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December 7, 1998

To: Members of the Executive Board

From: The Secretary

Subject: **Official Financing for Developing Countries**

Attached for the information of the Executive Directors is a paper on official financing for developing countries.

Mr. Boote (ext. 34508) or Ms. Ross (ext. 37188) is available to answer technical or factual questions relating to this paper.

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INTERNATIONAL MONETARY FUND

Policy Development and Review Department

Official Financing for Developing Countries

Approved by Thomas Leddy

December 2, 1998

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I. INTRODUCTION AND SUMMARY

This paper updates the main developments in official financing for developing countries, including debt restructuring by official creditors, since the summer of 1997.[1] The paper reflects partial developments in 1998 where information is available. However, a number of sources compile data only annually and with considerable lags, such as the Organization for Economic Cooperation and Development/Development Assistance Committee (OECD/DAC) data on official flows or the Global Development Finance (GDF) data on total multilateral flows.

Larger flows of private finance led to a marked decline in the relative importance of official finance to developing countries during the 1990s, although private flows to major emerging markets dropped sharply since late 1997, following the Asia crisis and with the Russian debt moratorium in August 1998. Net capital flows to developing countries are estimated to have increased sharply from an annual average of about $40 billion during 1984–89, to reach over $200 billion by 1995–96, before easing to less than $150 billion in 1997 and probably less in 1998 (Table 1).[2] Private flows have tended to be concentrated in a relatively small number of major emerging market economies in Asia and Latin America. The increased flows during the 1990s largely reflect a significant strengthening in private finance to emerging markets, including much higher foreign direct investment, bond finance, and a return of sizable commercial bank lending. Private finance is estimated to have increased from an annual average of about $14 billion in the second half of the 1980s to some $215 billion in 1996, but then dropped off sharply to some $125 billion in 1997 and perhaps to as little as $60 billion in 1998. In contrast, net official flows, including both grants and loans, have stagnated in the 1990s, below the levels seen in the late 1980s. After substantial lending in support of Mexico in 1995, net official flows fell to about $3 billion in 1996, before recovering to about $22 billion in 1997 and further in 1998 reflecting official support to Asian crisis countries, especially from the IMF but also from other multilateral institutions. In 1996 and 1997, the fall in net lending from bilateral creditors has been offset by increased multilateral flows.

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[1]Prior developments were discussed in Official Financing for Developing Countries (SM/97/247 of 9/26/97).

[2]Data from the *World Economic Outlook* (WEO), September 1998. Exact figures differ among alternative sources because of incompatible coverage and definitions. Recent estimates by the Institute of International Finance Inc. (IIF), for example, suggest a fall in net flows to 29 major emerging markets from about $310 billion in 1996 to about $240 billion in 1997, with a further decline to some $160 billion projected for 1998. Data used in this chapter are not fully compatible with data on aid flows from the OECD/DAC in Chapter II and World Bank data on multilateral flows from *Global Development Finance*, 1998 in Chapter IV.

Table 1. Developing Countries, Countries in Transition, and Newly Industrialized Asian Economies: Net Capital Flows, 1984-98 1/
(In billions of U.S. dollars)

	1984-89 2/	1990-96 2/	1994	1995	1996	1997	Proj. 1998
Total	39.7	161.6	153.6	218.5	218.1	145.9	110.1
Net private capital flows 3/	13.5	144.2	155.7	195.3	214.9	123.5	56.7
Net direct investment	13.0	64.8	85.3	99.6	120.4	147.2	127.5
Net portfolio investment	4.4	64.0	104.4	40.7	80.2	69.9	35.3
Other net investment	-3.8	15.4	-34.0	55.1	14.2	-93.5	-106.1
Net official flows	26.2	17.4	-2.1	23.2	3.2	22.4	53.4

Source: World Economic Outlook, September 1998.

1/ Net Capital flows comprise net direct investment, net portfolio investment, and other long- and short-term net investment inflows, including official and private borrowing.
2/Annual averages.
3/ Because of data limitations, "other net investment" may include some official flows.

The annual flows mask, however, a sudden drop in private flows since mid-1997 and efforts by the official community to contain contagion. Access to international capital markets was curtailed since the second half of the year for a number of countries affected by the Asian crisis, which led to a decline in new lending and private investment in a number of major emerging markets. Stock markets fell sharply in many emerging markets since mid-1997, and spreads on loans typically widened. Aggregate net official financing, however, increased towards the end of 1997, in particular as a result of the large official financing packages agreed for South Korea, Indonesia, and Thailand. Official net flows are projected to more than double to over $50 billion in 1998.

The relative importance of official flows varies substantially among individual countries and regions (Chapter II). Dependency on official aid has declined during the 1990s in the Asian and the Western Hemisphere regions, where private finance accounted for the bulk of net inflows. However, countries in Sub-Saharan Africa (SSA), the Middle East and North Africa (MENA) still receive very limited private flows. Net official development finance (ODF) accounted for over 80 percent of total net resource flows to SSA and MENA countries in 1996. A reduction in aid dependency in these countries in line with the expected trend in net ODF will require far-reaching structural adjustment aimed at increasing private investment, and the productivity of labor and capital. Data from the DAC of the OECD suggest net ODF has fallen sharply in nominal terms in 1996–97, as aid budgets continue to decline. The development assistance effort of DAC members, particularly the largest industrial countries, has continued to decline for the fifth consecutive year to a historical low. Assistance from G-7 countries, which represented 0.30 percent of their combined GNP in 1990, has fallen to just 0.19 percent in 1997, compared with 0.45 percent for non G-7 DAC members and a U. N. target of 0.7 percent. There is evidence, however, of maintained and, indeed, increased aid support for strongly performing countries.

Overall export credit exposure to developing countries continued to fall (Chapter III). Export Credit Agency (ECA) exposure to developing countries and economies in transition declined by 7 percent each in 1996 and 1997, and a further 4 percent in the first half of 1998. This reflected less demand for large-scale projects as well as generally lower demand for imports—and thus the related insurance cover—in the countries affected by the Asian crisis. New commitments to these countries slowed sharply in 1998. The financial performance of most export credit agencies continued to improve during 1997. Claims payments are expected, however, to rise in 1998, resulting in some deterioration in the export credit agencies' financial positions.

Exceptionally high levels of support to Asian crisis countries boosted total multilateral lending to all developing countries in 1997 (gross $61 billion, and net $26 billion) back to the record levels seen in 1995 during the Mexican crisis (Chapter IV). The IMF was the main source of this sharp increase, as its gross disbursements more than doubled to about $23 billion in 1997, and a further $10 billion was disbursed in the first half of 1998; there was also an increase in lending by other multilaterals such as the World Bank. For low-income countries, multilateral lending remained by far the largest source of official flows in net terms, accounting for about half the total of $15 billion in net flows in 1997. At the same time, middle-income countries received the bulk (about three fourths) of all multilateral gross disbursements in 1997, amounting to $45 billion. Gross multilateral lending on concessional terms has remained broadly flat over the three years to 1997, at about $11 billion a year and is mainly targeted towards low-income countries.

In recent years, the number of countries requiring reschedulings from the Paris Club creditors has been declining (Chapter V). This mainly reflects the graduation from rescheduling of most middle-income countries, who had rescheduled on nonconcessional terms. Nevertheless, in the wake of the Asian crisis, Indonesia and its official bilateral creditors agreed on a nonconcessional rescheduling in September 1998 and a number of middle-income debtors, such as Russia and Pakistan, experienced debt servicing difficulties in mid-1998. Among the 38 low-income countries, only about a quarter—or 9 countries—have so far graduated from reschedulings, despite the steady increase in the concessionality of rescheduling terms since the late 1980s. However, an additional 5 countries are on the way to graduation with the help of assistance committed under the Heavily Indebted Poor Countries (HIPC) Initiative. Since August 1997, Paris Club creditors reached rescheduling agreements with eight low-income countries, including six flow reschedulings on Naples terms (67 percent reduction in net present value (NPV) terms), a flow rescheduling on Lyon terms (80 percent NPV reduction), and a stock-of-debt operation on Naples terms. In addition, the Paris Club agreed to top-up to Lyon terms previous rescheduling agreements on Naples terms for three other countries, including stock-of-debt operations for Uganda and Bolivia.

The Heavily Indebted Poor Countries (HIPC) Initiative is primarily aimed at ensuring debt sustainability for these countries (Appendix I). Substantial progress has been made since September 1996, when the framework of the HIPC Initiative was adopted, to address the debt burden of those poor countries with strong commitments to adjustment and reform. So far, 10 countries have been reviewed for eligibility under the Initiative, and 8 of these were found to face unsustainable debt burdens even with the full use of traditional debt relief mechanism and hence to require HIPC assistance. Uganda and Bolivia have already reached their completion points under the HIPC Initiative and debt relief has been provided. In addition, five countries have reached their decision points and have received commitments of assistance under the initiative. An initial review of Guinea-Bissau's eligibility for HIPC assistance took place in April 1998, but political unrest starting in June 1998 has delayed a final decision on assistance. As of November 1998, total committed assistance under the Initiative amounted to $3.1 billion in NPV terms and $6.1 billion in nominal terms.

Debt swaps by Paris Club have totaled $3.4 billion in the 6 years since they were introduced in 1991. The market for debt swaps developed mainly in the context of market-based debt reduction schemes which emerged as one mechanism to deal with debt crises of the early 1980s (Appendix II). Explicit provisions allowing official bilateral creditors to engage in debt swaps for lower middle-income countries were introduced in Paris Club rescheduling agreements in September 1990 and extended to low-income countries in December 1991. Most swaps occurred during 1993–96 reflecting large operations with Egypt. Generally, in terms of turnover, swap activity has been a function of the size of debt exposure to a creditor, the creditor country's policy towards swaps, and the availability of assets in debtor countries to the private sector, particularly outside the debtor country.

II. NEW OFFICIAL FINANCING FLOWS TO DEVELOPING COUNTRIES

Analysis of official flows must take into account systematic differences in the statistics derived from debtor and creditor sources, their coverage of the various instruments, and lags in data availability (Box 1). The following information is based primarily on creditor data from the OECD/DAC. This chapter covers 1997 developments as annual data is available only with a significant lag.[3]

The DAC's statistical presentation of official flows has undergone two major revisions in 1997. First, the data on total resource flows and ODF now covers all the countries on the DAC List of Aid Recipients (Appendix III, Table 1), i.e. both developing countries (Part I) and countries in transition (Part II), whereas the previous DAC presentations covered only the former. Second, a series break occurs in 1997 as several countries (including Israel, a major aid recipient) were transferred from Part I to Part II of the DAC list in January 1997. Resource flows to these countries are classified under Official Development Assistance (ODA) up to 1996 inclusive, but in 1997 such flows are classified as Official Aid (OA), which is a component of Other Official Flows (OOF). For these reasons the figures in Tables 2 and 3 are not comparable with the presentations in previous reports on Official Financing for Developing Countries.[4] Chart 1 illustrates both the providers and recipients of official flows based on the new DAC presentation.

The marked decline in the relative importance of official flows in total resource flows to aid recipients that has characterized the 1990s was partially reversed in 1997 as access to international capital markets was curtailed following the Asian crisis. Table 2 and Chart 2 indicate the relative importance of official flows in total net resource flows to aid recipients. Indeed, the importance of official financing is understated by the DAC's figures because IMF lending on nonconcessional terms, such as the resources provided to Asian crisis countries in 1997, is excluded.[5]

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[3]Annual data for 1998 will only become available in mid-1999.

[4]See *"Official Financing for Developing Countries,"* SM/97/247 of 9/26/97.

[5]DAC data include only concessional flows from the IMF and thus exclude transactions from the IMF's General Resources Account (GRA)—the bulk of IMF lending. The World Bank Debtor Reporting System used in Chapter IV includes all operations of the IMF.

Box 1. Data Sources and Definitions for Official Financing Flows

The World Bank and the Organization for Economic Cooperation and Development (OECD) are the main compilers of data on official financing flows. World Bank data—published annually in *Global Development Finance* (formerly the *World Debt Tables*)—are derived from a debtor-based information system. Disbursements of officially insured credits are classified under banks or suppliers and, as a result, official bilateral support is understated in that it covers only disbursements, not guarantees. The coverage of military debt is not comprehensive.

The World Bank definition of developing countries includes all low-income and middle-income countries (except economies with a population of less than 30,000), including countries in transition. The 1998 *Global Development Finance* covers 150 developing countries including all those reporting to the World Bank Debtor Reporting System (DRS). Detailed data is provided for 138 of these countries, but aggregate figures also include estimates for 12 developing countries not reporting to the DRS.

OECD Development Assistance Committee (DAC) data—published in the *Geographical Distribution of Financial Flows to Aid Recipients 1992/1996*—are derived from creditor sources. The data are, however, available only with a considerable lag: as of October 1998, estimates for aggregate net disbursements were available for 1997, while the comprehensive individual country data were available only for 1996.

The OECD disaggregates its aid recipients into developing countries/territories (Part I of the DAC List of Aid Recipients) and countries/territories in transition (Part II of the DAC List). Appendix III, Table 1, provides a list of these countries. Part II of the DAC List includes most of the countries in transition in Eastern Europe and more advanced developing countries and territories. Several of these more advanced aid recipients such as Bermuda and Israel were transferred from Part I to Part II of the OECD's list from January 1997. This catagorization now aligns more closely the OECD's and World Bank's definition of developing countries. Unlike the OECD, the World Bank's classification of developing countries includes most of the countries in transition in Eastern Europe (Bulgaria, the Czech Republic, Hungary, Poland, Romania, and the Slovak Republic) and the Baltic countries, Russia, and some other countries of the former Soviet Union (Belarus, Moldova, and Ukraine).

Official Development Finance (ODF) to all aid recipients is comprised of official development assistance (ODA) for Part I countries, Official Aid (OA) for Part II countries, and Other Official Flows (OOF) for both Part I and Part II countries.

The OECD defines official development assistance (ODA) as grants or loans to developing countries on Part I of the DAC List of Aid Recipients that are undertaken by the official sector with promotion of economic development and welfare as the main objective, and are extended at concessional terms (with a grant element of at least 25 percent). The grant element is defined as the difference between the face value of a loan and the present value, calculated at a discount rate of 10 percent, of the debt service payments to be made over the lifetime of the loan, expressed as a percentage of the face value. For example, the grant element is nil if the loan carries an interest rate of 10 percent; it is 100 percent for a grant; and it lies between these two limits for a soft loan. It is widely acknowledged that there are problems associated with the use of a fixed discount rate of 10 percent, as discussed in Annex III of *Officially Supported Export Credits: Recent Developments and Prospects*, World Economic and Financial Surveys (Washington: International Monetary Fund, March 1995).

Official Aid (OA) refers to flows which meet the criteria for ODA but are provided to aid recipients on Part II of the DAC List.

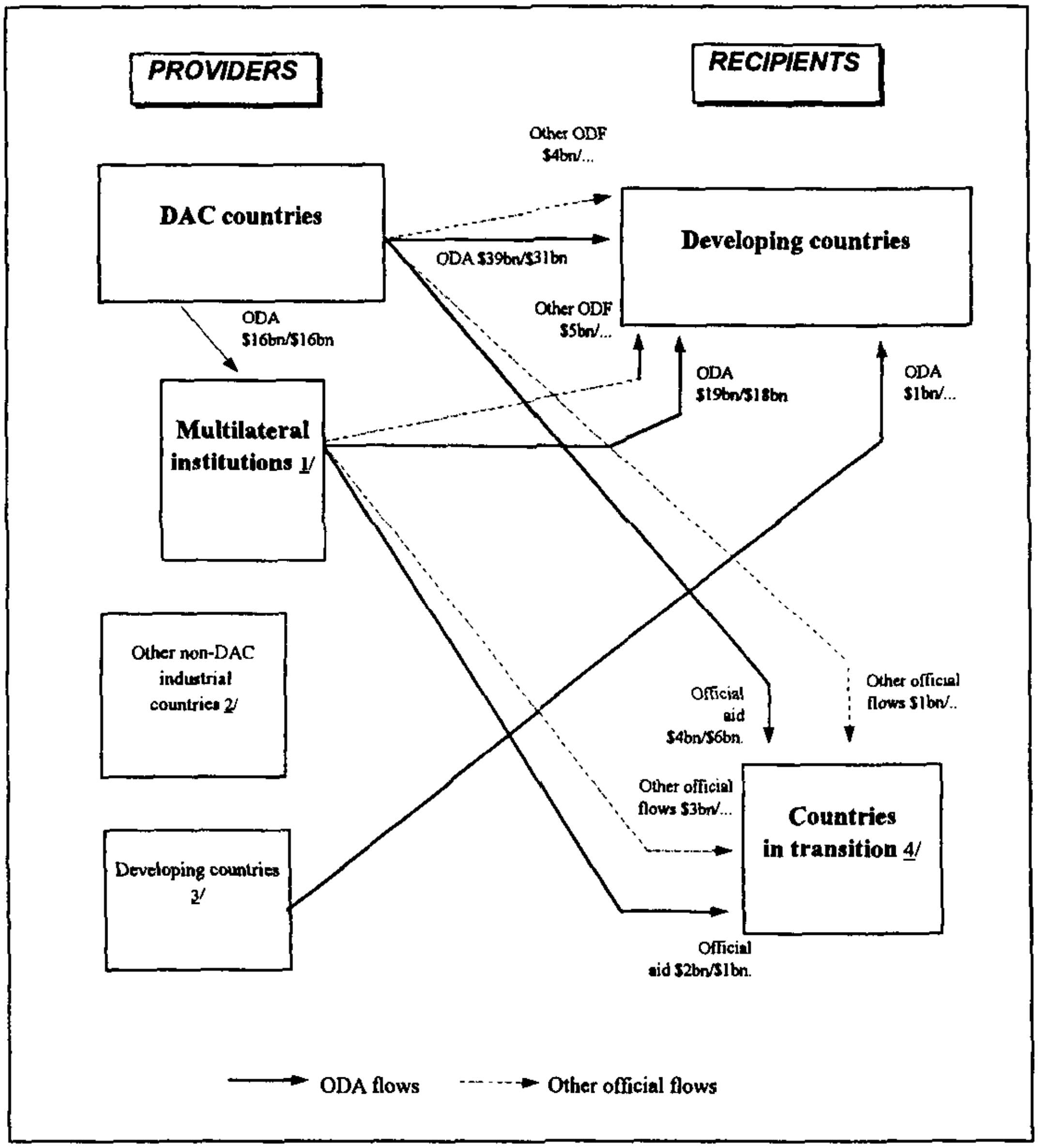
Other Official Flows (OOF) comprise flows for development purposes that have too low a grant element to qualify as ODA. The definition of OOF excludes officially supported export credits, since export credits are regarded as primarily trade promoting rather than development oriented. IMF financing from the General Resources Account is excluded, while financing from the Trust Fund, Structural Adjustment Facility (SAF), and Enhanced Structural Adjustment Facility (ESAF) is included.

Differences in coverage and definition make World Bank and OECD data difficult to reconcile without detailed knowledge of the respective databases. For example, the OECD recorded net ODF from multilateral institutions to developing countries as $24 billion in 1996, while the World Bank recorded significantly lower net disbursements from multilateral institutions to all countries, at $15 billion in 1996. Part of the explanation for this difference lies in the definition of multilateral institutions and the treatment of grants. For instance, the OECD includes significant grants from UN agencies and the EU in ODF from multilateral institutions, while the World Bank does not record these flows in the multilateral category. (It uses instead the total OECD grant figure when calculating total flows to all countries.)

Data on officially supported export credits are compiled by the OECD, the OECD and Bank for International Settlements (BIS) together, and the Berne Union, each with different concepts and coverage.

Section II relies primarily on OECD (DAC) data.

Chart 1. Direction of Net Official Flows, 1996/97



Source: Tables 2 and 3.

Note: Figures are for 1996/97 (...where 1997 figures are not yet available). ODA: 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: ODF that does not meet the ODA criteria; includes officially supported export credits.

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

2/ Flows have been negligible since 1992.

3/ Mostly Arab countries.

4/ Receipts of official financing reported by some country authorities suggest that the OECD figures may understate the flows.

Table 2. Total Net Official Financing Flows to Aid Recipients, 1993-97

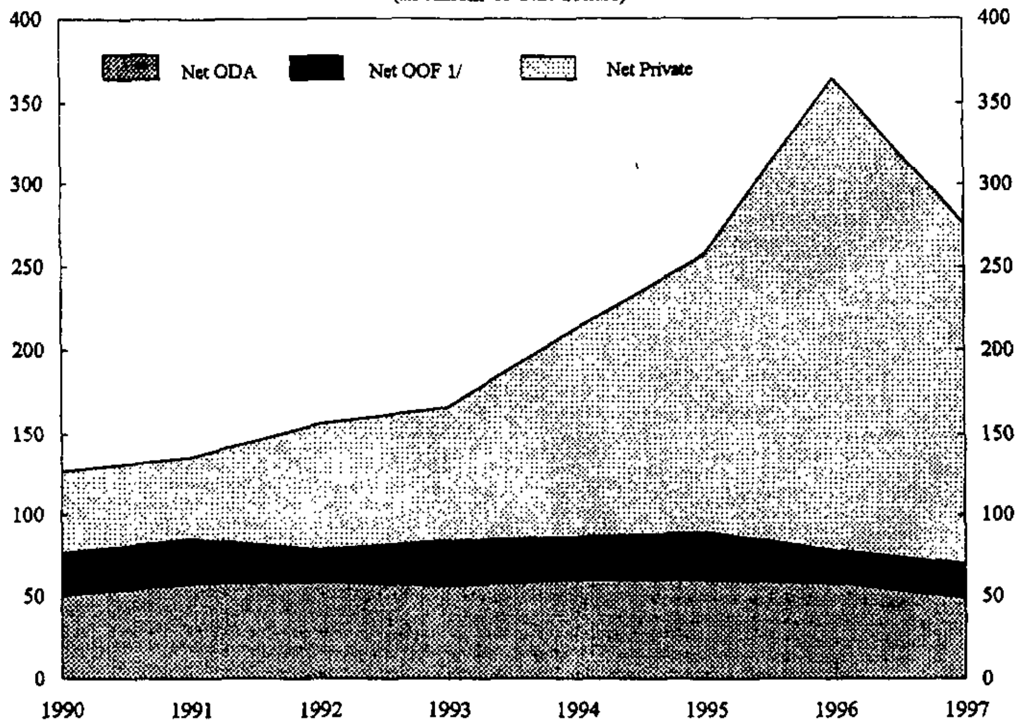
	1993	1994	1995	1996	1997 1/
			(In billions of U.S. dollars)		
Net Official Development Finance (ODF) 2/	83.6	86.3	89.3	78.2	70.0
Net Official Development Assistance (ODA)	56.0	60.3	59.8	58.0	49.0 3/
Other (OOF)	27.8	26.0	29.5	20.2	21.0
Bilateral	56.4	59.3	61.7	49.0	42.7
ODA	39.4	41.3	40.6	39.1	31.0 3/
OOF	17.0	18.0	21.1	9.9	11.7
Multilateral 4/	27.4	27.0	27.6	29.2	27.3
ODA	16.6	19.0	19.2	18.9	18.0
OOF	10.8	8.0	8.4	10.3	9.3
			(In percent of total ODF)		
Bilateral	67.5	68.7	69.1	62.7	61.0
ODA	47.1	47.9	45.5	50.0	44.3 3/
OOF	20.3	20.9	23.6	12.7	16.7
Multilateral	32.8	31.3	30.9	37.3	39.0
ODA	19.9	22.0	21.5	24.2	25.7
Other	12.9	9.3	9.4	13.2	13.3
			(In billions of U.S. dollars)		
Memorandum items:					
ODF (at constant 1996 prices and exchange rates)	93.3	92.4	87.2	78.2	75.3
Total net flows 5/	162.7	219.2	263.2	368.4	271.8
Net official financing to countries in transition 6/	14.0	15.8	19.8	10.7	16.7
Of which: Net official aid (OA)	5.9	6.8	8.4	5.7	7.0
ODF as share of total net flows (%)	51.4	39.4	33.9	21.2	25.8
ODA share of respective ODF (in percent)					
Total	67.0	69.9	67.0	74.2	70.0
Bilateral	69.9	69.6	65.8	79.8	72.6 3/
Multilateral	60.6	70.4	69.6	64.7	65.9

Source: OECD.

1/ Provisional.
2/ See Notes to Chart 1 for definitions of ODA and ODF. For a list of aid recipients see Appendix III, Table 1. Based on resource receipts of all aid recipients on Part I and Part II of the OECD's DAC List of Aid Recipients.
3/ There is a series break in 1997 due to a reclassification of some ODA recipients (Part I countries) to OA recipients (Part II countries). ODA figures up to 1996 inclusive include the flows to the countries that were reclassified in 1997. Differs from bilateral ODA in Table 3 because non-DAC industrial donors are included (see memorandum items in Table 3).
4/ Disbursements by miltilateral institutions (see Table 2 for contributions to multilateral institutions). 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.
6/ Comprises countries in transition on Part II of the OECD's DAC list of aid recipients. Includes official aid, officially supported export credits and other official financing. Flows within countries in transition. Receipts reported by some country authorities suggest that the OECD figures may understate the flows.

Chart 2. Composition of Total Resource Flows to All Aid Recipients, 1990 - 97

(In billions of U.S. dollars)

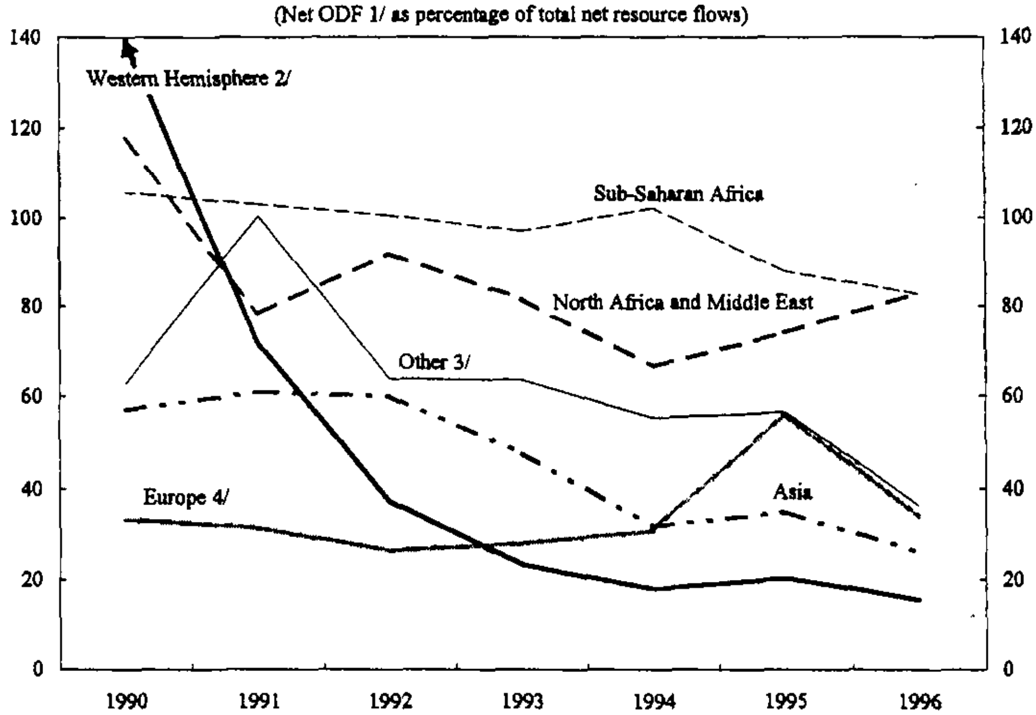


Source: Organization for Economic Cooperation and Development; see Table 2.

1/ Defined as official export credits, official sector equity and portfolio investment, and debt restructuring on non-concessional terms.

Chart 3. Dependency on Official Resource Flows by Region, 1990 - 96

(Net ODF 1/ as percentage of total net resource flows)



Source: Organization for Economic Cooperation and Development; see Appendix III, Table 1.

1/ Defined as the sum of ODA and OOF.

2/ Net ODF in 1990 reached almost 900 percent of total net flows, reflecting large outflows to other creditors.

3/ Oceania and unallocated.

4/ Excludes countries in transition not on Part I of the OECD's DAC list of aid recipients.

