher contributions to multilateral agencies (Greece and Italy), policy intentions to increase the share of ODA (Canada and Norway), and new aid initiatives, some of which were related to the September 11 attacks (United States).

The share of ODA in donors' gross national income fell between 2000 and 2001 to an average of 0.22 percent, one of the lowest levels since 1990. Only Denmark, Luxembourg,

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[1] ODF consists of ODA and other official financing (OOF) provided by OECD-DAC members and multilateral institutions. ODA reflects concessional funds provided to developing countries, while OOF consists of nonconcessional funds provided to developing countries, as well as official funds provided to some transition and middle-income countries. This review is largely based on developments to end-2001, using creditor-based data from the OECD-DAC.

[2] The 1999 figures on OOF reflected substantial funds provided by Japan to the Asian Development Fund.

[3] Data for 2002 are based on preliminary figures released by the DAC. For details, see Organization for Economic Cooperation and Development (2003).

Table A1.1.a. Total Net Official Financing Flows to Developing Countries from DAC Countries, by type of Donors and Creditors

	1994	1995	1996	1997 1/	1998	1999	2000	2001	2002
				(Billions of U.S. dollars)					
Net official development finance (ODF) 2/	84.5	87.6	73.5	75.4	89.0	85.9	65.5	68.3	...
Net official development assistance (ODA) 2/	59.6	59.1	55.8	47.9	50.3	52.1	49.5	52.3	57.0
Other official flows (OOF) 3/	24.9	28.5	17.7	27.6	38.7	33.8	16.0	17.7	...
Bilateral	59.1	61.7	48.8	42.4	52.5	53.1	39.5	40.3	...
ODA	41.3	40.6	39.1	32.4	35.2	37.9	36.0	35.0	...
OOF 3/	17.8	21.1	9.7	10.0	17.3	15.3	3.5	5.3	...
Multilateral 4/	25.4	25.9	24.7	33.0	36.5	32.8	26.0	28.0	...
ODA	18.3	18.4	16.7	15.4	15.1	14.2	13.4	15.6	...
OOF 3/	7.1	7.4	8.0	17.6	21.4	18.6	12.5	12.5	...
				(Percent of total ODF)					
Bilateral	69.9	70.5	66.4	56.2	59.0	61.8	60.4	59.0	...
ODA	48.9	46.4	53.2	43.0	39.5	44.1	55.1	51.3	...
OOF 3/	21.0	24.1	13.2	13.3	19.5	17.8	5.3	7.7	...
Multilateral	30.1	29.5	33.6	43.8	41.0	38.2	39.6	41.0	...
ODA	21.7	21.0	22.7	20.5	17.0	16.6	20.5	22.8	...
Other	8.4	8.5	10.9	23.3	24.0	21.6	19.1	18.2	...
Memorandum items				(Billions of U.S. dollars)					
Gross ODF 2/	128.2	134.5	119.4	121.6	165.0	158.4	123.7	143.2	...
Gross ODA	71.0	72.2	69.4	61.5	64.5	68.9	65.6	65.3	...
OOF 3/	57.3	62.3	50.1	60.1	100.5	89.6	58.1	77.9	...
Net ODF (at constant 2000 prices and exchange rates)	89.6	101.6	82.9	79.1	91.4	89.8	65.5	65.8	...
Total net resource flows 5/	225.9	264.2	350.7	321.6	230.7	312.0	212.9	190.7	...
Net ODF as a share of total net flows (percent)	37.4	33.1	21.0	23.5	38.6	27.5	30.8	35.8	...
ODA share of respective ODF (percent)									
Total	70.5	67.5	75.9	63.4	56.5	60.6	75.5	76.6	...
Bilateral	69.9	65.8	80.1	76.4	67.0	71.3	91.2	86.9	...
Multilateral	71.9	71.3	67.5	46.7	41.4	43.4	51.7	55.5	...

Source: OECD.

1/ There is a series break in 1997 due to the reclassification of some ODA recipients (Part I countries) to official aid recipients (Part II countries). See Table A1.1.b.

2/ See note to Figure A1.1 for definitions of ODA and ODF and the Glossary.

3/ Other official flows (OOF) include official aid (OA).

4/ Includes only concessional flows from the IMF.

5/ Includes ODF, export credits, foreign direct investments, international bank and bond lending, grants by nongovernmental organizations, and other private flows.

Table A1.1.b. Developing Countries and Territories, as of January 2003

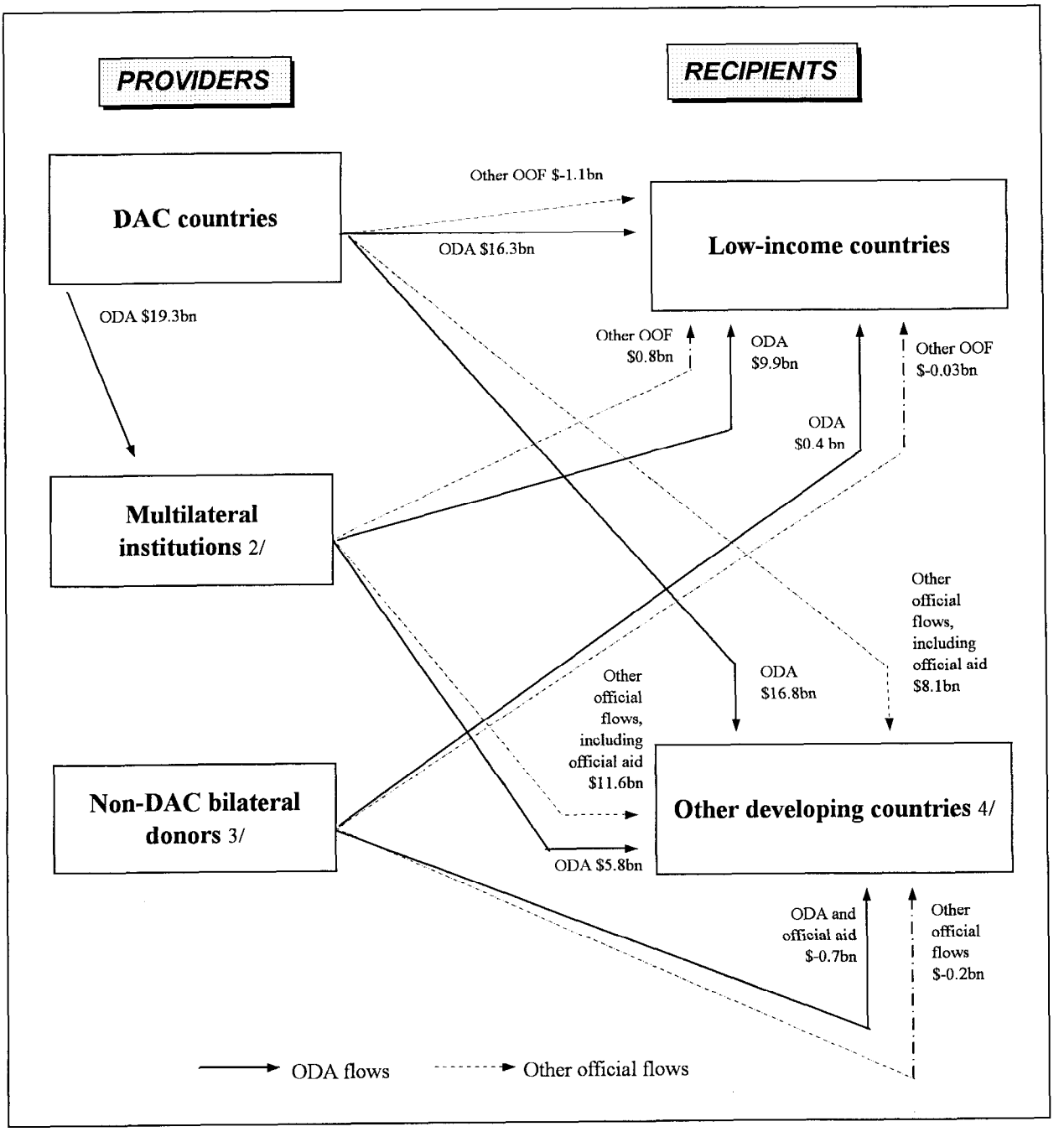
Part I: Developing Countries and Territories (Recipients of official development assistance)						Part II: Countries and Territories in Transition (Recipients of official aid)	
Least developed countries	**Other low-income countries (Per capita GNI <$745 in 2001)**	**Lower middle-income countries (Per capita GNI $746-2,975 in 2001)**		**Upper middle-income countries (Per capita GNI $2,976-9,205 in 2001)**	**High-income countries (Per capita GNI >$9,206 in 2001)**	***Central and Eastern European Countries and Newly Independent States of the former Soviet Union***	**More advanced developing countries and territories**
Afghanistan, I.S. of Angola Bangladesh Benin Bhutan Burkina Faso Burundi Cambodia Cape Verde Central African Rep. Chad Comoros Congo, Dem. Rep. of Djibouti Equatorial Guinea Eritrea Ethiopia Gambia, The Ghana Guinea-Bissau Haiti Kiribati Lao P.D.R. Lesotho Liberia Madagascar Malawi Maldives Mali Mozambique Myanmar Nepal Niger Rwanda Samoa São Tomé and Príncipe Senegal Sierra Leone Solomon Islands Somalia Sudan Tanzania Togo Tuvalu Uganda Vietnam Yemen, Rep. of Zambia	*Armenia *Azerbaijan Cameroon Congo, Rep. Cote d'Ivoire *Georgia Ghana India Indonesia Kenya Korea, Dem. Rep. *Kyrgyz Rep. *Moldova Mongolia Nicaragua Nigeria Pakistan Papua New Guinea *Tajikistan Timor-Leste *Uzbekistan Vietnam Zimbabwe	*Albania Algeria Belize Bolivia Bosnia and Herzegovina China Colombia Cuba Dominican Rep. Ecuador Egypt El Salvador Fiji Guatemala Guyana Honduras Iran, I.R. of Iraq Jamaica Jordan *Kazakhstan Macedonia, FRY Marshall Islands Micronesia, Fed. States of Morocco Namibia Niue	Palestinian Admin. Areas Paraguay Peru Philippines South Africa Sri Lanka St. Vincent and the Grenadines Suriname Swaziland Syrian Arab Rep. Thailand • Tokelau Tonga Tunisia Turkey *Turkmenistan • Wallis and Futuna Yugoslavia, Fed. Rep.	Botswana Brazil Chile Cook Islands Costa Rica Croatia Dominica Gabon Grenada Lebanon Malaysia Mauritius • Mayotte Nauru Panama • St. Helena St. Lucia Venezuela, Rep. Bolivariana de **Threshold for World Bank loan eligibility ($5,185 in 2001)** • Anguilla Antigua and Barbuda Argentina Barbados Mexico • Montserrat Oman Palau Islands Saudi Arabia Seychelles St. Kitts and Nevis Trinidad and Tobago • Turks and Caicos Islands Uruguay	Bahrain	*Belarus *Bulgaria *Czech Rep. *Estonia *Hungary *Latvia *Lithuania *Poland *Romania *Russia *Slovak Rep. *Ukraine	• Aruba Bahamas, The • Bermuda Brunei • Cayman Islands Taiwan Province of China Cyprus • Falkland Islands • French Polynesia • Gibraltar • Hong Kong SAR Israel Korea, Rep. of Kuwait Libya • Macao Malta • Netherlands Antilles • New Caledonia Qatar Singapore Slovenia United Arab Emirates • Virgin Islands (U.K.)

Source: OECD Development Assistance Committee, list of aid recipients.

* Central and Eastern European countries and newly independent states of the former Soviet Union.

• Territory.

Figure A1.1. Direction of Net Official Flows, 2001 1/



Source: OECD database.

1/ Official development assistance (ODA) represents flows of official financing with the main objective of promoting economic development and with a grant element of at least 25 percent (based on a 10 percent discount rate). Other official flows (OOF) represents official development assistance (ODF) that does not meet the ODA criteria; includes officially supported export credits.

2/ Multilateral disbursements (including from the IMF) differ from DAC countries' contribution to multilateral institutions.

3/ Includes countries in the Middle East.

4/ Includes economies in transition and more advanced developing countries, as defined by the DAC.

Table A1.2. Net ODA Disbursements to Developing Countries

	1994	1995	1996	1997 1/	1998	1999	2000	2001	2002
				(Billions of U.S. dollars)					
Total net ODA 2/	65.0	65.3	62.2	54.9	58.3	62.4	59.8	59.5	...
Of which									
DAC countries	59.6	59.1	55.8	47.9	50.3	52.1	49.5	52.3	57.0
Bilateral ODA	46.6	46.1	45.2	38.4	41.1	43.3	41.2	41.4	...
Of which									
DAC countries	41.3	40.6	39.1	32.4	35.2	37.9	36.0	35.0	...
Contributions to multilateral institutions 3/	18.5	19.2	17.0	16.5	17.2	19.1	18.5	18.0	...
Of which									
DAC countries	18.3	18.4	16.7	15.4	15.1	14.2	13.4	15.6	...
Total net ODA from DAC countries									
(at 2000 prices and exchange rates)	56.3	50.9	49.5	45.7	49.0	49.9	49.5	52.5	...
Bilateral ODA	39.0	35.0	34.7	30.9	34.3	36.2	36.0	36.4	...
Contributions to multilateral institutions	17.3	15.9	14.8	14.7	14.7	13.6	13.4	16.2	...
Distribution 4/				(Percent of total)					
Net ODA by income group									
Least developed countries	27.7	28.8	24.9	26.8	24.9	23.4	24.7	25.9	...
Low-income countries	26.4	23.7	23.6	21.8	24.9	25.8	23.8	25.6	...
Lower-middle-income countries	22.1	22.0	23.5	24.6	23.7	25.0	23.3	23.5	...
Upper-middle-income countries	4.3	4.3	3.4	3.0	3.6	2.7	3.2	3.2	...
High-income countries	0.1	0.1	0.3	0.3	0.1	0.1	0.2	0.2	...
Other countries 5/	11.3	14.1	9.9	11.9	14.1	15.2	15.9	12.7	...
Unallocated 6/	8.2	7.0	14.5	11.7	8.8	7.9	8.9	8.8	...
Net ODA by region									
Sub-Saharan Africa	32.9	34.4	31.2	34.3	31.7	27.5	29.6	30.8	...
North Africa and Middle East	15.1	11.1	15.1	12.7	11.9	11.3	10.7	10.5	...
Asia	36.0	35.1	35.0	33.3	36.2	37.6	37.1	37.0	...
Western Hemisphere	9.1	11.5	11.0	11.4	11.2	11.4	11.2	12.2	...
Europe 7/	3.8	4.4	4.2	4.6	5.2	9.0	9.4	7.7	...
Other 8/	3.1	3.5	3.5	3.8	3.9	3.2	2.0	1.8	...
				(Billions of U.S. dollars)					
Memorandum items									
Total gross ODA	71.0	72.2	69.4	61.5	64.5	68.9	65.6	65.3	...
Of which									
Gross bilateral ODA	52.5	53.2	52.8	45.2	47.3	49.9	47.1	47.2	...
Total net ODA to developing countries 7/	60.6	59.8	56.6	48.9	51.2	52.9	50.5	51.6	...
Development Assistance Committee countries	41.3	40.6	39.1	32.4	35.2	37.9	36.0	35.0	...
Multilateral institutions of DAC countries	18.3	18.4	16.7	15.4	15.1	14.2	13.4	15.6	...
Other flows 8/	1.0	0.8	0.9	1.0	0.9	0.8	1.0	1.0	...
Total net ODA to developing countries									
as percent of recipient GNI (in percent)	1.2	1.1	0.9	0.8	0.9	1.0	0.9	1.0	...
Total net ODA to HIPCs	18.8	18.9	16.8	14.6	14.7	14.5	14.4	15.5	...
Total flows within developing countries (net ODA) 9/	1.0	0.8	0.9	1.0	0.9	0.8	1.0	1.0	...

Sources: OECD.

1/ There is a series break in 1997 due to the reclassification of some ODA recipients (Part I countries) to official aid recipients (Part II countries). See Table A1.1.b.

2/ Including official aid.

3/ Includes contributions to the IMF Trust Fund, Interest Subsidy Account, SAF, ESAF/PRGF, and Administered Accounts.

4/ Distribution of total net ODA from DAC and other sources, including unspecified.

5/ Central and Eastern European countries and newly independent states of the former Soviet Union, as well as other more advanced developing countries that are in Part II of the DAC's list of aid recipients.

6/ Includes contributions to regional or multinational projects and programs.

7/ Includes countries in transition that are in Part II of the OECD's DAC list of aid recipients.

8/ Oceania and unspecified.

9/ Includes flows from countries in the Middle East and other developing country or area donors (including China, India, Korea, and Taiwan Province of China).