Among developing countries, the proportion of official in total flows varies substantially, with low-income countries, especially those of Sub-Saharan Africa (SSA), remaining highly dependent on official flows. As Chart 3 illustrates, the ratio of official flows to total net resource flows has tended to decline in all regions in the 1990s, particularly so in Asia and Western Hemisphere countries, where private inflows in the mid-1990s have accounted for the bulk of inflows. In contrast, countries in SSA, North Africa and the Middle East still receive at best very limited private inflows. Net ODF accounted for over 80 percent of total net resource flows to SSA countries in 1996 (Appendix III, Table 2). Yet gross bilateral ODA disbursements to SSA fell from $14 billion in 1990 to less than $11 billion in 1996 though this was partly offset by increased multilateral flows (Appendix III, Table 3). A reduction in aid dependency in these countries in an environment of declining ODA flows will require far-reaching adjustments for many African countries to increase private investment, both foreign and domestic, and the productivity of labor and capital.[6] To the extent that the increasing scarcity of aid resources promotes adjustment and reform policies in aid recipients, and is accompanied by a better targeting of aid flows to support adjustment efforts (particularly for the poorest countries and in the social sectors where private inflows are likely to be negligible), the longer-term effect of improved policy implementation in these countries could increase the effectiveness of aid flows, strengthening the case for aid. Although donor plans are still being formulated, the reallocation of scarce official flows is likely to remain a concern for developing countries as some resources may be diverted to address the impact of the Asian crisis and of Russia's difficulties.

DAC data show that total net ODF to all aid recipients has fallen sharply in nominal terms over the past two years as aid budgets continued to decline. Over the first half of the 1990s, total annual net ODF rose to a peak of $90 billion in 1995 (Table 2 and Chart 4). Since then, ODF fell by $11 billion in 1996 (mainly due to lower flows to transition countries) and by a further $8 billion in 1997 to $70 billion. Lower ODF from bilateral sources accounted for most of the decline in 1997. After adjustment is made for changes in prices and exchange rates, the decline in 1997 was more modest, but still contributed to a fall of net ODF of almost one quarter since its high in 1991.

As bilateral aid flows decline, multilateral institutions become relatively more important sources of official financing. Bilateral ODF accounted for 70 percent of total ODF over the first half of the decade, but it fell by 8 percentage points since 1995 (Table 2). In 1997, bilateral ODF declined sharply to $43 billion, with a reduction in its ODA component in nominal terms (21 percent) and real terms (15 percent)—partly due to the reclassification noted above. Unlike the preceding year where there was an offsetting increase in multilateral ODF, the latter also declined (by 7 percent in nominal terms) in 1997. Even so, disbursements from multilateral institutions accounted for 40 percent of ODF in 1997 compared with one-third in 1990. Multilateral ODF also remains unchanged in real terms compared with the early

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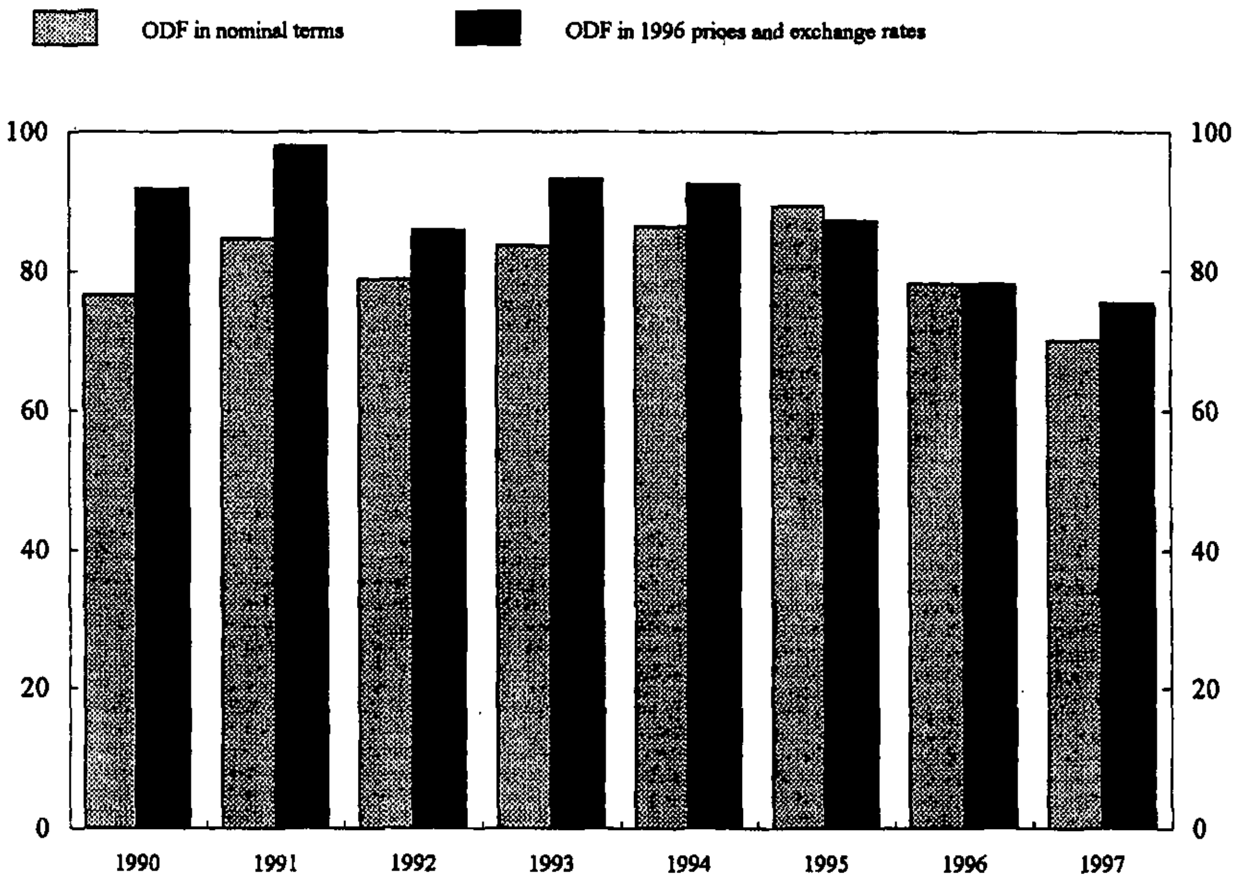
[6]Fischer, Hernandez-Cata, and Khan: *Africa: Is this the Turning Point?*, IMF PPAA/98/6, May 1998.

Chart 4. Net ODF Flows to All Aid Recipients, 1990-97
(In billions of U.S. dollars)



Source: OECD; see Table 2

1990s, although it has fluctuated significantly in the intervening years. In terms of composition, multilateral ODF has been shifting to ODA flows as the poorest countries with limited debt servicing capacity have almost exclusively drawn on concessional external financing.

Net ODA flows to developing countries (Part I of the DAC list) receded for the last three years and in 1997 were significantly below their nominal peak in 1992 (Table 3 and Chart 5). Over 80 percent of ODF to all aid recipients goes to developing countries. In turn, developments in ODF to developing countries are largely driven by changes in net ODA flows from DAC members[7] as these account for over three quarters of total official flows. Official development assistance is either provided bilaterally to developing countries or through contributions to multilateral institutions. The direct provision of such bilateral assistance to developing countries ($32 billion in 1997) is considerably more important than resources provided through multilateral channels ($16 billion; Chart 1 and Table 3). In 1997, bilateral ODA fell by 15 percent in nominal terms. Around one half of this decline was accounted for by the depreciation of DAC member currencies against the U.S. dollar. In addition, ODA figures for 1997 have been depressed by the reclassification (noted above) of a number of countries from Part I to Part II of the DAC List of Aid Recipients. After allowing for these changes, the fall in net ODA in 1997 was about 3 percent in real terms.

The development assistance effort of DAC members, particularly the largest industrial economies, declined relative to their GNP for the fifth consecutive year to a historical low. Measured by the ratio of ODA flows from DAC member countries to their combined GNP, their development assistance effort dropped from 0.33 percent in 1990–92 to 0.22 percent in 1997 (Table 4 and Chart 6). This is the lowest ratio recorded since the United Nations adopted a goal of 0.7 percent of GNP in 1970. Only four countries—Denmark, the Netherlands, Norway, and Sweden—exceeded the United Nations target in 1997.

The most marked declines in ODA since 1992 occurred in the largest OECD economies—the assistance of G-7 countries represented 0.19 percent of their combined GNP in 1997. Within this group, only Canada and Japan reported an increase in ODA as a percentage of GNP and in real terms in 1997; this reflected a recovery of contributions to multilateral agencies from the fall in 1996, while direct bilateral flows from both countries actually declined in 1997. Japan remains the largest ODA donor. The most pronounced declines in ODA were recorded from the United States and Italy. The U.S. flows were particularly affected by the reclassification of ODA recipients noted above: two-thirds of the decline of $3.2 billion in 1997 (36 percent in 1996 prices) reflected the reclassification of Israel. In addition, 1996 figures for the U.S. were unusually high as they included two years'

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[7]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.

Table 3. Net ODA Disbursements to Developing Countries, 1993-97

	1993	1994	1995	1996	1997 1/
			(In billions of U.S. dollars)		
Total net ODA	56.5	59.2	58.9	55.4	47.6
Bilateral ODA	39.4	41.3	40.6	39.1	31.6
Contributions to multilateral institutions 2/	17.1	17.9	18.3	16.3	16.0
Total net ODA (at 1996 prices and exchange rates)	43.8	43.9	57.1	55.4	34.3
Bilateral ODA	43.8	43.9	39.2	39.1	34.3
Contributions to multilateral institutions	0.0	0.0	17.9	0.0	0.0
			(In percent of donors' GNP)		
Total net ODA	0.30	0.30	0.27	0.25	0.22
Bilateral ODA	0.21	0.21	0.19	0.18	0.15
Contributions to multilateral institutions	0.09	0.09	0.08	0.07	0.07
Distribution 3/			(In percent of total)		
Net ODA by income group					
Least developed countries	26.5	26.5	27.6	24.3	...
Low income countries	24.9	26.8	25.5	25.4	...
Lower-middle income countries	25.0	23.4	21.9	23.2	...
Upper-middle income countries	4.2	3.9	4.0	3.3	...
High income countries	3.0	3.3	2.4	5.2	...
Unallocated	16.5	16.1	18.6	18.5	...
Net ODA by region					
Sub-Saharan Africa	30.4	30.8	30.6	28.6	...
North Africa and Middle East	12.0	13.5	9.8	13.9	...
Asia	25.0	27.0	25.5	23.3	...
Western Hemisphere	9.8	9.3	10.8	11.1	...
Europe 4/	5.5	3.6	3.8	4.3	...
Other 5/	17.2	15.8	19.5	18.8	...
			(In billions of U.S. dollars)		
Memorandum items:					
Total net ODF to developing countries	69.8	71.6	71.6	67.7	...
Total net ODA to developing countries 6/	56.3	60.7	60.2	58.3	...
DAC member Countries	39.4	41.3	40.6	39.1	31.6
Multilateral institutions	16.6	19.0	19.2	18.9	18.0
Other flows 7/	0.3	0.4	0.4	0.3	...
Total flows within developing countries (net ODA) 8/	1.1	0.9	0.7	1.2	...

Sources: OECD; and Fund staff estimates.

1/ Provisional

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

3/ Distribution of total net ODA from DAC and other sources, including unspecified. The data reflects the 1996 DAC Classification and is thus not consistent with the aggregate data because the country level detail of revised aggregate data is not yet available; however, the revisions to the aggregate data were not large.

4/ Excludes countries in transition not on Part I of the OECD's DAC list of aid recipients.

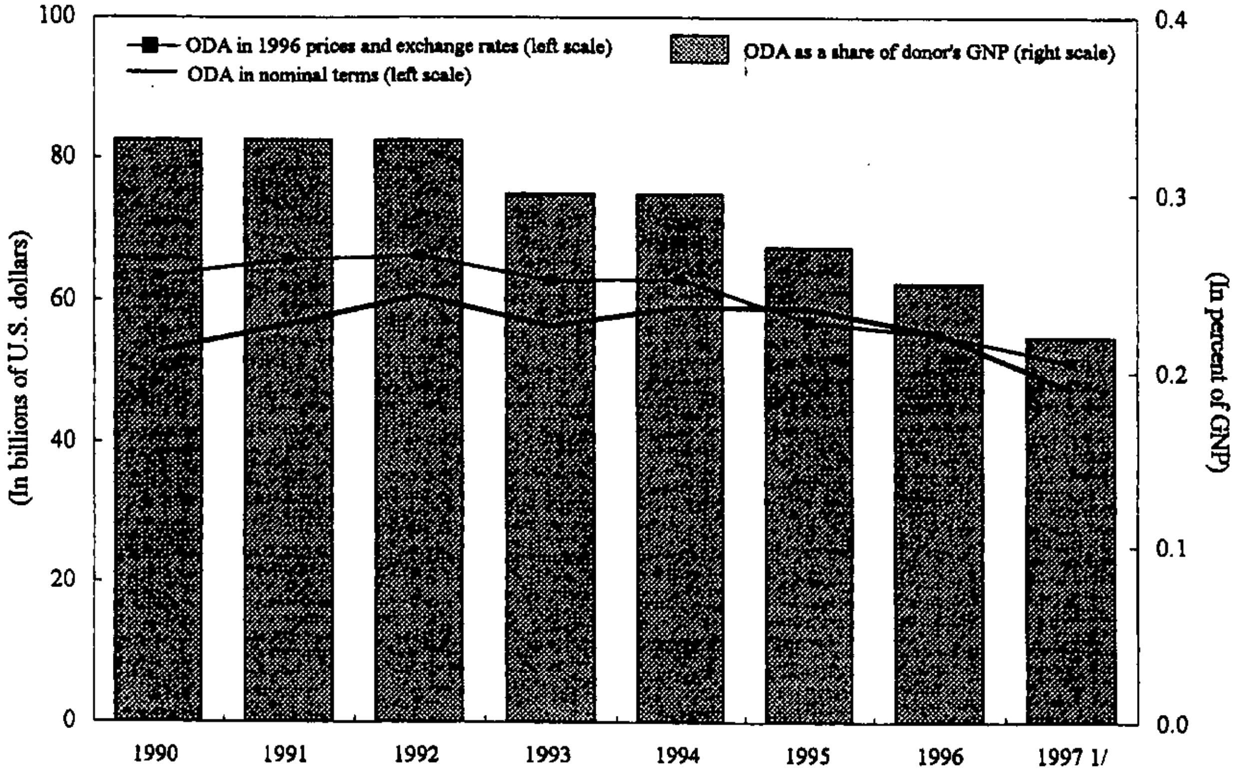
5/ Oceania and unspecified.

6/ Excludes intra-developing country resource flows; based on resource receipts of developing countries, consistent with Table 2.

7/ Other industrial countries and unallocated.

8/ Includes flows from Arab countries and other developing country donors (including China, India, Korea, and Taiwan Province of China).

Chart 5. Net ODA Disbursements, 1990-97



Sources: OECD; see Tables 2 and 4.

1/ Revised country coverage; not strictly comparable to earlier data.

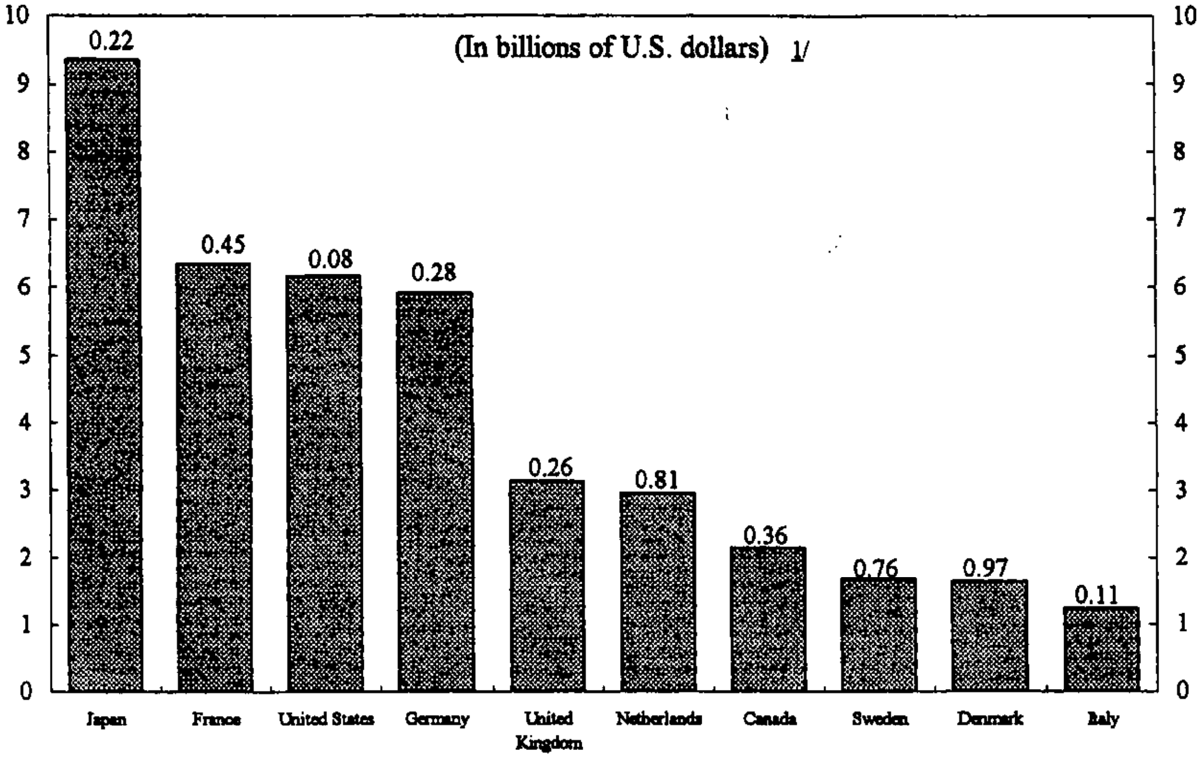
Table 4. Net ODA Disbursements by Major DAC Countries, 1990-97

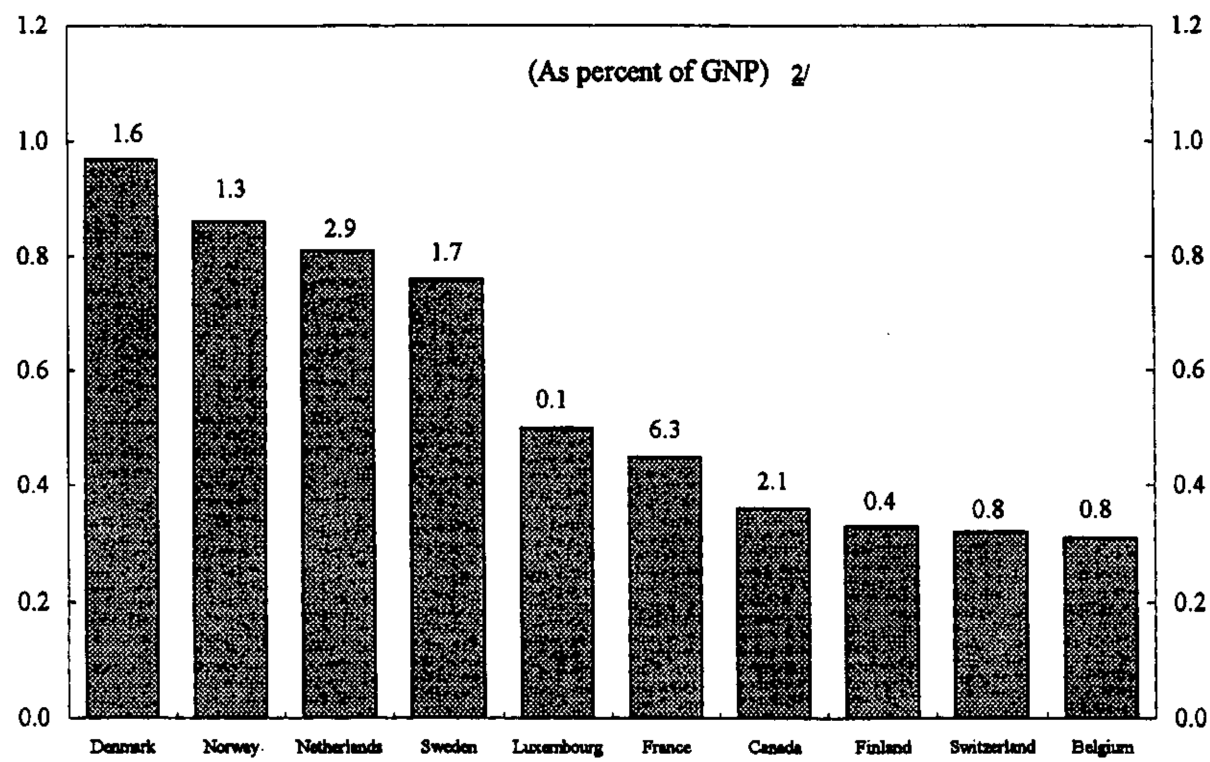
	At Current Prices								At Constant 1996 Prices (Prov. 1997) 2/	Change 1996/97		Share of Donor's GNP 1997
	1990	1991	1992	1993	1994	1995	1996	Prov. 1997 1/		At Current Prices	At Constant 1996 Prices 2/	
	(In billions of U.S. dollars)									(In percent)		
Canada	2.5	2.6	2.5	2.4	2.3	2.1	1.8	2.1	2.2	19.6	20.8	0.36
France	7.2	7.4	8.3	7.9	8.5	8.4	7.5	6.3	7.2	-14.8	-3.8	0.45
Germany	6.3	6.9	7.6	7.0	6.8	7.5	7.6	5.9	6.8	-22.2	-10.9	0.28
Italy	3.4	3.3	4.1	3.0	2.7	1.6	2.4	1.2	1.3	-49.0	-45.2	0.11
Japan	9.1	11.0	11.2	11.3	13.2	14.5	9.4	9.4	10.3	-0.9	9.6	0.22
United Kingdom	2.6	3.2	3.2	2.9	3.2	3.2	3.2	3.4	3.1	5.4	-2.2	0.26
United States	11.4	11.3	11.7	10.1	9.9	7.4	9.4	6.2	6.0	-34.2	-35.5	0.08
G-7 donors 3/	40.9	43.8	48.6	44.6	46.6	44.7	41.3	34.5	37.0	-16.3	-10.5	0.19
Other DAC donors 4/	12.0	12.9	12.2	11.9	12.6	14.2	14.2	13.0	14.5	-7.9	2.7	0.45
Total DAC	53.0	56.7	60.8	56.5	59.2	58.9	55.4	47.6	51.5	-14.2	-7.1 5/	0.22
(in percent of GNP)	0.33	0.33	0.33	0.30	0.30	0.27	0.25	0.22	...	...	...	...

Source: OECD.

1/ Not strictly comparable to earlier data due to the reclassification of some former ODA recipients to Part II of the DAC list of Aid Recipients.
2/ At 1996 prices and exchange rates.
3/ Excludes debt forgiveness of non-ODA claims.
4/ Includes Australia, Austria, Belgium, Denmark, Finland, Ireland, Luxembourg, Netherlands, New Zealand, Norway, Portugal, Spain, Sweden, and Switzerland.
5/ The decline was 3.2 percent based on the 1997 country coverage.

Chart 6. Net ODA Disbursements by Major DAC Donors, 1997





Source: OECD.

1/ Figures on top of the country columns give net ODA disbursements in percent of the country's GNP.

2/ Figures on top of the country columns give net ODA disbursements in billions of U.S. dollars.

disbursements to some recipients (including Israel) on account of delays in approval of the 1996 budget. A 45 percent real decline was registered in ODA from Italy in 1997 reflecting cuts in grants, net loans and especially multilateral contributions which had been exceptionally high in 1996.

In contrast to the largest industrial countries, aid from non-G-7 DAC member countries remained broadly stable in nominal terms and averaged 0.45 percent of their combined GNP in 1997. In real terms, ODA rose in 11 of these 14 countries in 1997. As a group, their share of total ODA from DAC members (28 percent) is twice their share of DAC GNP for all DAC members.

The prospects for a recovery in ODA flows remain bleak. The decline in aid budgets is likely to continue, while budgetary pressures remain in donor countries and there is continued disenchantment with the effectiveness of aid programs. Only Sweden, Ireland, and the U.K. have announced any increases in their aid budgets for the 1998 fiscal year, while the largest donor, Japan, has plans for a 10 percent cut in its aid budget. This downward trend is of concern because the conditions for assistance to be effective are perhaps better now than they have been for decades as many low-income countries have made important strides in policy reform and strategic factors in aid allocation have become less important.

Donors have been focusing for some time on improving the effectiveness and targeting of aid flows (Box 2). This culminated in the DAC's strategy to guide future development cooperation—"Shaping the 21st Century"[8]—which was agreed in 1996. Since that time, DAC members have been working to implement its key elements: partnership/ownership, reconciling performance with development needs, and poverty reduction. Aid has a significant effect on growth and poverty reduction when it is accompanied by a strong policy environment and a sustained adjustment effort. Donors are taking a more explicit and systematic approach on the issue of ownership by, and the participation of, national authorities and civil societies in the formulation of adjustment programs. Test cases have been used to develop specific proposals to enhance ownership.[9] Given the number of poor performing countries, strategies to reconcile their poor performance with their sizable development needs are assuming greater importance. The trade-offs in this area are complex and DAC members have agreed that further work is required to develop a common, albeit differentiated,

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[8]OECD, Development Assistance Committee, 1996: *Shaping the 21st Century: The Contribution of Development Cooperation.*

[9]OECD, Development Assistance Committee, 1998: *Strengthening Development Partnerships: A Working Checklist.* The issue of ownership has also been emphasized in both the internal and external ESAF review, and proposals to foster ownership by national authorities and the consensus for reform in the context of Fund programs were outlined in *The ESAF at Ten Years*, IMF, Occasional Paper No. 156, December 1997; more details will be contained in a forthcoming book.

Box 2. Aid Effectiveness

Scarce aid resources and concerns over the poor results obtained from past aid have driven efforts to improve development cooperation. The DAC strategy, "Shaping the 21st Century" reflects a consensus on a results-oriented approach to aid policies. This in itself is the product of declining aid budgets, general disappointment with the lack of effectiveness of past assistance, and a reduction in the strategic role of aid.

Aid has a significant effect on growth and poverty reduction when it is accompanied by a strong policy environment and a sustained effort. Both academic research on aid effectiveness[1] and donor experience show that there is no systematic relationship between the volume of aid and performance. However, there is evidence exists that aid does raise growth rates, savings and investment, and improves social indicators when it is directed to countries with sound policies—open trade regimes, fiscal discipline, the avoidance of high inflation—that are implementing structural reforms, and which sustain their adjustment efforts. Nonetheless, a large part of aid allocations has been influenced by political considerations. Aid is at best ineffective and at worst counterproductive when provided in an environment of poor policies, where ownership is lacking, or without effective conditionality. Studies show that under these conditions aid does not benefit the poor or raise investment but rather may displace private investment, raise government consumption, the size of government, and lower tax effort.[2] An important finding of recent research is that aid has not been effective in stimulating policy reform.[3] While foreign aid plays a supportive role, policy reform is driven largely by domestic social and political processes. Once a commitment exists and reforms have been demonstrated, concessional assistance can play a vital role in furthering these reforms.

Donor assistance should thus focus more selectively on countries where there is ownership of, and commitment to, policy reforms and should be accompanied by effective conditionality. The experience with aid effectiveness suggests several lessons for foreign aid which are being applied by the international donor community. Overall, the link between the provision of assistance and soundness of policies needs to be strengthened. This requires greater aid selectivity, with resources being directed to countries with stronger ownership and commitment to reform, and more weight placed on demonstrated reforms. Assistance should also be accompanied by more effective conditionality than has been applied in the past. Many of these conclusions were reiterated by the internal and external reviews of the Fund's ESAF. At the same time, DAC members have taken important steps in reducing the influence of strategic factors in aid allocation, for example through their commitment to untie aid.

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[1]Tsikata, *Aid Effectiveness: A Survey of the Recent Empirical Literature*, IMF, PPAA/98/1, March 1998.

[2]Boone: *"Politics and the Effectiveness of Foreign Aid,"* European Economic Review 40, 1996.

[3]Burnside and Dollar: *"Aid, Policies and Growth,"* Policy Research Working Paper No. 1777, World Bank, 1997.

approach. As regards poverty reduction, the overarching objective of the DAC strategy, widespread agreement exists on the basic approach. Further work is planned on best practices in this area, which will utilize a new working set of core development indicators to measure progress towards the development goals set out in the *21st Century* strategy (Box 3). In October 1997, DAC members endorsed guidelines on gender equality and women's empowerment which provide directions for DAC members to build capacity and commitment to incorporate gender issues into their activities and policies.[10] Progress has been made recently on the contentious issue of untied aid to the least developed countries. DAC members also agreed to develop a recommendation on the liberalizing of aid procurement over the next year.

These efforts to improve the allocation of scarce aid resources and tackle poverty are reflected in the data on external financing for HIPCs and for those countries with the most sustained adjustment effort. Despite pressures on official external financing over the 1990s, the poorest and most heavily indebted countries have continued to receive large net inflows. For a group of 31 HIPCs for which data are available, gross external financing was almost double debt service paid in 1993–98 (Table 5). Typically, at least one third of annual official flows have been provided as grants while the remainder has been on highly concessional terms, i.e. containing a high grant element. Net inflows averaged some 2 percent of GDP for these 31 HIPCs since 1995, but were double that for the six HIPCs that received commitments of assistance under the HIPC Initiative until August 1998, reflecting creditors' support for the relatively strong and sustained adjustment effort of these countries. Nonetheless, net external flows to both groups of countries relative to their respective GDP declined by almost one half since the early 1990s, mirroring the decline in ODA flows discussed above.

In terms of other aid policy developments, the U.K. Government announced the Mauritius Mandate in September 1997 at the Commonwealth Finance Ministers' Meeting, and at the Birmingham Summit in May 1998, the G8 leaders re-confirmed their support for the DAC strategy. The Mauritius Mandate aims to implement debt relief in a decisive and comprehensive manner.[11] It included an appeal to creditors to focus official lending to HIPCs in support of productive expenditures, including basic health care and education. G8 leaders noted their commitment to a real and effective partnership with poorer developing countries in order to reach the goals for economic and social development set out in the DAC Strategy. They also pledged themselves to a shared international effort to

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[10]OECD, Development Assistance Committee: *"Guidelines on Gender Equality and Women's Empowerment"*, Paris, 1997.

[11]The Mandate inter alia sought that every eligible HIPC should have embarked on the process of securing a sustainable exit from their debt problems by the year 2000, and that firm decisions on the amounts and terms of debt relief would have been made for at least ¾ of these countries.

Box 3. Core Development Indicators

As part of its efforts to improve the effectiveness of aid policy, the international community has been seeking better methods to measure progress and performance towards the achievement of the DAC's development goals.[1] The international community, particularly among donors, are interested in devising better methods to measure aid performance and correcting the proliferation of development indicators required of developing countries. As part of these efforts, the DAC, the UN, and the World Bank, with participation from developing countries, have worked to identify a set of performance indicators to measure and monitor progress toward key development goals.

A working set of core development indicators was agreed at a DAC meeting in February 1998. These indicators cover the areas of poverty, education, health, gender equality and the environment:[2]

- *Poverty*: the head count ratio; the poverty gap; child malnutrition rates; and the share of the poorest 20 percent of the population in national consumption.
- *Education*: net enrollment rates (primary education); survival rate to grade five; and literacy rate of 15 to 24 year-olds by gender.
- *Health*: infant mortality rate; under five mortality rate; maternal mortality ratio; percentage of births attended by skilled health personnel; contraceptive prevalence rate; and HIV prevalence in pregnant women ages 15 to 24.
- *Gender Equality*: ratio of girls to boys in primary and secondary education; ratio of literate females to males (15 to 24 year-olds).
- *Environment*: countries with national sustainable development strategies; population with access to safe water; intensity of freshwater use; biodiversity; energy efficiency; carbon dioxide emissions.

Further work is in progress to refine these indicators and make them more country-specific. DAC members have agreed to refine this set of indicators in their own operations and improve data coverage and comparability. Along with the World Bank and the UN, the DAC is undertaking further work on environmental and governance indicators. A review of the indicators is planned in 2000 to examine progress and identify needs for further action. The list of indicators reinforces other initiatives at improving data dissemination and quality such as the IMF's General Data Dissemination Standard.

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[1]The DAC's quantitative goals for poverty reduction, social development, and environmental sustainability are detailed in *Shaping the 21st Century: The Contribution of Development Cooperation*, OECD/DAC 1996, and summarized in *Official Financing for Developing Countries*, IMF, Washington, 1998.

[2]Information on these indicators is available at the OECD/DAC Web site and will be published annually in the OECD's Development Cooperation Report.

Table 5. External Financing and Debt Service of HIPCs, 1993-98

	1993	1994	1995	1996	1997	Proj. 1998
	(In billions of U.S. dollars)					
Selected HIPCs (31) 1/						
Gross external financing	10.9	11.7	12.6	12.4	12.3	13.5
of which:						
Grants	5.3	5.5	5.3	5.1	4.7	5.2
Loan disbursements	5.6	6.3	7.3	7.3	7.6	8.3
Debt service paid	5.3	5.9	8.2	7.3	6.8	7.7
Net external financing	5.5	5.9	4.4	5.1	5.6	5.7
HIPCs past their decision point (6) 2/						
Gross external financing	2.9	3.6	3.3	3.0	2.5	3.1
Debt service paid	1.2	1.6	1.8	1.6	1.4	1.9
Net external financing	1.7	2.0	1.5	1.4	1.1	1.2
	(In percent of debt service paid)					
Gross external financing						
Selected HIPCs (31)	203	201	154	171	183	174
HIPCs past their decision point (6)	234	231	187	185	178	164
	(In percent of GDP)					
Selected HIPCs (31)						
Net external financing	4	4	2	2	2	2
Debt service paid	4	4	4	3	2	3
HIPCs past their decision point (6)						
Net external financing	7	9	6	5	4	4
Debt service paid	5	7	7	6	5	6

Source: Fund staff estimates.

1/ The group covers 31 HIPCs for which complete data is available for 1993-98. Not covered here from the the group of 41countries used for analytical purposes are Burundi, Cameroon, Congo (Dem. Rep. of), Congo (Rep.), Liberia, Nigeria, Rwanda, Sierra Leone, Somalia, and Yemen.
2/ Countries for which assistance under the HIPC Initiative was committed up to August 1998: Bolivia, Burkina Faso, Cote d'Ivoire, Guyana, Mozambique, and Uganda.

recognize the importance of substantial levels of development assistance and to mobilize resources for development in a spirit of burden-sharing. G8 leaders called on those countries who had not already done so to forgive aid-related bilateral debt or to take comparable action for reforming least developed countries.

III. Recent Developments in Export Credits

Officially supported export credits[12] represent a large share of the external debt of developing countries and economies in transition. In 1997, they accounted for more than 21 percent of total indebtedness of these countries and for close to half of their indebtedness to official creditors. In addition, exports covered by Berne Union members—largely through new export credit insurance and guarantees, but also through direct lending—account for about 10 percent of all exports from countries of Berne Union members, which in turn account for about 78 percent of world exports and for about 22 percent of all imports of developing countries and economies in transition. Since export credits are regarded as primarily trade-promoting rather than development-oriented, they are not included in OECD data on official financing flows to developing countries (discussed in Chapter II).

A. Total Export Credits

Total export credit exposure to developing countries and economies in transition declined for the second year in 1997—by 7 percent to $432 billion (Chart 7),[13] and further by 4 percent to $414 billion in mid-1998 due to the impact of the Asian crisis. Approximately two-thirds of total exposure was due to outstanding commitments both in short-term and medium- and long- term export credits, while unrecovered claims and arrears accounted for the remaining one-third. In 1997, all three components declined by 7–8 percent each; in the case of unrecovered claims and arrears, this reflected lower payments of insurance claims by agencies in the context of Paris Club debt reschedulings, as well as a high level of recoveries.

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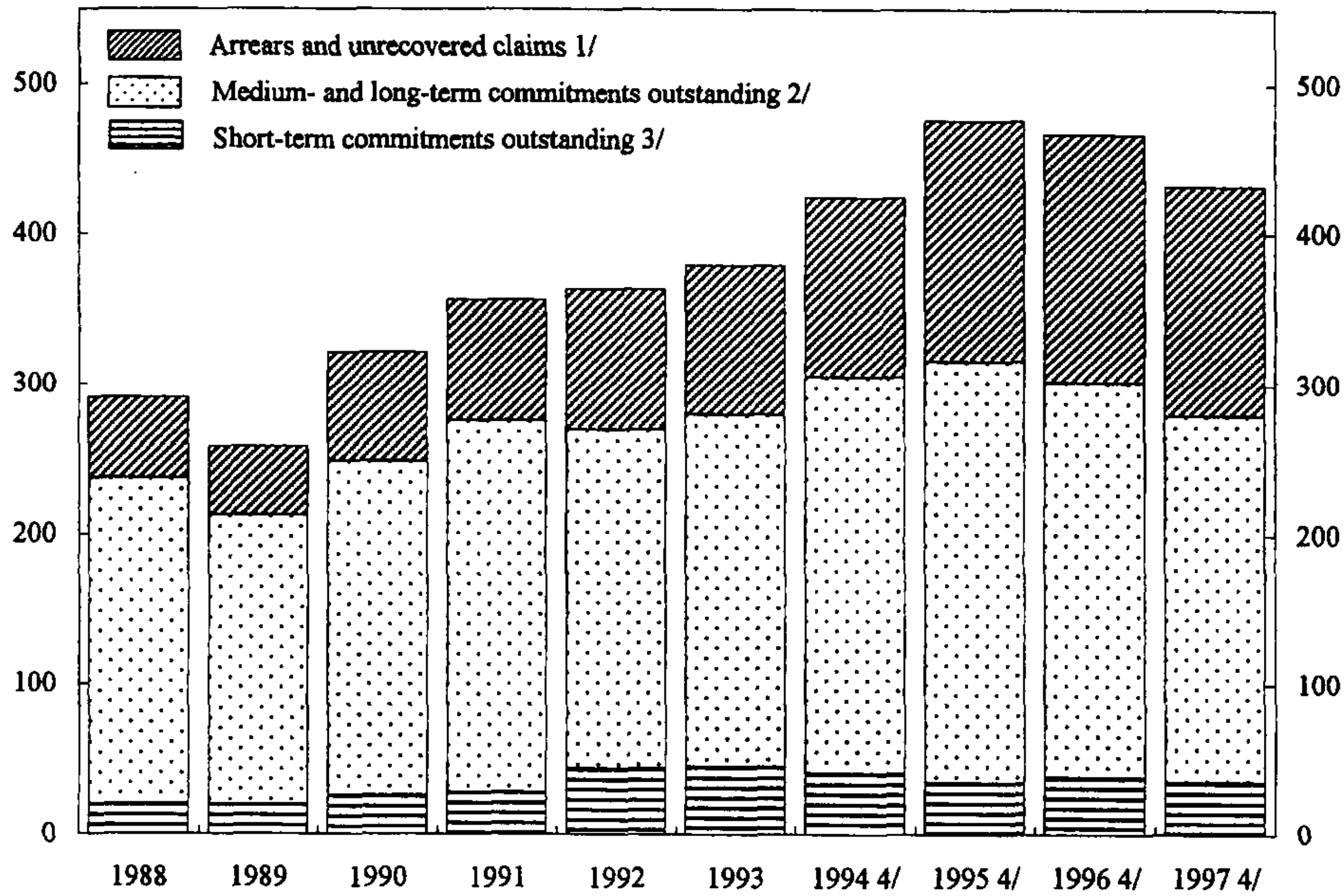
[12]This section updates the information provided in earlier papers on the basis of data from the International Union of Credit and Investment Insurers (the Berne Union), the OECD, and individual export credit agencies. For a detailed description of the role of export credit agencies in financing developing countries and economies in transition, and of the basic features of official support for export credits, see Kuhn, Horvath, and Jarvis, 1995, "Officially Supported Export Credits—Developments and Prospects", World Economic and Financial Surveys, IMF, Washington.

[13]Specific figures need to be interpreted with caution. Starting in 1994, the figures supplied by the Berne Union include data for some smaller export credit agencies, and cover 20 additional debtor countries. The effect of this coverage expansion was reflected in total exposure in 1994 and on new commitments in 1995. For problems that arise in discussions of export credit statistics, see Kuhn, Horvath, and Jarvis (1995, Appendix II).

Chart 7. Export Credit Exposure, 1988-97
(In billions of U.S. dollars)



Sources: Berne Union; and IMF staff estimates.

1/ Arrears and unrecovered claims: Overdue payments by borrowers, classified as arrears if overdue 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/The figures reflect an enhanced debtor country coverage by the Berne Union of 20 countries with total exposure that amounted to $9.4 billion in 1994, $35.7 billion in 1995, $37.7 billion in 1996, and $34.7 in 1997.

Export credit agencies' exposure remained concentrated in relatively few countries—the 10 (20) main recipients accounted for 52 (74) percent of agencies' total exposure (Chart 8). These shares are broadly in line with their share in exports (51 (70) percent) and GDP (53 (79) percent). Furthermore, export credit agencies' exposure to Russia and China by far exceeded that to other countries, accounting for 12–14 percent each of agencies' total portfolio compared to 6 percent or less to any other recipient. Agencies' exposure to Russia[14] increased by 13 percent to $60 billion by end-1997 reflecting in part agencies' accounting for the 1996 rescheduling, and that to China increased by 7 percent to $48 billion in 1997;[15] exposure to Russia and China declined marginally in the first half of 1998.

Total new export commitments to developing countries and economies in transition reported to the Berne Union fell by 4½ percent to about $100 billion in 1997, reflecting a substantial decline in new commitments in most major markets (Charts 9 and 10). New commitments fell by 17 percent in the first half of 1998 compared to a year earlier, reflecting largely lower business volumes with the Asian crisis countries. These declines followed a 9 percent annual growth recorded during 1992–95.[16] In general, recent trends in new commitments represented a slowing in large scale projects, which tend to be lumpy, in the wake of the Asian crisis. As in the past, new commitments in 1997 were concentrated in a few developing countries with relatively large import activity from Berne Union agencies' countries, and existing high agency exposure. In fact, the concentration of new commitments is greater than far total exposure, as approximately 66 (87) percent of all new export commitments were reported to the top 10 (20) countries. While new commitments declined to Indonesia, Thailand and Turkey, new commitments to China rose by 19 percent to the level of $17 billion seen in 1994–95 and were little changed to Hong Kong, SAR at about $8.5 billion, second only to China. New commitments also increased slightly to Russia, Brazil, Malaysia and Mexico.

By the end of 1997, export credits accounted, on average, for about 27 percent of the total external debt of the largest recipients of export credits (Chart 11). For several countries (Nigeria, Algeria, Iran), export credits represented some half or more of their external debt, in some cases representing long-standing debt/arrears rather than recent export credit financing. 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.

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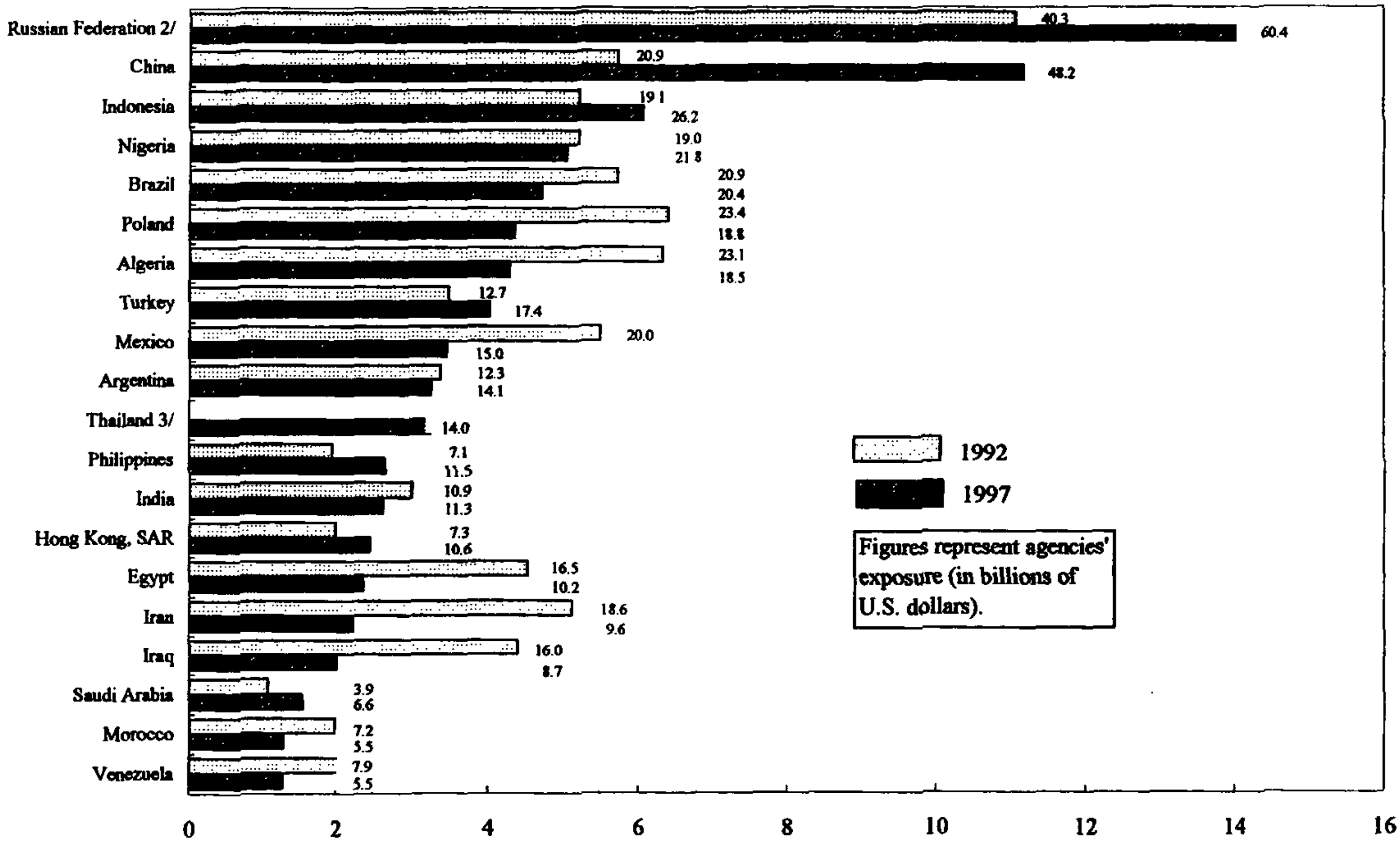
[14]Sixty percent of which was related to claims on the former Soviet Union (FSU) assumed by Russia.

[15]In addition, agency exposure to the Hong Kong Special Administrative Region (SAR) was $11 billion or just over 2 percent of their total portfolio.

[16]Based on 1994 country coverage.

Chart 8. Exposure of Export Credit Agencies to Selected Major Developing Countries and Countries in Transition, 1992 and 1997

(Percent share in agencies' portfolio) 1/



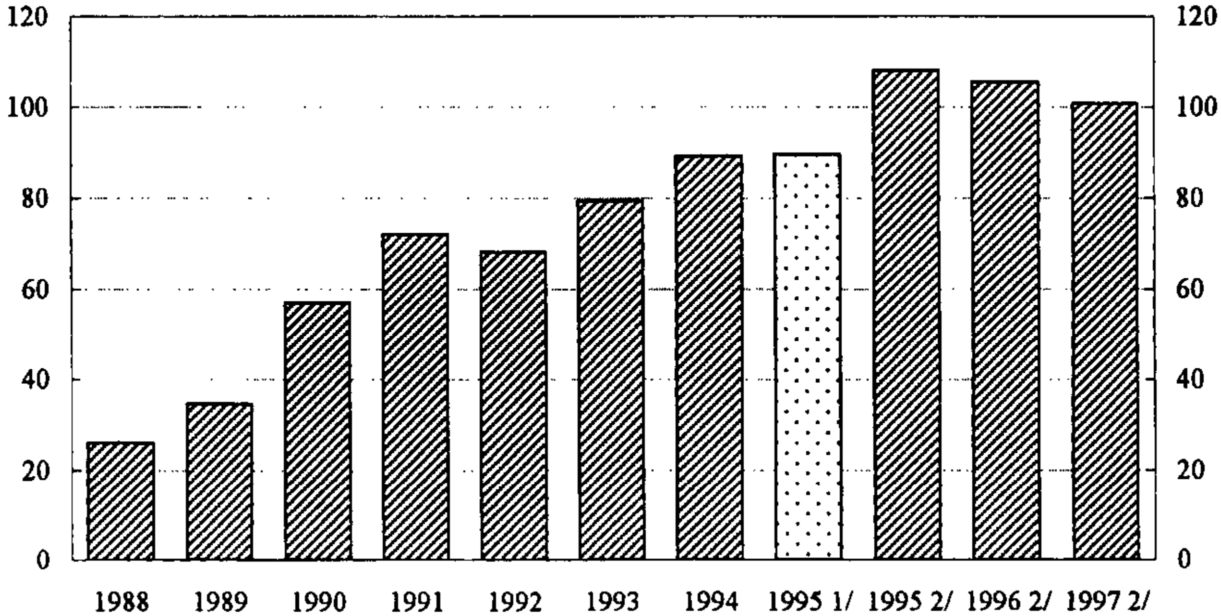
Sources: Berne Union, and IMF staff estimates.

1/ Berne Union reporting agencies.

2/ Includes debts of the former USSR.

3/ Data for 1992 not available.

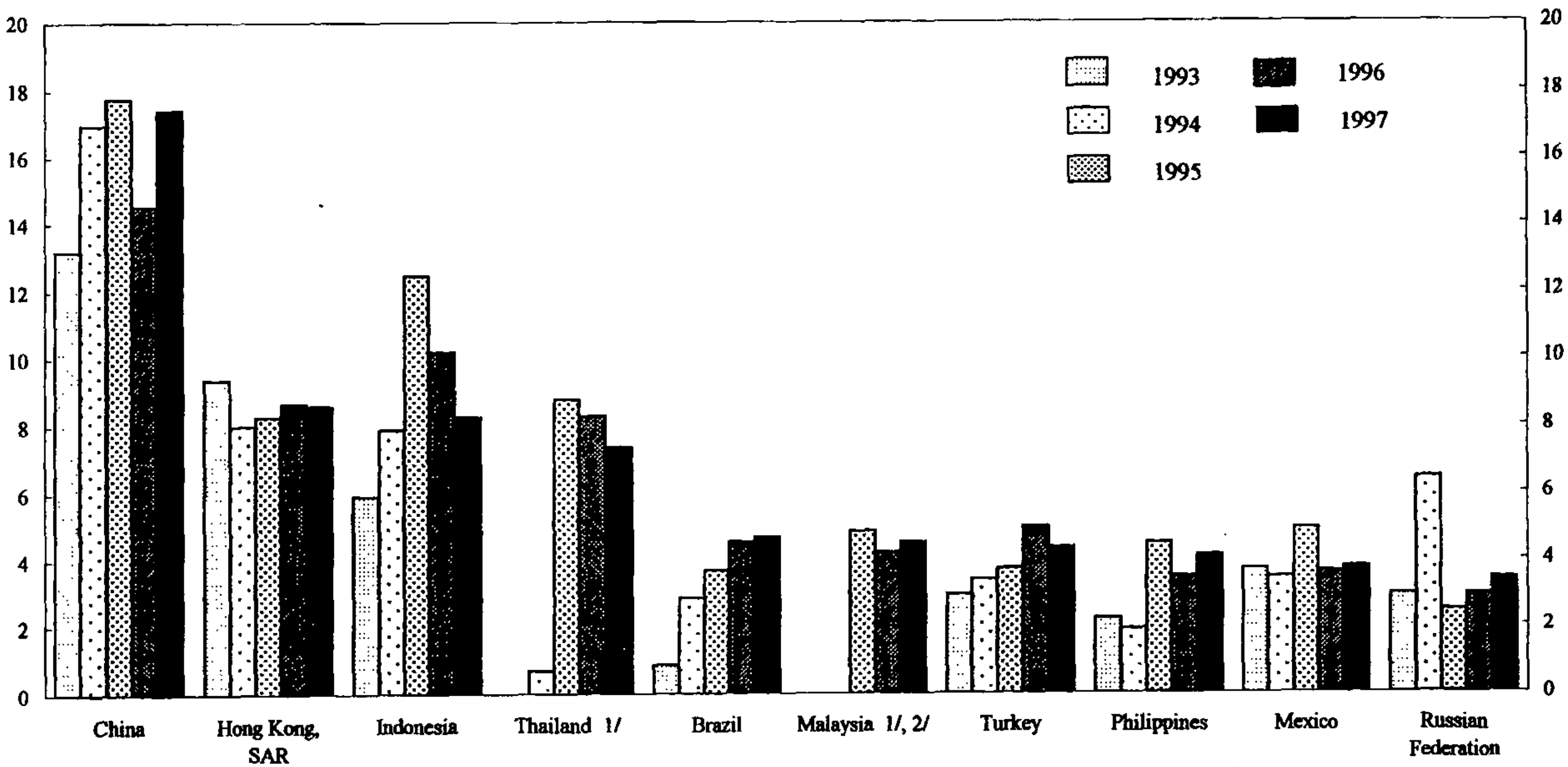
Chart 9. Officially Supported Export Credits: New Commitments, 1988-97
(In billions of U.S. dollars)



Sources: Berne Union; and IMF staff estimates.

1/ Same country coverage as in 1994.
2/ Figures reflect an increased number of countries (20) covered in agencies' reporting to the Berne Union. New commitments to these countries were $18.4 billion in 1995, $18.8 billion in 1996, and $16.43 billion in 1997.

Chart 10. New Export Credit Commitments in Selected Major Markets, 1993-97
(In billions of U.S. dollars)

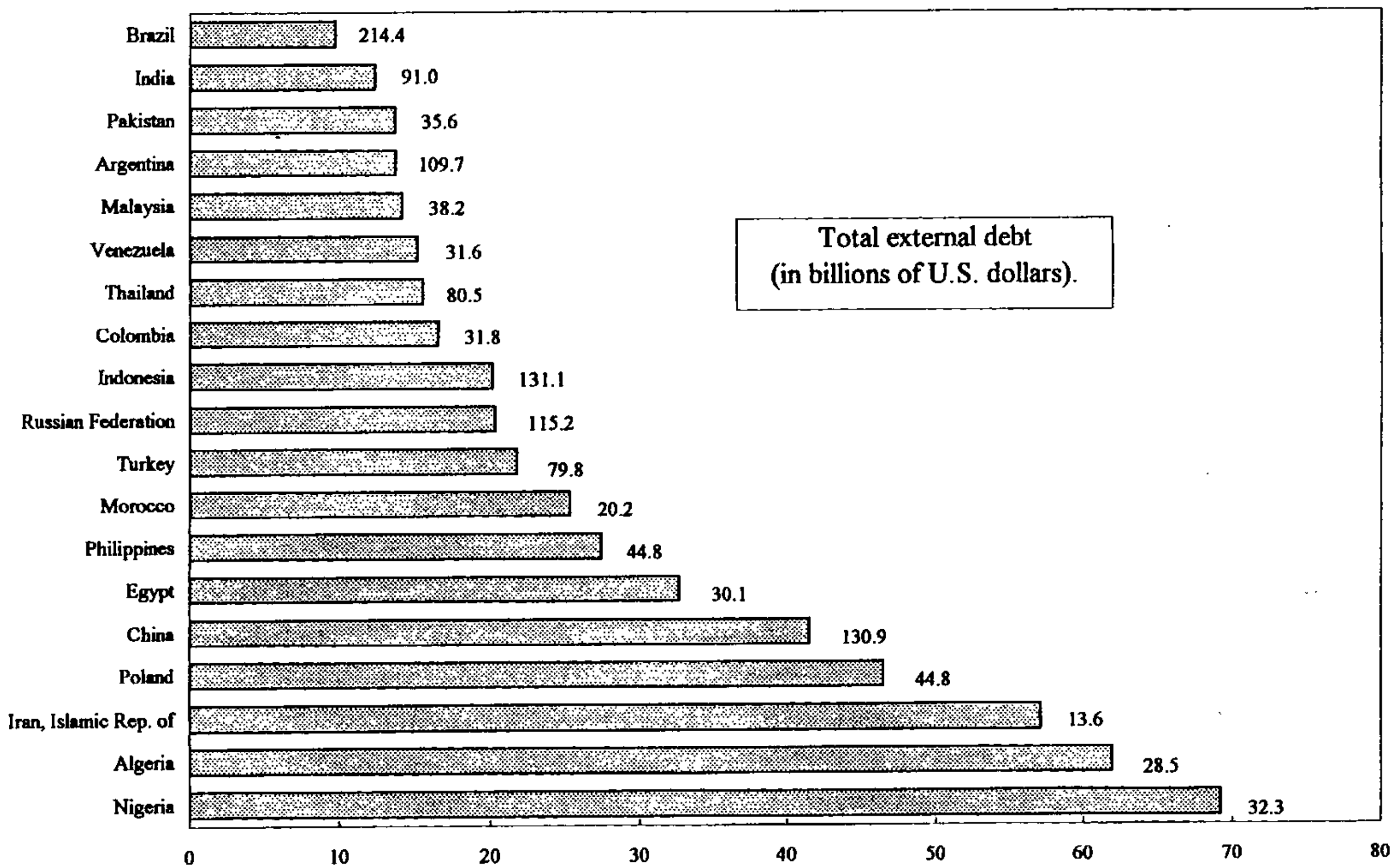


Sources: Berne Union, and IMF staff estimates.