Table A1.3. Net ODA Disbursements by Major DAC Countries

	At Current Prices													At Constant 2001 Prices	Change 2001/02		Share of Donor's GNI
	1990	1991	1992	1993	1994	1995	1996	1997 1/	1998 1/	1999 1/	2000 1/	2001 1/	2002 1/, 2/	2002 2/, 3/	At current prices	At constant 2001 prices 4/	2002
	(Billions of U.S. dollars)														(In percent)		(In percent)
Canada	2.5	2.6	2.5	2.4	2.3	2.1	1.8	2.0	1.7	1.7	1.7	1.5	2.0	2.0	34.2	31.6	0.28
Denmark	1.2	1.2	1.4	1.3	1.4	1.6	1.8	1.6	1.7	1.7	1.7	1.6	1.6	1.5	2.1	-6.4	0.96
France	7.2	7.4	8.3	7.9	8.5	8.4	7.5	6.3	5.7	5.6	4.1	4.2	5.2	4.8	23.4	15.3	0.36
Germany	6.3	6.9	7.6	7.0	6.8	7.5	7.6	5.9	5.6	5.5	5.0	5.0	5.4	5.0	7.2	0.4	0.27
Italy	3.4	3.3	4.1	3.0	2.7	1.6	2.4	1.3	2.3	1.8	1.4	1.6	2.3	2.1	44.6	31.5	0.20
Japan	9.1	11.0	11.2	11.3	13.2	14.5	9.4	9.4	10.6	15.3	13.5	9.8	9.2	9.6	-5.9	-1.8	0.23
Netherlands	2.5	2.5	2.8	2.5	2.5	3.2	3.2	2.9	3.0	3.1	3.1	3.2	3.4	3.1	7.0	-2.2	0.82
Sweden	2.0	2.1	2.5	1.8	1.8	1.7	2.0	1.7	1.6	1.6	1.8	1.7	1.8	1.7	3.2	-2.3	0.74
United Kingdom	2.6	3.2	3.2	2.9	3.2	3.2	3.2	3.4	3.9	3.5	4.5	4.6	4.7	4.4	3.2	-3.5	0.30
United States	11.4	11.3	11.7	10.1	9.9	7.4	9.4	6.9	8.8	9.1	10.0	11.4	12.9	12.7	13.2	11.6	0.12
G7 donors 4/	40.9	43.8	48.6	44.6	46.6	44.7	41.3	35.1	38.6	42.6	40.2	38.2	41.7	40.8	9.3	6.9	0.19
Other DAC donors 5/	12.0	12.9	14.1	11.9	13.0	14.3	14.5	12.7	11.8	9.5	9.3	14.1	15.3	14.0	8.2	-0.7	0.46
Total DAC	**53.0**	**56.7**	**60.8**	**61.6**	**59.6**	**59.1**	**55.8**	**47.9**	**50.3**	**52.1**	**49.5**	**52.3**	**57.0**	**54.9**	**8.9**	**4.9**	**0.23**
(In percent of GNI)	0.33	0.33	0.33	0.30	0.30	0.27	0.25	0.22	0.23	0.24	0.22	0.22	0.23				

Source: OECD.

1/ Not strictly comparable to earlier data due to the reclassification of some former ODA recipients to Part II of the DAC's list of aid recipients.

2/ Figures for 2002 are provisional.

3/ At 2001 prices and exchange rates.

4/ Excludes debt forgiveness of non-ODA claims.

5/ Includes Australia, Austria, Belgium, Finland, Ireland, Luxembourg, New Zealand, Norway, Portugal, Spain, and Switzerland.

the Netherlands, Norway, and Sweden provided ODA above the UN recommended level of 0.7 percent of national income in 2000. For the G-7 countries, this ratio was below 0.2 percent on average, although these countries provided the bulk of the net ODA disbursements in U.S. dollar terms (Figures A1.2 and A1.3). In 2000, Japan was the largest provider of ODA ($13.5 billion), followed by the United States ($10 billion), Germany, the United Kingdom, and France (each providing between $4–5 billion). With the decline of Japanese ODA in 2001 and 2002, the United States became the largest provider of ODA in these two years.

Distribution of ODA Flows

The composition and distribution of ODA has remained largely unchanged compared with past years, with a few exceptions (Table A1.4). Around two-thirds of ODA continues to take the form of direct bilateral financing to recipients, with the remaining one-third consisting of contributions to multilateral institutions. Almost all bilateral ODA is offered to recipients in the form of grants, with assistance for the purposes of social, administrative, and economic infrastructure making up around half of total allocations in 2000–01.

In terms of regional distribution, the main recipients of ODA continued to be Asia (37 percent of total ODA) and sub-Saharan Africa (31 percent), although both regions are now receiving somewhat lower shares of total ODA compared with their average for the mid-1990s (see Table A1.2). Across income groups, low-income countries' share in total ODA has increased since 1999, as HIPCs attracted a larger portion of the ODA flows. At the same time, the share of middle-income and transition economies in total ODA net disbursements fell from 43 percent in 1999 to about 40 percent in 2001.

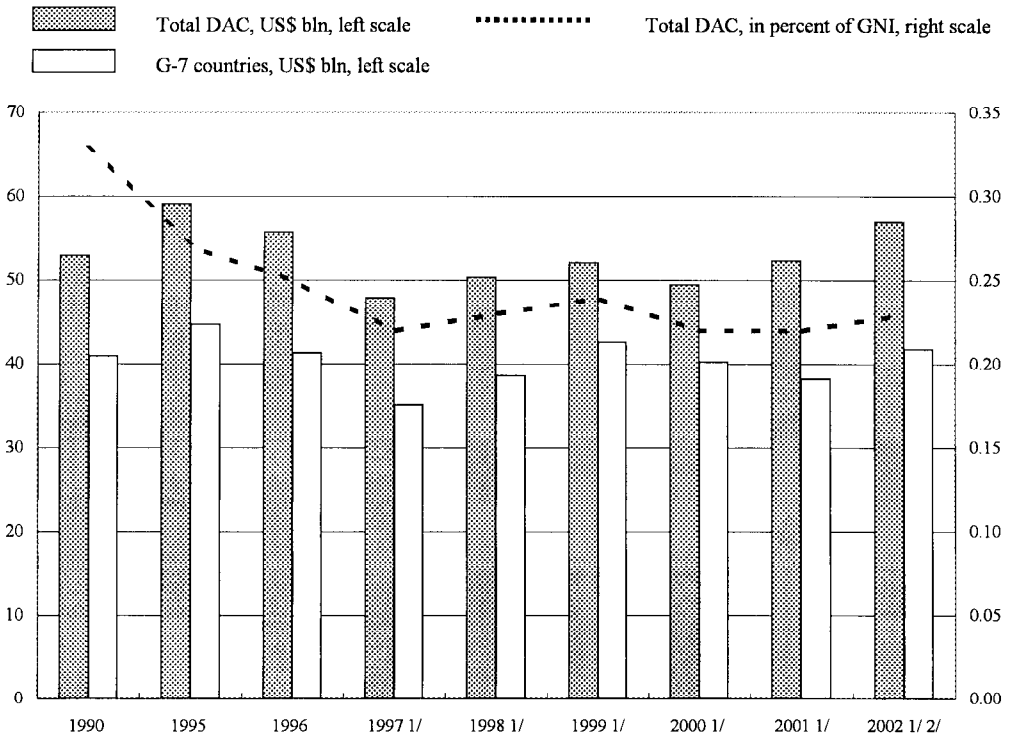
Around 17 percent of ODA provided in 2000 represented tied aid, a reversal of a declining trend over the three preceding years. The share of tied aid in total ODA continued to increase in 2001, to about 18 percent. Partially tied aid, although a small part of ODA, also increased slightly between 2000 and 2001.

Aid Outlook

The prospects for aid flows to developing countries in the coming years will depend importantly on the implementation and the support by DAC countries of two recent international initiatives. The first relates the adoption by low-income countries of Poverty Reduction Strategy Papers (PRSPs) as the tool for devising key national policies aimed at reducing poverty and promoting growth. The second concerns the commitment to help low-income countries achieve the MDGs.

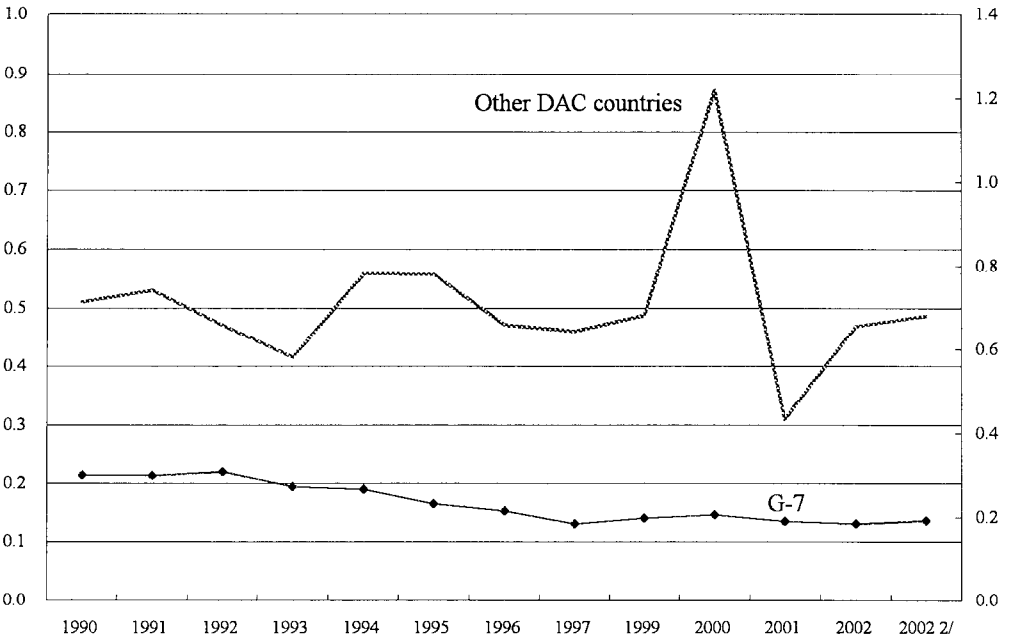
PRSPs are expected to serve as the operational framework through which a country identifies specific priorities, which often require donor resources. By allowing for the involvement of a wide range of stakeholders, PRSPs are also expected to contribute to better implementation and monitoring of aid programs, and they have become the basis for the provision of

Figure A1.2. Net ODA Disbursements by Total DAC and G-7 Countries
(Billions of U.S. dollars and percent)



Source: OECD.
1/ Not strictly comparable to earlier data due to the reclassification of some former ODA recipients to official aid recipients (Part II of the DAC's list of aid recipients). See Table A1.
2/ Data for 2002 are preliminary and may change.

Figure A1.3. Net ODA Disbursements by G-7 and Other DAC Countries 1/
(Percent of GNI)



Source: OECD and Fund staff estimates.
1/ Ratio of aggregate net ODA disbursements to aggregate GNI, for each group.
2/ Data for 2002 are preliminary and may change.

Table A1.4. Composition of Bilateral Net ODA Disbursements to Developing Countries

	1994	1995	1996	1997	1998	1999	2000	2001
				(Billions of U.S. dollars)				
Total net ODA	65.0	65.3	62.2	54.9	58.3	62.4	59.8	59.5
Bilateral ODA	46.6	46.1	45.2	38.4	41.1	43.3	41.2	41.4
Contributions to multilateral institutions 1/	18.5	19.2	17.0	16.5	17.2	19.1	18.5	18.0
Composition of bilateral net ODA								
By type of assistance								
Grants	39.4	40.7	41.8	36.0	37.0	38.5	37.1	38.3
Of which								
Project grants	...	6.0	5.9	5.9	5.9	5.3	4.9	5.0
Program grants	...	2.3	2.5	1.9	3.6	4.1	4.2	5.6
Technical cooperation	13.0	14.5	14.4	13.2	13.3	13.3	13.0	13.8
Food aid	2.1	1.6	1.2	1.4	1.3	1.4	1.5	1.4
Emergency relief	4.2	3.7	3.5	3.0	3.3	5.1	4.1	3.8
Debt forgiveness	3.5	3.7	3.4	3.1	3.0	2.3	2.0	2.3
Nongrants	7.2	5.4	3.4	2.5	4.0	4.8	4.1	3.2
				(Percent)				
By purpose of aid 2/								
Social and administrative infrastructure	27.8	31.2	29.8	30.7	31.3	31.2	31.9	33.2
Of which								
Education	10.8	10.6	10.8	11.8	10.8	11.2	8.0	8.6
Health and population	3.7	4.1	4.7	4.2	4.3	4.6	4.0	4.6
Economic infrastructure	21.7	23.4	23.9	23.6	18.3	17.8	17.4	15.7
Production	10.6	12.2	13.6	10.7	10.0	8.5	7.9	9.7
Multisector	4.0	5.5	6.1	7.6	7.5	7.6	8.7	9.3
Program assistance	8.5	6.3	4.6	4.1	7.9	7.0	8.7	6.9
Debt relief 3/	11.6	6.3	5.6	8.6	8.9	6.4	6.5	8.3
Emergency aid	4.8	4.6	4.9	4.6	5.9	11.1	8.1	7.2
Administrative expenses	4.6	4.1	4.8	5.6	5.6	5.9	5.8	6.0
Unspecified	6.5	6.4	6.7	4.5	4.7	4.4	5.0	3.6
				(Percent)				
By tying status 4/								
Untied	66.5	69.3	71.3	83.2	81.0	85.0	80.4	78.6
Partially untied	3.3	3.8	3.3	3.0	7.0	4.2	2.7	3.1
Tied	30.2	26.9	25.4	13.8	12.1	10.8	16.9	18.3

Source: OECD.

1/ Includes contributions to the IMF Trust Fund, Interest Subsidy Account, SAF, ESAF/PRGF, and Administered Accounts.

2/ Including forgiveness of non-ODA debt.

3/ Based on commitments.

4/ Based on commitments of bilateral ODA (excludes technical cooperation and adminstrative costs).

concessional assistance by the IMF and World Bank. OECD countries have adopted guidelines on poverty reduction and policy coherence that support the PRSP approach.[4] There are indications that these developments have already had an impact on the allocation of aid, as evidenced in the higher share of ODA to least developed countries and for social expenditures in 2000–01 (see Tables A1.2 and A1.4, respectively).

As more countries begin implementing their poverty-reduction strategies, donors should be in a position to increase their financing to those countries with credible strategies that reflect wide civil society participation, display country ownership, and identify more explicitly the country's financing needs.[5] The form of ODA may also be affected, with further possible declines in nongrant ODA and reductions in tied aid.[6] At the same time, to the extent that donors allocate ODA to those countries with the strongest policy efforts to reduce poverty and increase growth, country allocations can also be expected to shift over time. While it is at present too early to ascertain possible effects on ODA flows, outcomes described above are likely, provided that major donor countries adhere to the current international consensus on aid policy.

The MDGs have become the international community's main targets in the fight against poverty.[7] The MDGs were reaffirmed at the Millennium Summit in September 2000 and there is now a growing impetus to utilize them as targets for assessing progress in reducing poverty. Most recently, at the March 2002 Monterrey conference, donor countries confirmed their commitment to helping developing countries achieve the MDGs and other international targets.

Satisfactory progress towards the MDGs implies substantial net increases in ODA to developing countries, according to several recent studies. Estimates by the World Bank and the UN suggest that extra ODA on the order of $40–60 billion a year is needed to meet the MDGs, in addition to the roughly $50 billion already being provided to developing countries.[8] The studies nonetheless stress that financial assistance is only one of many inputs

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[4] See four new sets of guidelines adopted by OECD-DAC (OECD 2001)

[5] As highlighted in Ross and Harmsen (2002), recent work on aid effectiveness has shown that strong national ownership of reform programs contributes significantly to the effectiveness of external assistance.

[6] In this regard, OECD-DAC donors have made a commitment in April 2001 to untie aid provided to the least developed countries.

[7] The Millennium Development Goals include commitments to combat extreme poverty and hunger, achieve universal primary education, promote gender equality, reduce child mortality, improve maternal health, combat diseases, ensure environmental sustainability, and maintain a global partnership for development.

[8] See Devarajan, Miller, and Swanson (2002), and United Nations (2001). The latter report (also known as the "Zedillo report") estimated that additional financing of $50 billion would be required to meet the MDGs.

required to reach the MDGs, and that extra assistance would need to be accompanied by strong efforts in recipient countries to reform economic policies and improve service delivery. A major review by the OECD of the prospects for reaching the MDGs has similarly emphasized the need for developing countries to establish an environment conducive for growth and poverty reduction through good governance, sound economic management, and the implementation of high quality poverty-reduction strategies.[9]

Reflecting in part efforts to make progress towards the MDGs, several bilateral donors have announced their intentions to increase ODA in the years ahead. For example, EU members have committed to raise their collective ODA to 0.39 percent of GNI by 2006, with all members aiming to attain a level of at least 0.33 percent by that time. Some countries such as the Netherlands and Norway, which target a given ODA/GNI ratio, will continue to provide real increases that match their rates of economic growth. The United States has announced plans for a $5 billion increase in its core development assistance by 2006, an increase of close to 50 percent from the 2000 levels. G-8 donors, during their June 2002 summit, reaffirmed their willingness to ensure that countries genuinely committed to poverty reduction, good governance, and economic reform will not be denied the chance of achieving the MDGs solely through lack of finance.[10] Taken together, by 2006, these recent commitments could raise ODA levels by a total of $12 billion a year.

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[9] See Organization for Economic Cooperation and Development (2001). In examining some of the financing implications of meeting the MDGs, the OECD calculates that a rise in the ODA/GNI ratio from the present level of 0.22 percent to 0.32 percent by 2010 would—assuming growth of 2.5 percent in the national income of DAC members—result in a doubling of ODA from its 2000 levels.