1/ Data for 1993 not available.
2/ New commitments in 1994 were small.

Chart 11. Main Recipients of Export Credits Among Developing Countries and Countries in Transition, 1997

(Percent share of export credits in total external debt)



Source: Berne Union, IMF WEO, and staff estimates.

B. Financial Performance of Export Credit Agencies

The financial performance of most export credit agencies, as measured by net cash flow, continued to improve during 1997 (Chart 12).[17] In 1996, the combined cash-flow results of Berne Union members turned to surplus for the first time since 1981.[18] The surplus increased from $3.3 billion in 1996 to $6.3 billion in 1997, owing to lower payments on new claims, which declined to $5.9 billion from $9.5 billion in 1996. Loan recovery declined somewhat to $8.5 billion in 1997 compared with $9.5 billion in 1996 but remained at historically high levels. Premium income increased marginally to $3.7 billion in 1997. Claims related to the Asian crisis did not materialize in 1997, although ECAs reported overdues and payment difficulties which had not yet reached the stage of claims payments. Such claims payments are expected to rise in 1998, and could weaken agencies' cash flow results substantially.

C. New Commitments and Cover Policy for Selected Countries

During 1997 and the first half of 1998, the outbreak of financial and economic crisis in Asia resulted in a major slowdown in new commitments of export credits to that region. These countries have been traditionally major recipients of export credits and of private limited-recourse financing.[19] About half of new commitments of medium- and long-term export credits were estimated to be related to projects financed under limited- or non-recourse based schemes. However, the Asian crisis, in particular the large devaluations in affected countries, cast doubt on the economic viability of many projects, especially those which generate revenue in local currencies (see Box 4). With new projects drying up, new

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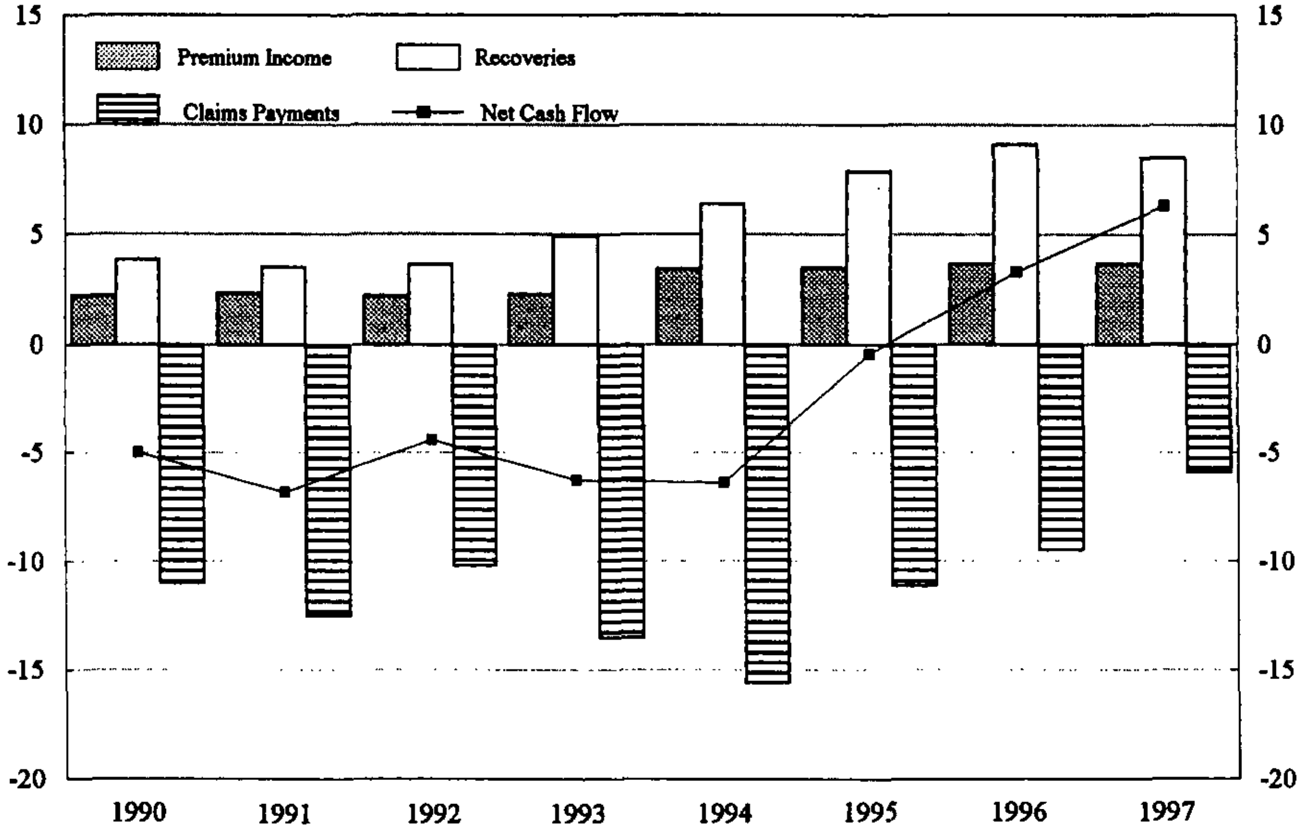
[17]Accounting practices of agencies differ, and only net cash flow data—not accrual data—are available on a consistent basis from all export credit agencies. Assessing the financial position of export credit agencies on an accrual basis requires, among other steps, estimating the expected recovery of 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.

[18]Reflecting different accounting treatments of arrears and restructured debts, agencies that restructure an insured claim by refinancing, will not reflect this refinancing in new commitments or affect the cash flow of the agency. On the other hand, for agencies that reschedule an insured claim involving a cash payment by the agency to the claimant, the cash flow would be diminished. For this reason, among others, the Berne Union data on cash-flow balances reported by the agencies should be interpreted with caution.

[19]Private limited-recourse financing is defined as financing typically of a capital project where the lender looks principally to the cash flow and earnings of the project for repayment and to the assets of the project that serve as collateral for the loan. This contrasts to a situation where the lender relies on the general creditworthiness of the borrower.

Chart 12. Export Credit Agencies: Premium Income, Recoveries, Claims, and Net Cash Flow, 1990-97
(In billions of U.S. dollars)



Source: Berne Union.

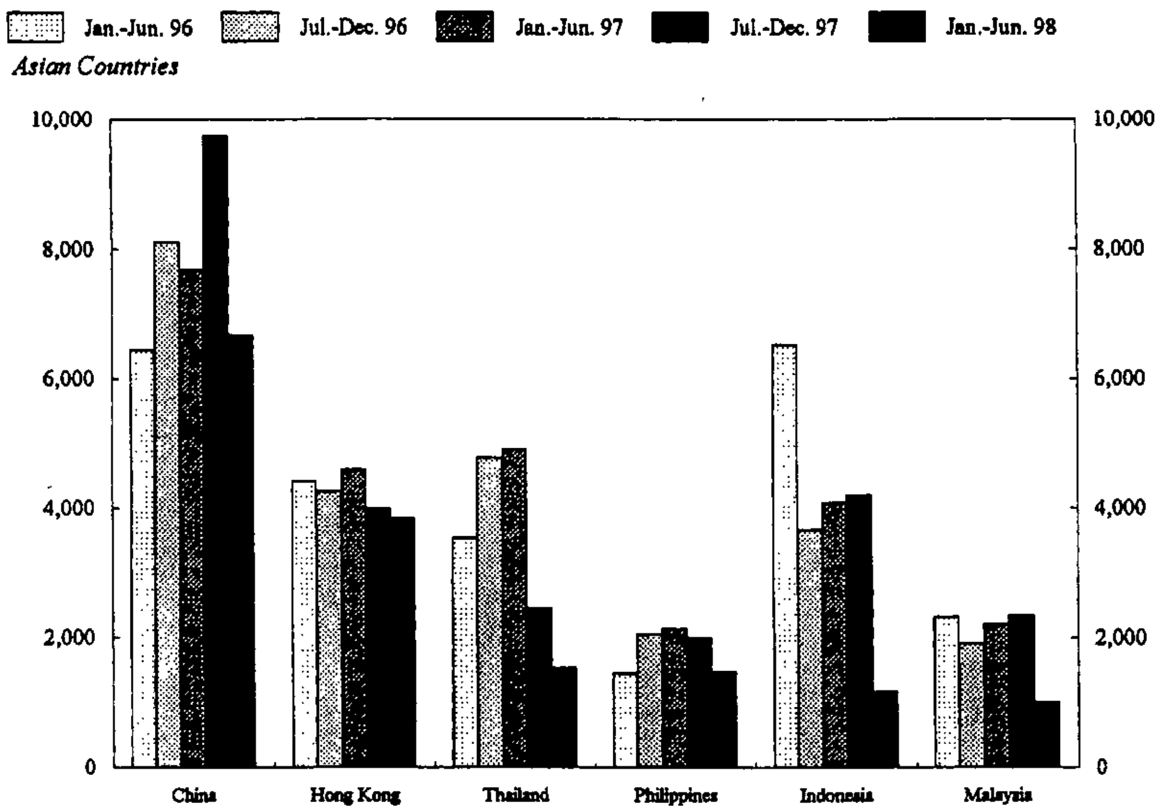
commitments in 1998 decreased sharply in major markets such as Thailand and Indonesia (Chart 13). During 1997, agencies largely maintained their cover policies toward Asian countries, but recorded little demand for medium- and long-term cover. By the middle of 1998, some agencies tightened their cover policies and most reported little new business. As a result, largely of lower demand for cover, agencies' total exposure fell by 5 percent in the first half of 1998 compared to the first half of 1997 (Chart 14).

Box 4. Private Infrastructure Financing in East Asia

In 1997, when the Asian crisis broke, private financing of new infrastructure projects in East Asia virtually halted and important projects were delayed or canceled. In prior years, developing country governments actively sought private financing for infrastructure development. Several factors motivated this, including domestic budget constraints and emerging bottlenecks in infrastructure in developing countries, deregulation aimed at accelerating infrastructure development, and the experience gained with projects in the advanced countries such as the United States or the United Kingdom. However, some private developers sought political risk insurance for such projects. This type of financing had been used particularly in Asian countries, many of which had exchange rates that were virtually pegged to the US dollar. Such projects came to a halt with the massive exchange rate depreciations observed since the outbreak of the Asian crisis in mid-1997, and the deterioration in the investment climate with the decline in economic activity; also, the domestic banking system in the affected countries had difficulties in supplying the resources required to implement the projects. According to World Bank estimates, international equity, loan and bond financing for private projects in East Asia reached only $6 billion in 1997, down 20 percent from $7.5 billion in 1996.

For **China**, the largest recipient of new commitments, all agencies remained open for business, generally without restrictions. New commitments, which included several private infrastructure projects such as the Shangdong Zhonghua Power Project, peaked in the second half of 1997 at almost $10 billion, before falling back to some $6.5 billion in the first half of 1998 (Chart 13). New commitments to **Hong Kong, SAR,** the second largest recipient, were more steady, but also slowed in late 1997 and the first half of 1998. Agencies remained open for business in 1997 in Indonesia and Thailand, the next largest Asian recipients, generally at least business with the public sector, while business with the private sector was sometimes subject to tighter scrutiny. New commitments to **Indonesia**, although 19 percent lower than in 1996, were $8.3 billion in 1997, but fell sharply in the first half of 1998 in light of Indonesia's difficult political and economic situation. New commitments to **Thailand** also fell sharply since the beginning of the Asian crisis in mid-1997; agencies have taken a cautious approach

Chart 13: New Export Credit Commitments to Selected Developing Countries; 1996 - June 1998.
(In millions of U.S. dollars)



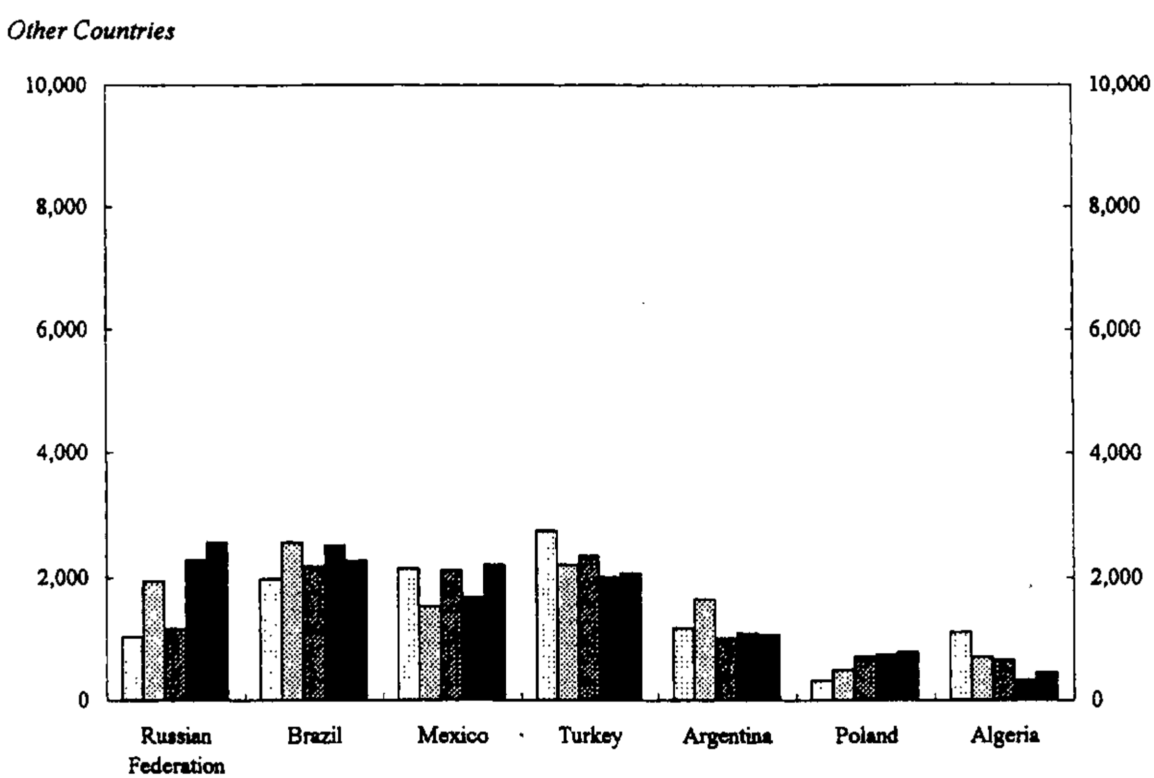
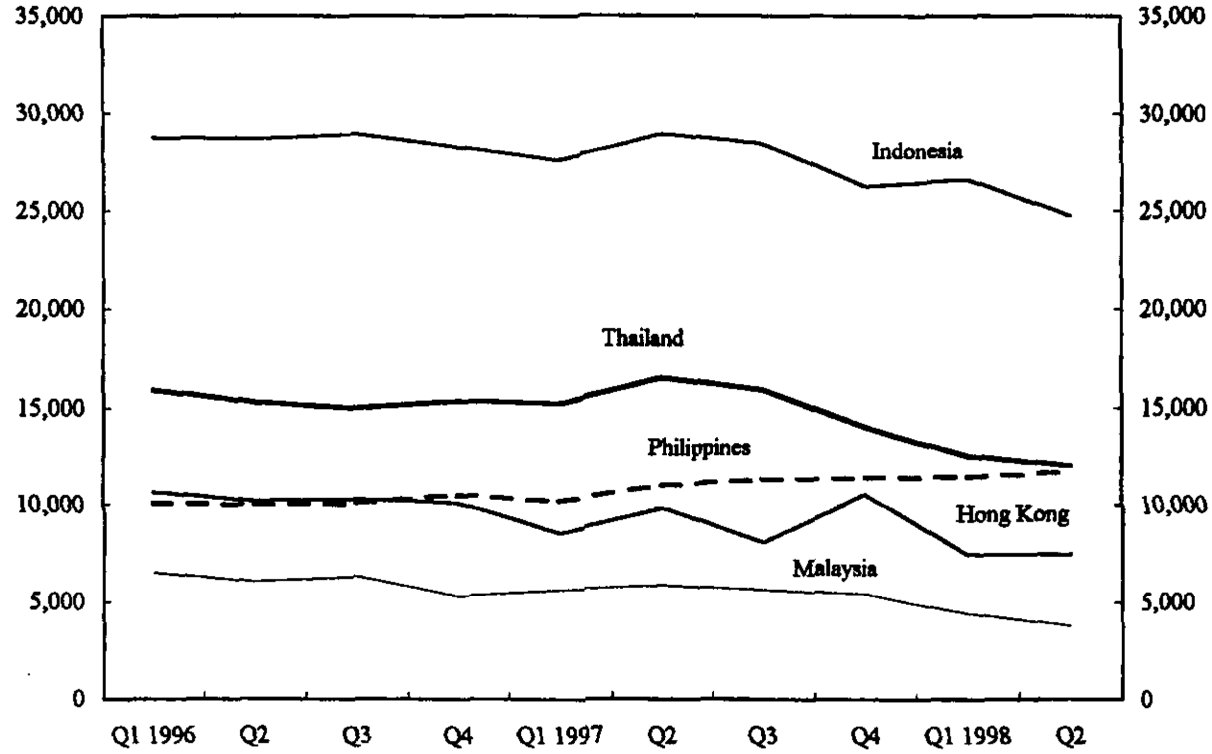
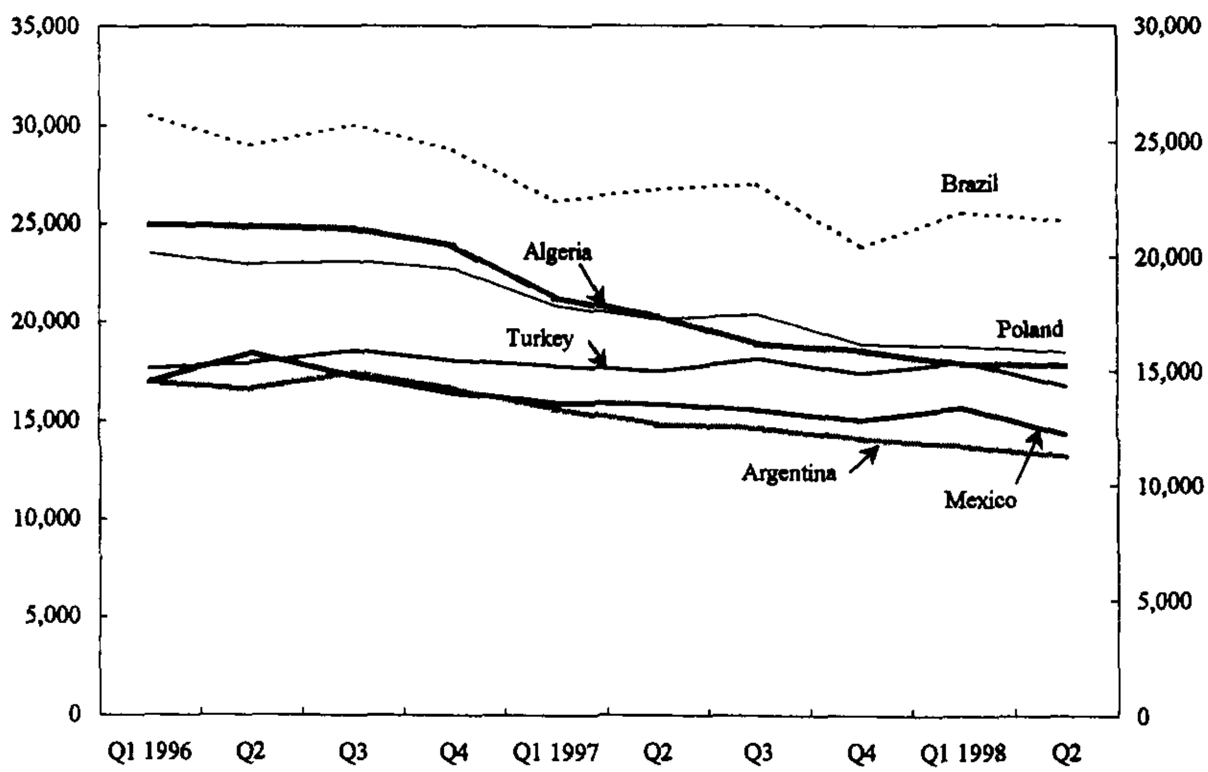


Chart 14: Export Credit Total Exposure to Selected Developing Countries, 1996-June 1998
(In millions of U.S. dollars)

Asian Countries



Other Countries



to business with the private sector, although agencies remained open for business with the public sector. Agencies reported little demand for cover, however. In February 1998, the Export-Import Bank of the United States and EID/MITI of Japan jointly sponsored an initiative among the G-7 export credit agencies to coordinate efforts to maintain trade financing to Korea, Indonesia, the Philippines and Thailand. Nonetheless, new commitments to Indonesia and Thailand fell some 70 percent in the first half of 1998 compared to the comparable period a year ago.

New commitments to **Turkey** declined by 12 percent in 1997 to \$4.4 billion and by another 12 percent in the first half of 1998, in the wake of concerns over the political and economic situation in Turkey. New commitments to **Russia** rose by 16 percent to \$3.4 billion in 1997 and further in the first half of 1998, reflecting a few large scale projects, and some agencies' stated intention to expand business to Russia in order to support economic reform. However, agencies were generally cautious; some agencies remained off cover for medium- and long-term transactions, while others were open only with a sovereign guarantee and with limits on new business. This caution has been reinforced by Russia's crisis and reported debt-servicing difficulties in mid-1998.

New commitments to **Pakistan**, that had been \$2–3 billion since 1994, declined to \$0.7 billion in 1997, as the economic situation deteriorated. Meanwhile new commitment to **India** fell from \$3 billion in 1996 to \$2.7 billion in 1997. After these countries conducted nuclear tests in 1998, some agencies tightened their cover policies.

New commitments to a number of Latin American countries (e.g., Brazil, Mexico and Venezuela) increased slightly as the economic situation in 1997 and the first half of 1998 was more stable than in Asia. In the case of **Venezuela,** new commitments almost doubled to \$1.2 billion in 1997 due to some large mining and oil-related projects. However, as Venezuela failed to settle all of its arrears with bilateral creditors during 1997, many agencies remained off cover on medium- and long-term business with the public sector.

D. Institutional Changes

During 1997–98, participants in the *Arrangement on Guidelines for Officially Supported Export Credits* (OECD Consensus) agreed a number of revisions. The OECD Consensus was established in 1978 to eliminate trade distortions and subsidies in official support for export credits and was last revised in 1992. The most important recent modification was the so-called "Knaepen Package" agreed in June 1997; it set rules on export credit pricing that will help to eliminate subsidies and trade distortions by setting minimum premium rates for country and sovereign risk that are to come into effect in April 1999. In June 1998, participants in the OECD Consensus agreed further modifications in the Consensus designed to allow agencies greater flexibility when supporting projects financed on a limited-recourse basis. This modification will allow export credit agencies to devise credit terms which more accurately reflect project cash flows. The agreement will allow one of two options on a case-by-case basis:

(i) full flexibility in repayment profiles and maturity subject to the limitation that the weighted-average loan duration does not exceed 5¼ years; or

(ii) flexibility in repayment and credit terms provided that the weighted-average loan duration does not exceed 7¼ years, the first repayment is within two years of the start of the loan, and the maturity itself is no longer than 14 years.[20]

A surcharge on the appropriate Commercial Interest Reference Rate will apply when credits exceed 12 years. This amendment to the Consensus came into effect on September 1, 1998, as a temporary measure, which will be reviewed after a two-year trial period. Participants of the OECD Consensus have continued to discuss refining the arrangement to address issues such as the environment, corruption and agricultural trade.

IV. Financing from Multilateral Institutions[21]

A. Recent Trends in Multilateral Lending

Multilateral lending picked-up sharply in 1997 especially from the IMF. Exceptionally high levels of financial support to Asian crisis countries helped total multilateral lending to all developing countries[22] rebound in 1997 (gross $61 billion; and net $26 billion) reaching the

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[20]The OECD Consensus stipulates that maximum repayment period would be 5 to 10 years depending on the income level of the recipient countries and that principal shall normally be repaid in equal installment commencing not later than six months after the starting point of the credits.

[21]In line with the definition used in the World Bank Debtor Reporting System (DRS), multilateral lending in this chapter refers to lending by international organizations, including the World Bank, regional development banks, and other multilateral and intergovernmental agencies. Lending by the IMF is also included. Lending by funds administered by an international organization on behalf of a single donor government is excluded. The statistical information used in this section is derived mostly from the DRS supplemented by IMF and World Bank staff estimates. The data for 1997 are provisional estimates published in Global Development Finance (GDF), 1998, and because of differing definitions and country coverage, estimates in Chapter IV are not necessarily fully consistent with the WEO data described in Chapter 1. Comprehensive estimates for 1998 are not yet available.

[22]A group of 150 countries including all those reporting to the DRS, but aggregate figures

(continued...)

record high level seen in 1995 (gross $60 billion; and net $28 billion) during the Mexican crisis (Table 6). Gross multilateral lending to all developing countries in 1997 was more than twice official bilateral lending, but only about half the level of private lending. Among multilateral sources, gross IMF disbursements amounted to $23 billion in 1997, up from $9 billion in 1996, though not as high as the $28 billion observed in 1995 (Table 7); IMF disbursements in the first half of 1998 were above $10 billion. Gross disbursements from multilateral institutions other than the IMF rose by 12 percent to $37 billion in 1997.[23] In the case of the World Bank, there was an increase in net flows to $8 billion in 1997 from about $1 billion in 1996. Total net multilateral lending to all developing countries has increased from an annual average of about $10 billion in the second half of the 1980s to $15 billion in the first half of the 1990s, and to an average of about $22 billion in the three years to 1997 (Chart 15).

Higher multilateral disbursements in 1997 reflected nonconcessional lending to middle-income countries. The international response to the Asian crisis required a substantial increase in multilateral lending to the region, largely by the IMF but also by other multilateral institutions such as the World Bank. The East Asia and Pacific region accounted for 40 percent of gross multilateral disbursements to developing countries in 1997, compared with just 15 percent in 1996. Over three-fourths of IMF disbursements went to this region in 1997, while in the past decade East Asia has typically accounted for less than 5 percent of annual IMF lending (Table 8). 1997 also saw a net repayment of multilateral debt by the countries of the Western Hemisphere, reflecting a substantial payment to the IMF by Mexico. Outside Asia, net flows from multilateral institutions were generally somewhat lower in 1997 than observed in the previous two years.

Middle-income countries received most of the multilateral flows, yet predominantly relied on private sources of financing. Middle-income countries received about three quarters ($45 billion) of gross multilateral disbursements in 1997 (Table 7). On a net basis, these countries received $18 billion or 70 percent of net multilateral disbursements. Nonetheless, net disbursements from private creditors accounted for two-thirds of net long-term debt flows to these countries, and reached over $40 billion in 1997 as a whole (Table 6). Since mid-1997, however, the trend in net private flows has been falling, and this has continued into 1998.

Low-income countries increasingly relied on multilateral loans, as official bilateral lending continued to decline. In contrast to the middle-income countries, multilateral lending to low-income countries remained in 1997 by far the largest source of funds in gross and net terms, accounting for about half of the respective totals (Chart 15 and Table 6). Most private

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[22](...continued)
also include estimates for 12 developing countries not reporting to the DRS.

[23]GDF estimates of flows from multilateral institution other than the IMF do not include the Republic of Korea.