[10] The G-8 also adopted the Africa Action Plan as a framework for action in support of the New Partnership for Africa's Development (NEPAD). The G-8 donors indicated that—assuming strong African policy commitments and given recent assistance trends—half or more of the increase in development assistance could be directed to African nations that govern justly, invest in their own people, and promote economic freedom.

Status of Implementation of the HIPC Initiative

The HIPC Initiative was launched by the IMF and the World Bank in 1996 as the first comprehensive effort to reduce unsustainable debt in the world's poorest, most heavily indebted countries.[1] It was enhanced in the fall of 1999, and aims at reducing the net present value (NPV) of debt at the decision point to a maximum of 150 percent of exports, or for very open economies, to 250 percent of central government revenue.

To demonstrate their capacity to pursue sound economic policies with a focus on poverty reduction, eligible countries are required to establish a satisfactory track record under their IMF- and IDA-supported economic reform and poverty reduction programs. Once a satisfactory track record has been established, a debt sustainability analysis (DSA) is carried out jointly by the HIPC authorities, the IMF, and the World Bank. The country qualifies for HIPC relief if its ratio of the NPV of debt to exports or revenue is greater than the HIPC threshold as defined above. Based on the results of DSA, the Executive Boards of the IMF and the Bank formally decide on the country's qualification for debt relief—that is, the decision point is reached. Debt relief and other assistance begin flowing as soon as the decision point is reached, with the amount based on the country's immediate needs and capacity for channeling the funds to poverty-reducing purposes. At the completion point, when specific measures needed to strengthen poverty reduction efforts and macroeconomic management have been implemented, creditors provide the remainder of the committed debt relief on the basis of their overall exposure.

Progress in Implementation

Thirty-eight countries are expected to qualify for assistance under the enhanced HIPC Initiative, most of which are in sub-Saharan Africa. As of end-November 2003, 27 countries had reached their decision points under the enhanced framework (Benin, Bolivia, Burkina Faso, Cameroon, Chad, Democratic Republic of Congo, Ethiopia, The Gambia, Ghana, Guinea, Guinea-Bissau, Guyana, Honduras, Madagascar, Malawi, Mali, Mauritania, Mozambique, Nicaragua, Niger, Rwanda, São Tomé and Príncipe, Senegal, Sierra Leone, Tanzania, Uganda, and Zambia). Of these countries, eight (Benin, Bolivia, Burkina Faso, Mali, Mauritania, Mozambique, Tanzania, and Uganda) had reached their completion points, at which time the debt relief became irrevocable, with total committed assistance estimated at some $8.3 billion in NPV terms (Table A2.1).

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[1] For a comprehensive description of the HIPC Initiative, see David Andrews and others (1999) and International Monetary Fund and World Bank (2001).

Table A2.1. HIPC Initiative: Status of Country Cases Considered Under the Initiative, November 30, 2003

	Decision Point	Completion Point	Target NPV of Debt-to- Exports (Percent)	Target NPV of Debt-to- Government revenue (Percent)	Assistance Levels 1/ (Millions of U.S. dollars, present value) Total	Bilateral	Multi-lateral	IMF	World Bank	Percentage Reduction in NPV of Debt 2/	Estimated Total Nominal Debt Service Relief (Millions of U.S. dollars)
Completion point reached under enhanced framework											
Benin	Jul. 00	Mar. 03	150		265	77	189	24	84	31	460
Bolivia					1,302	425	876	84	194		2,060
original framework	*Sep. 97*	*Sep. 98*	*225*		*448*	*157*	*291*	*29*	*54*	*14*	*760*
enhanced framework	*Feb. 00*	*Jun. 01*	*150*		*854*	*268*	*585*	*55*	*140*	*30*	*1,300*
Burkina Faso					553	83	469	57	231		930
original framework	*Sep. 97*	*Jul. 00*	*205*		*229*	*32*	*196*	*22*	*91*	*27*	*400*
enhanced framework	*Jul. 00*	*Apr. 02*	*150*		*195*	*35*	*161*	*22*	*79*	*30*	*300*
topping-up	...	*Apr. 02*	*150*		*129*	*16*	*112*	*14*	*61*	*24*	*230*
Mali					539	169	370	59	185		895
original framework	*Sep. 98*	*Sep. 00*	*200*		*121*	*37*	*84*	*14*	*43*	*9*	*220*
enhanced framework	*Sep. 00*	*Mar. 03*	*150*		*417*	*132*	*285*	*45*	*143*	*29*	*675*
Mauritania	Feb. 00	Jun. 02	137	250	622	261	361	47	100	50	1,100
Mozambique					2,023	1,270	753	143	443		4,300
original framework	*Apr. 98*	*Jun. 99*	*200*		*1,717*	*1,076*	*641*	*125*	*381*	*63*	*3,700*
enhanced framework	*Apr. 00*	*Sep. 01*	*150*		*306*	*194*	*112*	*18*	*62*	*27*	*600*
Tanzania	Apr. 00	Nov. 01	150		2,026	1,006	1,020	120	695	54	3,000
Uganda					1,003	183	820	160	517		1,950
original framework	*Apr. 97*	*Apr. 98*	*202*		*347*	*73*	*274*	*69*	*160*	*20*	*650*
enhanced framework	*Feb. 00*	*May 00*	*150*		*656*	*110*	*546*	*91*	*357*	*37*	*1,300*
Decision point reached under enhanced framework											
Cameroon	Oct. 00	Floating	150		1,260	874	324	37	179	27	2,000
Chad	May. 01	Floating	150		170	35	134	18	68	30	260
Congo, Democratic Rep. of	Jul. 03	Floating	150		6,311	3,837	2,474	472	831	80	10,389
Ethiopia	Nov. 01	Floating	150		1,275	482	763	34	463	47	1,930
Gambia, The	Dec. 00	Floating	150		67	17	49	2	22	27	90
Ghana	Feb. 02	Floating	69	250	2,186	1,084	1,102	112	781	56	3,700
Guinea	Dec. 00	Floating	150		545	215	328	31	152	32	800
Guinea-Bissau	Dec. 00	Floating	150		416	212	204	12	93	85	790
Guyana					585	220	365	74	68		1,030
original framework	*Dec. 97*	*May 99*	*107*	*280*	*256*	*91*	*165*	*35*	*27*	*24*	*440*
enhanced framework	*Nov. 00*	*Floating*	*150*	*250*	*329*	*129*	*200*	*40*	*41*	*40*	*590*
Honduras	Jul. 00	Floating	110	250	556	215	340	30	98	18	900
Madagascar	Dec. 00	Floating	150		814	457	357	22	252	40	1,500
Malawi	Dec. 00	Floating	150		643	163	480	30	331	44	1,000
Nicaragua	Dec. 00	Floating	150		3,267	2,145	1,123	82	189	72	4,500
Niger	Dec. 00	Floating	150		521	211	309	28	170	54	900
Rwanda	Dec. 00	Floating	150		452	56	397	44	228	71	800
São Tomé and Príncipe	Dec. 00	Floating	150		97	29	68	-	24	83	200
Senegal	Jun. 00	Floating	133	250	488	193	259	45	124	19	850
Sierra Leone	Mar. 02	Floating	150		600	205	354	123	122	80	950
Zambia	Dec. 00	Floating	150		2,499	1,168	1,331	602	493	63	3,850
Preliminary HIPC document issued											
Côte d'Ivoire	Mar. 98 3/	...	141	280	345	163	182	23	91	6 4/	800
Total assistance provided/committed					**31,428**	**15,456**	**15,801**	**2,516** 5/	**7,228**		**51,934**
Preliminary HIPC document issued											
Côte d'Ivoire 6/	...	...	91	250	2,569	1,027	918	166	438	37	3,900

Sources: IMF and World Bank Board decisions, completion point documents, decision point documents, preliminary HIPC documents, and staff calculations.

1/ Assistance levels are at countries' respective decision or completion points, as applicable.

2/ In percent of the net present value of debt at the decision or completion point (as applicable), after the full use of traditional debt-relief mechanisms.

3/ Côte d'Ivoire reached its decision point under the original framework in March 1998. The total amount of assistance committed thereunder was US$345 million in NPV terms.

4/ Nonreschedulable debt to non-Paris Club official bilateral creditors and the London Club, which was already subject to a highly concessional restructuring, is excluded from the NPVof debt at the completion point in the calculation of this ratio.

5/ Equivalent to SDR 1,727 million at an SDR/USD exchange rate of 0.6862, as of December 3, 2003.

6/ It is suggested that enhanced HIPC relief for Côte d'Ivoire overtake the commitments made under the original HIPC framework.

Impact of HIPC Debt Relief

In combination with traditional debt relief and pledges of additional bilateral debt forgiveness, the external indebtedness of the 27 countries that reached their decision points will be reduced by almost two-thirds in NPV terms (from $77 billion to $26 billion), bringing their indebtedness to levels below the average for all developing countries. Preliminary evidence also indicates that annual net resource transfers, defined as new loans and grants minus debt service payments for the public sector, to most of the 27 decision point countries increased in 2001 compared with levels observed during 1997–2000. This reflected in part the resumption of IMF and IDA support to several countries during this period, as well as delivery of debt relief.

Debt service payments by the 27 countries that have either reached their completion points or are in their interim periods averaged $3.5 billion during 1998–99 and are projected to be reduced by almost one-third as a result of HIPC relief to an average of $2.4 billion in 2001–05. The Initiative will lower debt service payments for the 27 HIPCs on average from 16 percent of exports to 8 percent during 2001–05—less than half that of other developing countries (see Table 5.1).

Debt relief under the HIPC Initiative in part enables recipient countries to increase social expenditures. Spending on health and education in the 27 HIPCs is estimated to have risen by over 30 percent ($1 billion a year) between 1999 and 2002. In relation to GDP, social spending is projected to rise from 6 percent of GDP to 9 percent for these countries as a group. Overall social spending by the 27 HIPCs in 2002 is estimated to have exceeded debt service payments by a factor of close to four.

Projected Costs

Based on the most recent available information, the total cost of assistance under the HIPC Initiative to 34 countries[2] is estimated at $39.4 billion in 2002 NPV terms, divided roughly equally between bilateral and multilateral creditors. The IMF's share is estimated at $2.9 billion in 2002 NPV terms. An estimated $33.3 billion (over 80 percent of the total cost for 34 countries in 2002 NPV terms) has been committed to the 27 decision point countries.

[2] Does not include estimated costs for the Lao People's Democratic Republic, Liberia, Somalia, and Sudan.

About 80 percent of the cost to multilateral creditors and 65 percent of the cost to bilateral creditors reflect commitments already made to these countries.

As a result of the deterioration in exports following the recent global downturn, the NPV of debt-to-export ratios at the completion point may be higher than the projections at the decision point for some 8–10 HIPCs. In total, the debt of these countries (in NPV terms), after taking into account additional debt forgiveness already announced by a number of bilateral creditors, may exceed the HIPC thresholds at the completion point by some $0.5–0.9 billion. About $0.4 billion of this had already been projected in the decision point documents. The possibility exists to provide "topping up" at the HIPC completion point, as was recently done for Burkina Faso, if exogenous factors have caused fundamental changes in countries' underlying economic circumstances. However, topping up is not meant to compensate for slippages in the implementation of policy reforms and/or imprudent external borrowing in the interim period.

Status of Creditor Participation

Multilateral creditors account for $19.0 billion of the $39.4 billion in total costs estimated for the HIPC Initiative in 2002 NPV terms. Nearly all multilateral creditors have agreed to participate in the HIPC Initiative and all the major creditors have committed to provide interim relief. Almost all have pledged irrevocable debt relief to countries that have reached their completion points. IDA, the IMF, the AfDB, and the IDB are the largest multilateral creditors, and are all also providing assistance to countries that have reached their decision points. So far, multilateral creditors have delivered over $3.8 billion in relief, with disbursements under the original HIPC framework accounting for almost 70 percent of that amount.

Paris Club creditors are estimated to account for 38.6 percent ($15.2 billion) of the total cost of the HIPC Initiative in 2002 NPV terms. They are participating fully in the enhanced HIPC Initiative and have committed about $12.5 billion to the 27 decision point countries. The majority of Paris Club creditors have committed to provide debt relief above and beyond the HIPC Initiative, which will further reduce HIPCs' average NPV of debt-to-exports ratio by about 20 percentage points after full delivery of the assistance.

Non-Paris Club official bilateral creditors are required to deliver 8.6 percent of the total cost of relief ($3.4 billion in 2002 NPV terms). Most of this ($3.0 billion) reflects costs for the 27 decision point HIPCs. To date, commitments by the creditors that have agreed to provide relief to the 27 decision point countries amount to about 50 percent of the $3.3 billion cost for the decision point HIPCs, but few of these creditors have actually delivered relief. Although the recent progress is encouraging, there are still 24 creditor countries which have not yet expressed their intention to provide relief. Participation by all creditors and the prompt delivery of the required debt relief by these creditors has become a pressing issue, especially for countries that have already reached their completion points.

Commercial creditors' claims on the 27 decision point HIPCs amount to approximately $1.4 billion in NPV terms after traditional relief, and the cost to these creditors of participating in the enhanced HIPC framework is estimated to be about $0.8 billion (2 percent of total costs) in 2002 NPV terms. The most common method of retiring commercial claims is the IDA administered commercial debt reduction facility, which provides grant financing and logistical support to HIPCs to conduct commercial debt-buyback operations. This facility has so far been successful in retiring some $6.8 billion in principal and interest payments due to the commercial creditors of HIPCs. But aside from the buyback option, very few commercial creditors have agreed to provide even limited debt relief under the enhanced HIPC Initiative. Securing their participation in the HIPC Initiative will require an extra effort by the international community.

Increasing the participation of creditors, especially non-Paris Club official bilateral and commercial creditors, remains a challenge for the successful implementation of the HIPC Initiative, especially for creditors with which the World Bank and the IMF have infrequent or little communication. The international community is limited in its ability to secure creditor participation because the Bank's and the IMF's decisions on the HIPC Initiative are not binding on creditors and the Paris Club's Agreed Minutes create no obligations on the part of non-Paris Club creditors. The noncooperation of these creditors would have adverse implications for the debt sustainability of HIPCs. It is thus important that HIPCs engage actively in a constructive dialogue with their non-Paris Club official bilateral and commercial creditors and seek debt relief within the framework of the enhanced HIPC Initiative.

Assessing Debt Sustainability in Emerging Markets Economies

The assessment of fiscal and external sustainability is a key element in the IMF's work on member countries. The IMF's advice on macroeconomic policies and decisions on access to Fund resources depend crucially on judgments about debt sustainability. This is particularly so in the case of emerging markets that are highly integrated into global capital markets.

With a view to strengthening the IMF's role in crisis prevention, the Executive Board adopted in June 2002 a strengthened framework for assessing debt sustainability in emerging markets economies.[1] The methodology will be applied on a progressive basis, principally for requests for use of IMF resources and in the context of IMF surveillance of members with significant market access.

Components of Debt Sustainability Analysis

The assessment of debt sustainability implies the need to project the evolution of the stocks of liabilities over time. A number of factors, which are multidimensional and interconnected, influence such projections, including exchange rate dynamics, macroeconomic and financial developments, the external environment, and the linkages between governments, households, financial institutions, and corporations. These key factors inform various assessments of sustainability—external sustainability, fiscal sustainability, and financial sector stability. The relative importance of different factors, and the type of assessment that they inform, depends to a large extent on the individual country's characteristics.

The analysis of external sustainability involves judgments about the availability of financing for the current account through private and official capital inflows, projections of the medium-term balance of payments and the associated debt dynamic, and assessments about the appropriate exchange rate policy and level.

The assessment of fiscal sustainability—with the aim of determining whether the existing fiscal stance is consistent with a stable debt-to-GDP ratio—focuses on indicators of public debt and deficits and medium-term fiscal projections. Generally speaking, the fiscal analysis should include all public institutions with the ability to contract debt. This is particularly important in countries where public entities have access to capital markets without explicit government guarantees. In addition, government contingent liabilities should be identified and a separate assessment made of the likelihood that they will be called.

Financial sector stability analysis has taken a more prominent place in the IMF's macroeconomic framework after the experience of the past decade. The cornerstone of this focus is the Financial Sector Assessment Programs (FSAPs) undertaken jointly by the IMF

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[1] See International Monetary Fund (2002).

and the World Bank. FSAPs seek to understand the vulnerabilities and development challenges facing the financial system with the ultimate objective of reducing the likelihood and severity of financial crises.

There are key interactions between the stability of the financial system and the sustainability of the public and external debt. On the one hand, the government is seen as the ultimate guarantor (explicit or implicit) of the financial system and is, therefore, confronted with potentially large contingent liabilities in the face of widespread bank insolvencies. On the other hand, since government securities constitute a large portion of financial institutions' assets, an unsustainable stock of government debt could cause broader financial instability.