Table 6. Developing Countries: Gross and Net Disbursements on Public External Debt By Analytical Group and Creditor, 1985-97 1/

(In billions of U.S. dollars)

	Gross Disbursements					Net Disbursements				
	Annual averages 1985-89	Annual averages 1990-94	1995	1996	Prov. 1997	Annual averages 1985-89	Annual averages 1990-94	1995	1996	Prov. 1997
All developing countries 2/	104.1	120.2	167.7	163.0	203.5	38.5	37.6	60.9	40.1	75.4
Multilateral	25.0	36.7	60.2	41.9	60.5	9.6	15.0	28.2	13.7	25.6
Official bilateral	22.2	23.1	33.7	21.9	27.0	11.3	9.7	10.0	-7.2	1.8
Private	56.9	60.3	73.8	99.2	116.0	17.7	12.9	22.7	33.6	48.0
Middle-income countries 3/	74.4	83.7	124.2	121.5	159.3	19.9	17.4	45.5	26.1	60.2
Multilateral	15.8	22.9	44.4	27.6	45.4	4.4	6.2	21.8	6.0	17.9
Official bilateral	14.7	16.0	23.2	14.9	20.7	6.3	5.9	5.2	-8.5	1.4
Private	43.9	44.8	56.6	79.0	93.3	9.2	5.2	18.6	28.6	41.0
Low-income countries 4/	29.8	36.5	43.5	41.5	44.2	18.7	20.3	15.4	14.0	15.2
Multilateral	9.3	13.9	15.8	14.4	15.1	5.2	8.8	6.4	7.7	7.7
Official bilateral	7.5	7.1	10.5	7.0	6.3	5.0	3.8	4.9	1.3	0.5
Private	13.1	15.5	17.2	20.2	22.7	8.4	7.7	4.1	5.0	7.1
Memorandum items										
Private nonguaranteed debt 4/										
All developing countries 1/	7.4	32.9	60.8	89.2	99.5	-1.6	16.6	32.4	48.6	55.2
Middle-income countries 2/	6.4	27.9	57.9	86.7	92.4	-1.6	16.1	30.3	47.2	50.0
Low-income countries 3/	1.0	1.4	2.9	2.5	7.1	-0.03	0.5	2.1	1.3	5.2

Sources: World Bank Debtor Reporting System (DRS); *Global Development Finance* (GDF); and IMF, *International Financial Statistics* (various issues).

Note: 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.

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

2/ A group of 87 countries covered by the GDF for which 1996 GNP per capita was between $786 and $9,635 as calculated by the World Bank. Seventy-six countries report to the DRS, and World Bank estimates are used for the others.

3/ A group of 63 countries for which 1996 GNP per capita was no more than $785 as calculated by the World Bank. Of these, 62 report to the DRS.

4/ 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 7. Developing Countries: Gross and Net Disbursements from Multilateral Institutions By Analytical Group and Concessionality, 1985-97

	Gross Disbursements					Net Disbursements				
	Annual average				Prov.	Annual average				Prov.
	1985-89	1990-94	1995	1996	1997	1985-89	1990-94	1995	1996	1997
	(In millions of U.S. dollars)									
All developing countries 1/	25,071	36,718	60,230	41,928	60,460	9,595	15,036	28,182	13,662	25,583
IMF	4,613	8,073	27,914	8,659	23,177	-2,952	1,514	16,821	1,029	8,227
Other	20,458	28,645	32,316	33,269	37,283	12,547	13,522	11,361	12,633	17,356
Concessional	5,987	8,677	10,981	10,872	10,915	5,960	7,665	9,965	9,826	9,506
Of which: IMF 2/	480	841	2,171	1,029	1,005	1,042	1,036	2,738	1,732	1,833
Nonconcessional	19,083	28,042	49,249	31,056	49,545	3,635	7,371	18,217	3,836	16,076
Middle-income countries 3/	15,781	22,851	44,410	27,574	45,354	4,410	6,228	21,772	5,996	17,884
IMF	3,354	5,941	24,249	7,343	22,012	-1,585	1,068	17,624	1,835	9,326
Other	12,427	16,909	20,161	20,231	23,342	5,995	5,160	4,148	4,161	8,558
Concessional	839	1,131	1,612	1,680	1,650	756	673	1,114	1,053	700
Of which: IMF 2/	23	38	36	129	125	159	51	63	162	159
Nonconcessional	14,942	21,720	42,798	25,894	43,704	3,654	5,555	20,658	4,943	17,183
Low-income countries 4/	9,289	13,867	15,821	14,355	15,106	5,185	8,807	6,412	7,667	7,699
IMF	1,259	2,132	3,666	1,316	1,165	-1,367	445	-802	-806	-1,099
Other	8,031	11,736	12,155	13,039	13,941	6,552	8,362	7,214	8,473	8,798
Concessional	5,148	7,546	9,369	9,191	9,266	5,204	6,992	8,850	8,773	8,806
Of which: IMF 2/	457	803	2,135	899	881	883	985	2,675	1,570	1,674
Nonconcessional	4,141	6,322	6,452	5,164	5,840	-19	1,815	-2,438	-1,106	-1,107
	(In percent)									
Concessional share in disbursements										
All developing countries 1/	24	24	18	26	18	62	51	35	72	37
Middle-income countries 3/	5	5	4	6	4	17	11	5	18	4
Low-income countries 4/	55	54	59	64	61	100	79	138	114	114

Sources: World Bank Debtor Reporting System (DRS); *Global Development Finance* (GDF); and IMF, *International Financial Statistics* (various issues).

Note: Disbursements on medium- and long-term public and publicly guaranteed debt, including to the IMF. GDF aggregate estimates do not include flows to Korea, while data on IMF flows include Korea.

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

2/ SAF, ESAF, and Trust Fund.

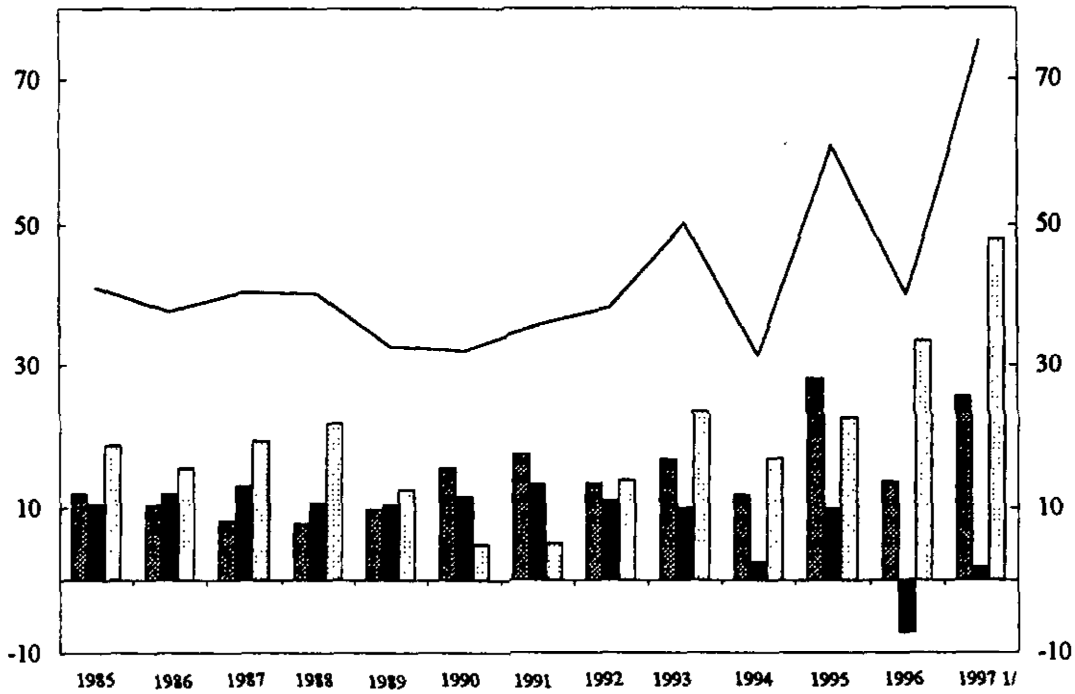
3/ A group of 87 countries covered by the GDF for which 1996 GNP per capita was between $786 and $9,635 as calculated by the World Bank. Seventy-six countries report to the DRS, and World Bank estimates are used for the others.

4/ A group of 63 countries for which 1996 GNP per capita was no more than $785 as calculated by the World Bank. Of these, 62 report to the DRS.

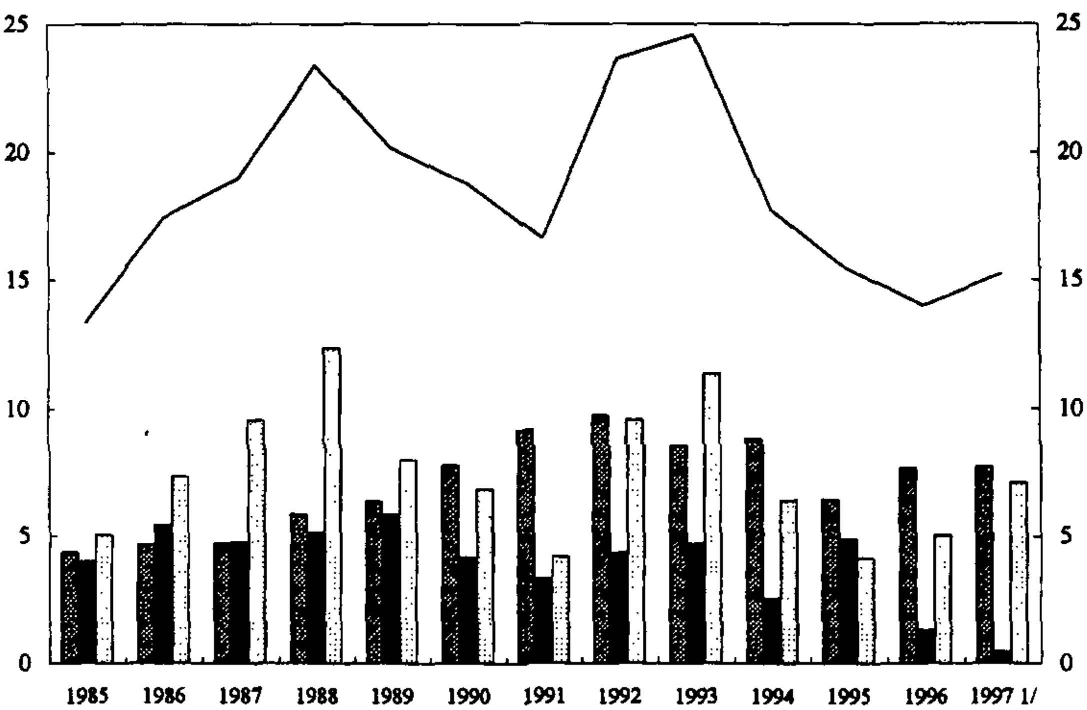
Chart 15: Developing Countries: Net Disbursements on Public External Debt by Creditor, 1985-97
(In billions of U.S. dollars)

Multilateral creditors | Private creditors
Official bilateral creditors | Net disbursements from all creditors

All Developing Countries



Low-Income Countries



Sources: World Bank Debtor Reporting System; and IMF, *International Financial Statistics* (various issues).
Note: Net disbursements are on medium- and long-term public and publicly guaranteed debt including to the IMF.

1/ The estimates for 1997 are provisional.

Table 8. Developing Countries: Gross and Net Disbursements from Multilateral Institutions By Region, 1985-97

	Gross Disbursements					Net Disbursements				
	Annual average				Prov.	Annual average				Prov.
	1985-89	1990-94	1995	1996	1997	1985-89	1990-94	1995	1996	1997
					(In millions of U.S. dollars)					
All developing countries 1/	25,071	36,718	60,231	41,928	60,460	9,595	15,035	28,183	13,664	25,583
IMF	4,613	8,073	27,916	8,659	23,177	-2,952	1,513	16,823	1,030	8,227
Other	20,458	28,645	32,315	33,269	37,283	12,547	13,522	11,360	12,634	17,356
Sub-Saharan Africa	4,320	5,498	7,319	4,801	5,434	2,145	3,285	2,915	2,214	2,054
IMF	809	766	2,994	652	524	-521	163	622	56	-686
Other	3,511	4,731	4,325	4,149	4,910	2,665	3,122	2,293	2,158	2,740
North Africa and the Middle East	2,224	3,113	3,978	4,336	3,958	1,017	1,090	1,483	2,031	840
IMF	388	374	590	985	737	38	-49	200	648	94
Other	1,837	2,739	3,388	3,351	3,221	979	1,138	1,283	1,383	746
East Asia and the Pacific	4,108	5,528	6,338	6,373	24,368	2,121	2,242	2,851	1,441	16,121
IMF	588	270	203	195	17,505	-192	-367	-187	-119	12,446
Other	3,519	5,258	6,135	6,178	6,863	2,313	2,609	3,038	1,560	3,675
South Asia	3,778	6,017	4,168	4,745	4,838	1,853	3,805	-51	1,440	1,500
IMF	342	1,348	202	155	282	-1,027	484	-1,794	-1,277	-976
Other	3,436	4,669	3,966	4,590	4,556	2,880	3,321	1,743	2,717	2,476
Western Hemisphere	8,541	10,481	25,772	11,015	11,385	3,091	1,034	14,543	551	-569
IMF	2,312	2,575	15,772	1,455	756	-134	-711	12,878	-1,973	-4,157
Other	6,229	7,906	10,000	9,560	10,629	3,226	1,745	1,665	2,524	3,588
Europe and Central Asia	2,099	6,082	12,656	10,658	10,476	-632	3,579	6,442	5,987	5,636
IMF	174	2,740	8,155	5,217	3,372	-1,116	1,994	5,104	3,695	1,505
Other	1,926	3,343	4,501	5,441	7,104	484	1,585	1,338	2,292	4,131
					(In percent of total)					
Sub-Saharan Africa	17	15	12	11	9	22	22	10	16	8
North Africa and the Middle East	9	8	7	10	7	11	7	5	15	3
East Asia and the Pacific	16	15	11	15	40	22	15	10	11	63
South Asia	15	16	7	11	8	19	25	0	11	6
Western Hemisphere	34	29	43	26	19	32	7	52	4	-2
Europe and Central Asia	8	17	21	25	17	-7	24	23	44	22

Sources: World Bank Debtor Reporting System (DRS), *Global Development Finance* (GDF); and IMF, *International Financial Statistics* (various issues).

Note: Disbursements on medium- and long-term public and publicly guaranteed debt, including to the IMF. GDF aggregate estimates do not include flows to Korea, while data on IMF flows include Korea.

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

inflows to this group were disbursed to China and India. Thus, other low-income countries were even more largely dependent on public borrowing than indicated by the aggregate figures. Gross multilateral disbursements to low-income countries sustained an average of about $14–15 billion per year in the 1990s, in contrast to the decline in lending from official bilateral creditors over the same period. On a net basis, low-income countries received about $8 billion in multilateral lending in 1997. Their share in all flows from multilateral creditors fell, however, to less than a third in 1997, owing to the surge in lending to middle-income countries compared with an average share of one-half in the first half of the 1990s. Net bilateral lending to both low- and middle-income countries was very small—less than 3 percent of total net disbursements—in 1997.

Concessional lending has not increased during 1995–97. In contrast to the sharp rise in overall gross multilateral lending, concessional lending has remained broadly flat during 1995–97 at about $11 billion annually, or $10 billion on a net basis. Nonetheless, this represents a nearly 25 percent increase from the gross and net inflows during 1990–94. Concessional flows accounted for over 60 percent of gross flows for low-income countries as gross nonconcessional flow remained below the average level during 1990–94. On a net basis, concessional flows more than accounted for all the net flows to low-income countries; net repayments were made to nonconcessional sources.

B. Multilateral Debt Service and Transfers

Multilateral debt-service obligations generally remain modest as a share of export receipts. The aggregate multilateral debt-service ratio for all developing countries declined further, reaching 2.7 percent of exports in 1997, from 2.9 percent in 1996 (Table 9). For low-income countries, multilateral debt service amounted to 3.1 percent of exports in 1997 compared with 3.2 percent in 1996.

Net transfers from multilateral institutions to both low- and middle-income developing countries were highly positive in 1997. Sharply higher disbursements in 1997 also boosted total net transfers from multilateral institutions to developing countries to over $10 billion, compared with an outflow of about $2 billion in 1996 (Table 10). Repayment of debts contracted in the 1970s and 1980s has meant that middle-income countries as a group have typically made net cash transfers to multilateral institutions over the last decade. These net cash transfers were roughly equivalent to half of one percent of exports of goods and services. Low-income countries, which normally have much longer and more concessional repayment terms, experienced positive net transfers averaging about $3 billion per year in the three years to 1997, although this level is below the average annual inflow of over $5 billion in the early 1990s. Transfers to the IMF by low-income countries as a whole since the mid-1980s largely reflect net repayments by India, China, and Pakistan. Among the HIPCs, small net transfers to the IMF were recorded, owing to significant repayments by Ghana and Kenya in 1997.

Table 9. Developing Countries: Multilateral Debt Service, 1985-97

	Annual average 1985-89	Annual average 1990-94	1995	1996	Prov. 1997
	(In millions of U.S. dollars)				
Multilateral debt service					
All developing countries 1/	25,825	36,193	48,679	44,228	44,341
Middle-income countries 2/	19,225	27,542	34,811	33,428	33,053
Low-income countries 3/	6,600	8,651	13,868	10,800	11,289
	(In percent of exports of goods and services)				
Multilateral debt-service ratio					
All developing countries 1/	3.7	3.8	3.6	2.9	2.7
Middle-income countries 2/	3.3	3.6	3.2	2.8	2.6
Low-income countries 3/	5.5	4.6	4.7	3.2	3.1
	(In percent of exports of goods and services)				
Memorandum items					
Multilateral debt					
All developing countries 1/	27.0	28.3	25.5	22.6	21.8
Middle-income countries 2/	19.9	19.9	18.5	16.3	15.8
Low-income countries 3/	61.1	62.7	51.5	44.7	42.8

Sources: World Bank Debtor Reporting System (DRS); *Global Development Finance* (GDF); and IMF, *International Financial Statistics* (various issues).

Note: Disbursements on medium- and long-term public and publicly guaranteed debt, including to the IMF.
GDF aggregate estimates do not include flows to Korea, while data on IMF flows include Korea.
1/ A group of 150 countries covered by the GDF. Of those, 138 report to the DRS, while World Bank estimates are used for the others.
2/ A group of 87 countries covered by the GDF for which 1996 GNP per capita was between $786 and $9,635 as calculated by the World Bank. Seventy-six countries report to the DRS, and World Bank estimates are used for the others.
3/ A group of 63 countries for which 1996 GNP per capita was no more than $785 as calculated by the World Bank.
Of these, 62 report to the DRS.

Table 10. Developing Countries: Multilateral Net Transfers, 1980-97

	Annual Average					Prov.
	1980-84	1985-89	1990-94	1995	1996	1997
	(In millions of U.S. dollars)					
All developing countries 1/	11,494	-754	526	11,551	-2,300	10,348
IMF	4,768	-5,560	-805	14,030	-1,279	6,359
Other	6,726	4,806	1,331	-2,479	-1,021	3,989
Middle-income countries 2/	6,405	-3,444	-4,691	9,599	-5,854	6,868
IMF	2,915	-3,391	-737	15,619	-202	7,778
Other	3,490	-52	-3,954	-6,020	-5,652	-910
Low-income countries 3/	5,089	2,690	5,216	1,953	3,555	3,480
IMF	1,853	-2,168	-69	-1,588	-1,077	-1,419
of which: HIPCs	667	-646	-173	107	214	-378
Other	3,236	4,858	5,285	3,541	4,632	4,899
	(In percent of exports of goods and services)					
Memorandum items						
All developing countries 1/	1.7	-0.1	0.1	0.8	-0.2	0.6
Middle-income countries 2/	1.1	-0.6	-0.6	0.9	-0.5	0.5
Low-income countries 3/	5.0	2.2	2.8	0.7	1.1	1.0

Sources: World Bank Debtor Reporting System (DRS), Global Development Finance (GDF); IMF, International *Financial Statistics; and IMF, Treasurer's Department.*

Note: Disbursements on medium- and long-term public and publicly guaranteed debt, including to the IMF. GDF aggregate estimates do not include flows to Korea, while data on IMF flows include Korea.

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

2/ A group of 87 countries covered by the GDF for which 1996 GNP per capita was between $786 and $9,635 as calculated by the World Bank. Seventy-six countries report to the DRS, and World Bank estimates are used for the others.

3/ A group of 63 countries for which 1996 GNP per capita was no more than $785 as calculated by the World Bank. Of these, 62 report to the DRS.

C. Multilateral Debt

Multilateral debt now represents almost a quarter of total developing country outstanding external debt. Multilateral debt has increased steadily from about 16 percent of total external debt of developing countries in the early 1980s to reach about 24 percent by end-1997 (Chart 16 and Table 11). In low-income countries over a third of external debt is now accounted for by multilateral creditors. The IMF share has, however, fallen below 3 percent. The share of official bilateral debt within the total external debt of low-income countries has declined since the late 1980s as a result of debt forgiveness of both ODA and commercial credits, and a shift towards the provision of grants rather than loans. In middle-income countries, the share of multilateral debt has remained at 18–20 percent over the past decade. The pick-up in private disbursements during 1996–97 has helped the share of private debt for middle-income countries rise to about 47 percent in 1997, although it remains well below the share—over 60 percent—observed during the 1980s.

A third of all multilateral debt of developing countries is on concessional terms, although for low-income countries the share is about two-thirds. The share of concessional in total external debt has risen by 6 percentage points over the last decade to reach 34 percent at end-1997, though it is still below the level of 1990 (37 percent; Table 12). For low-income countries, the share of concessional debt in total external debt fell slightly in 1997 to about 68 percent, but it remained significantly above the level of 55–60 percent observed in the mid-1980s.

The World Bank continues to account for over half of the multilateral debt outstanding to developing countries. Exceptional lending during the Mexican and Asian crises have significantly raised the share owed to the IMF. The World Bank Group remains the largest multilateral creditor, although its share in total multilateral debt of developing countries has fallen from about 58 percent in 1990 to about 51 percent by 1997 (Table 13). IDA's share of World Bank exposure continues to increase steadily, and it now accounts for about 23 percent of developing countries' debt to multilateral creditors or the same share as accounted for by the major regional development banks. The IMF share of developing countries' multilateral debt increased by 6 percentage points during the three years to 1997, and has now reached about 20 percent in 1997, though this is still well below the 1985 share of 28 percent. In 1997, European institutions accounted for about 4 percent, and other multilateral institutions about 3 percent.

IDA continues to be the largest source of concessional multilateral lending. IDA accounted for 63 percent of concessional debt outstanding to developing countries at end-1996 (Table 14). The major regional development banks held 20 percent of concessional loans, and the IMF 7 percent; the remainder was distributed among European institutions and others.

Chart 16: Developing Countries: Public External Debt by Creditor, 1985 - 97

(In billions of U.S. dollars)

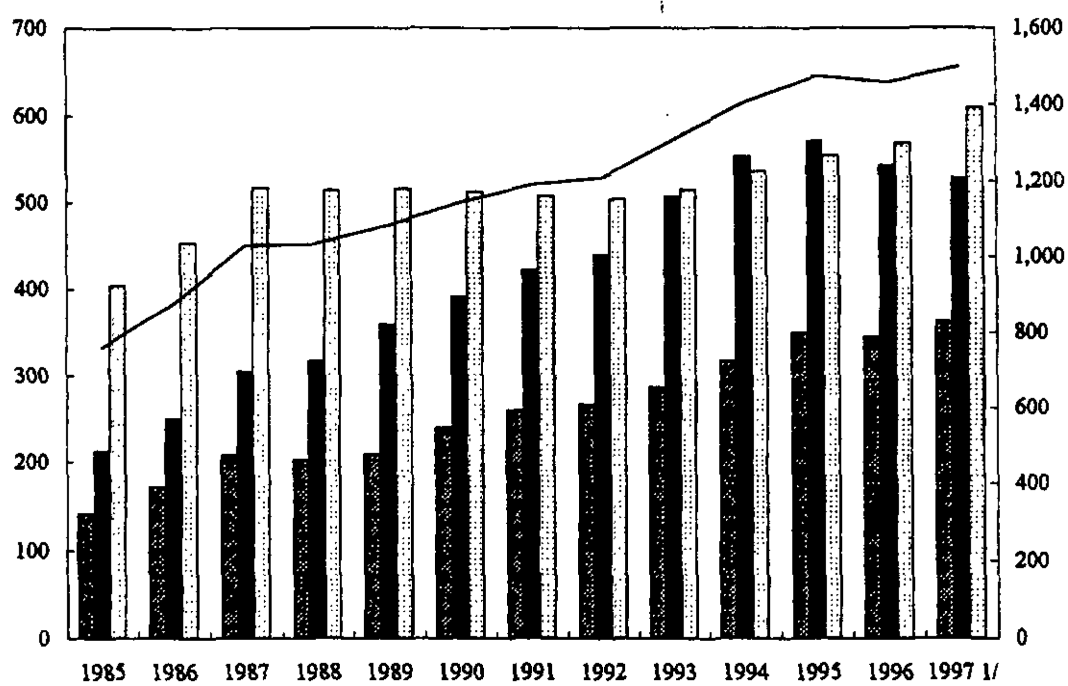
Multilateral creditors (left scale)

Private creditors (left scale)

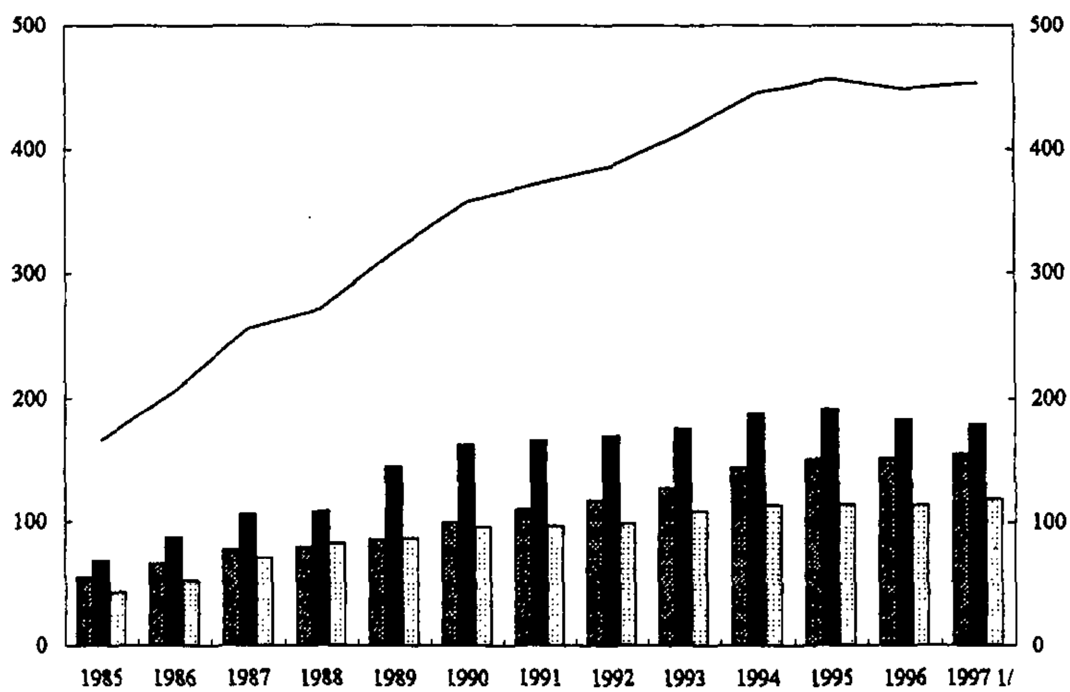
Official bilateral creditors (left scale)

Public external debt total (right scale)

All Developing Countries



Low-Income Countries



Sources: World Bank Debtor Reporting System (DRS); and IMF, International Financial Statistics.

Note: Medium- and long-term public and publicly guaranteed debt; including to the IMF.

1/ The estimates for 1997 are provisional.

Table 11. Developing Countries: Medium- and Long-Term Public External Debt By Creditor, 1980-97

	1980	1985	1990	1995	1996	Prov. 1997
	(In billions of U.S. dollars)					
Public external debt						
All developing countries 1/	389	757	1,142	1,474	1,457	1,500
Middle-income countries 2/	300	591	786	1,018	1,009	1,047
Low-income countries 3/	88	166	357	456	448	453
	(In percent of group total)					
All developing countries 1/						
Multilateral	14.9	18.6	20.9	23.7	23.7	24.1
IMF	3.0	5.0	3.0	4.1	4.1	4.7
Other	12.0	13.5	17.9	19.6	19.5	19.4
Official bilateral	31.9	28.1	34.2	38.7	37.3	35.3
Private	53.2	53.3	44.9	37.6	39.1	40.6
Middle-income countries 2/						
Multilateral	11.3	14.5	17.8	19.5	19.2	19.8
IMF	1.9	4.0	2.9	4.6	4.7	5.6
Other	9.4	10.5	14.9	15.0	14.5	14.1
Official bilateral	27.7	24.4	29.1	37.3	35.7	33.4
Private	61.0	61.1	53.1	43.2	45.1	46.8
Low-income countries 3/						
Multilateral	27.3	33.1	27.8	33.0	33.8	34.3
IMF	6.6	8.8	3.3	3.2	2.9	2.6
Other	20.8	24.3	24.5	29.9	30.8	31.6
Official bilateral	46.0	41.1	45.5	42.0	40.8	39.5
Private	26.6	25.8	26.7	25.0	25.4	26.2

Sources: World Bank Debtor Reporting System (DRS), *Global Development Finance* (GDF); and IMF, *International Financial Statistics* (various issues).