A Framework for Assessing Debt Sustainability

The framework for assessing debt sustainability attempts to integrate external, fiscal and financial sector elements, in a systematic fashion. The analysis is built upon the medium-term projections that provide the basis for IMF programs. In addition, this framework incorporates a set of sensitivity tests that help examine the debt implications of alternative assumptions regarding policy variables, macroeconomic developments, and costs of financing. The assessments are expected to be especially be useful for countries on the brink or the midst of a crisis; and countries in the aftermath of a default. However, they are also expected to help identify how a country may become subject to insolvency issues even if it is not facing an imminent crisis, and examine the debt dynamics in program projections.

Assessments of sustainability are probabilistic by nature, since one can normally envisage some states of the world under which a country's debt would be sustainable and other in which it would not. The analytical framework does not supply these probabilities but traces the implications of alternative scenarios. In practice, the analysis of different scenarios requires the determination of certain thresholds at which key variables would signal the danger of debt becoming unsustainable.[2] Further research will be needed to identify such empirical thresholds for particular groups of countries. Naturally, any numeric exercise needs to be undertaken in the context of other variables, such as the structure of debt, interest rates spreads, shape of yield curves, and access to new borrowing, among other factors.

Under this framework, the external sustainability assessment is based on historical data and up to 10 years of projections of the current account balance and those of non-debt-creating inflows (FDI, portfolio investment, and transfers). Similarly, the fiscal sustainability analysis focuses on the expected behavior of the primary deficit and non-debt-creating flows (grants and privatization receipts). Data on deflators, interest rates (external and domestic), and

[2] For instance, according to some cross-country estimates a debt-to-GDP ratio of 40 percent is a useful benchmark, above which a country's conditional probability of a debt crisis is around 15–20 percent, while below 40 percent the probability of a debt crisis is estimated at 2–5 percent.

exchange rates are also at the center of the analysis. Financial sector stability is taken into account implicitly in the projections underlying the external and fiscal assessments.

Two kinds of sensitivity tests are undertaken. The first shows the ambitiousness of the baseline scenario relative to historical experience, by projecting the debt-to-GDP ratio using past averages for interest rates, deflators, current account (or primary balance in the fiscal case), and noninterest flows, and comparing the outcome to that under the baseline scenario. The other sensitivity tests consider adverse two-standard deviation shocks lasting two years to each of the key parameters in turn, and a one-standard deviation combined shock. Ideally, standard deviations used in the exercise should be estimated from historical data of the previous ten years or more. In the absence of sufficient information, cross-country parameters may need to be used as an alternative. Finally, an additional scenario of a 30 percent real exchange rate depreciation is considered as well.

The evaluation of the sensitivity tests highlights some tricky empirical issues that call for added judgment: (1) sufficiently large shocks will cause almost any country's debt dynamics to appear unsustainable; (2) some shocks may be correlated; and (3) historical data may be limited, or the relevant horizon for calculating means and standard deviations may be unclear if a country is undertaking important structural changes. In some cases, calibration of shocks may be necessary, especially if the implied shocks are large. The subsequent analysis of the stress test results must, therefore, be based on relevant factors and key variables in each individual case, as no single indicator or test can fully inform debt sustainability.

GLOSSARY OF TERMS

Agreed Minute. Paris Club document detailing the terms of a rescheduling between creditors and the debtor. It specifies the coverage of debt service payments (types of debt treated), the cutoff date, the consolidation period (in the case of a flow rescheduling), the proportion of payments to be rescheduled, the provisions regarding any down payment, and the repayment schedules for rescheduled and deferred debt. Representatives in the Paris Club commit to recommending these terms to their governments for the bilateral agreements negotiated with the debtor government that implements the Agreed Minute. Paris Club creditors will only agree to reschedulings with countries that have an IMF upper credit tranche arrangement (Stand-By Arrangement or EFF), a PRGF arrangement, or a Rights Accumulation Program (RAP).

Arrears. Unpaid or overdue payments. In the context of export credits, arrears are overdue payments by borrowers that have not yet resulted in claims on export credit agencies.

BIS. Bank for International Settlements. Established in 1930, BIS is an international organization that fosters international monetary and financial cooperation and serves as a bank for central banks.

Berne Union (International Union of Credit and Investment Insurers). An association founded in 1934, of export credit insurance agencies, all participating as insurers and not as representatives of their governments. The main purposes of the Union are to work for sound principles of export credit insurance and maintenance of discipline in the terms of credit in international trade. To this end, members exchange information and furnish the Union with information on their activities, consult with each other on a continuing basis, and cooperate closely.

Bilateral Paris Club agreements. Agreements reached bilaterally between the debtor country and agencies in each of the creditor countries participating in a Paris Club rescheduling. These agreements put into effect the debt restructuring set forth in the Agreed Minute and are legally the equivalent of new loan agreements.

Bilateral official creditors. The creditors are governments. Their claims are loans extended, insured, or guaranteed by governments or official agencies, such as export credit agencies. Certain official creditors participate in debt reschedulings under the aegis of the Paris Club.

Bilateral deadline. In the context of Paris Club reschedulings, the date by which all bilateral agreements must be concluded. It is set in the Agreed Minute and is typically around six months after conclusion of the Agreed Minute, but it can be extended upon request.

Brady Plan. Approach adopted in the late 1980s to restructure debt to commercial banks that emphasizes voluntary market-based debt and debt service reduction operations (DDSR). The main feature of the DDSR operations is the menu of options offered to creditors, which consists of some combination of a buyback at a significant discount, and the issuance of "Brady bonds" by the debtor country in exchange for banks' claims. Such operations added to countries' efforts to restore external viability through the adoption of medium-term structural adjustment programs supported by the IMF and other multilateral and official bilateral creditors.

Buyback. The purchase by a debtor of its own debt, usually at a substantial discount. The debtor reduces its obligations while the creditor receives a once-and-for-all payment.

Buyers' credit. A financial arrangement in which a bank or financial institution, or an export credit agency in the exporting country, extends a loan directly to a foreign buyer or to a bank in the importing country to finance the purchase of goods and services from the exporting country.

CAF. Corporación Andian de Fomento. The CAF is a multilateral financial institution whose mission is to promote the sustainable development of its shareholder countries and regional integration. It serves the public and private sectors, providing multiple financial services to a broad customer base composed of the governments of shareholder countries, public and private companies, and financial institutions. Its policies incorporate social and environmental variables, and it includes efficiency and sustainability criteria in all its operations.

Cancellation of a loan. An agreed reduction in the undisbursed balance of a loan commitment.

Capitalized interest. Scheduled interest payments that are converted, through an agreement made with the creditor, into debt. Rescheduling agreements sometimes provide for the capitalization of (some percentage) of interest due during the consolidation period.

Capitalization of moratorium interest option. Option under concessional Paris Club reschedulings where creditors effect the required NPV debt relief through a reduction in the applicable interest rate (but a lower reduction than in the debt service reduction option) and with a partial capitalization of moratorium interest. This option is chosen by creditors only rarely (see concessional reschedulings).

Claims payments. Payments made to exporters or banks, after the claims-waiting period, by an export credit agency on insured or guaranteed loans, when the original borrower or borrowing-country guarantor fails to pay. This is recorded by the agencies as an unrecovered claim.

Claims-waiting period. The period that exporters or banks must wait after arrears occur before the export credit agency will pay on the corresponding claim.

Cofinancing. The joint or parallel financing of programs or projects through loans or grants to developing countries provided by commercial banks, export credit agencies, or other official institutions in association with other agencies or banks, or the World Bank and other multilateral financial institutions.

Cologne Terms. See concessional rescheduling.

Commercial credit. In the context of the Paris Club, loans originally extended on terms that do not qualify as ODA credits. These are typically export credits on market terms or have a relatively small grant element.

Commercial interest reference rates (CIRRs). A set of currency-specific interest rates for major OECD countries. These rates are determined monthly based on the secondary market yield on government bonds.

Commercial risk. In the context of export credits, the risk of nonpayment by a nonsovereign or private sector buyer or borrower in his home currency arising from default, insolvency, and/or failure to take up goods that have been shipped according to the supply contract (contrasted with transfer risk arising from an inability to convert local currency into the currency in which the debt is denominated, or broader political risk).

Commitment. In the context of export credits, a contractual obligation by an export credit agency to lend, guarantee, or insure resources under specified financial terms and conditions and for specified purposes for the benefit of an importer. In the context of data reported by export credit agencies, the total amount of loans excluding amounts that are in arrears or on which claims have been paid, usually includes principal and contractual interest payable by the importing country on disbursed and undisbursed credits, and sometimes includes not only liabilities of the agency but also uninsured parts of the loan. Therefore, reported commitments are almost always larger than the face value of the loan, and sometimes larger than the agency's total exposure.

Commitment charge (or fee). This is the charge made for holding available the undisbursed balance of a loan commitment. Typically it is a fixed rate charge (for e.g., 1.5 percent per annum) calculated on the basis of the undisbursed balance.

Comparable treatment. An understanding in a debt restructuring agreement with the Paris Club creditors that the debtor will secure at least equivalent debt relief from other creditors.

Completion point. In the context of the HIPC Initiative, a point at which the country concerned completes a set of structural adjustment and poverty reduction measures in the

context of IMF and World Bank-supported programs after reaching the decision point (see decision point) and the debt relief committed by the international community becomes irrevocable.

Concessionality level. See grant element.

Concessional rescheduling. Rescheduling of debt with partial debt reduction. In the context of the Paris Club, concessional rescheduling terms have been granted to low-income countries since October 1988 with a reduction in the net present value (NPV) of eligible debt of up to one-third (Toronto terms); since December 1991 with an NPV reduction of up to half (London terms or "enhanced concessions" or "enhanced Toronto" terms); and since January 1995 with an NPV reduction of up to two-thirds (Naples Terms). In the context of the HIPC Initiative, creditors agreed in November 1996 to increase the NPV reduction up to 80 percent (Lyon terms). In November 1999, the concessionality of such debt relief operations was increased to 90 percent debt reduction in NPV terms (Cologne terms). Such reschedulings can be in the form of flow reschedulings or stock-of-debt operations. While the terms (grace period and maturity) are standard, creditors can choose from a menu of options to implement the debt relief. For full details, see Table A4.1 and FigureA4.1

Consensus. See OECD Consensus.

Consolidated amounts or consolidated debt. The debt service payments and arrears, or debt stock, rescheduled under a Paris Club rescheduling agreement (see Tables A4.2, A4.3, and A4.4).

Consolidation period. In Paris Club rescheduling agreements, the period in which debt service payments to be rescheduled (the "current maturities consolidated") fall due. The beginning of the consolidation period may precede, coincide with, or come after the date of the Agreed Minute. The end of the consolidation period is generally the end of the month in which the IMF arrangement, on the basis of which the rescheduling takes place, expires.

Cover. Provision of export credit guarantee/insurance against risks of payments delays or nonpayments relating to export transactions. Cover is usually, though not always, provided both for commercial risk and for political risk. In most cases, cover is not provided for the full value of future debt service payments; the percentage of cover typically is between 90 percent and 95 percent. (See also quantitative limits.)

Coverage. In the context of rescheduling agreements, the debt service or arrears rescheduled. Comprehensive coverage implies the inclusion of most or all eligible debt service and arrears.

Credit guarantee. Commitment by an export credit agency to reimburse a lender if the borrower fails to repay a loan. The lender pays a guarantee fee. While guarantees could be

unconditional, they usually have conditions attached to them, so that in practice there is little distinction between credits that are guaranteed and credits that are subject to insurance.

Credit insurance. The main business of most export credit agencies is insurance of finance provided by exporters or commercial creditors (though some major agencies lend on their own account). Insurance policies provide for the export credit agency to reimburse the lender for losses up to a certain percentage of the credit covered and under certain conditions. Lenders or exporters pay a premium to the export credit agency. Insurance policies typically protect the lender against political or transfer risks in the borrowing country which prevent the remittance of debt service payments.

Current maturities. In the context of rescheduling agreements, principal and interest payments falling due in the consolidation period.

Cutoff date. The date (established at the time of a country's first Paris Club rescheduling) before which loans must have been contracted in order for their debt service to be eligible for rescheduling. New loans extended after the cutoff date are protected from future rescheduling (subordination strategy). In exceptional cases, arrears on post-cutoff date debt can be deferred over short periods of time in rescheduling agreements.

***De minimis* creditors (or clause)**. Minor creditors that are exempted from debt restructuring to simplify implementation of the Paris Club rescheduling agreements. Their claims are payable in full as they fall due. An exposure limit defining a minor creditor is included in each Agreed Minute, typically ranging from zero to SDR 1 million of consolidated debt.

Debt and debt service reduction (DDSR) operations. Debt restructuring agreements typically between sovereign states and consortia of commercial bank creditors involving a combination of buyback, and exchange of eligible commercial debt for financial instruments at a substantial discount (simple cash buyback) or for new bonds featuring a net present value reduction. In some instances, the principal portion of new financial instruments is fully collateralized with U.S. Treasury zero-coupon bonds, while interest obligations are also partially secured. DDSR agreements are characterized by a "menu approach," allowing individual creditors to select from among several DDSR options. Under the Brady Plan of March 1989, some of these arrangements have been supported by loans from official creditors.

Debt-equity swap. An arrangement which results in the exchange of debt claims, usually at a discount, for equity in an enterprise. An investor purchases the title to a foreign currency denominated debt in a secondary market at a substantial discount. Under the debt-equity swap program, the debtor country government will exchange the debt for local currency. The investor will then carry out an approved equity investment project. The difference between the face value and the market value of the debt provides an incentive to the investor.

Debt-for-debt swap. Such swaps involve a change of creditor without otherwise changing the terms of repayment of their respective loans. They may involve external or domestic creditors.

Debt-for-development swap. Financing part of a development project by the exchange of a foreign currency-denominated debt for local currency, typically at a substantial discount. The process normally involves a foreign nongovernmental organization (NGO) which purchases the debt from the original creditor at a substantial discount using its own foreign currency resources, and then resells it to the debtor country government for the local currency equivalent (resulting in a further discount). The NGO in turn spends the money on a development project, previously agreed upon with the debtor country government.

Debt-for-local-currency swap. Local residents, instead of a foreign investor, buy their own currency's debt in the secondary market using funds they hold abroad or foreign currency acquired in the exchange market. These swaps are designed primarily for the repatriation of flight capital.

Debt-for-nature swap. Similar to a debt for development swap, except that the funds are used for projects that improve the environment.

Debt forgiveness or debt reduction. The extinction of a debt, in whole or in part, by agreement between debtor and creditor. Debt reduction in the context of concessional reschedulings from the Paris Club is applied to the net present value of eligible debt.

Debt reduction option. Option under concessional Paris Club reschedulings where creditors effect the required debt relief in net present value terms through a reduction of the principal of the consolidated amount. A commercial interest rate and standard repayment terms apply to the remaining amounts. (See concessional reschedulings).

Debt refinancing. Procedure by which overdue payments or future debt service obligations on an officially-supported export credit are paid off using a new "refinancing" loan. The refinancing loan can be extended by the export credit agency, by a governmental institution, or by a commercial bank, and in the latter case will carry the guarantee of the export credit agency.

Debt rescheduling. See Rescheduling.

Debt restructuring. Any action by a creditor that alters the terms established for repayment of debt in a manner that provides for smaller near-term debt service obligations (debt relief). This includes rescheduling, refinancing, debt and debt service reduction operations, buybacks, and forgiveness.

Debt service(-to-exports) ratio. A key indicator of a country's debt burden. Scheduled debt service (interest and principal payments due) during a year expressed as a percentage of exports (typically of goods and nonfactor services) for that year.

Debt service reduction option. Option under concessional Paris Club reschedulings where creditors effect the required debt relief in net present value terms through a reduction in the applicable interest rate. (See concessional reschedulings.)

Debt sustainability. As defined in the context of the enhanced HIPC Initiative, the position of a country when the net present value (NPV) of (public and publicly guaranteed) debt to exports is below 150 percent. For highly open economies (indicated by an exports-to-GDP ratio of at least 30 percent) making a strong fiscal effort (expressed by a fiscal revenue-to-GDP ratio of at least 15 percent) the threshold is equivalent to a NPV of debt-to-revenue ratio of 250 percent.

Debt sustainability analysis (DSA). A study of a country's long-term debt situation jointly undertaken by the staffs of the IMF and the World Bank and the country concerned, in consultation with creditors. A country's eligibility for support under the HIPC Initiative is determined on the basis of such an analysis.

Debtor Reporting System (DRS). Statistical reporting system maintained by the World Bank to monitor the debt of developing countries on the basis of reports from debtor countries. It is the basis for the annual World Bank report, *Global Development Finance* (formerly, *World Debt Tables*).

Decision point. In the context of the HIPC Initiative, point at which a country's eligibility for assistance under the HIPC Initiative is determined based on the debt sustainability analysis. In order to reach a decision point, a country needs to establish a credible track record in the context of an IMF and World Bank-supported program, while receiving a flow rescheduling on Naples terms from Paris Club creditors and comparable treatment from other official bilateral and commercial credits. The international community enters into a commitment at the decision point to deliver assistance at the completion point provided the debtor adheres to its policy commitments.

Deferred payments. In the context of Paris Club reschedulings, obligations that are not consolidated but postponed nonconcessionally, usually for a short period of time, as specified in the Agreed Minute.

Development Assistance Committee (DAC) of the OECD. Established in 1960 as the Development Assistance Group with the objective to expand the volume of resources made available to the developing countries and to improve their effectiveness. The DAC periodically reviews both the amount and nature of its members' contributions to aid programs, both bilateral and multilateral. The DAC does not disburse assistance funds

directly but is concerned instead with the promotion of increased assistance efforts by its members. The members of the DAC are Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Ireland, Italy, Japan, Luxembourg, the Netherlands, New Zealand, Norway, Portugal, Spain, Sweden, Switzerland, the United Kingdom, the United States, and the Commission of the European Communities.

Effectively rescheduled debt. The proportion of total payments covered by a rescheduling agreement that is rescheduled or deferred until after the consolidation period.

Eligible debt or debt service. In the context of the Paris Club, debt that can be rescheduled, namely debt contracted before the cut-off date with maturities of one year or longer.

Enhanced concessions (or enhanced Toronto terms). See concessional rescheduling.

Enhanced Structural Adjustment Facility (ESAF). See Structural Adjustment Facility (SAF).

Escrow accounts. Accounts in offshore banks (outside the debtor country) through which a portion of the export proceeds of a debtor is channeled to cover future debt service payments. Creditors thus obtain extra security for their loans and effective priority on debt service.

Export credit. A loan extended to finance a specific purchase of goods or services from within the creditor country. Export credits extended by the supplier of goods are known as suppliers credits; export credits extended by the supplier's bank are known as buyers credits. (See also officially supported export credits.)

Exposure. In the context of export credits, the total amount of debt of a country held by an export credit agency, including commitments, arrears, and unrecovered claims. Implicitly, a measure of the total possible financial cost to the agency of a complete default by the borrowing country.

Extended Fund Facility (EFF). An IMF lending facility established in 1974 to assist member countries in overcoming balance of payments problems that stem largely from structural problems and require a longer period of adjustment. A member requesting an extended arrangement outlines its objectives and policies for the whole period of the arrangement (typically 3 years) and presents a detailed statement each year of the policies and measures to be pursued over the next 12 months. The phasing and performance criteria are comparable to those of Stand-By Arrangements, although phasing on a semiannual basis is possible. Countries must repay EFF resources over 10 years including a grace period of 4 ½ years (see Stand-by Arrangement).

Flow rescheduling. In the context of the Paris Club, the rescheduling of specified debt service falling due during the consolidation period, and, in some cases, of specified arrears outstanding at the beginning of the consolidation period. (See stock-of-debt operation.)

Goodwill clause. Clause used in Paris Club agreements under which creditors agree in principle, but without commitment, to consider favorably subsequent debt relief agreements for a debtor country that remains in compliance with the rescheduling agreement as well as its IMF arrangement and that has sought comparable debt relief from other creditors. The clause can be for a future flow rescheduling or a stock-of-debt operation.

Grace period and maturity. During the grace period of a loan, no principal repayments (amortization) need to be made, only interest payments are due. Maturity refers to the total repayment period, including the grace period. In the context of Paris Club reschedulings, periods until the first and last payment dates are measured typically from the mid-point of the consolidation period.

Graduated payments (or "blended payments"). In the context of Paris Club rescheduling, the term refers to a repayment schedule where principal repayments (and therefore total payments) gradually increase over the repayment period reflecting an expected improvement in the repayment capacity of a debtor country. Creditors have made increasing use of the graduated payments replacing flat payment schedules where equal amounts of principal repayments were made over the repayment period.

Grant element. Measure of concessionality of a loan, calculated as the difference between the face value of the loan and the sum of the discounted future debt service payments to be made by the borrower expressed as a percentage of the face value of the loan.

Grant-like flows. Transactions involving the sale of commodities against payment in the recipient country's currency or loans in a foreign currency repayable in the recipient country's currency. These transactions are treated as grants in the OECD/DAC statistics. They are, nevertheless, counted as external debt, since the creditor is nonresident.

Heavily Indebted Poor Countries (HIPCs). Group of 41 developing countries identified for analytical purposes in 1995: includes 32 countries with a 1993 GNP per capita of $695 or less and 1993 present value of debt to exports higher than 220 percent or present value of debt to GNP higher than 80 percent (severely indebted low-income countries in the World Bank classification).

Helsinki package. Agreement reached in 1978 by OECD participants of the Consensus limiting the use of tied-aid credits in certain countries to projects that would not be commercially viable without an aid element. The agreement also set up mechanisms for implementing the new rules. (See OECD Consensus.)

HIPC Initiative—Debt Initiative for Heavily Indebted Poor Countries. Framework for action to resolve the external debt problems of heavily indebted poor countries (HIPCs) that was developed jointly by the IMF and the World Bank and was adopted in 1996 and revised in 1999. The Initiative envisages comprehensive action by the international financial community, including multilateral institutions, to assist eligible HIPCs achieve debt sustainability, provided a country builds a track record of strong policy performance.

HIPC Trust Fund. Trust Fund administered by IDA to provide debt relief through grants to eligible HIPCs on debt owed to participating multilaterals. It will either prepay, or purchase a portion of the debt owed to a multilateral creditor and cancel such debt, or pay debt service as it comes due. The HIPC Trust Fund receives contributions from participating multilateral creditors and from bilateral donors. Contributions can be earmarked for debt owed by a particular debtor or to a particular multilateral creditor. Donors can also provide contributions to an unallocated pool and would participate in decisions regarding the use of these unallocated funds. The Trust Fund allows multilateral creditors to participate in the Trust Fund in ways consistent with their financial policies and aims to address the resource constraints for certain multilateral creditors. (See also PRGF-HIPC Trust.)

Houston terms. See lower-middle-income country terms.

IMF arrangement. Agreement between the IMF and a member country based on which the IMF provides financial assistance to a member country seeking to redress balance of payments problems and to help cushion the impact of adjustment. Nonconcessional resources are provided mainly under Stand-By Arrangements (SBA) and the Extended Fund Facility (EFF), and concessional resources are provided under the Poverty Reduction and Growth Facility (PRGF).

Implementing agreements. See bilateral agreements.

Interest rate swap. An agreement to swap the debt-servicing liability of a loan with a fixed interest rate with that of a loan with a variable interest rate. For example, a government of a developing country may be able to borrow at comparatively better terms at variable rates than at fixed rates, while for an enterprise in an industrial country the inverse may be true. As each may prefer its liabilities in the other form, they may therefore arrange a swap. Normally, the differential in the rates is insured with a broker to protect the more sound borrower.

International Development Association (IDA). IDA is the concessional lending arm of the World Bank Group. IDA assistance is available to low-income member countries.

Late interest. Interest accrued on principal and interest in arrears.

London Club. A group of commercial banks that join together to negotiate the restructuring of their claims against a particular sovereign debtor. There is no organizational framework for the London Club comparable to that of the Paris Club.

London terms. See concessional rescheduling.

Long-maturities option. In the context of the Paris Club, a nonconcessional option in concessional reschedulings under which the consolidated amount is rescheduled over a long period of time but without a reduction in the net present value of the debt.

Low-income countries. In the context of the Paris Club, countries eligible to receive concessional terms. The Paris Club decides eligibility on a case-by-case basis, but these include typically countries eligible to receive only highly concessional credits from the IDA ("IDA-only countries").

Lower-middle-income country terms (LMIC). In the context of the Paris Club, refers to the rescheduling terms granted, since September 1990, to lower-middle-income countries. These terms are nonconcessional, and provided originally for flat repayment schedules, but in recent years often graduated payment schedules have been agreed for commercial credits with up to 18-year maturities, including a grace period of up to 5 years. ODA credits are rescheduled over 20 years including a grace period of up to 10 years. This set of rescheduling terms also includes the limited use of debt swaps on a voluntary basis. Lower-middle-income countries are countries with a per capita GNI in 2001 of between $746 and $2,975.

Lyon terms. See concessional rescheduling.

Maturity. Grace period plus repayment period. See grace period and maturity.

Middle-income countries. In the context of the Paris Club, countries not considered lower-middle-income or low-income. These countries receive nonconcessional rescheduling terms, originally with flat repayment schedules, but since the 1990s increasingly with graduated payment schedules that have a maturity of up to 18 years and a grace period of 2–3 years of commercial credits. Official development assistance credits are rescheduled over 10 years, including a grace period of 5–6 years. In the context of the World Bank classification, middle-income countries are those with a per capita GNI in 2001 of between $746 and $9,205.

Mixed credits. Credits containing an aid element, either in the form of a grant or of a subsidized interest rate.

Moratorium interest. Interest charged on rescheduled debt. In the Paris Club, the moratorium interest rate is negotiated bilaterally by the borrowing country with each individual creditor and therefore, differs from one creditor to the next. In the London Club,

where all creditors are deemed to have access to funds at comparable rates, the moratorium interest rate applies equally to all rescheduled obligations under a given agreement.

Multilateral creditors. These creditors are multilateral institutions such as the IMF and the World Bank, and other multilateral development banks.

Multiyear rescheduling agreements (MYRA). An agreement granted by official creditors, that covers consolidation periods of two or more years in accordance with multi-year IMF arrangements such as EFF and PRGF. It is carried out through a succession of shorter consolidations (tranches) that are implemented after certain conditions specified in the Agreed Minute are satisfied. The conditions generally include full implementation to date of the rescheduling agreement and the continued implementation of the IMF arrangements.

Naples terms. See concessional rescheduling.

Net (capital) flows. Loan disbursements minus principal repayments during the same period.

Net present value (NPV) of debt. The discounted sum of all future debt service obligations (interest and principal) on existing debt. Whenever the interest rate on a loan is lower than the discount rate, the resulting NPV of debt is smaller than its face value, with the difference reflecting the grant element. The discount rates used in the context of the HIPC Initiative reflect market interest rates.

Net present value (NPV) of debt-to-exports ratio. Net present value (NPV) of debt as a percentage of exports (usually of goods and nonfactor services).

Net (capital) transfers. Loan disbursements minus debt service payments (principal repayment and interest) during the same period.

Nonconsolidated debt. This is debt that is wholly or partly excluded from rescheduling. It has to be repaid on the terms on which it was originally provided, unless creditors agree to defer it.

OECD Consensus. Formally the "Arrangement on Guidelines for Officially Supported Export Credits," a framework of rules governing export credits agreed by members of the OECD's export credit group.

OECD Export Credit and Credit Guarantees Group, OECD Trade Committee. A forum in which 22 OECD member countries participate in the Arrangement on Guidelines for Officially Supported Export Credits (the Consensus). Turkey and Mexico also attend this Group as observers. Aside from coordinating export credit terms, the OECD Export Credit Group has also served as a forum for the exchange of information on debtor country

situations and agencies' practices; at the meetings of the Group the governmental authorities of the agencies are represented.

Official creditors. Public sector lenders. Some are multilateral, namely, international financial institutions such as the IMF, the World Bank and regional development banks. Others are bilateral, namely, agencies of individual governments (including central banks) such as export credit agencies.

Official development assistance (ODA). Flows of official financing defined by the OECD that meet the following test: (1) its main objective is the promotion of the economic development and welfare of the developing countries and (2) it is concessional in character and contains a grant element of at least 25 percent (using a fixed discount rate of 10 percent). ODA is provided to developing countries and to multilateral institutions by OECD/DAC members and other countries through their official agencies, including state and local governments, or by their executive agencies; ODA is also provided to developing countries by multilateral institutions. Lending by export credit agencies—with the pure purpose of export promotion—is excluded.

Official development finance (ODF). Total official flows to developing countries excluding officially supported export credits (the latter are regarded as primarily trade-promoting rather than development-oriented). Comprises official development assistance (ODA) and other official development finance flows.

Official export credit agency. An agency within a creditor country that provides loans, guarantees, or insurance to finance the specific purchase of goods for export. (See officially-supported export credits.)

Officially supported export credits. Loans or credits to finance the export of goods and services for which an official export credit agency (ECA) in the creditor country provides guarantees, insurance, or direct financing. The financing element——as opposed to the guarantee/insurance element—may derive from various sources. It can be extended by an exporter (suppliers' credit), or through a commercial bank in the form of financial trade-related credit provided either to the supplier (also suppliers' credit) or to the importer (buyers' credit). It can also be extended directly by an ECA of the exporting countries, usually in the form of medium-term finance as a supplement to resources of the private sector, and generally for export promotion for capital equipment and large-scale, medium-term projects. Under OECD Consensus rules covering export credits with a duration of two years or more, up to 85 percent of the export contract value can be financed.

Other official development flows (other ODF). Development-oriented official flows that do not qualify as official development assistance (ODA). Bilateral "other" ODF includes mainly refinancing loans and the capitalization of interest in debt restructuring agreements.

Paris Club. Informal group of creditor governments that has met on a regular basis in Paris since 1956 to reschedule bilateral debts; the French Treasury provides the Secretariat. Creditors meet with a debtor country in order to reschedule its debts as part of the international support provided to a country that is experiencing debt-servicing difficulties and is pursuing an adjustment program supported by the IMF. The Paris Club does not have a fixed membership and its meetings are open to all official creditors that accept its practices and procedures. The core creditors are mainly OECD member countries, but other creditors attend as relevant for a debtor country. Russia became a member in September 1997.

Political risk. The risk of borrower country government actions that prevent, or delay, the repayment of export credits. Many export credit agencies also include under political risk such events as war, civil war, revolution, or other disturbances that prevent the exporter from performing under the supply contract or the buyer from making payment. Some also include physical disasters such as cyclones, floods, or earthquakes.

Post-cutoff date debt. See cutoff date.

Poverty Reduction and Growth Facility. In 1999, the PRGF replaced the ESAF as the IMF's concessional loan window.

Poverty Reduction Strategy Papers (PRSPs) are prepared by low-income member countries through a participatory process involving domestic stakeholders as well as external development partners, including the World Bank and the IMF. A PRSP describes a country's macroeconomic, structural, and social policies and programs over a three year or longer horizon to promote broad-based growth and reduce poverty, as well as associated external financing needs and major sources of financing. National PRSPs are available on the World Bank and IMF websites by agreement with the member country.

Premium. In the context of export credits, the amount paid, usually in advance, by insured lenders as the price of the insurance. An important source of income for export credit agencies.

Previously rescheduled debt . Debt that has been rescheduled on a prior occasion. This type of debt was generally excluded from further rescheduling in both the Paris and the London Clubs until 1983. Since then however, previously rescheduled debt frequently has been rescheduled again for countries facing acute payments difficulties.

PRGF-HIPC Trust. IMF's participation in the PRGF and the HIPC Initiative are administered through this Trust.

Quantitative (or cover) limits. Mechanisms by which export credit agencies restrict the amount of cover offered to a particular country. These can, for example, take the form of limits on the total cover for a country or on the amount of cover offered for individual

transactions. The limit set is an important means of limiting exposure to countries considered to be risky.

Rights Accumulation Program (RAP). An IMF program of assistance established in 1990 whereby a member country with long overdue obligations to the IMF, while still in arrears, may accumulate "rights" toward a future disbursement from the IMF on the basis of a sustained performance under a IMF-monitored adjustment program. Countries incurring arrears to the IMF after end-1989 are not eligible for assistance under this program. Rights accumulation programs adhere to the macroeconomic and structural policy standards associated with programs supported by the EFF and PRGF, and performance is monitored, and rights accrue, quarterly.

Recoveries. Repayments made to export credit agencies by borrowing countries after agencies have paid out claims to exporters or banks on the loans concerned.

Refinancing. See debt refinancing.

Reinsurance. Reinsurance by export credit agencies of amounts originally insured by a private sector insurer or commercial bank (some large official agencies are also providing reinsurance for smaller official agencies). For example, a private insurer might keep the commercial risk of a loan on its own books, but seek reinsurance against specific political risks.

Repayment period. The period during which repayments under the financing are due to be made; this period usually starts after the end of performance under the commercial contract.

Rescheduling. Debt restructuring in which specified arrears and future debt service (falling due during the consolidation period) are consolidated and form a new loan with terms defined at the time of the rescheduling. Rescheduling debt is one means of providing a debtor with debt relief through a delay and, in the case of concessional rescheduling, a reduction in debt service obligations. For official bilateral creditors, the main forum for negotiating debt rescheduling is the Paris Club. Rescheduling is typically provided by the international financial community in order to support a debtor country's economic adjustment program.

Rescheduling agreement. An agreement between a creditor, or a group of creditors and a debtor to reschedule debt. The agreement may also include other debt restructuring strategies such as write-offs or swaps.

Short-term commitments or credits. Commitments which provide for repayment within a short period, usually six months (though some export credit agencies define short-term credits as those with repayment terms of up to one or two years). Usually relating to sales of consumer goods and raw materials, and usually taking the form of policies for whole-

turnover/comprehensive coverage. Short-term debt in the context of the Paris Club has a maturity of under and up to one year.

Special accounts. In the context of the Paris Club, deposits into special accounts were first introduced in 1983 for debtor countries that had a history of running into arrears. After the signing of the Agreed Minute, the debtor makes monthly deposits into an earmarked account at the central bank of one of the creditor countries. The deposit amounts are roughly equal to the moratorium interest that is expected to fall due on the rescheduled debt owed to all Paris Club creditors combined and any other payments falling due during the consolidation period. The debtor then draws on the deposited funds to make payments as soon as the bilateral agreements with the individual Paris Club creditors are signed and as other payments fall due.

Standard terms. See middle-income countries.