Note: Disbursements on medium- and long-term public and publicly guaranteed debt, including to the IMF. GDF aggregate estimates do not include flows to Korea, while data on IMF flows include Korea.
1/ A group of 150 countries covered by the GDF. Of those, 138 report to the DRS, while World Bank estimates are used for the others.
2/ A group of 87 countries covered by the GDF for which 1996 GNP per capita was between $786 and $9,635 as calculated by the World Bank. Seventy-six countries report to the DRS, and World Bank estimates are used for the others.
3/ A group of 63 countries for which 1996 GNP per capita was no more than $785 as calculated by the World Bank. Of these, 62 report to the DRS.

Table 12. Developing Countries: Multilateral Debt on Concessional Terms, 1980-97

	1980	1985	1990	1995	1996	Prov. 1997
	(In millions of U.S. dollars)					
Total multilateral debt						
All developing countries 1/	58,058	141,572	238,793	349,574	344,836	362,122
Middle-income countries 2/	33,923	86,621	139,557	198,941	193,447	206,986
Low-income countries 3/	24,135	54,953	99,235	150,633	151,389	155,137
Multilateral concessional debt						
All developing countries 1/	21,458	39,781	72,427	115,238	119,628	123,825
Middle-income countries 2/	6,147	9,135	10,995	15,168	15,743	18,874
Low-income countries 3/	15,312	30,646	61,433	100,070	103,884	104,950
	(In percent of total multilateral debt)					
Multilateral concessional debt						
All developing countries 1/	37.0	28.1	30.3	33.0	34.7	34.2
Middle-income countries 2/	18.1	10.5	7.9	7.6	8.1	9.1
Low-income countries 3/	63.4	55.8	61.9	66.4	68.6	67.7
	(In millions of U.S. dollars)					
Memorandum items						
SAF/ESAF/Trust Fund						
All developing countries 1/	3,310	2,691	3,659	8,483	8,529	7,892
Middle-income countries 2/	851	528	163	316	401	216
Low-income countries 3/	2,460	2,163	3,496	8,168	8,127	7,675
	(In percent of multilateral concessional debt)					
SAF/ESAF/Trust Fund						
All developing countries 1/	15.4	6.8	5.1	7.4	7.1	6.4
Middle-income countries 2/	13.8	5.8	1.5	2.1	2.5	1.1
Low-income countries 3/	16.1	7.1	5.7	8.2	7.8	7.3

Sources: World Bank Debtor Reporting System (DRS), *Global Development Finance* (GDF); and IMF, *International Financial Statistics* (various issues).

Note: Medium- and long-term public and publicly guaranteed debt, including to the IMF. GDF aggregate estimates do not include flows to Korea, while data on IMF flows include Korea.

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

2/ A group of 87 countries covered by the GDF for which 1996 GNP per capita was between $786 and $9,635 as calculated by the World Bank. Seventy-six countries report to the DRS, and World Bank estimates are used for the others.

3/ A group of 63 countries for which 1996 GNP per capita was no more than $785 as calculated by the World Bank. Of these, 62 report to the DRS.

Table 13. Developing Countries: Multilateral Debt by Institution, 1980-97

	1980	1985	1990	1995	1996	Prov. 1997
			(In billions of U.S. dollars)			
Total	58.1	141.6	238.8	349.6	344.8	362.1
World Bank	32.2	70.8	137.4	183.4	180.6	185.9
IBRD	20.4	46.6	92.3	111.9	105.5	104.2
IDA	11.8	24.2	45.0	71.5	75.1	81.7
Regional development banks 1/	7.9	19.2	45.0	77.5	76.7	83.8
AfDB and AfDF	0.7	2.1	8.2	16.8	16.7	17.6
AsDB	1.9	5.1	15.1	28.7	27.6	30.8
EBRD	0.0	0.0	0.0	1.0	1.6	2.1
IDB	5.2	12.1	21.7	31.0	30.9	33.4
European institutions	1.7	3.5	8.9	14.2	13.5	13.0
EIB and EDF	1.3	2.4	6.1	11.0	10.9	10.7
Other 2/	0.4	1.1	2.7	3.2	2.6	2.3
IMF	11.6	39.0	34.7	61.1	60.4	70.9
Others	4.8	9.2	12.9	13.4	13.6	8.5
			(In percent of total)			
World Bank	55.5	50.0	57.5	52.5	52.4	51.3
IBRD	35.2	32.9	38.7	32.0	30.6	28.8
IDA	20.3	17.1	18.9	20.5	21.8	22.6
Regional development banks 1/	13.5	13.5	18.8	22.2	22.2	23.1
AfDB and AfDF	1.3	1.5	3.4	4.8	4.8	4.9
AsDB	3.3	3.6	6.3	8.2	8.0	8.5
EBRD	0.0	0.0	0.0	0.3	0.5	0.6
IDB	8.9	8.5	9.1	8.9	9.0	9.2
European institutions	2.9	2.5	3.7	4.1	3.9	3.6
EIB and EDF	2.2	1.7	2.6	3.1	3.2	3.0
Other 2/	0.7	0.8	1.1	0.9	0.8	0.6
IMF	19.9	27.5	14.5	17.5	17.5	19.6
Others	8.2	6.5	5.4	3.8	4.0	2.3

Sources: World Bank Debtor Reporting System (DRS), *Global Development Finance* (GDF); IMF, *International Financial Statistics* (various issues); and IMF staff estimates.

Note: Medium- and long-term public and publicly guaranteed debt, including to the IMF. GDF aggregate estimates do not include flows to Korea, while data on IMF flows include Korea.
1/ Including development funds and other associated concessional facilities.
2/ Council of Europe and European Community .

Table 14. Composition and Average Terms of Multilateral Debt by Major Institutions, 1986-96

	Debt Outstanding: Amount 1986	Debt Outstanding: Amount 1996	Share of total 1986	Share of total 1996	Average Terms of New Commitments in 1996: Interest	Maturity	Grace	Grant element using discount rate of 1/: 10%	CIRRs 2/
	(In millions of U.S. dollars)		*(In percent)*		*(In percent)*	*(In years)*		*(In percent)*	
Concessional debt	46,248	119,628	100.0	100.0	2.79	27.95	8.01	55.6	42.8
IDA	27,962	75,140	60.5	62.8	0.75	40.00	10.00	79.9	67.3
AsDB Soft Window	2,252	12,353	4.9	10.3	3.75	37.93	10.14	53.3	22.6
AfDF	1,335	6,633	2.9	5.5	0.96	50.00	10.00	83.9	78.7
IDB Soft Window	3,526	5,171	7.6	4.3	1.81	38.90	10.29	69.7	62.9
Arab Fund for Economic and Social Development	860	2,908	1.9	2.4	4.11	19.80	5.45	38.1	27.9
International Fund for Agricultural Development	992	2,231	2.1	1.9	1.05	36.81	8.80	75.8	69.0
European Development Fund	1,123	2,077	2.4	1.7	...	...	...	...	...
OPEC Fund	1,201	853	2.6	0.7	2.34	19.84	4.35	49.3	40.2
Islamic Development Bank	392	780	0.8	0.7	6.89	21.17	6.06	55.3	47.4
Other	4,160	2,953	9.0	2.5	3.44	24.24	7.23	47.7	34.0
IMF (SAF/ESAF/Trust Fund)	2,445	8,529	5.3	7.1	0.50	10.00	5.50	51.6	36.2
Nonconcessional	125,434	225,467	100.0	100.0	6.47	15.47	4.32	19.0	-1.6
IBRD	63,423	105,475	50.6	46.8	6.37	17.62	5.25	22.3	-1.4
IDB	11,276	25,713	9.0	11.4	7.41	19.40	4.71	15.2	1.8
AsDB	3,581	15,204	2.9	6.7	6.85	22.50	4.91	20.5	-15.6
AfDB	1,547	10,049	1.2	4.5	6.90	19.53	5.48	19.8	-5.5
European Investment Bank	1,992	8,822	1.6	3.9	5.61	15.23	4.99	25.4	8.1
Council of Europe	986	1,897	0.8	0.8	...	...	...	...	...
Central American Bank for Economic Integration	352	1,245	0.3	0.6	7.03	9.50	2.15	11.2	2.9
EBRD	0	1,572	0.0	0.7	6.43	12.13	3.10	17.8	0.5
Corporación Andina de Fomento	145	793	0.1	0.4	8.47	8.73	3.53	6.5	-3.8
Islamic Development Bank	244	732	0.2	0.3	7.59	6.94	2.31	5.6	0.3
Other	3,909	2,128	3.1	0.9	6.56	10.22	2.70	13.1	0.1
IMF (General Resources Account)	37,979	51,837	30.3	23.0	4.19	7.49	3.87	26.1	11.1

Sources: World Bank Debtor Reporting System (DRS), *Global Development Finance* (GDF); 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 and 12 non-reporting ones to the DRS. Major institution is defined as one with $0.5 billion or more outstanding at end-1996.
1/ 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 the interval to first repayment minus one payment period.
2/ Commercial interest reference rates. For the World Bank and the main regional developments banks (AfDB/AfDF and IDB), the CIRR-based discount rate is derived from the weighted average of average CIRRs in January-June 1996 for the top five currencies in which the outstanding loans are repayable. For the other institutions, average CIRRs in 1996 for either U.S. dollar, ECU, or SDR are used. A margin reflecting longer repayment periods was added (0.75 percentage points for repayment period of less than 15 years, 1.0 percentage points for 15-20 years, 1.15 percentage points for 20-30 years, and 1.25 percentage points for over 30 years).

D. Lending Terms

The World Bank and the major regional development banks charge variable market-related interest rates on their nonconcessional loans. Rates are typically based on the cost of funding plus a margin for administration, income and reserves. In addition, there may be non-interest charges such as commitment fees. In 1996, average nonconcessional rates on new multilateral debt fell to about 6.5 percent reflecting primarily a reduced cost of funds. Concessional resources are generally provided through special windows to eligible countries, at a low fixed rate of interest. IDA and AfDF loans carry an interest rate (administrative charge) of three-fourths of one percent, while the IMF charges half of one percent on ESAF loans.

Maturity and grace periods also vary considerably among multilateral institutions. Nonconcessional loans from the development banks are typically for 10–30 years, while concessional loans are often for up to 40–50 years. Maturities of IMF concessional resources, however, are shorter at 5½–10 years; nonconcessional EU loans have maturities of about 5 years and are often repayable in bullet payments at maturity. Committed loans in 1996 had an average maturity of 28 years for concessional loans, and 15 years for nonconcessional lending. Average maturity was similar to that observed in 1995. Grace periods continue to average about 8 years on concessional loans in 1996, and 4 years on nonconcessional debts. The average grant element of concessional lending committed in 1996 was about 43 percent when calculated using commercial interest reference interest rates (CIRRs), but the degree of concessionality differs considerably among major multilateral institutions. Based on the CIRR calculation method, the grant element of IDA credits is 67 percent, and of ESAF resources 36 percent.

V. Debt Rescheduling with Official Bilateral Creditors

A. Paris Club Reschedulings, August 1997–October 1998[24]

In recent years, the number of countries rescheduling with Paris Club creditors has declined. This reflects mainly the graduation from rescheduling of most middle-income countries[25] (nonconcessional reschedulings). In fact, during the period under review, only one Paris Club-type rescheduling agreement was reached with a middle-income country. From the 31 middle-income countries that have rescheduled debt with Paris Club creditors since

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[24]For a detailed description of earlier developments see, Boote, Ross and others, *Official Financing for Developing Countries*, 19998, World Economic and Financial Surveys (Washington: International Monetary Fund).

[25]The income classification used in this chapter is based on the rescheduling terms a country has received from Paris Club creditors, that is, nonconcessional terms for middle-income countries, and concessional terms for low-income countries.

1976, only 7 have not yet graduated from rescheduling (Table 15). The progress of these countries in resolving their debt problems and in implementing macroeconomic stabilization and structural reforms has increased their access to private international financing. The 1997/98 international financial crisis that started in Asia has affected the prospects for some of these countries; however, so far, only one of the countries severely affected by the crisis—Indonesia—reached, in September 1998, a debt rescheduling agreement with its official bilateral creditors (see Box 5).

In contrast, only 9 of the 39 low-income countries (concessional reschedulings) have graduated from the rescheduling process though an additional 5 countries are on the way to graduation under the HIPC Initiative. Despite a long history of repeated reschedulings, the lack of graduation progress often reflected inadequate economic policies that resulted in severe debt burdens and in some cases the economic consequences of long civil conflicts. **Paris Club creditors have adopted increasingly concessional terms in the rescheduling of low-income countries debt** (Table 16). With the provision of stock-of-debt operations since 1995 and the adoption of the Initiative for the HIPC Initiative in September 1996 (see Appendix I), the prospects for exiting from the rescheduling process have increased substantially for these countries. Since 1995, Paris Club creditors have provided stock-of-debt operations for 7 countries (initially all on Naples terms, involving a 67 percent debt reduction of eligible debt in NPV terms), and, in the context of the HIPC Initiative, Paris Club creditors have agreed to increase the degree of concessionality on eligible debt up to 80 percent in NPV terms (Lyon terms) for countries that require assistance under the HIPC Initiative. Of the 9 low-income countries that have currently graduated, 2 (Uganda and Bolivia) have done so based on assistance under the HIPC Initiative involving a Lyon terms stock-of-debt operation for the Paris Club. Five additional countries (Burkina Faso, Côte d'Ivoire, Guyana, Mali, and Mozambique) are on their way to graduation as a result of assistance committed under the HIPC Initiative.

Since August 1997, Paris Club creditors reached rescheduling agreements with nine low-income countries, including six flow reschedulings on Naples terms[26] (Cameroon, Yemen, Nicaragua, Rwanda, the Central African Republic, and Bosnia/Herzegovina), a flow rescheduling on Lyon terms (Côte d'Ivoire), and stock-of-debt operations on Naples terms (Senegal; Table 17). **In addition, the Paris Club topped up to Lyon terms**: (i) the 1996 flow rescheduling with Mozambique, retroactively from July 1997; and (ii) the 1995 stock-of-

[26]All with a 67 percent NPV reduction except for Cameroon, which received a 50 percent NPV reduction reflecting this country's relatively high level of per capita income (above $500) and moderate level of overall indebtedness-ratio of debt to exports in NPV terms (less than 350 percent).

Table 15. Status of Paris Club Rescheduling Countries as of October 30, 1998

Low-Income 1/		Lower-Middle-Income 2/		Other Middle-Income		Total
		Countries that graduated from reschedulings 3/				
** Benin	10/96	Dominican Republic	3/93	Algeria	5/98	
*** Bolivia	10/98	Ecuador	12/94	Argentina	3/95	
** Cambodia	6/97	Egypt	6/94	Bulgaria	4/95	
Gambia, The	9/87	El Salvador	9/91	Brazil	8/93	
** Haiti	3/96	Ghana	4/96 4/5/	Chile	12/88	
Malawi	5/89	Guatemala	3/93	Costa Rica	6/93 4/	
** Senegal	6/98	Jamaica	9/95 4/	Croatia	12/95	
*** Uganda	4/98	Kenya	1/94 4/6/	FYR Macedonia	6/96	
* Vietnam	12/93 4/	Morocco	12/92	Mexico	5/92	
		Philippines	7/94 7/	Panama	3/92	
		Poland	4/91	Romania	12/83	
				Trinidad and Tobago	3/91	
				Turkey	6/83	
Number of countries	**9**		**11**		**13**	**33**
		Countries with rescheduling agreements in effect				
** Bosnia/Herzegovina	4/99	Gabon	11/98	Russian Federation	3/99 8/	
+** Burkina Faso	6/96	Indonesia	3/00			
** Cameroon	8/00 9/	Jordan	2/99			
** Central African Republic, The	6/01	Peru	12/98 8/			
** Chad	8/98					
** Congo, Republic of	6/99					
*** Côte d'Ivoire	8/01					
** Ethiopia	10/99					
** Guinea	12/99 9/					
+** Guyana	5/96					
** Madagascar	11/99					
** Mali	5/96					
*** Mozambique	6/99					
** Nicaragua	2/01					
** Niger	6/99					
** Rwanda	5/01					
** Tanzania	11/99					
** Yemen, Republic of	10/00					
** Zambia	12/98					
Number of countries	**19**		**4**		**1**	**24**
		Countries with previous rescheduling agreements, but without current rescheduling agreements, which have not graduated from reschedulings				
Angola	9/90	Nigeria	3/92	Yugoslavia 10/	6/89	
Congo, Democratic Republic of	6/90 11/					
* Equatorial Guinea	2/96					
** Guinea-Bissau	6/98					
** Honduras	1/97 9/					
Liberia	6/85					
** Mauritania	7/98					
** Sierra Leone	12/97					
Somalia	12/88					
Sudan	12/84					
** Togo	6/98					
Number of countries	**11**		**1**		**1**	**13**
All countries	**39**		**16**		**15**	**70**

Source: Paris Club.

Note: Includes agreements of Russia and Turkey with official bilateral creditors; 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/ * denotes rescheduling on London terms, **denotes rescheduling on Naples terms and *** denotes rescheduling on Lyon terms. + denotes countries for which Paris Club creditors have indicated their willingness to provide debt relief on Lyon terms in the context of the HIPC Initiative.

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. Some of the low-income countries may be eligible for enhanced action under the HIPC Initiative.

4/ Rescheduling of arrears only.

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

6/ Nonconcessional rescheduling at the authorities' request.

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

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

9/ Involved debt relief of 50 percent in NPV terms.

10/ Former Socialist Federal Republic of Yugoslavia.

11/ Last rescheduling on Toronto terms.

Box 5. Rescheduling Agreement with Indonesia, September 1998

The agreement between Indonesia and the Group of Official Creditors of Indonesia covered some $4.1 billion of principal maturities on pre-cutoff date (7/1/97) medium- and long-term government debt falling due from August 1998 to March 2000. The agreement includes two tranches, where the effectiveness of the second tranche (covering maturities falling due from April 1999 to March 2000) is linked to the completion by the IMF Board of the February 1999 EFF review, and to a good payments record with creditors.

Commercial debt was rescheduled over 11 years, including 3 years' grace, at market interest rates and a graduated repayment schedule. ODA debt was rescheduled over 20 years, including 5 years' grace, on a flat schedule and at interest rates not exceeding the original concessional interest rates.

In addition to the usual rescheduling or refinancing options that creditors can use to implement the agreement, one creditor chose a "new money option", providing a substantial new financing package to Indonesia on the same terms as the rescheduling undertaken by other creditors.

The agreement contained the usual comparability of treatment clause, requiring Indonesia to seek a rescheduling from other official bilateral creditors and commercial bank creditors on terms as least as favorable as those provided by the participating official creditors.

Table 16. Evolution of Paris Club Rescheduling Terms

	Middle-Income Countries	Lower-Middle Income Countries (Houston terms) 1/	Low-Income Countries 2/: Toronto Terms Options: DR	Toronto DSR	Toronto LM	London Terms 3/ Options: DR	London DSR	London CMI	London LM	Naples Terms 4/ Options: DR	Naples DSR Maturing Flows	Naples DSR Stocks	Naples CMI	Naples LM	Lyon Terms 5/ Options: DR	Lyon DSR	Lyon CMI	Lyon LM
Implemented	...	Since Sept. 1990	Oct. 1988-June 1991			Dec. 1991-Dec. 1994				Since January 1995					Since December 1996			
Grace (in years)	5-6 1/	Up to 8 1/	8	8	14	6	–	5	16 6/	6	–	3	8	20	6	8	8	20
Maturity (in years)	9 1/	15 1/	14	14	25	23	23	23	25	23	33	33	33	40	23	40	40	40
Repayment schedule	Flat/ graduated	Flat/ graduated	Flat			Graduated				Graduated					Graduated			
Interest rate 7/	M	M	M	R 8/	M	M	R 9/	R 9/	M	M	R 10/	R 10/	R 10/	M	M	R 11/	R 11/	M
Reduction in net present value (in percent)	–	–	33	20-30 12/	–	50	50	50	–	67	67	67	67	–	80	80	80	–
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
Maturity (in years)	10	20	25	25	25	30	30	30	25	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 refers to the debt-reduction option; DRS to the debt-service-reduction option; CMI denotes the capitalization of moratorium interest; LM denotes the nonconcessional option providing longer maturities. Under London, Naples, and Lyon 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/ Most countries are expected to secure a 67 percent level of concessionality; countries with a per capita income of more than $500, and an overall indebtedness ratio on net present value loans of less than 350 percent of exports may receive a 50 percent level of concessionality decided on a case-by-case basis. For a 50 percent level of concessionality, terms are equal to London terms, except for the debt-service-reduction option under a stock-of-debt operation that includes 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/ Fourteen years before June 1992.

7/ Interest rates are based on market rates (M) and are determined in the bilateral agreements implementing the Paris Club Agreed Minute. R= reduced rates.

8/ 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.

9/ Reduced to achieve a 50 percent net present value reduction.

10/ 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.

11/ Reduced to achieve an 80 percent net present value reduction.

12/The reduction of net present value depends on the reduction in interest rates and therefore varies. See Footnote 8.

Table 17. Paris Club Reschedulings of Official Bilateral Debt, 1997 - October 1998
(In Chronological Order)

Debtor Countries	Number of Reschedulings 1/	Date of Agreement Mo./Day/Yr	Amount Consolidated 2/ (In millions of U.S. dollars)	Type of Debt Consolidated 2/ 3/ Non-previously rescheduled	Previously rescheduled	Consoli-dation Period (In months)	Terms 4/ Grace (In years)	Maturity
1997								
Tanzania 5/	V	01/21/97	1,608	PIAL	PIAL	36	Naples terms	
Ethiopia	II	01/24/97	184	PIAL	--	34	Naples terms	
Guinea	V	02/26/97	123	PIAL	PIAL	36	Naples terms 6/	
Madagascar	VIII	03/26/97	1,247	PIAL	Partial PIAL	35	Naples terms	
Jordan	IV	05/23/97	400	PIAL	Partial PIAL	21	3	17.5
Cameroon 5/	V	10/24/97	1,270	PIA	Partial PIAL	35	Naples 6/ 7/	
Yemen, Republic of	II	11/20/97	1,444	partial PIAL	---	36	Naples terms	
1998								
Nicaragua 5/	III	04/22/98	216	PIAL	Partial PIAL	36	Naples terms	
Cote d'Ivoire	VIII	04/24/98	839	PIAL	PIAL	36	Lyon terms	
Uganda	VII	04/24/98	110	---	Stock	---	Lyon terms	
Senegal	XII	04/27/98	427	Stock	Stock	---	Naples terms	
Rwanda	I	07/21/98	64	PIAL	---	34	Naples terms	
Indonesia 8/	I	09/23/98	4,100	P	---	20	3	11.0
Central African Rep., Th	VII	09/25/98	26	PIAL	PIAL	34	Naples terms	
Bosnia/Herzegovina	1	10/28/98	861	PIAL	n/a	10	Naples terms	
Bolivia	VII	10/30/98	112	---	Stock	---	Lyon 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.
2/ Includes debt service formally rescheduled as well as deferred.
3/ Key: P - Principal; I - Interest; A - Arrears on principal and interest; L - Late interest. P, I, and A are on pre-cutoff date medium- and long-term debt.
4/ Terms for consolidated debt, calculated from the midpoint of the consolidation period plus 6 months; terms for deferred amounts, if any, tend to be shorter.
5/ Agreement featured an entry-into-force clause.
6/ Naples terms with a 50 percent NPV reduction.
7/ Some creditors chose the nonconcessional long-maturities option.
8/ Rescheduling with the groups of official creditor countries of Indonesia.

debt operations for Uganda and Bolivia, when they reached their completion points under the HIPC Initiative in 1998. Also, creditors indicated their willingness to provide relief on Lyon terms at the completion points for other countries that qualified for assistance under the HIPC Initiative.

Main Features of Rescheduling Agreements of Low-income Countries

Five of the flow rescheduling agreements covered *consolidation periods* up to the expiration of the three-year ESAF arrangements concluded with the IMF, with annual tranches, where the effectiveness of each tranche was linked to, among other criteria, approval by the IMF Board of annual arrangements under the ESAF (***trigger clauses***). The flow rescheduling for Bosnia was linked to a one year Stand-By Agreement.

The *coverage* of the agreements was comprehensive. In all flow rescheduling agreements, current maturities[27] and arrears[28] on pre-cutoff date medium- and long-term debts, which were not previously rescheduled (NPRD) or rescheduled nonconcessionally, were consolidated and thus received Naples/Lyon terms. The treatment of current maturities and arrears on debt previously rescheduled on concessional terms varied, reflecting the circumstances of the particular country. Creditors generally included in the consolidation amounts due under previous rescheduling agreements (except the most recent one), and have, if applicable, topped up the concessionality to the terms being provided in the latest agreement. Thus, for Nicaragua, current maturities and arrears (including late interest) on London terms debt was topped up to Naples terms.[29]

Payments due on the most recent rescheduling might be treated only in cases of a large balance of payments financing needs. Generally in such cases they are deferred (or reprofiled) nonconcessionally over a short period of time. Such exceptional treatment was provided in a number of cases. In **Cameroon**, arrears (including late interest) and part of the current

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[27]Except in the case of Yemen where, in line with the financing needs of the Fund-supported program, bilateral official/Paris Club creditors rescheduled only the interest falling due on NPRD during July 1999 to October 2000 representing a third of the total interest on this debt falling due during the consolidation period that started in November 1997.

[28]Including late interest for Nicaragua, the Central African Republic, Rwanda, and Yemen. In Côte d'Ivoire, late interest (including on debt previously rescheduled concessionally) was deferred nonconcessionally, and was to be paid in five equal semi-annual installments from March 1999 to March 2001.

[29]For Cameroon, the London terms debt was not topped up since the level of concessionality was the same as the concessionality provided under the latest rescheduling agreement.

maturities[30] due on London or Naples terms debt, were deferred.[31] Arrears (including late interest), and current maturities of the interest obligations reprofiled in the 1994 and 1995 reschedulings, were again reprofiled nonconcessionally.[32] In the case of **Côte d'Ivoire**, arrears (excluding late interest) and current maturities falling due on London terms debt, were reprofiled nonconcessionally.[33] In **Nicaragua**, current maturities on Naples terms debt were deferred nonconcessionally.[34] For **the Central African Republic**, all amounts falling due under all previous rescheduling agreements were topped up to Naples terms, both amounts previously consolidated concessionally and amounts that had been deferred nonconcessionally under the most recent rescheduling.

Moratorium interest on the current agreement was deferred in two cases (Nicaragua and Bosnia/Herzegovina).

In the case of **Mozambique,** the Paris Club topped up to Lyon terms (80 percent NPV reduction) in January 1998 the debt relief provided under the second and third tranches of the November 1996 rescheduling agreement (that is, retroactively to July 1997) from Naples terms to Lyon terms. This additional support will be counted towards the Paris Club's financial effort under the HIPC Initiative for Mozambique. Creditors broadened the coverage of the consolidated amounts by including amounts previously topped up to London terms (from nonconcessional terms) or reprofiled nonconcessionally (from Toronto terms) under the 1993 agreement. Also, and on an exceptional basis, the Paris Club agreed in the context of an additional contribution by multilateral creditors, to go beyond Lyon terms and provide at the completion point additional assistance of $170 million in NPV terms.[35]

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[30]Principal and interest falling due during the period October 1997–June 1998. All principal and interest falling due during the subsequent two years of the consolidation period are to be paid as scheduled.

[31]Seventy percent of these amounts are to be paid by end-June 1999, and the remaining 30 percent by end-June 2000.

[32]With a 3-year maturity, including one year grace period.

[33]Arrears: 5-year maturity, including 1.5 years' grace; current maturities: 15-year maturity, including 3-years' grace.

[34]Excluding moratorium interest deferred under the 1995 rescheduling, as well as late interest. The terms of the deferral were: 4-year maturity, including a 2-year grace period.

[35]Also, Russia agreed to provide an exceptional NPV reduction of 56 percent on post-cutoff date arrears (see Box 6).

Box 6. Russia's Participation in the Paris Club as a Creditor

An understanding between Paris Club creditors and Russia on its participation as a creditor in Paris Club reschedulings was finalized in September 1997. This provided for up-front discounts on Russian claims on rescheduling countries, to make them comparable to claims of traditional Paris Club creditors.[1] Countries without Paris Club rescheduling were not affected by this understanding. The details of this framework agreement are to be implemented between Russia and its debtors in bilateral agreements, and discussions on such agreements are ongoing with a large number of debtor countries.