Stand-By Arrangement (SBA). An IMF lending facility established in 1952 through which a member country can use IMF financing up to a specified amount to overcome balance of payments difficulties of a short-term or cyclical character. Installments are normally phased on a quarterly basis, with their release conditional upon meeting performance criteria and the completion of periodic reviews. Performance criteria generally cover credit policy, government or public sector borrowing requirements, trade and payments restrictions, foreign borrowing, and reserve levels. These criteria allow both the member and the IMF to assess progress in policy implementation and may signal the need for further corrective policies. Stand-By Arrangements typically cover a 12- to 18-month period (although they can extend up to 3 years). Repayments are to be made over 5 years including a grace period of 3¾ years.

Standstill. An interim agreement between a debtor country and its commercial banking creditors as a result of which principal repayments of medium- and long-term debt are deferred and short-term obligations are rolled over, pending agreement on a debt reorganization. The objective is to give the debtor continuing access to a minimum of trade-related financing while negotiations take place and to prevent some banks from abruptly withdrawing their facilities at the expense of others.

Stock-of-debt operation. In the context of the Paris Club, an exit rescheduling of the eligible stock of debt (pre-cutoff date, non-ODA debt) for countries that have graduated from flow rescheduling. Stock operations on Cologne terms are given to countries that have reached their completion points under the enhanced HIPC Initiative (see Tables A4.5, A4.6, and A4.7).

Structural Adjustment Facility (SAF)/Enhanced Structural Adjustment Facility (ESAF). The Structural Adjustment Facility (SAF), established in 1986, and succeeded in 1987 by the Enhanced Structural Adjustment Facility, was until 1999 (when it was replaced by the PRGF) the concessional loan window of the IMF. ESAF was available to low-income member countries facing protracted balance of payments problems, and provided resources at

an annual interest rate of 0.5 percent, and repayable over 10 years, including a grace period of 5 ½ years.

Subordination strategy. Policy of Paris Club creditors that loans extended after the cutoff date are not subject to rescheduling; therefore, pre-cutoff date loans are effectively subordinated to new lending.

Suppliers' credit. A financing arrangement under which an exporter extends credit to the buyer in the importing country.

Terms-of-reference rescheduling. Paris Club rescheduling involving only a small number of creditors. Typically this does not require a rescheduling meeting between the debtor country and its creditors, with the agreement being reached through an exchange of letters.

Tied-aid loans. Bilateral loans that are linked to purchases from the country providing the loans.

Toronto Terms. See concessional rescheduling.

Transfer risk. The risk that a borrower will not be able to convert local currency into foreign exchange, and so will be unable to make debt service payments in foreign currency. The risk would usually arise from exchange restrictions imposed by the government in the borrower's country. This is a particular kind of political risk.

Uncovered claims. See claims payment.

Upper-middle-income countries. In the context of the Paris Club, countries not considered lower middle-income or low-income. These countries receive nonconcessional rescheduling terms —originally with flat repayment schedules, but in the 1990s increasingly with graduated payments schedules with usually up to 15 years' maturity and 8 years' grace period for commercial credits. ODA credits are rescheduled over 10 years, including 5-6 years' grace. In the context of the World Bank classification, upper middle-income countries are those with a per capita GNI in 2001 of between $2,976–$9,205.

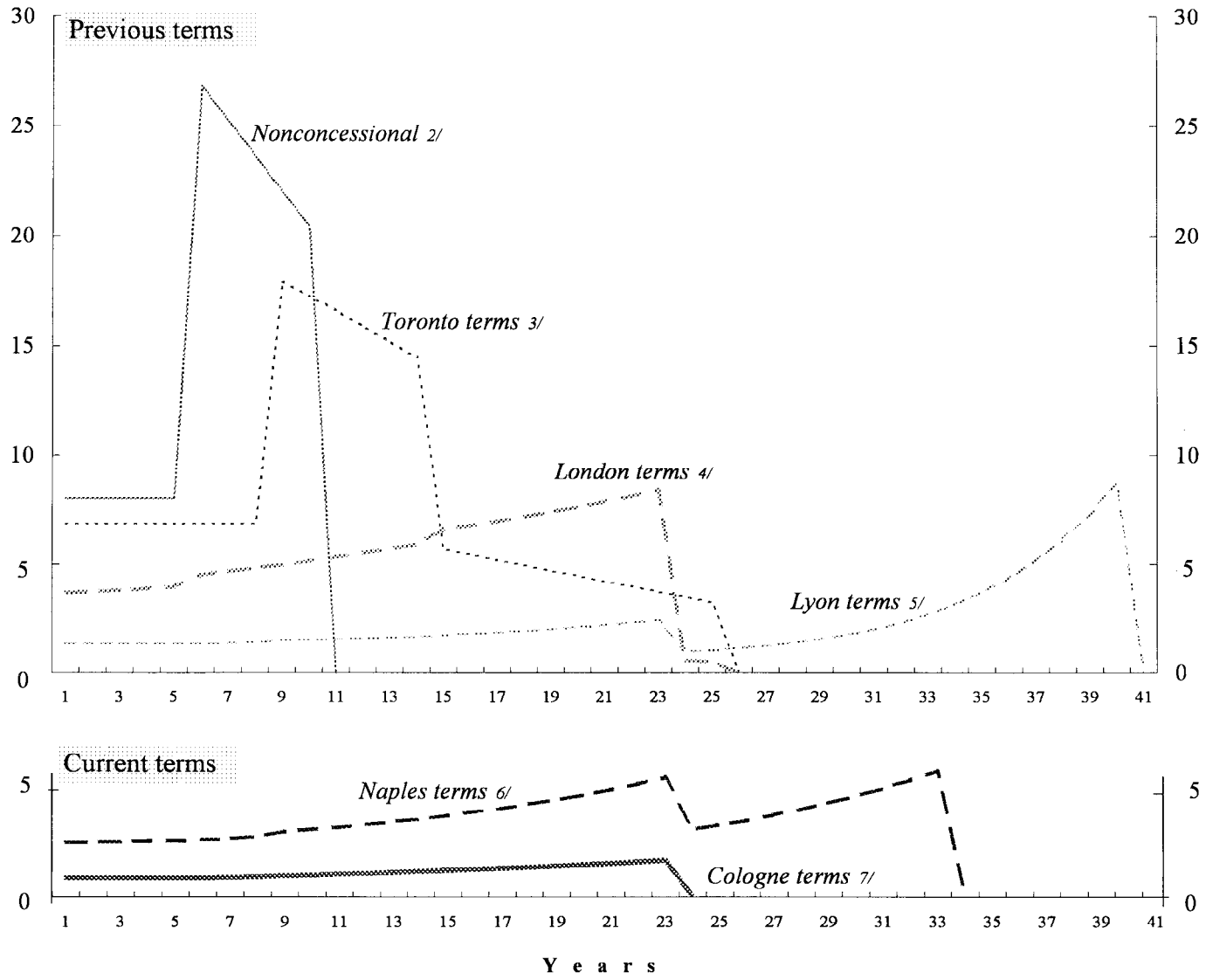
Table A4.1. Evolution of Paris Club Rescheduling Terms

	Middle-Income Countries 1/	Lower-Middle-Income Countries (Houston terms) 1/	Low-Income Countries 2/																	
			Toronto terms options			London terms 3/ options				Naples terms options 4/					Lyon terms 5/ options				Cologne terms options 5/ 6/
										DSR									
										Maturing									
			DR	DSR	LM	DR	DSR	CMI	LM	DR	flows	Stocks	CMI	LM	DR	DSR	CMI	LM	DR
Implemented	...	Since Sept. 1990	Oct. 1988-June 1991			Dec. 1991-Dec. 1994				Since January 1995					Dec. 1996 - Oct. 1999				Since Nov. 1999
Grace (in years)	5-6 1/	Up to 8 1/	8	8	14	6	--	5	16 7/	6	--	3	8	20	6	8	8	20	6
Maturity (in years)	9 1/	15 1/	14	14	25	23	23	23	25	23	33	33	33	40	23	40	40	40	23
Repayment schedule	Flat/ graduated	Flat/ graduated	------ Flat ------			---- Graduated ------				-------- Graduated --------					----- Graduated ------				--- Graduated ---
Interest rate 8/	M	M	M	R 9/	M	M	R 10/	R 10/	M	M	R 11/	R 11/	R 11/	M	M	R 12/	R 12/	M	M
Reduction in net present value (in percent)	--	--	33	20-30 13/	--	50	50	50	--	67	67	67	67	--	80	80	80	--	90 6/
Memorandum items																			
ODA credits																			
Grace (in years)	5-6	Up to 10	14	14	14	12	12	12	16	16	16	16	16	20	16	16	16	20	16
Maturity (in years)	10	20	25	25	25	30	30	30	25	40	40	40	40	40	40	40	40	40	40

Source: Paris Club.

1/ Since the 1992 agreements with Argentina and Brazil, creditors have made increasing use of graduated payments schedules (up to 15 years' maturity and 2-3 years' grace for middle-income countries; up to 18 years' maturity for lower-middle-income countries).
2/ DR = debt-reduction option; DRS = debt-service-reduction option; CMI = capitalization of moratorium interest; and LM = nonconcessional option providing longer maturities. Under London, Naples, Lyon, and Cologne terms, there is a provision for a stock-of-debt operation, but no such operation took place under London terms.
3/These have also been called "Enhanced Toronto" and "Enhanced Concessions" terms.
4/ Until November 1999 included an option of a 50 percent level of concessionality for countries with a per capita income of more than $500, and an overall net present value of debt-export ratio of less than 350 percent. For a 50 percent level of concessionality, terms were equal to London terms except for the debt-service-reduction option under a stock-of-debt operation that included a three-year grace period.
5/ These terms are to be granted in the context of concerted action by all creditors under the HIPC Initiative. They also include, on a voluntary basis, an ODA debt-reduction option.
6/ Creditors agree on a case-by-case basis on a net present value debt reduction of 90 percent on pre-cutoff date commercial (non-ODA) debt, or more if this is required in the context of proportional burden sharing with other creditors to achieve debt sustainability in the debtor country. All creditors will seek to apply the DR option, but if that is not possible there is also a DSR option with very long maturities and grace periods.
7/ Fourteen years before June 1992.
8/ Interest rates are determined in the bilateral agreements implementing the Paris Club Agreed Minute. M = market rates; and R= reduced rates.
9/ The interest rate was 3.5 percentage points below the market rate or half of the market rate if the market rate was below 7 percent.
10/ Reduced to achieve a 50 percent net present value reduction.
11/ Reduced to achieve a 67 percent net present value reduction; under the DSR option for the stock operation, the interest rate is slightly higher, reflecting the three-year grace period.
12/ Reduced to achieve an 80 percent net present value reduction.
13/ The reduction of net present value depends on the reduction in interest rates and therefore varies. See Footnote 9.

Figure A4.1. Evolution of Paris Club Low-Income Rescheduling Profiles 1/
(Percent of amounts consolidated)



Sources: Paris Club Secretariat, and IMF staff estimates.

1/ Assuming a market interest rate of 8 percent. The payments profiles reflect the actual distribution of the debt-reduction option (DR), debt-service reduction option (DSR), the capitalization of moratorium interest option (CMI), or the long maturities option (LM).

2/ Assuming equal principal repayments over 10 years including 5 years of grace.

3/ Equal distribution among the options (DR, DSR, and LM).

4/ Distribution (in percent) of DR 40, DSR 45, CMI 10, and LM 5.

5/ Eighty percent reduction in NPV terms provided in the context of the original HIPC Initiative. Distribution (in percent) of DR 50 and DSR 50.

6/ Sixty-seven percent reduction in NPV terms. Distribution among options (in percent): DR 45, DSR 45, and CMI 10. The LM option is not included, given that any creditor choosing this option undertakes best efforts to change to a concessional option at a later date when feasible.

7/ Ninety percent reduction in NPV terms provided in the context of the enhanced HIPC Initiative. DR option only.

Table A4. 2. Paris Club Reschedulings of Official Bilateral Debt: Amounts Consolidated in Successive Reschedulings, 1976 - End of December 2002
(Millions of U.S. dollars)

Country/Agreement	I	II	III	IV	V	VI	VII	VIII	IX	X	XI	XII	XIII	Amount 1/	Number
Angola	446													446	1
Bosnia and Herzegovina	683 2/													683	1
Cambodia	249													249	1
Croatia	861													861	1
Djibouti	17													17	1
El Salvador	135													135	1
Gambia, The	17													17	1
Georgia	58													58	1
Guatemala	440													440	1
Haiti	117													117	1
Kyrgyz Republic	101													101	1
São Tomé and Príncipe	28													28	1
Ukraine	578													578	1
Vietnam	791													791	1
Algeria	5,345	7,320												12,665	2
Chile	146	157												303	2
Dominican Republic	290	850												1,140	2
Egypt	6,350	27,864 3/												34,214	2
Kenya	535	302												837	2
Macedonia, FYR	288	46												334	2
Panama	19	200												219	2
Romania	234	736												970	2
Rwanda	64	1 4/												65	2
Somalia	127	153												280	2
Trinidad and Tobago	209	110												319	2
Albania	109	75	89											273	3
Bulgaria	640	251	200											1,091	3
Ethiopia	441	184	541 2/											1,166	3
Ghana	93 5/	97	164											354	3
Indonesia	4,176	5,440	5,400											15,016	3
Mexico	1,199	1,912	2,400											5,511	3
Pakistan	3,250	1,752	12,444 3/											17,446	3
Turkey	1,300	1,200	3,000											5,500	3
Yemen, Republic of	113	1,446	420 6/											1,979	3
Brazil	2,337	4,178	4,992	10,500										22,007	4
Chad	24	24	12	15										75	4
Congo, Republic of	756	1,052	1,175	1,758										4,741	4
Equatorial Guinea	38	10	32	51										131	4
Guinea-Bissau	25	21	195	139										380	4
Honduras	280	180	112	411										983	4
Liberia	35	25	17	17										94	4
Malawi	25	26	27	66										144	4
Nicaragua	722	783	900 2/	580										2,985	4
Nigeria	6,251	5,600	3,300	23,380										38,531	4
Sudan	487	203	518	249										1,457	4
Argentina	2,040	1,260	2,400	1,476	2,700									9,876	5

Table A4. 2. Paris Club Reschedulings of Official Bilateral Debt: Amounts Consolidated in Successive Reschedulings, 1976 - End of December 2002 (concluded)
(Millions of U.S. dollars)

Country/Agreement	I	II	III	IV	V	VI	VII	VIII	IX	X	XI	XII	XIII	Amount 1/	Number
Benin	193	152	25	209 6/	18 2/									597	5
Burkina Faso	71	36	64 6/	4 2/	40 2/, 7/									215	5
Costa Rica	136	166	182	139	58									681	5
Guyana	195	123	39	793 6/	240 8/									1,390	5
Mali	63	44	20	33 6/	5 2/									165	5
Philippines	757	862	1,850	1,096	... 9/									4,565	5
Russia	14,363	7,100	6,400	40,200	8,040									76,103	5
Yugoslavia, FRY	500	812	901	1,291	4,309 3/									7,813	5
Cameroon	535	1,080	1,259	1,129	1,350	1,300								6,653	6
Guinea	196	123	203	156	123	151								952	6
Jordan	587	771	1,147	400	821	1,171								4,897	6
Morocco	1,152	1,124	1,008	969	1,390	1,303								6,946	6
Peru	420	466	704	5,910	1,527	6,724								15,751	6
Poland	2,110	10,930	1,400	9,027	10,400	29,871 3/								63,738	6
Central African Republic	72	13	14	28	4	32	23							186	7
Ecuador	142	450	438	397	339	293	804							2,863	7
Jamaica	105	62	124	147	179	127	291							1,035	7
Mozambique	283	361	719	440	664 10/	1,931 2/, 8/	2,344 7/							6,742	7
Tanzania	1,046	377	199	691	1,608	709	1,245 7/							5,875	7
Bolivia	449	226	276	65	482	881 6/	561 8/	685 7/						3,625	8
Gabon	63	387	326	545	-- 11/	1,360	1,030	687						4,398	8
Mauritania	68	27	90	52	218	66	98	385 7/						1,004	8
Sierra Leone	39	37	25	86	164	42	39	212 2/						644	8
Uganda	30	19	170	89	39	110 6/	148 8/	145 7/						750	8
Zambia	375	253	371	963	917	566	1,060	249						4,754	8
Côte d'Ivoire	230	213	370	567	934	806	1,849	1,332	1,822					8,123	9
Madagascar	140	107	89	128	212	254	139	1,304 2/	254					2,627	9
Niger	36	26	38	34	37	48	116	160	128	115				738	10
Togo	260	232	300	75	27	139	76	88	52	237				1,486	10
Congo, Dem. Rep. of	270	170	40	1,040	500	1,497	408	429	671	1,530	8,163			14,718	11
Senegal	75	74	72	122	65	79	143	107	114	237	169	590 6/	32 2/	1,879	13
Total	67,430	90,281	57,201	105,467	37,410	49,460	10,374	5,783	3,041	2,119	8,332	590	32	437,521	333

Sources: Agreed Minutes of debt reschedulings; Paris Club Secretariat; and IMF staff estimates.

1/ Includes significant double-counting in cases where previously rescheduled debt has been rescheduled; also includes tranches that may not have been implemented.

2/ Total includes subsequent one or more amendments.

3/ Total value of debt restructured.

4/ Preliminary number.

5/ Limited terms of reference rescheduling of certain long-standing arrears.

6/ Stock-of-debt operation under Naples terms.

7/ Stock-of-debt operation under Cologne terms.

8/ Stock-of-debt operation under Lyon terms.

9/ The Philippines' 1994 rescheduling agreement was canceled at the authorities' request.

10/ Coverage was broadened in July 1997.

11/ Gabon's 1991 rescheduling agreement was declared null and void.

Table A4.3. Rescheduling on Nonconcessional Terms: Amounts Due and Consolidated Under Flow Rescheduling, January 2001- December 2002 1/
(Millions of U.S. dollars, unless otherwise indicated)

	Arrears 2/	Current Maturities 3/	Total
Debt service due	1,199	11,786	12,984
Pre-cutoff date debt	1,197	10,833	12,029
Not previously rescheduled	1,120	9,564	10,683
Previously rescheduled	77	1,269	1,346
Of which			
Deferrals	--	--	--
Post-Cutoff date debt	1	843	844
Short-term debt	1	110	111
Debt service treated	1,084	7,976	9,060
Consolidated amounts	1,084	7,976	9,060
Not previously rescheduled	1,057	6,951	8,008
Previously rescheduled 4/	27	1,025	1,052
Of which			
Deferrals	--	--	--
Deferred for the first time	--	--	--
Post-cutoff date debt	--	--	--
Short-term debt	--	--	--
Moratorium interest	--	--	--
Debt service payable	209	4,323	4,532
Pre-cutoff date debt not treated 5/	113	2,857	2,970
Not previously rescheduled	63	2,613	2,676
Previously rescheduled	50	244	294
Of which			
Deferrals	--	--	--
Post-cutoff date debt	1	843	844
Short-term debt	1	110	111
Moratorium interest	94	513	607
Debt service payable in percent of debt service due	17	37	35

Sources: Paris Club Secretariat, and IMF staff estimates.

1/ Includes the reschedulings for Georgia I, Indonesia III, Jordan VI, Kyrgyz Republic I, Pakistan II, and Ukraine I.
2/ At the beginning of the consolidation period.
3/ Debt service falling due during the consolidation period.
4/ Including deferrals of debt treated under the most recent rescheduling agreement.
5/ Including late interest if not consolidated.

Table A4.4. Rescheduling on Concessional Terms: Amounts Due and Consolidated Under Flow Rescheduling, January 2001- December 2002 1/
(Millions of U.S. dollars, unless otherwise indicated)

	Arrears 2/	Current Maturities 3/	Total
Debt service due	10,953	5,715	16,668
Pre-cutoff date debt	9,793	4,504	14,296
Not previously rescheduled	1,352	776	2,128
Previously rescheduled	8,441	3,727	12,168
Of which			
Deferrals	369	484	853
Post-cutoff date debt	1,044	1,197	2,241
Short-term debt	116	15	131
Debt service treated	12,403	4,494	16,896
Consolidated amounts	9,747	4,253	14,000
Not previously rescheduled	1,316	678	1,994
Previously rescheduled 4/	8,431	3,575	12,006
Of which			
Deferrals	318	407	725
Deferred for the first time	2,656	240	2,896
Post-cutoff date debt	944	55	999
Short-term debt	109	--	109
Moratorium interest	1,832	64	1,896
Debt service payable	561	1,569	2,131
Pre-cutoff date debt not treated 5/	45	251	296
Not previously rescheduled	36	98	134
Previously rescheduled	10	152	162
Of which			
Deferrals	51	77	128
Post-cutoff date debt	101	1,141	1,242
Short-term debt	7	15	21
Moratorium interest	179	284	463
Debt service payable (in percent of debt service due)	5	27	13

Sources: Paris Club Secretariat, and IMF staff estimates.

1/ Includes the reschedulings for Cameroon VI, Chad IV, Côte d'Ivoire IX, the Democratic Republic of Congo, XI, Ethiopia III, Ghana II, Ghana III, Guinea VI, Guinea-Bissau IV, Madagascar IX, Malawi IV, Nicaragua IV, Niger X, Rwanda II, and Sierra Leone VIII. Also includes the following amendments: Benin V Amendments 1 through 3, Burkina Faso IV Amendments 1 and 2, Ethiopia III Amendment, Mali V Amendments 1 and 2, Senegal XIII Amendment, Sierra Leone VIII Amendment, and Zambia VIII.

2/ At the beginning of the consolidation period.

3/ Debt service falling due during the consolidation period.

4/ Includes deferrals of debt treated under the most recent rescheduling agreement.

5/ Includes late interest if not consolidated.

Table A4.5. Amounts Restructured Under Stock-of-Debt Operations
for Low-Income Countries on Naples Terms, January 2001 - December 2002 1/
(Millions of U.S. dollars)

	Stocks Treated	Stocks Not Treated	Total Stocks
Total	420	1,788	2,208
Pre-cutoff date debt	420	1,388	1,808
Not previously rescheduled	411	3	414
Previously rescheduled	9	1,385	1,394
Nonconcessional	-	-	-
Toronto terms	-	-	-
London terms	-	-	-
Naples terms	9	1,385	1,394
Deferrals	-	-	-
Post-cutoff date debt	-	396	396
Short-term debt	-	4	4

Sources: Paris Club Secretariat, and IMF staff estimates.

1/ Rescheduling for the Republic of Yemen III.

Table A4.6. Amounts Restructured Under Stock-of-Debt Operations for Middle-Income Countries, January 2001 - December 2002 1/
(Millions of U.S. dollars)

	Stocks Treated	Stocks Not Treated	Total Stocks
Total	16,753	2,180	18,933
Pre-cutoff date debt	16,753	-	16,753
Not previously rescheduled	10,809	-	10,809
Previously rescheduled	5,944	-	5,944
Nonconcessional	5,944	-	5,944
Toronto terms	-	-	-
London terms	-	-	-
Naples terms	-	-	-
Lyon terms	-	-	-
Deferrals	-	-	-
Post-cutoff date debt	-	2,096	2,096
Short-term debt	-	84	84

Sources: Paris Club Secretariat, and IMF staff estimates.

1/ Rescheduling for Pakistan III and the Federal Republic of Yugoslavia, V. Pakistan's rescheduling covered the full stock of debt owed to the Paris Club, without any debt reduction.

Table A4.7. Amounts Restructured Under Stock-of-Debt Operations for Low-Income Countries on Cologne Terms, January 2001 - December 2002 1/
(Millions of U.S. dollars)

	Stocks Treated	Stocks Not Treated	Total Stocks
Total	4,699	1,633	6,332
Pre-cutoff date debt	4,522	502	5,024
Not previously rescheduled	460	145	605
Previously rescheduled	4,062	357	4,419
Nonconcessional	28	-	28
Toronto terms	780	-	780
London terms	779	-	779
Naples terms	1,236	-	1,236
Lyon terms	1,239	-	1,239
Deferrals	-	351	351
Post-cutoff date debt	177	1,129	1,306
Short-term debt	-	2	2

Sources: Paris Club Secretariat, and IMF staff estimates.

1/ Rescheduling for Bolivia VIII, Burkina Faso V (including completion point topping-up), Mauritania VIII, Mozambique VII, and Tanzania VII.

Table A4.8. Reschedulings and Deferrals of Official Bilateral Debt, 1976 - December 2002

Debtor countries	Number of Reschedulings 1/	Date of Agreement (M/D/Y)	Amount Consolidated 2/ (Millions of U.S. dollars)	Consolidation Period 3/ (Months)	Terms 4/ Grace (Years)	Terms 4/	Terms 4/ Maturity (Years)
Albania	I TOR	12/01/93	109	..	2.8		7.3
Albania	II TOR	07/22/98	75	--		Naples terms 5/	
Albania	III TOR	10/14/99	89	15	1.1		5.6
Algeria	I	06/01/94	5,345	12	3.0		14.5 6/
Algeria	II	07/21/95	7,320	36	1.5		13.5 6/
Angola	I	07/20/89	446	15	6.0		9.5
Argentina	I	01/16/85	2,040	12	5.0		9.5
Argentina	II	05/20/87	1,260	14	4.9		9.5
Argentina	III	12/21/89	2,400	15	5.8		9.3
Argentina	IV	09/19/91	1,476	9	6.2		9.7
Argentina	V	07/22/92	2,700	29	1.1		13.6 6/
Benin	I	06/22/89	193	13		Toronto terms	
Benin	II	12/18/91	152	19		London terms	
Benin	III	06/21/93	25	29		London terms	
Benin	IV	10/25/96	209	Stock		Naples terms	
Benin	V	10/24/00	5	12		Cologne terms 7/	
Benin	V Amended 1	07/02/01	3	6		Cologne terms 7/	
Benin	V Amended 2	03/05/02	4	6		Cologne terms 7/	
Benin	V Amended 3	09/18/02	5	14		Cologne terms 7/	
Bolivia	I	06/25/86	449	12	5.0		9.5
Bolivia	II	11/14/88	226	15	5.9		9.3
Bolivia	III	03/15/90	276	24		Toronto terms	
Bolivia	IV	01/24/92	65	29		London terms	
Bolivia	V	03/24/95	482	36		Naples terms	
Bolivia	VI	12/14/95	881	Stock		Naples terms	
Bolivia	VII	10/30/98	561	Stock		Lyon terms	
Bolivia	VIII	07/10/01	685	Stock		Cologne terms	
Bosnia and Herzegovina	I	10/28/98	674	10		Naples terms	
Bosnia and Herzegovina	I Amended	07/28/00	9	12		Naples terms	
Brazil	I	11/23/83	2,337	17	4.0		7.5
Brazil	II	01/21/87	4,178	30	3.0		5.5
Brazil	III	07/28/88	4,992	20	5.0		9.5
Brazil	IV	02/26/92	10,500	20	1.8		13.3 6/
Bulgaria	I	04/17/91	640	12	6.5		10.0
Bulgaria	II	12/14/92	251	5	6.3		9.8
Bulgaria	III	04/13/94	200	13	5.9		9.4
Burkina Faso	I	03/15/91	71	15		Toronto terms	
Burkina Faso	II	05/07/93	36	33		London terms	
Burkina Faso	III	06/20/96	64	Stock		Naples terms	
Burkina Faso	IV	10/24/00	2	12		Cologne terms 7/	
Burkina Faso	IV Amended 1	07/02/01	1	6		Cologne terms 7/	
Burkina Faso	IV Amended 2	03/05/02	2	6		Cologne terms 7/	
Burkina Faso	V	06/20/02	38	Stock		Cologne terms	
Burkina Faso	V Amended	09/09/02	2	Stock		Completion point Top-up	
Cambodia	I	01/26/95	249	30		Naples terms	
Cameroon	I	05/24/89	535	12	6.0		9.5
Cameroon	II	01/23/92	1,080	9	8.2		14.6
Cameroon	III	03/25/94	1,259	18		London terms	
Cameroon	IV	11/16/95	1,129	12		Naples terms 5/	
Cameroon	V	10/24/97	1,350	35		Naples terms 5/	
Cameroon	VI	01/24/01	1,300	37		Cologne terms	
Central African Republic	I	06/12/81	72	12	4.0		8.5
Central African Republic	II	07/08/83	13	12	5.0		9.5
Central African Republic	III	11/22/85	14	18	4.8		9.3
Central African Republic	IV	12/14/88	28	18		Toronto terms	
Central African Republic	V	06/15/90	4	12		Toronto terms	
Central African Republic	VI	04/12/94	32	12		London terms	
Central African Republic	VII	09/25/98	23	34		Naples terms	
Chad	I TOR	10/24/89	24	15		Toronto terms	
Chad	II TOR	02/28/95	24	12		Naples terms	
Chad	III TOR	06/04/96	12	32		Naples terms	
Chad	IV TOR	06/12/01	15	23		Cologne terms	
Chile	I	07/17/85	146	18	2.8		6.3
Chile	II	04/02/87	157	21	2.6		6.1

Table A4.8. Reschedulings and Deferrals of Official Bilateral Debt, 1976 - December 2002 (continued)

Debtor countries	Number of Reschedulings 1/	Date of Agreement (M/D/Y)	Amount Consolidated 2/ (Millions of U.S. dollars)	Consolidation Period 3/ (Months)	Terms 4/ Grace (Years)		Maturity (Years)
Congo, Republic of	I	07/18/86	756	20	3.7		9.1
Congo, Republic of	II	09/13/90	1,052	21	5.8		14.3
Congo, Republic of	III	06/30/94	1,175	11	8.1		14.6
Congo, Republic of	IV	07/16/96	1,758	36		Naples terms	
Congo, Democratic Republic of	I	06/16/76	270	18	1.0		7.5
Congo, Democratic Republic of	II	07/07/77	170	12	3.0		8.5
Congo, Democratic Republic of	III	12/01/77	40	6	3.0		9.0
Congo, Democratic Republic of	IV	12/11/79	1,040	18	3.5		9.0
Congo, Democratic Republic of	V	07/09/81	500	12	4.0		9.5
Congo, Democratic Republic of	VI	12/20/83	1,497	12	5.0		10.5
Congo, Democratic Republic of	VII	09/18/85	408	15	4.9		9.4
Congo, Democratic Republic of	VIII	05/15/86	429	12	4.0		9.5
Congo, Democratic Republic of	IX	05/18/87	671	13	6.0		14.5
Congo, Democratic Republic of	X	06/23/89	1,530	13		Toronto terms	
Congo, Democratic Republic of	XI	09/13/02	8,163	36		Naples terms	
Costa Rica	I	01/11/83	136	18	3.8		8.3
Costa Rica	II	04/22/85	166	15	4.9		9.4
Costa Rica	III	05/26/89	182	14	4.9		9.4
Costa Rica	IV	07/16/91	139	9	5.0		9.5
Costa Rica	V	06/22/93	58	--	2.0		6.5
Côte d'Ivoire	I	05/04/84	230	13	4.0		8.5
Côte d'Ivoire	II	06/25/85	213	12	4.0		8.5
Côte d'Ivoire	III	05/27/86	370	36	4.1		8.6
Côte d'Ivoire	IV	12/17/87	567	16	5.8		9.3
Côte d'Ivoire	V	12/18/89	934	16	7.8		13.3
Côte d'Ivoire	VI	11/20/91	806	12	8.0		14.5
Côte d'Ivoire	VII	03/22/94	1,849	37		London terms	
Côte d'Ivoire	VIII	04/24/98	1,332	36		Lyon terms	
Côte d'Ivoire	IX	04/10/02	1,822	33		Lyon terms	
Croatia	I	03/21/95	861	12	2.1		13.6
Djibouti	I TOR	03/22/00	17	32	4.5		9.0
Dominican Republic	I	05/21/85	290	15	4.9		9.4
Dominican Republic	II	11/22/91	850	18	7.8		14.3
Ecuador	I	07/28/83	142	12	3.0		7.5
Ecuador	II	04/24/85	450	36	3.0		7.5
Ecuador	III	01/20/88	438	14	4.9		9.4
Ecuador	IV	10/24/89	397	14	5.9		9.4
Ecuador	V	01/20/92	339	12	8.0		15.0
Ecuador	VI	06/27/94	293	6	8.3		14.8
Ecuador	VII	09/15/00	804	12	3.0		18.0
Egypt	I	05/22/87	6,350	18	4.7		9.2
Egypt	II	05/25/91	27,864 8/	Stock	2.5		35.0
El Salvador	I	09/17/90	135	13	8.0		14.5
Equatorial Guinea	I	07/22/85	38	18	4.5		9.0
Equatorial Guinea	II	03/03/89	10	...		Toronto terms	
Equatorial Guinea	III	04/02/92	32	12		London terms	
Equatorial Guinea	IV	12/15/94	51	21		London terms	
Ethiopia	I	12/16/92	441	35		London terms	
Ethiopia	II	01/24/97	184	34		Naples terms	
Ethiopia	III	04/05/01	446	37		Naples terms	
Ethiopia	III Amended	06/18/02	95	29		Cologne terms 7/	
Gabon	I	06/20/78	63	--	...		...
Gabon	II	01/22/87	387	15	3.9		9.4
Gabon	III	03/21/88	326	12	5.0		9.5
Gabon	IV	09/19/89	545	16	4.0		10.0
Gabon	V	10/24/91 9/	--	15	5.0		10.0
Gabon	VI	04/15/94	1,360	12	2.0		14.5 6/
Gabon	VII	12/12/95	1,030	36	1.0		13.5 6/
Gabon	VIII	12/15/00	687	--	3.3		12.0
Gambia, The	I	09/19/86	17	12	5.0		9.5
Georgia	I	03/06/01	58	24	3.0		20.0
Ghana	I TOR	04/07/96	93	--	1.0		5.0
Ghana	II	12/10/01	97	6	0.3	Non-conces. deferral 10/	5.0

Table A4.8. Reschedulings and Deferrals of Official Bilateral Debt, 1976 - December 2002 (continued)