- Countries that have obtained, or will obtain in the future, a concessional rescheduling from Paris Club creditors receive an up-front discount of 70 percent on all pre-1992 debts to Russia before the application of Paris Club terms; for countries with large military debts to Russia the up-front discount is 80 percent.

- For middle-income countries, which are not eligible for concessional rescheduling from Paris Club creditors, the up-front discount is 35 percent (or 65 percent in the case of large military debts).

- The amounts remaining after the up-front discount are denominated in a mutually agreed currency and are considered commercial debt (non-concessional) for Paris Club purposes.

- Russia applies the Paris Club cutoff date.

- Russia agreed to provide special treatment, following consultation with other Paris Club creditors and the IMF, for countries for which post-cutoff date arrears are large relative to their capacity of payments.

Two countries indebted to Russia had Paris Club reschedulings since August 1997: Cameroon and Yemen (where Russia was the largest bilateral creditor). In the context of the topping up of Mozambique's 1996 Paris Club flow rescheduling from Naples to Lyon terms in January 1998, on an exceptional basis Russia provided a 56 percent reduction in NPV terms on post-cutoff date arrears. In the case of Nicaragua, its 1995 rescheduling agreement with Russia was considered to be comparable to the Naples terms treatment that Nicaragua had received from Paris Club creditors. Should Nicaragua in the future receive more concessional treatment from the Paris Club, Russia would make an additional effort to match other Paris Club creditors' efforts.

[1] Russian claims were valued at the official USSR Gosbank Ruble exchange rate of SUR 0.6 per $1, and a conversion rate for the transferable ruble of TR 1 per $1.

The coverage of the stock-of-debt operations was also comprehensive. For **Senegal**, the consolidation covered principal and arrears on interest (excluding late interest) on medium- and long-term pre-cutoff date debts, including the topping up to Naples terms of Toronto and London terms debts. Small amounts falling due during the remainder of the ESAF arrangement on Toronto terms debt that were deferred nonconcessionally in 1995, were deferred again nonconcessionally.[36] When the Paris Club topped up **Uganda's** 1995 stock-of-debt operation from Naples to Lyon terms in April 1998, creditors broadened the coverage by also topping up London terms debt rescheduled in 1992 but not treated in 1995, and Toronto terms debt deferred nonconcessionally in 1992. An agreement was reached with **Bolivia** in September 1998 or a topping-up of earlier debt relief from Naples terms to Lyon terms. This covered 84 percent of the pre-cutoff date debt rescheduled under both the March 1995 flow rescheduling and the December 1995 stock-of-debt operation.

All agreements included *debt swap clauses* allowing creditors to sell or exchange on a voluntary basis part of their commercial claims, in the framework of debt-for-nature, debt-for-aid, debt-for-equity swaps or other local currency debt swaps (for more information on debt swaps see Appendix II).

The agreements for Cameroon and Nicaragua included *entry-into-force clauses* that linked the coming into force of the rescheduling agreement to the receipt by creditors of certain payments (normally arrears not covered by the agreement). In the case of Nicaragua, this included payments to three creditors as a result of the retroactive implementation of the second and third tranches of the 1995 rescheduling agreement.[37] In the case of Cameroon, this included the payment of arrears on short-term debt deferred under previous rescheduling agreements. The January 1997 agreement with **Tanzania** entered into force only in June 1998 after Tanzania made the required payments to a de minimis creditor.

All flow reschedulings contained a ***goodwill clause*** in which creditors indicated their willingness to provide a stock-of-debt operation at the end of the consolidation period if, at that point, the country continued to have an appropriate arrangement with the IMF and had fully implemented the rescheduling agreement. The agreements for Côte d'Ivoire, Nicaragua and Rwanda also included a ***HIPC clause*** indicating creditors' willingness to consider possible enhanced debt relief under the HIPC Initiative. Also, in the context of **HIPC decision points**, Paris Club creditors indicated their willingness to provide a stock-of-debt operation on Lyon terms at the completion point for five additional countries, including Mozambique and Côte d'Ivoire, and three countries that already had a stock-of-debt operation on Naples terms (Burkina Faso, Guyana and Mali).

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[36]Over 11 years, including one year grace, with semi-annual graduated payments.

[37]Nicaragua had serviced the debt rescheduled in the 1995 agreement as if the second and third tranches had been implemented to all but three creditors.

All agreements contained a *comparability of treatment clause* requiring debtor countries to seek rescheduling from other official bilateral and commercial creditors on terms at least as favorable as those granted by the Paris Club (information on rescheduling agreements with non-Paris Club official bilateral creditors is provided in Section 2). This clause was strengthened in the case of Nicaragua, Senegal and Uganda enabling creditors to declare a rescheduling null and void if the debtor country granted another creditor a treatment more favorable than the one provided to Paris Club creditors, and noting that creditors assess comparability of treatment both with respect to NPV debt reduction as well as the cash flow implications.

The net debt relief provided by flow rescheduling agreements with low-income countries from August 1997–October 1998 amounted to some \$4.4 billion (on debts comprising some \$5.7 billion in arrears and maturities falling due during the consolidation periods). Thus debt service payable was only about 22 percent of debt service due (Table 18).

B. Recent Debt Rescheduling with Non-Paris Club Bilateral Creditors

Debtor countries that reschedule debt with Paris Club creditors in the context of Fund-supported programs often also have debts to other bilateral creditors. Agreements with the Paris Club include provisions requiring the debtors to seek debt relief on their debt to non-Paris Club official bilateral and commercial creditors on terms at least comparable to those offered by Paris Club creditors. Since the Russian Federation was the most important non-Paris Club creditor in the past, Russia's participation as a creditor in the Paris Club since September 1997 has considerably reduced debts held by non-Paris Club bilateral creditors. At the same time, the HIPC Initiative with its emphasis on concerted action by all creditors, has been an important impetus to regularize all bilateral debt. Some of the details on recent restructurings are given below (Table 19).

Among the debtor countries that have qualified for exceptional assistance under the HIPC Initiative, **Bolivia** concluded agreements in mid-1997 with Venezuela on the cancellation of the latter's claims on Bolivia, which amounted to about \$4 million. Bolivia also agreed on a buy back with Poland, a de-minimis creditor, at 18 cents to the dollar. **Uganda** agreed with Tanzania to repay arrears over 2 years at about 15 cents to the dollar; Paris Club creditors have asked Uganda to reopen this agreement and achieve comparability also in cash flow terms with the Paris Club rescheduling.

Among other HIPCs, **Sao Tome and Principe** agreed to reschedule about \$11 million in debt obligations with China in January 1997. The **Republic of Guinea** restructured its \$20 million in arrears to the Czech Republic at a discount of almost 90 percent in October 1997. Also in 1997, external debt obligations of **Equatorial Guinea** to Argentina and North Korea were rescheduled, with the former agreement involving 70 percent debt cancellation. **Comoros** concluded an agreement with the Kuwait Fund, in which some \$4 million in arrears were rescheduled over 18 years.

Table 18. Low-Income Rescheduling Countries : Amounts Due and Consolidated Under Flow Rescheduling, August 1997-October 1998 1/
(In millions of U.S. dollars, unless otherwise indicated)

	Arrears 2/	Current Maturities 3/	Total
Debt service due	2,776	2,972	5,748
Pre-cutoff date debt	2,633	2,360	4,993
Not previously rescheduled	1,528	775	2,303
Previously rescheduled	1,106	1,585	2,690
Of which: Deferrals	66	90	156
Post-cutoff date debt	115	591	706
Short-term	28	21	49
Debt service treated	2,527	2,193	4,701
Consolidated amounts	2,515	2,159	4,674
Not previously rescheduled	1,596	765	2,361
Previously rescheduled 4/	921	1,394	2,314
Of which: Deferrals	0	58	58
Deferred for the first time	12	34	27
Post-cutoff date debt	0	0	0
Short-term debt	12	7	0
Moratorium interest	0	27	27
Debt service payable	248	1,019	1,267
Not treated 5/	227	203	430
Not previously rescheduled	42	12	54
Previously rescheduled	185	191	376
Of which: Deferrals	66	32	98
Post-cutoff date debt	5	589	594
Short-term debt	16	14	30
Moratorium interest 6/	0	213	213
Debt service payable in percent of debt service due	...	...	22

Sources: Paris Club; and IMF staff estimates.

1/ Includes the reschedulings from Cameroon (V), Yemen (II),Nicaragua (III), Cote d' Ivoire (VIII), Rwanda (I), Central African Republic (VII) and Bosnia (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.
6/ Includes also moratorium interest from the consolidation of arrears.

Table 19. Debt Restructuring Agreements with Official Bilateral Creditors Not Participating in the Paris Club, 1997-mid-1998

Creditor	Debtor	Date of Agreement	Total amount (in US$ million)	Coverage 1/	Terms	Other
1. Argentina	Equatorial Guinea	Mar-97	14.3	A+P	70 percent forgiven	
2. China	Sao Tome and Principe	Jan.-97	11.2	A+P	rescheduling over 12 years, with 7-year grace, no interest	status unclear after the debtor recognized Taiwan
3. Czech Republic	Guinea	Oct-97	20.0	A	buyback with 88.5 percent discount	payment in local (Guinean) currency
4. Kuwait	Comoros	1997	4.0	A	rescheduled over 18 years	
5. Kyrgyz Republic	Tajikistan	May-98	2.3	A	9-year maturity, 1-year grace, 2.8 percent interest	
6. North Korea	Equatorial Guinea	Jul-97	1.2	A	repayment over 2 years with no grace, zero interest rate	
7. Poland	Bolivia	Jul-97	1.5	P	buyback with 82 percent discount	
8. Tanzania	Uganda	...	...	A	repayment over 2 years 85 percent forgiven	status unclear as Paris Club creditors have asked Uganda to renegotiate the agreement on terms at least comparable to those of the Paris Club, both in NPV and cash flow terms
9. Turkey	Tajikistan	Jan-98	25.7	A	rescheduled with 13-year maturity, 3-year grace, 2.8 percent interest	
10. Turkmenistan	Ukraine	Nov-95	715.0	A+P+I	7-year maturity, 2-year grace 20 quarterly installments	
11. Uzbekistan	Tajikistan	Jan-98	151.0	PRD	rescheduled with 13-year maturity, 3-year grace, 2.8 percent interest	
12. Venezuela	Bolivia	Jun-97	4.0	P	100 percent forgiven	

Source: Country authorities and IMF staff estimates.

1/ A = arrears, P = principal, I = interest, PRD = previously rescheduled debt.

A number of agreements were concluded involving the rescheduling obligations of the Baltics, Russia and the other countries of former Soviet Union (BRO). Typically, the creditors were also BRO countries. The agreement between **Ukraine** and Turkmenistan, concluded in November 1995, was by far the largest in terms of amounts restructured, with about $715 million rescheduled over 7 years, including a 2-year grace period. **Tajikistan** concluded rescheduling agreements with Turkey, Uzbekistan, and the Kyrgyz Republic, for a total amount of close to $180 million. Most of the debt was rescheduled with 13-year maturity, 3-year grace and a 2.8 percent interest rate.

Update on the Initiative for Heavily Indebted Poor Countries

Substantial progress has been made since September 1996 when the framework of the Initiative for Heavily Indebted Poor Countries (HIPCs)—developed jointly by the IMF and the World Bank staffs—was adopted with its endorsement by the Interim and Development Committees.[38] Ten countries have been reviewed for eligibility for assistance under the Initiative, and eight of these have been found to face unsustainable debt burdens after the full use of traditional debt relief mechanisms and hence to require HIPC assistance (Table 20). In April 1998, Uganda became the first country to reach its completion point under the HIPC Initiative as the Executive Boards of the IMF and IDA agreed that the necessary conditions had been fulfilled. Bolivia also reached its completion point in September 1998. In addition, between October 1997 and September 1998, the Boards reviewed the eligibility for the Initiative of six countries.[39] Of these, decisions to provide assistance under the Initiative have been made for four countries: Guyana (in December 1997), Côte d'Ivoire (in March 1998) Mozambique (in April 1998) and Mali (in September 1998), totaling about $2.2 billion in NPV terms, which will provide assistance in nominal terms of about $4.5 billion. This brought to seven the number of countries that reached their decision points, with assistance under the Initiative amounting to $3.1 billion in NPV terms and $6.1 billion in nominal terms. Senegal reached its decision point in April 1998 and was determined to face sustainable debt burden after taking into account relief under traditional debt-relief mechanisms and therefore did not require assistance under the HIPC Initiative. **Benin** was judged to be in the same situation in July 1997. The Boards have also discussed the preliminary HIPC document for Guinea-Bissau.[40]

Countries reaching completion points

In April 1998, **Uganda** became the first country to reach its completion point under the HIPC Initiative as satisfactory assurances of action by Uganda's other creditors were received and performance under its ESAF- and IDA-supported programs remained strong. Uganda is receiving assistance equivalent to approximately $350 million in NPV terms; the saving in nominal debt service will be close to $650 million. This amount will reduce Uganda's NPV of debt-to-exports ratio to 196 percent, within the 192–212 percent target range agreed at the decision point. The IMF's assistance lowered the present value of its claims on Uganda by about $70 million, representing about $80 million in nominal terms; this covers 22 percent of Uganda's annual debt service to the IMF on average during 1998–2006.

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[38]For a detailed description of the HIPC Initiative, see Boote and Thugge (1997).

[39]For progress in the implementation of HIPC Initiative up to September 1997, see *Official Financing for developing Countries* (1997).

[40]Its decision point could be reached once the current conflict ends and a new recovery program is agreed.

Table 20. HIPC Initiative: States of Early Cases, November 1998

Country (in order of expected decision point within groups)	Decision point	Completion point	NPV of debt-to-export target (in percent)	Assistance at completion point (US$ millions, present value at completion point) Total	Bilat-eral	Multi-lateral	IMF	World Bank	Percentage reduction in NPV of debt 1/	Estimated total nominal debt service relief (in US$ mn.)	Satisfactory assurances from other creditors
Completion point reached:											
Uganda	Apr. 97	Apr. 98	202	347	73	274	69	160	20	650	Received
Bolivia	Sept. 97	Sept. 98	225	448	157	291	29	54	13	760	Received
Decision point reached and assistance committed by Fund and Bank:											
Burkina Faso	Sept. 97	Apr. 00	205	115	21	94	10	44	14	200	Being sought
Guyana	Dec. 97	early 99	107 2/	253	91	161	35	27	25	500	Being sought
Côte d'Ivoire	Mar. 98	Mar. 01	141 2/	345	163	182	23	91	6 3/	800	Being sought
Mozambique	Apr. 98	mid. 99	200	1,442	877	565	105	324	57	2,900	Being sought
Mali	Sept. 98	Dec. 99	200	128	37	90	14	44	10	250	Being sought
Total assistance provided/committed (7 countries)				3,078	1,419	1,657	285 4/	744	19	6,060	...
Preliminary HIPC document issued; targets based on majority view in preliminary discussions at Bank and Fund Boards, assistance based on preliminary HIPC documents and subject to change											
Guinea-Bissau 5/	first half 99	2002	200	300	148	153	8	73	...	...	...
Debt judged sustainable:											
Benin	Jul. 97	...	...	...	...	...	...	...	...	...	...
Senegal	Apr. 98	...	...	...	...	...	...	...	...	...	...

Sources: Fund and Bank Board decisions, completion point document, final HIPC documents, preliminary HIPC documents, and staff calculations.

1/ In percent of NPV of debt at completion point, after full use of traditional debt relief mechanisms.

2/ Eligible under fiscal/openness criteria; NPV of debt to exports target chosen to meet NPV of debt-to-revenue target of 280 percent.

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

4/ Equivalent to SDR 212 million.

5/ Debt situation needs to be revisited once the current conflict has ended and a new recovery program agreed.

In September 1998, **Bolivia** reached its completion point under the HIPC Initiative. Total assistance is about $450 million in NPV terms; equivalent to nominal debt service savings of about $760 million. The delivery of assistance by the IMF and the World Bank will be front-loaded in view of Bolivia's heavy debt service burden in the next few years. The NPV of debt-to-exports ratio will be reduced to 218 percent, within the 215–235 percent target range agreed at the decision point; the debt service ratio will be reduced from 26 percent in 1997 to about 19 percent in 1999. The IMF's assistance lowers the present value of its claims on Bolivia by about $30 million and covers 20 percent of Bolivia's annual debt service to the IMF on average from 1998–2002. As a result of the Paris Club agreement of October 1998 to top up its stock-of-debt operation to Lyon terms, and in particular of the action by one creditor to reduce further the value of its ODA claims, Bolivia's NPV of debt to export ratio is expected to fall to 198 percent.

Countries reaching decision points

Guyana. In December 1997, the Executive Boards of the IMF and IDA agreed to support a debt-reduction package for Guyana under the Initiative. The total assistance to be provided to Guyana by all of its external creditors will reduce the country's external debt burden by a quarter, or about $250 million in NPV terms, which will provide nominal assistance of about $500 million. The completion point could have been reached in one year provided Guyana maintained the required strong policy performance and remained on track under IMF and World Bank programs. However, given significant fiscal slippage in late 1997, Guyana is now expected to reach the completion point in early 1999. Guyana is the first country to qualify under the fiscal/openness criteria, which were established in April 1997 for highly open economies with a heavy fiscal burden of external debt despite strong efforts in mobilizing revenue. Consistent with achieving a NPV of debt-to-revenue target of 280 percent under these criteria, Guyana's target for the present value of its external debt was set at 107 percent of exports.

Côte d'Ivoire. In March 1998, the Boards agreed to extend assistance under the Initiative to Côte d'Ivoire, which was also determined to be eligible under the fiscal/openness criteria. The Boards agreed to an NPV debt-to-exports target of 141 percent consistent with an NPV of debt-to-revenue ratio of 280 percent. The completion point for delivery of assistance is expected to be reached in March 2001 provided Côte d'Ivoire remains on track with its IMF and World Bank programs. Côte d'Ivoire is expected to receive assistance equivalent to about $345 million in NPV terms, or around $800 million in nominal terms, provided that its policy performance remains strong.

Mozambique. In April 1998, the two Boards agreed that Mozambique's NPV of debt-to-exports ratio should be brought down from 466 percent after the full application of traditional debt-relief mechanisms to a target of 200 percent for a completion point in mid-1999, provided Mozambique remains on track with its IMF and World Bank programs. Mozambique is expected to receive assistance of over $1.4 billion in NPV terms, representing an NPV reduction of about 57 percent, conditional on participation by other creditors and continuing adjustment and reform. The assistance in nominal terms will be around $2.9 billion. This debt reduction was achieved through exceptional efforts by Paris Club creditors in providing assistance above 80 percent NPV of debt reduction on eligible debt, including the provision by Russia—Mozambique's largest creditor—of special treatment on post-cutoff date debt, by bilateral donors in providing voluntary contributions to help close the financing gap, and the IMF and World Bank in providing voluntary assistance in addition to their proportional share.

Mali. In September 1998, the Boards of the IMF and the World Bank approved assistance under the Initiative of about $130 million in NPV terms to be delivered in December 1999 to achieve an NPV of debt-to-exports target of 200 percent, assuming continued strong policy implementation and Mali remains on track with its IMF and World Bank programs. This is equivalent to nominal debt-service savings of about $250 million and will reduce Mali's external debt by about 10 percent. Achievement of the NPV of debt-to-exports target of 200 percent implies some additional debt relief—beyond that provided under Lyon terms—on aid-related bilateral debt.

Senegal. In early 1998, the Senegalese authorities undertook, jointly with IMF and World Bank staffs, a detailed debt sustainability analysis (DSA). The conclusion of this analysis was that the country faced a sustainable debt burden after the full appreciation of traditional debt-relief mechanisms, and therefore did not require assistance under the HIPC Initiative. The DSA paper has been circulated to the Boards of both institutions, and Senegal reached its decision point in April 1998. Senegal agreed a stock-of-debt operation on Naples terms, (involving 67 percent NPV reduction) with Paris Club creditors in June 1998. The same conclusion that it faced a sustainable debt situation after the application of traditional debt-relief mechanisms had been arrived at earlier for **Benin** based on a tripartite DSA considered in July 1997.

Preliminary consideration of potential relief for other HIPCs

In April 1998, the Boards discussed the preliminary HIPC document for Guinea-Bissau. The debt sustainability analysis indicated that Guinea-Bissau could qualify for assistance under the Initiative. However, subsequently a civil conflict broke out and the situation will be reassessed once the conflict has ended and a recovery program is agreed.

Context of assistance under HIPC Initiative

The assistance to be delivered under the HIPC Initiative builds on and is part of much broader efforts involving commercial, bilateral as well as multilateral creditors. These efforts include concessional debt restructuring by Paris Club creditors and comparable action by non-Paris Club bilateral creditors, debt restructuring at steep discounts by banks and other commercial creditors, and continued highly concessional development finance. For example, Côte d'Ivoire, Senegal, and Togo have in recent years benefited from commercial bank debt-restructuring agreements, including buybacks at steep discounts through the IDA Debt Reduction Facility. As a result of actions by all of these creditors, Côte d'Ivoire's public external debt is projected to fall from $13 billion in NPV terms at end-1997 to $7.5 billion in 2001 after HIPC assistance.

Costs of the Initiative

The total costs of the assistance to be provided under the Initiative can only be projected in a very tentative way as their evolution will, among other factors, depend on countries' own adjustment and reform efforts over time. Total costs are currently estimated at $9.7 billion, expressed in end-1998 U.S. dollars. On the basis of recent estimates made in August 1998, the cost to the IMF of its participation in the HIPC Initiative is estimated to be around $800 million.

HIPC Initiative Review

The Executive Boards of the IMF and the World Bank reviewed the implementation of the HIPC Initiative in September 1998. They agreed to extend the initial deadline for countries to enter the first phase from September 1998 to December 2000, and introduced further flexibility by allowing programs supported by post-conflict emergency assistance to count—on a case-by-case basis—as part of a country's track record.

Debt Swaps

The market for debt swaps was developed mainly in the context of market-based debt reduction schemes which utilized the existence of a secondary market in developing country debt, especially debt to commercial banks. These schemes emerged as part of the mechanism to deal with debt crisis of the early 1980s, and were utilized by Argentina, Brazil, Chile, Mexico, Peru, and the Philippines, among other countries. Swaps involving official bilateral creditors have been undertaken by a number of creditors largely in the 1990s. Paris Club creditors swapped claims of $3½ billion during the period 1991–September 1997, about half of which involved claims on Egypt.[41]

1. Types of swaps

A swap arrangement transforms one type of liability into another with different repayment characteristics and/or currency denomination. This simultaneously improves the liquidity of the liability and the prospects of its repayment to the creditor, and eases the terms of repayments for the debtor. It does not per se extinguish the liability as in the case of a debt buyback. The most common swap arrangements are: debt-for-equity swap, debt-for-aid or development swap, debt-for-nature swap, debt-for-local currency swap (also known as debt-for-peso swap), and debt-for-debt swap (see Box 7).

(i) ***Benefits to the creditor***

There are a variety of incentives for a creditor to participate in debt swaps. It may consider it more profitable to sell debt paper at a discount and reinvest the proceeds somewhere else than to hold debt with uncertain repayment prospects; in the case of a debt-equity swap, a creditor may determine that the process of awaiting full settlement through any rescheduling exercise might take longer than a "repayment" through the proceeds of a new investment in the country; a commercial bank may participate in a debt-equity swap for asset diversification which at the same time allowing it greater exposure to a specific enterprise; by selling a loan, a creditor (e.g., commercial bank) may improve its capital/assets ratio as the amount of loan loss reserves set aside may be greater than the swap value of the asset; in case of undertaking the investment directly, bypassing the secondary market, a creditor can perhaps preserve the book value of its assets; a creditor may be interested in reducing its credit exposure in order to avoid a possible further country debt rescheduling arrangement that could increase exposure; or a creditor may engage in a loan sale to overcome liquidity constrains. Debt-equity swaps also allow creditors, especially commercial banks, and multinational firms, to enter into "repo" deals and accelerated remittances deals. In a repo deal, a commercial bank can participate as investor with a firm which prefers to make incremental investments in the country thereby benefiting the firm by lowering its cost of investment and the bank by reducing its risk. In an accelerated remittances scheme, a bank and a firm benefit from a debt-equity swap

[41]This reflects a compilation by the Paris Club of data through September 1997. More recent data are not available.

Box 7. Types of Swaps

The main players in a typical **debt-for-equity swap** arrangement are a (commercial bank) creditor, an investor, and a debtor government or one of its agencies such as a parastatal. Although details can differ from country to country, the basic mechanism for implementing a debt-equity swap involves the following steps. First, a (commercial bank) creditor offers to sell at a discount an outstanding sovereign or government-guaranteed debt. Second, an investor, mostly a multinational company (or an individual or domestic investor, if permitted), buys the debt at a discount and submits it to the central bank of the indebted country, which redeems the debt at the face value of the loan—or at a discount if the transaction involves debt forgiveness—in domestic currency at the official exchange rate. Third, the investor acquires equity in an authorized industry or firm using this newly acquired domestic currency.

A host (debtor) country wishing to establish a swap program would need to address issues such as, whether to institute a transaction-by-transaction approval mechanism or a more general one based on broader categories of debt or creditors, stipulate country debt instruments eligible for conversion, an amount or schedule of amounts of local currency to be exchanged for the debt, priority investment areas and the corresponding schedule of rates for incentive purposes at which the debt will be redeemed, dividend and capital repatriation regulations specifying timing and amounts, and requirements of conformity with existing foreign investment taxes.

A (commercial bank) creditor engaging in swap arrangements would need to take into consideration factors such as home country regulations regarding swaps and ownership of foreign assets, host country regulations regarding debt swaps, tax treatment of debt-swap transactions, that is, does the sale of a debt obligation at a discount qualify for a tax deduction, portfolio contamination, that is, selling a specific loan at a discount and consequently recording a loss may ultimately require adjusting downwards (mark-to-market) values of similar loans, and ensuring that converted debt will be excluded from future new money packages a creditor (bank) may be required to commit as part of some future reschedulings.

An investor acquiring equity through debt swaps would have to consider issues such as comparison of conditions regarding capital repatriation and profit remittances on investments financed by debt conversion and those on regular direct investment, tax treatment of the gain to the investor from the difference between the purchase price and the redemption price, ensuring that the creditor whose debt is purchased, the debt itself, and the entity in the debtor country which owes the debt all are eligible to participate in the official debt-swap scheme.

A **debt-for-aid or development swap** typically involves a foreign creditor government converting its debt into local currency (mostly at a discount) with the agreement that the debtor government would spend the local currency equivalent on a development project previously agreed upon with the creditor country government. Such swaps can, and increasingly do, involve a (foreign) non-governmental organization (NGO) which may purchase the debt from the original creditor government at a discount using its own foreign exchange resources and then reselling it to the debtor government with the agreement that the local currency proceeds would be spent on a development project. Another variation of this type of swap is transferring the local currency equivalent to a non-government organization in the debtor country itself.

Debt-for-nature swaps are similar to debt-for-development swaps except that the funds are used for projects that improve and protect the environment in the debtor country. In some cases such an agreement may be made by a creditor country that is being adversely affected by pollution caused by environmentally damaging activities in the debtor country.

In the case of **debt-for-local currency** swaps, conversion of a debtor country's debt involves a resident of the debtor country instead of a foreign investor. These swaps are designed mainly for the repatriation of flight capital. In such swaps residents buy their own country's debt in the secondary market using funds they hold abroad or foreign currency acquired in the parallel market. They then present the claims to the central bank or the original borrower for redemption. Assets are redenominated in the local currency, as in a debt-equity swap, but the proceeds do not always have to be invested directly to acquire equity in a firm. In principle, the new assets created by such a swap would require future servicing only in local currency. With increased liberalization of capital flows and the consequent relative ease of availability of foreign exchange, the attractiveness of the debt-for-peso swaps may be reduced.

arrangement because a creditor may want to reduce its exposure while the firm has a long-term investment objective; a large share of the remittable cash flow is given to the creditor by the partner firm in exchange for a gradual redemption of the creditor's equity stake.