Debtor countries	Number of Reschedulings 1/	Date of Agreement (M/D/Y)	Amount Consolidated 2/ (Millions of U.S. dollars)	Consolidation Period 3/ (Months)	Terms 4/ Grace (Years)		Maturity (Years)
Ghana	III	05/16/02	164	10		Cologne terms	
Guatemala	I	03/25/93	440	--	8.0		14.5
Guinea	I	04/18/86	196	14	4.9		9.4
Guinea	II	04/12/89	123	12		Toronto terms	
Guinea	III	11/18/92	203	12		London terms	
Guinea	IV	01/25/95	156	12		Naples terms 5/	
Guinea	V	02/26/97	123	36		Naples terms 5/	
Guinea	VI	05/15/01	151	40		Cologne terms	
Guinea-Bissau	I	10/27/87	25	18	9.7		19.2
Guinea-Bissau	II	10/26/89	21	15		Toronto terms	
Guinea-Bissau	III	02/23/95	195	36		Naples terms	
Guinea-Bissau	IV	01/26/01	139	37		Cologne terms	
Guyana	I	05/23/89	195	14	9.9		19.4
Guyana	II	09/12/90	123	35		Toronto terms	
Guyana	III	05/06/93	39	17		London terms	
Guyana	IV	05/23/96	793	Stock		Naples terms	
Guyana	V	06/25/99	240	Stock		Lyon terms	
Haiti	I	05/30/95	117	13		Naples terms	
Honduras	I	09/14/90	280	11	8.1		14.6
Honduras	II	10/26/92	180	11		London terms	
Honduras	III	03/01/96	112	13		Naples terms 5/	
Honduras	IV	04/13/99	411	36		Naples terms	
Indonesia	I	09/23/98 11/	4,176	20	3.0		10.0 6/
Indonesia	II	04/13/00	5,440	24	3.2		15.0 6/
Indonesia	III	04/12/02	5,400	21	5.0		18.0
Jamaica	I	07/16/84	105	15	3.9		8.4
Jamaica	II	07/19/85	62	12	4.0		9.5
Jamaica	III	03/05/87	124	15	4.9		9.4
Jamaica	IV	10/24/88	147	18	4.7		9.2
Jamaica	V	04/26/90	179	18	4.8		9.3
Jamaica	VI	07/19/91	127	13	6.0		14.5
Jamaica	VII	01/25/93	291	36	5.0		13.5
Jordan	I	07/19/89	587	18	4.8		9.3
Jordan	II	02/28/92	771	18	7.7		14.3
Jordan	III	06/28/94	1,147	35	2.1		16.6 6/
Jordan	IV	05/23/97	400	21	3.0		17.5 6/
Jordan	V	05/20/99	821	37	3.0		18.0 6/
Jordan	VI	07/10/02	1,171	66	2.0		16.0
Kenya	I	01/19/94	535	--	1.3		7.8 6/
Kenya	II	11/15/00	302	12	3.0		18.0
Kyrgyz Republic	I	03/08/02	101	36	5.0		20.0
Liberia	I	12/19/80	35	18	3.3		7.8
Liberia	II	12/16/81	25	18	4.1		8.6
Liberia	III	12/22/83	17	12	4.0		8.5
Liberia	IV	12/17/84	17	12	5.0		9.5
Macedonia, FYR	I	07/17/95	288	12	4.0		9.8
Macedonia, FYR	II TOR	09/01/00	46	12	1.0		5.5
Madagascar	I	04/30/81	140	18	3.8		8.3
Madagascar	II	07/13/82	107	12	3.8		8.3
Madagascar	III	03/23/84	89	18	4.8		10.3
Madagascar	IV	05/22/85	128	15	4.9		10.4
Madagascar	V	10/23/86	212	21	4.6		9.1
Madagascar	VI	10/28/88	254	21		Toronto terms	
Madagascar	VII	07/10/90	139	13		Toronto terms	
Madagascar	VIII	03/26/97	1,247	35		Naples terms	
Madagascar	VIII Amended 1	01/13/00	23	12		Naples terms	
Madagascar	VIII Amended 2	08/18/00	34	6	1.5		8.0
Madagascar	IX	03/07/01	254	39		Cologne terms	
Malawi	I	09/22/82	25	12	3.5		8.0
Malawi	II	10/27/83	26	12	3.5		8.0
Malawi	III	04/22/88	27	14	9.9		19.4
Malawi	IV	01/25/01	66	37		Cologne terms	
Mali	I	10/27/88	63	16		Toronto terms	

Table A4.8. Reschedulings and Deferrals of Official Bilateral Debt, 1976 - December 2002 (continued)

Debtor countries	Number of Reschedulings 1/	Date of Agreement (M/D/Y)	Amount Consolidated 2/ (Millions of U.S. dollars)	Consolidation Period 3/ (Months)	Terms 4/ Grace (Years)		Terms 4/ Maturity (Years)
Mali	II	11/22/89	44	26		Toronto terms	
Mali	III	10/29/92	20	18		London terms	
Mali	IV	05/20/96	33	Stock		Naples terms	
Mali	V	10/25/00	3.9	10		Cologne terms 7/	
Mali	V Amended 1	07/02/01	0.5	6		Cologne terms 7/	
Mali	V Amended 2	06/25/02	0.7	12		Cologne terms 7/	
Mauritania	I	04/27/85	68	15	3.8		8.3
Mauritania	II	05/16/86	27	12	4.0		8.5
Mauritania	III	06/15/87	90	14	4.9		14.4
Mauritania	IV	06/19/89	52	12		Toronto terms	
Mauritania	V	01/26/93	218	24		London terms	
Mauritania	VI	06/28/95	66	36		Naples terms	
Mauritania	VII	03/16/00	98	36		Cologne terms	
Mauritania	VIII	07/08/02	385	Stock		Cologne terms	
Mexico	I	06/22/83	1,199	6	3.0		5.5
Mexico	II	09/17/86	1,912	15	4.0		8.5
Mexico	III	05/29/89	2,400	36	6.1		9.6
Morocco	I	10/25/83	1,152	16	3.8		7.3
Morocco	II	09/17/85	1,124	18	3.8		8.3
Morocco	III	03/06/87	1,008	16	4.7		9.2
Morocco	IV	10/26/88	969	18	4.7		9.2
Morocco	V	09/11/90	1,390	7	7.9		14.4
Morocco	VI	02/27/92	1,303	11	8.1		14.5
Mozambique	I	10/25/84	283	12	5.0		10.5
Mozambique	II	06/16/87	361	19	9.7		19.3
Mozambique	III	06/14/90	719	30		Toronto terms	
Mozambique	IV	03/23/93	440	24		London terms	
Mozambique	V	11/20/96	664	32		Lyon terms 12/	
Mozambique	VI	07/09/99	1,860	Stock		Lyon terms 13/	
Mozambique	VI Amended	03/15/00	71	12	0.2		4.7
Mozambique	VII	11/20/01	2,344	Stock		Cologne terms	
Nicaragua	I	12/17/91	722	15		London terms	
Nicaragua	II	03/22/95	783	27		Naples terms	
Nicaragua	III	04/22/98	452	36		Naples terms	
Nicaragua	III Amended	03/16/99	448	27	1.6		6.1
Nicaragua	IV	12/13/02	580	36	6.0	Cologne terms	23.0
Niger	I	11/14/83	36	12	4.5		8.5
Niger	II	11/30/84	26	14	4.9		9.4
Niger	III	11/21/85	38	12	5.1		9.5
Niger	IV	11/20/86	34	13	5.0		9.5
Niger	V	04/21/88	37	13	10.0		19.5
Niger	VI	12/16/88	48	12		Toronto terms	
Niger	VII	09/18/90	116	28		Toronto terms	
Niger	VIII	03/04/94	160	15		London terms	
Niger	IX	12/18/96	128	31		Naples terms	
Niger	X	01/25/01	115	37		Cologne terrms	
Nigeria	I	12/16/86	6,251	15	4.9		9.4
Nigeria	II	03/02/89	5,600	16	4.8		9.3
Nigeria	III	01/18/91	3,300	15	7.9		14.3
Nigeria	IV	12/13/00	23,380	12	3.0		18.0
Pakistan	I	01/30/99 11/	3,250	24	3.0		18.0 6/
Pakistan	II	01/23/01	1,752	10	3.0		14.5
Pakistan	III	12/13/01	12,444	Stock	6.0		23.0
Panama	I	09/19/85	19	16	2.8		7.3
Panama	II	11/14/90	200	17	4.8		9.3
Peru	I	11/03/78	420	12	2.0		6.5
Peru	II	07/26/83	466	12	3.0		7.5
Peru	III	06/05/84	704	15	4.9		8.4
Peru	IV	09/17/91	5,910	15	7.9		14.5
Peru	V	05/04/93	1,527	39	6.9		13.4
Peru	VI	07/20/96	6,724	33	1.0		18.0
Philippines	I	12/20/84	757	18	4.8		9.3
Philippines	II	01/22/87	862	18	4.7		9.2
Philippines	III	05/27/89	1,850	25	5.5		9.0
Philippines	IV	06/20/91	1,096	14	7.9		14.4

Table A4.8. Reschedulings and Deferrals of Official Bilateral Debt, 1976 - December 2002 (continued)

Debtor countries	Number of Reschedulings 1/	Date of Agreement (M/D/Y)	Amount Consolidated 2/ (Millions of U.S. dollars)	Consolidation Period 3/ (Months)	Terms 4/ Grace (Years)	Terms 4/ Maturity (Years)
Philippines	V	07/19/94 14/	...	17	7.9	14.4
Poland	I	04/27/81	2,110	8	4.0	7.5
Poland	II	07/15/85	10,930	36	5.0	10.5
Poland	III	11/19/85	1,400	12	5.0	9.5
Poland	IV	10/30/87	9,027	12	4.5	9.0
Poland	V	02/16/90	10,400	15	8.3	13.8
Poland	VI	04/21/91	29,871 15/	Stock	6.5	18.0
Romania	I	07/28/82	234	12	3.0	6.0
Romania	II	05/18/83	736	12	3.0	6.0
Russia	I	04/02/93 11/	14,363	12	5.0	9.5 6/
Russia	II	06/02/94 11/	7,100	12	2.8	15.3 6/
Russia	III	06/03/95 11/	6,400	12	2.8	15.3 6/
Russia	IV	04/29/96 11/	40,200	39	4.1	22.7 6/
Russia	V	08/01/99	8,040	18	1.4	20.0 6/ 16/
Rwanda	I	07/28/98	64	34	Naples terms	
Rwanda	II	03/07/02	1 17/	31	Cologne terms	
São Tomé and Principe	I	05/16/00	28	37	Naples terms	
Senegal	I	10/12/81	75	12	4.0	8.5
Senegal	II	11/29/82	74	12	4.3	8.8
Senegal	III	12/21/83	72	12	4.0	8.5
Senegal	IV	01/18/85	122	18	3.8	8.3
Senegal	V	11/21/86	65	16	4.8	9.3
Senegal	VI	11/17/87	79	12	6.0	15.5
Senegal	VII	01/23/89	143	14	Toronto terms	
Senegal	VIII	02/12/90	107	12	Toronto terms	
Senegal	IX	06/21/91	114	12	Toronto terms	
Senegal	X	03/03/94	237	15	London terms	
Senegal	XI	04/20/95	169	29	Naples terms	
Senegal	XII	06/17/98	590	Stock	Naples terms	
Senegal	XIII	10/24/00	21	18	Cologne terms 7/	
Senegal	XIII Amended	06/25/02	11	9	6.0	23.0
Sierra Leone	I	09/15/77	39	24	1.5	8.5
Sierra Leone	II	02/08/80	37	16	4.2	9.7
Sierra Leone	III	02/08/84	25	12	5.0	10.0
Sierra Leone	IV	11/19/86	86	18	4.8	9.2
Sierra Leone	V	11/20/92	164	30	London terms	
Sierra Leone	VI	07/20/94	42	17	London terms	
Sierra Leone	VII	03/28/96	39	24	Naples terms	
Sierra Leone	VIII	10/16/01	177	36	Naples terms	
Sierra Leone	VIII Amended	03/10/02	35	36	Cologne terms 7/	
Somalia	I	03/06/85	127	12	5.0	9.5
Somalia	II	07/22/87	153	24	9.5	19.0
Sudan	I	11/13/79	487	21	3.0	9.5
Sudan	II	03/18/82	203	18	4.5	9.5
Sudan	III	02/04/83	518	12	5.5	15.0
Sudan	IV	05/03/84	249	12	6.0	15.5
Tanzania	I	09/18/86	1,046	12	5.0	9.5
Tanzania	II	12/13/88	377	6	Toronto terms	
Tanzania	III	03/16/90	199	12	Toronto terms	
Tanzania	IV	01/21/92	691	30	London terms	
Tanzania	V	01/21/97	1,608	36	Naples terms	
Tanzania	VI	04/13/00	709	21	Cologne terms	
Tanzania	VII	01/17/02	1,245	Stock	Cologne terms	
Togo	I	06/15/79	260	21	2.8	8.3
Togo	II	02/20/81	232	24	4.0	8.5
Togo	III	04/12/83	300	12	5.0	9.5
Togo	IV	06/06/84	75	16	4.8	9.3
Togo	V	06/24/85	27	12	5.0	10.5
Togo	VI	03/22/88	139	15	7.9	15.3
Togo	VII	06/20/89	76	14	Toronto terms	
Togo	VIII	07/09/90	88	24	Toronto terms	
Togo	IX	06/19/92	52	9	London terms	
Togo	X	02/23/95	237	33	Naples terms	
Trinidad and Tobago	I	01/25/89	209	14	4.9	9.4
Trinidad and Tobago	II	04/27/90	110	13	5.0	9.5

Table A4.8. Reschedulings and Deferrals of Official Bilateral Debt, 1976 - December 2002 (concluded)

Debtor countries	Number of Reschedulings 1/	Date of Agreement (M/D/Y)	Amount Consolidated 2/ (Millions of U.S. dollars)	Consolidation Period 3/ (Months)	Terms 4/ Grace (Years)		Maturity (Years)
Turkey	I	05/20/78	1,300	13	2.0		6.5
Turkey	II	07/25/79	1,200	12	3.0		7.5
Turkey	III	07/23/80	3,000	36	4.5		9.0
Uganda	I	11/18/81	30	12	4.5		9.0
Uganda	II	12/01/82	19	12	6.5		8.0
Uganda	III	06/19/87	170	12	6.0		14.5
Uganda	IV	01/26/89	89	18		Toronto terms	
Uganda	V	06/17/92	39	24		London terms	
Uganda	VI	02/20/95	110	Stock		Naples terms	
Uganda	VII	04/24/98	148	Stock		Lyon terms	
Uganda	VIII	09/12/00	145	Stock		Cologne terms	
Ukraine	I	07/13/01	578	21	3.5		12.0
Vietnam	I	12/14/93	791	--		London terms	
Yemen, Republic of	I	09/24/96	113	10		Naples terms	
Yemen, Republic of	II	11/20/97	1,446	36		Naples terms	
Yemen, Republic of	III	06/14/01	420	Stock		Naples terms	
Yugoslavia, Federal Rep. of	I	05/22/84	500	12	4.0		6.5
Yugoslavia, Federal Rep. of	II	05/24/85	812	16	3.8		8.3
Yugoslavia, Federal Rep. of	III	05/13/86	901	12	3.9		9.4
Yugoslavia, Federal Rep. of	IV	07/13/88	1,291	15	5.9		9.4
Yugoslavia, Federal Rep. of 18/	V	12/28/01	4,309	Stock	6.0		22.0
Zambia	I	05/16/83	375	12	5.0		9.5
Zambia	II	07/20/84	253	12	5.0		9.5
Zambia	III	03/04/86	371	12	5.0		9.5
Zambia	IV	07/12/90	963	18		Toronto terms	
Zambia	V	07/23/92	917	33		London terms	
Zambia	VI	02/28/96	566	36		Naples terms	
Zambia	VII	04/16/99	1,060	36		Naples terms	
Zambia	VIII	09/13/02	249	27		Cologne terms 7/	

Sources: Paris Club, and IMF staff estimates.

1/ Roman numerals indicate, for each country, the number of debt reschedulings, in the period beginning 1976. For terms of reference reschedulings (TOR), date of informal meeting of creditors on the terms to be applied in the bilateral reschedulings.

2/ Includes debt service formally rescheduled as well as postponed maturities.

3/ In a number of cases consolidation period was extended subsequently.

4/ Terms for current maturities due on medium- and long-term debt covered by the rescheduling agreement and not rescheduled previously. Grace and maturity are calculated from the middle of the consolidation period plus six months.

5/ Naples terms with a 50 percent NPV reduction.

6/ Graduated payments schedule.

7/ The existing Paris Club agreement was topped up to Cologne terms.

8/ Total value of debt restructured for Egypt in 1991 includes the cancellation of military debt by the United States.

9/ Gabon's 1991 rescheduling agreement was declared null and void.

10/ Small amounts of pre-cutoff debt were rescheduled on Naples terms.

11/ Creditors met under the chairmanship of the Group of Participating Creditor Countries or as Group of Official Bilateral Creditors.

12/ Initial rescheduling was on Naples terms. It was topped up in January 1998 to Lyon terms retroactively from July 1997.

13/ With 90 percent debt reduction.

14/ The 1994 rescheduling was canceled at the request of the authorities.

15/ Total value of debt restructured for Poland in 1991.

16/ 20-year maturity for debt not previously rescheduled.

17/ The amount is preliminary.

18/ Reduction of 66 percent in NPV achieved in two stages.

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