(ii) ***Benefits to the debtor country***

The main benefit to a debtor country from a debt-equity swap is a reduction in its debt-service burden if the transaction involves a discount, i.e. if in present value terms the stream of repatriated earnings from the swapped equity is less than the original debt. Also, to the extent that the earnings are repatriated later than the debt service schedule on the original claim, the country may find its cash-flow situation improved. Debt-equity swaps can help in furthering the privatization process and can contribute to the development of local capital markets and stock exchanges. Similarly, reinvestment of not yet remittable dividend flows can provide a source of investable funds. In some cases, the investor may need to redeploy these funds providing a source of venture capital. In the case of new assets created by a debt-for-peso swap, debt service would be required only in local currency. By converting a debt obligation into direct or portfolio investments, the debtor country's external debt is reduced, which might benefit the country's economic growth by reducing the debt overhang which limits investment. A debtor country can raise revenues by taxing dividends and charging redemption fees. In the case of countries where creditors, especially commercial banks, are reluctant to lend new resources they may be more interested in reducing their credit exposure by converting their sovereign debt into shares of private (or to be privatized) companies with prospects of higher financial returns; large commercial bank creditors can also be helpful in identifying potential partners or co-investors. Existence of a debt-equity swap program sends the positive signal to investors that a country is welcoming investment. Discounts inherent in a debt-equity swap may advance the timing of foreign investment as investment planned for future may be brought forward to take advantage of what may be perceived as temporarily favorable terms of purchasing domestic assets.

(iii) ***Benefits to the third party investor***

Finally, the investing entity is able to benefit by acquiring investment capital on more favorable terms—reflecting the discount involved—than those available through direct exchange market purchases of domestic currency. Debt-equity swaps also provide an opportunity for diversifying the sources of cash-flow and that of production, and spreading the cost among various currencies and equity appreciation.

(iv) ***Cons***

Debt-equity swaps have been criticized for allowing the foreign investor to purchase local currency at a discounted rate in order to make certain authorized investments. Also, large-scale swaps can have adverse monetary and fiscal affects on the debtor country. The monetary impact will depend on how the domestic currency side of the transaction is financed. If the government issues a bond to the private sector, the net monetary impact is nil. However, the additional demands on the domestic capital market could well lead to upward pressures on interest rates. If the government finances the transaction through the banking system, an equivalent increase in the monetary aggregates could result and possibly lead to inflationary pressures. Financing debt-equity conversion by drawing on domestic capital markets could well result in substantial crowding-out effects by placing upward pressures on interest rates and thereby squeezing out domestic economic agents.

On the fiscal side, the substitution of foreign liabilities with domestic obligations—whether to the banking system or the private sector—may result in an increase in the debt service obligations of the government if the domestic real interest rate is higher than the rate applied to the external debt. In the case of debt-for-development swaps, the project may entail future recurrent expenditures for the debtor country's public sector.

To mitigate the inflationary impact of the swaps, governments may wish to convert funds in several installments, limiting each transaction to immediate project needs and ensuring that local currency funds are within the envelope of prudent fiscal limits. To some degree, the potential adverse inflationary effects of swaps can also be mitigated by limiting the use of swaps for privatization of state enterprises instead of monetization of foreign debt or by requiring the firm in which equity is purchased to repay by the same amount any domestic credit owed to the central bank.

"Round-tripping" and "additionality" are two related problems, apart from the above-mentioned macroeconomic problems, which may also offset some of the gains of these operations. Round-tripping occurs when a firm that engages in a debt-equity swap finds a way to take an equivalent amount of capital out of the debtor country again; after swapping debt for equity, an investor then sells the equity and withdraws the proceeds from the country. In this case the debt-equity swap becomes effectively a buy back on the secondary market, probably at less than the full discount, using scarce foreign exchange reserves. Additionality becomes a problem if a debt-equity swap finances an investment that would have taken place in any case. Suppose that a foreign firm uses a debt-equity swap to carry out an investment that it would have undertaken anyway. Had it carried out the investment without a swap, it would have brought foreign exchange to the central bank to exchange for local currency with which to make the investment. If it does the swap instead, this foreign exchange inflow fails to occur. In both the above cases the debt-equity swap degenerates into a cash buyback financed by the debtor.

To protect against round-tripping a government can impose a lock-up period on the ability of the investor to repatriate the capital portion of the investment and require that dividends be paid only out of profits earned by the local firm. The government can also directly disburse money to the domestic suppliers, contractors, and creditors of the firm instead of handing over the money to the investor. To counter the problems of additionality, a debt-equity program can require the investor to provide "new money" to be able to participate in the program.

Governments need to be careful to ensure that debt-swap schemes do not undermine macroeconomic policies, are transparent, and avoid excessive subsidization.

Creation of debt conversion funds has been suggested to expand the scope of the debt-equity swaps beyond individual deals.[42] These funds can be capitalized through conversion of developing country debt to equity and can be fed through dividend reinvestment. They can provide opportunities to combine debt conversion with new portfolio investment initiatives along with allowing small creditors also to participate in the swaps. The principal investing objective of these funds would be long-term capital appreciation through investment in securities, principally equity, issued by companies in a specific developing country. Using available debt conversion mechanisms, the foreign currency debt could be converted, at face value less costs and at a specified exchange rate, to local currency, and the proceeds could then be invested by an independent professional investment manager in a diversified portfolio of equity securities. The fund's structure could be designed to permit a greater orientation towards listed securities, venture capital, corporate restructurings or privatization opportunities within the developing country. Eventually, the fund's shares could be sold through public secondary offerings and the fund itself could be listed on national and international stock exchanges. These funds can have a wide appeal to creditors, allowing them to participate in a diversified professionally managed portfolio instead of taking a minority equity position in a corporation, and providing additional liquidity to the creditor if there is some limited transferability of the fund shares. These funds can help create a non-speculative investment pool providing equity capital for developing countries. As the fund would involve original holders of debt, large and important financial institutions in major creditor countries can remain positively committed to a country, instead of reducing the involvement to the collection of interest on rescheduled debt.

2. Evolution of debt swaps by Paris Club creditors

Until the early 1990s nearly all the debt swaps were carried out in the context of private commercial banks' holdings of debt of sovereign governments. There were hardly any swaps involving official bilateral creditors, including ODA and other government-to-government debt and commercial debt guaranteed by creditor governments or by their export credit agencies. Explicit provisions allowing official bilateral creditors to engage in swaps were first introduced in Paris Club rescheduling agreements in September 1990 for lower middle-income countries. According to these terms, $10 million or 10 percent of concerned commercial credits, whichever was higher, could be converted on a purely voluntary and bilateral basis in the form of **debt-for-equity, debt-for-aid or development, debt-for-nature**, and other **debt-for-local-currency** operations. No restriction was placed on the amount of ODA loans which could be swapped. Subsequently, in December 1991, these provisions were extended to low-income countries. In June 1996, Paris Club creditors agreed to raise the amount of commercial debt that could be swapped to the greater of 20 percent of concerned commercial credits outstanding, or SDR 15–30 million per creditor.

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[42]The International Finance Corporation (IFC), the multilateral arm of the World Bank which lends to the private sector, has initiated similar funds in Egypt and Peru.

Paris Club creditors swapped $3.5 billion claims on developing countries during the period 1991–September 1997. Annual amounts ranged from 0.4 percent in 1991 of the average annual outstanding debt stock, owed by debtor countries to the swap implementing creditor countries during 1991–97, to approximately 3.2 percent in 1994. In nominal terms, debt swap activity peaked in 1994, equivalent to nearly $1 billion, and has since steadily declined to $150 million in January–September 1997 (Table 21 and Chart 17). The most active swap period occurred during 1993–96 primarily as a result of large debt swaps with Egypt. Typically, the terms of swaps included, in cases where applicable, a purchase price and a rate of redemption in local currency of less than half the face value of the debt. Swaps were implemented both outside and within the context of Paris Club rescheduling agreements.

Generally, swap activity has been a function of debt exposure, the creditor country's policy towards swaps including whether its domestic laws permitted participation in swap activity, and the availability of attractive assets in debtor countries.

In all, 12 creditor countries and 34 debtor countries participated in swaps in the period covered (Table 22). The most active creditor countries were France ($1.1 billion) and Switzerland, ($0.9 billion). While the overall amounts were much smaller ($300 million), Belgium was also very active and swapped debt with 13 debtor countries—thereby reducing the cost of administering small claims, a motive of a number of other smaller creditors.

On the debtor side, Egypt was by far the most active country swapping debt of nearly $1.6 billion followed by Cote d'Ivoire ($300 million), Peru ($220 million) and Morocco ($196 million). Most debtor countries (21 out of 34) implemented swaps with only one creditor country. However, Egypt swapped debt with 8 creditor countries, Peru and Tanzania with 5 creditor countries each, and Bolivia, Jordan and Poland with 4 creditor countries each.

In terms of the type of debt swapped, of the total, nearly three-fourths ($2.6 billion) was commercial (non-ODA) debt (Table 23). Creditor countries which swapped only commercial debt, included Australia, Belgium, Sweden, Switzerland, and the United Kingdom, while others swapped both types of debt: France (74 percent non-ODA) and Germany (54 percent non-ODA). Creditors that swapped mainly ODA debt were Canada (100 percent), Finland (70 percent), the Netherlands (90 percent), and the United States (100 percent).

Regarding the type of swap arrangements entered into by creditor countries, debt-equity and debt-for-nature/aid swaps were almost even, although wide variation existed among individual creditors (Table 24). Australia, Spain, and the United Kingdom implemented exclusively debt-equity swaps, and France and Sweden mostly so (77 and 85 percent, respectively). In contrast, all the debt swapped by Canada, Finland, the Netherlands, Sweden, and the United States was in the form of debt-for-nature/aid swaps. Belgium and Germany had a somewhat even distribution of debt swapped between debt-equity and debt-for-nature/aid swap. In terms of their share of the total, debt-for-nature/aid rose steadily from close to 45 percent in 1991 to about 86 percent in 1997 (Chart 17). Debt-for-nature/aid swaps are more likely to involve an element of debt forgiveness by the creditors than debt-for-equity swaps. However, debt-for-

Table 21: Evolution of Debt Swaps by Paris Club Creditors, 1991- September 1997

	1991	1992	1993	1994	1995	1996	Jan. - Sep. 1997	Total
				(In millions U.S. dollars)				
Total debt swaps	134.1	239.0	684.5	982.1	696.3	484.4	146.9	3,446 1/
Debt-equity swap	74.3	94.3	381.8	780.4	246.1	80.5	21.2	1,684
Debt-for-nature/aid swaps	59.8	144.6	302.6	201.7	450.3	403.9	125.8	1,689
				(In percent of total)				
Debt-equity swap	55.4	39.5	55.8	79.5	35.3	16.6	14.4	48.9
Debt-for-nature/aid swaps	44.6	60.5	44.2	20.5	64.7	83.4	85.6	49.0

Source: Paris Club.

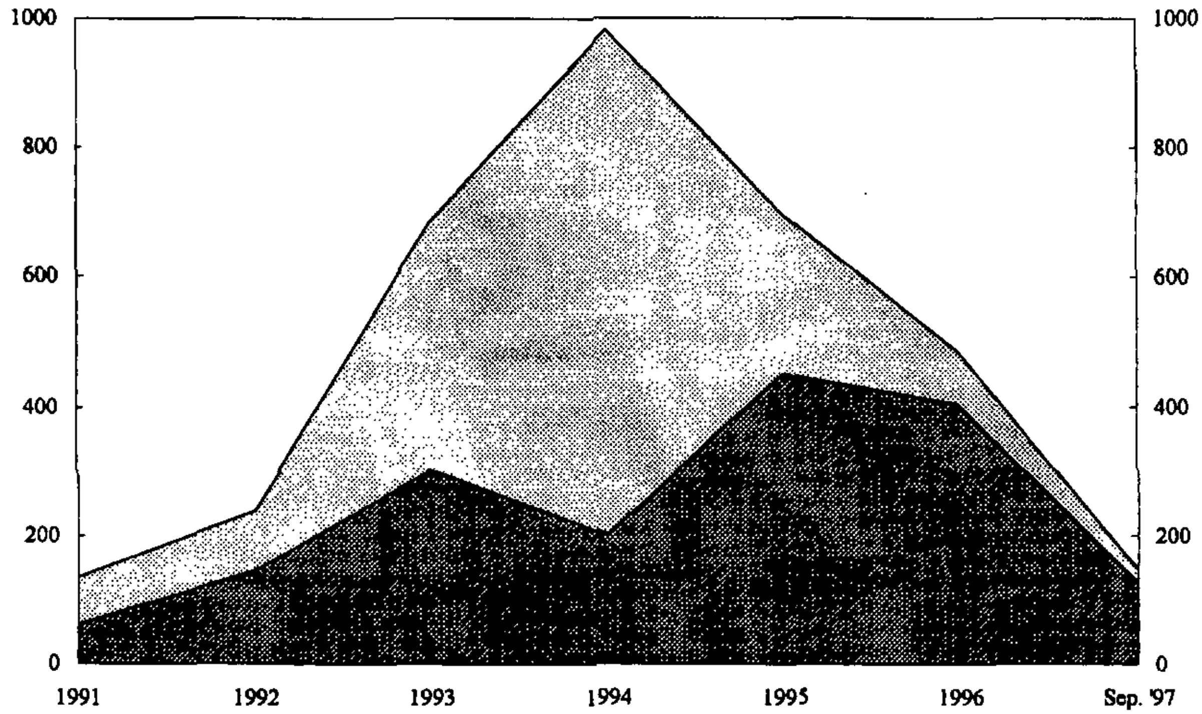
1/ Total includes $73 million of other swaps.

Chart 17: Evolution of Debt Swaps in the Context of the Paris Club, 1991- September 1997

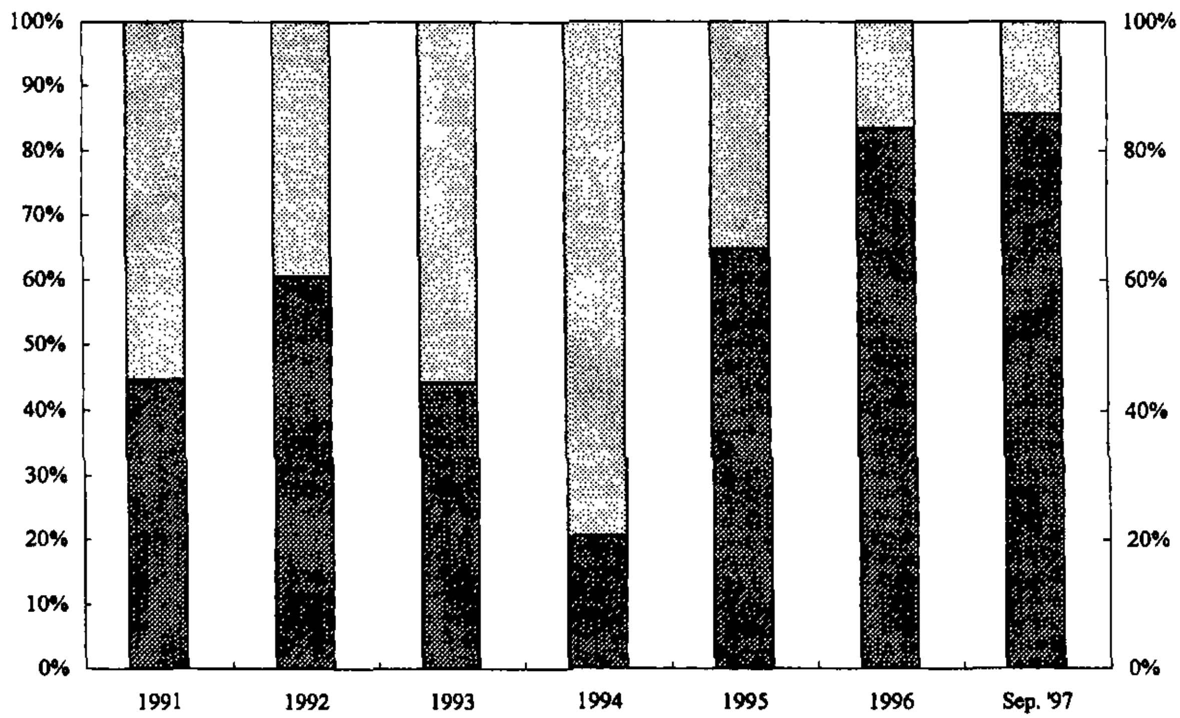
Debt-for-equity swaps

Debt-for-nature/aid swaps

(In millions of U.S. dollars)



(Share of total)



Source: Paris Club.

Table 22: Debt Swaps by Paris Club Creditors, 1991-September 1997
By Creditor and Debtor Country Distribution

Debtors:	Creditors: Australia	Belgium	Canada	Finland	France	Germany	Netherlands	Spain	Sweden	Switzerland	UK	USA 1/	Total swaps (US$ millions)	Number of creditor countries	
Argentina												x	3.1	1	Argentina
Bolivia		x				x				x		x	117.9	4	Bolivia
Bulgaria										x			20.3	1	Bulgaria
Cameroon		x											14.6	1	Cameroon
Chile							x					x	21.4	2	Chile
Colombia			x									x	58.1	2	Colombia
Congo, Republic of		x											17.5	1	Congo, Republic of
Costa Rica			x				x						37.3	2	Costa Rica
Cote d'Ivoire		x								x			307.3	2	Cote d'Ivoire
Ecuador										x			44.7	1	Ecuador
Egypt	x	x			x	x		x	x	x	x		1,553.7	8	Egypt
El Salvador			x									x	51.3	2	El Salvador
Guinea-Bissau										x			13.8	1	Guinea-Bissau
Guinea		x											3.8	1	Guinea
Honduras			x		x					x			88.1	3	Honduras
Jamaica							x					x	25.5	2	Jamaica
Jordan					x	x			x	...			86.5	4	Jordan
Madagascar							x						3.0	1	Madagascar
Mauritania								x					5.2	1	Mauritania
Morocco					x								195.7	1	Morocco
Mozambique		x									x		6.8	2	Mozambique
Nicaragua			x										18.1	1	Nicaragua
Nigeria		x							x				75.0	2	Nigeria
Pakistan							x						3.4	1	Pakistan
Peru			x	x		x			x	x			219.6	5	Peru
Philippines					x	x				x			64.4	3	Philippines
Poland				x	x				x	x			125.8	4	Poland
Senegal										x			17.2	1	Senegal
Syria								x					42.8	1	Syria
Tanzania		x			x				x	x	x		105.2	5	Tanzania
Tunisia							x						26.1	1	Tunisia
Vietnam		x				x							54.2	2	Vietnam
Uruguay												x	6.2	1	Uruguay
Zambia		x											9.7	1	Zambia

Source: Paris Club.

1/ In the context of the Enterprise for the Americas Initiative.

Table 23. Debt Swaps by Paris Club Creditors, 1991-September 1997
By Type of Debt

Creditor country	Type of debt ODA	non-ODA	Total	ODA	Non-ODA
	(In millions of US dollars)			(Percent of total)	
Australia	--	26.3	26.3	--	100.0
Belgium	--	301.2	301.2	--	100.0
Canada	123.5	--	123.5	100.0	--
Finland	26.8	11.7	38.5	69.6	30.4
France	289.8	829.6	1,119.4	25.9	74.1
Germany	120.9	144.3	265.2	45.6	54.4
Netherlands	46.5	7.0	53.5	86.9	13.1
Spain	146.7	152.3	299.0	49.1	50.9
Sweden	--	83.3	83.3	--	100.0
Switzerland	--	919.3	919.3	--	100.0
United Kingdom	--	132.9	132.9	--	100.0
USA	--	--	--	--	100.0
Total	754.2	2,607.9	3,362.1	22.4	77.6

Source: Paris Club.

Table 24. Debt Swaps by Paris Club Credditors, 1991-September 1997
By Type of Swaps

Creditor country	Equity	Nature/aid	Other	Total	Equity	Nature/aid	Other
	(In millions of US dollars)				(In percent of total)		
Australia	26.3	--	--	26.3	100.0	--	--
Belgium	151.0	150.2	--	301.2	50.1	49.9	--
Canada	--	123.5	--	123.5	--	100.0	--
Finland	--	38.5	--	38.5	--	100.0	--
France	859.3	260.1	--	1,119.4	76.8	23.2	--
Germany	144.3	120.9	--	265.2	54.4	45.6	--
Netherlands	--	53.4	--	53.4	--	100.0	--
Spain	299.0	--	--	299.0	100.0	--	--
Sweden	71.0	12.3	--	83.3	85.2	14.8	--
Switzerland	--	846.4	72.9	919.3	--	92.1	7.9
United Kingdom	132.9	--	--	132.9	100.0	--	--
USA	--	154.1	--	154.1	--	100.0	--
Total	1,683.8	1,759.5	72.9	3,516.2	47.9	50.0	2.1

Source: Paris Club

nature/aid swaps owing to their ongoing nature can present greater administrative complexities compared to debt-for-equity swaps.

Some countries (e.g. Austria, Denmark, Italy, Japan, and Norway) have not implemented any debt swaps due to the absence of any legal basis to do so. Italy, in March 1998, adopted laws which would allow it to carry out swaps in the future.

In the case of the United States, authority for debt swaps and buybacks of nonconcessional Eximbank and Commodity Credit Corporation export credit assets was included in Enterprise for the Americas Initiative (EAI) announced in June 1990. It aimed to enhance development prospects through action in the areas of trade, investment, and debt. Under the EAI, debts owed by developing countries in the Western Hemisphere to the U.S. government could be reduced provided that the country (i) undertook macroeconomic and structural reforms; (ii) liberalized its investment regime; and (iii) concluded a debt-restructuring agreement with its commercial bank creditors. The EAI provided for a reduction of concessional debts, including loans disbursed under programs of food assistance (Public Law 480) and development assistance Agency for International Development (AID). Countries benefiting from debt reductions could make interest payments on the remaining debt in local currency if they negotiated "Framework Agreements" under which these resources would be committed to environmental or child development projects.[43] The remaining principal was to be repaid in U.S. dollars. In addition, some part of the nonconcessional debt owed to U.S. Eximbank and Commodity Credit Corporation might either be bought back by the debtor or used to facilitate debt-for-equity or debt-for-nature/aid swaps.

Under the EAI, a total of $875 million in debt was forgiven for Argentina, Bolivia, Chile, Colombia, El Salvador, Jamaica, and Uruguay, during fiscal years 1991–1993 and as a result of this debt reduction an additional $154 million in interest payments was forgiven in conjunction with commitments to make equivalent local currency payments for environmental and child development programs. There were no Congressional appropriations for further debt reduction under the original EAI program since fiscal year 1993. In July 1998, building upon the EAI, United States Congress enacted the "Tropical Forest Conservation Act of 1998" (see Box 8).

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[43]Only the amounts related to such local currency payments are included in the data on swaps presented in this appendix.

Box 8. Tropical Forest Conservation Act of 1998

Allows low and middle-income countries containing at least one tropical forest, which is globally outstanding in terms of its biological diversity, to engage in debt buybacks or in debt-for-nature swaps utilizing concessional debt owed to the United States.[1] Under this act, a Tropical Forest Facility will be established and to be eligible to benefit from this facility the developing country should have a bilateral investment treaty with the United States and a World Bank-supported investment reforms or one with the Inter-American Development Bank. Under the Facility the U.S. government will allow the sale, reduction, cancellation, or partial cancellation of the eligible debt to a third party (after consulting the debtor government) for the purpose of facilitating debt-for-nature swaps. The purchaser of the debt will have to present plans, satisfactory to the U.S. government, for using the loan for engaging in debt-for-nature swaps. The debtor government will also be allowed to buy back its eligible debt provided it is willing to devote, in local currency, 40 percent of the purchase price or the difference between the face value of the loan and the purchase price, whichever is less, to support activities to preserve and restore tropical forest. It is estimated that over the next three fiscal years the cost of this legislation will be $325 million.

[1]For fiscal year 1999 and fiscal year 2000, the following countries are eligible if they meet the other criteria as given in the law: **Bolivia, Brazil, Ecuador, Guyana, Cote d'Ivoire, Liberia, Madagascar, Indonesia, Papua New Guinea, Peru, and the Philippines**.

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Table 25. DAC List of Aid Recipients for Resource Flows in 1997

Part I: Developing Countries and Territories (Official development assistance)						Part II: Countries and Territories in Transition (Official aid)	
Least Developed Countries	Other Low-Income Countries (per capita GNP<$765 in 1995)	Lower -Middle-Income Countries (per capita GNP $766-$3035 in 1995)		Upper-Middle-Income Countries (per capita GNP $3036-$9385 in 1995)	High-Income Countries (per capita GNP >$9385 in 1995) 1/	Central and Eastern European Countries and Countries of the former Soviet Union	More Advanced Developing Countries and Territories 2/
Afghanistan,	*Albania	Algeria	Palau Islands	Brazil	#Aruba 1/	*Belarus	Bahamas, The
Islamic State of	*Armenia	Belize	Palestinian	Chile	#French	*Bulgaria	*#Bermuda*
Angola	*Azerbaijan	Bolivia	Administered	Cook Islands	Polynesia 1/	*Czech Rep.	Brunei
Bangladesh	Bosnia and	Botswana	Areas	Croatia	#Gibraltar 1/	*Estonia	*#Cayman Islands*
Benin	Herzegovina	Colombia	Panama	Gabon	Korea, Rep. of 1/	*Hungary	*Chinese Taipei*
Bhutan	Cameroon	Costa Rica	Papua New	Malaysia	#Macao 1/	*Latvia	*Cyprus*
Burkina Faso	China	Cuba	Guinea	Mauritius	#Netherlands	*Lithuania	*#Falkland Islands*
Burundi	Congo, Rep. Of	Dominica	Paraguay	*Mayotte	Antilles 1/	*Poland	*#Hong Kong, China*
Cambodia	Côte d'Ivoire	Dominican Rep	Peru	Mexico	#New Caledonia 1/	*Romania	*Israel*
Cape Verde	*Georgia	Ecuador	Philippines	Nauru	Northern Marianas 1/	*Russia	Kuwait
Central African Rep.	Ghana	Egypt	St. Vincent &	South Africa	#Virgin Islands	*Slovak Rep.	Qatar
Chad	Guyana	El Salvador	Grenadines	St. Lucia	(UK) 1/	*Ukraine	Singapore
Comoros	Honduras	Fiji	Suriname	Trinidad and			United Arab
Congo, Dem. Rep. of	India	Grenada	Swaziland	Tobago			Emirates
Djibouti	Kenya	Guatemala	Syria	Uruguay			
Equatorial Guinea	*Kyrgyz Rep.	Indonesia	Thailand	- - - - - - - - - - - - -			
Eritrea	Mongolia	Iran, Islamic Rep. of	#Timor	*Threshold for*			
Ethiopia	Nicaragua	Iraq	#Tokelau	*World Bank*			
Gambia, The	Nigeria	Jamaica	Tonga	*Loan Eligibility*			
Guinea	Pakistan	Jordan	Tunisia	*($5295 in 1995)*			
Guinea-Bissau	Senegal	*Kazakhstan	Turkey	- - - - - - - - - - - - -			
Haiti	Sri Lanka	Korea, Dem. Rep. Of	*Turkmenistan	Anguilla			
Kiribati	*Tajikistan	Lebanon	*Uzbekistan	Antigua and			
Lao, People's Dem. Rep.	Viet Nam	Macedonia,	Venezuela	Barbuda			
Lesotho	Zimbabwe	former Yug. Rep. of	Wallis and	Argentina			
Liberia		Marshall Islands	Futuna	Bahrain			
Madagascar		Micronesia,	Yugoslavia,	Barbados			
Malawi		Fed. States of	Federal Rep. of	Libya			
Maldives		**Moldova* 3/		Malta			
Mali		Morocco		#Montserrat			
Mauritania		Namibia		Oman			
Mozambique		Niue		Saudi Arabia			
Myanmar				Seychelles			
Nepal				Slovenia			
Niger				#St. Helena			
Rwanda				St. Kitts and			
São Tomé and Principe				Nevis			
Sierra Leone				#Turks and			
Solomon Islands				Caicos Islands			
Somalia							
Sudan							
Tanzania							
Togo							
Tuvalu							
Uganda							
Vanuatu							
Western Samoa							
Yemen, Rep. of							
Zambia							

Source: OECD Press Release of June 18, 1998.
* Central and Eastern European countries and New Independent States of the former Soviet Union (CEECs/NIS).
# Territories.

1/ These countries and territories will progress to Part II on January 1, 2000 unless an exception is agreed.
2/ The recipients shown in italics in this column were in Part I of the DAC List up until the end of 1996; aid to them, up to and including 1996, is included in Official Development Assistance to High Income Countries. They were transferred to Part II on January 1, 1997. The other recipients in this column transferred to Part II on January 1, 1996. Aid to them, up to and including 1995, is included in Official Development Assistance to High Income Countries.
3/ Moldova transferred to Part I on January 1, 1997. Aid to Moldova up to and including 1996 is included in Official Aid to CEECs/NIS.

Note: Under the policy adopted by the DAC in 1993, the DAC List of Aid Recipients is in two parts, with periodic reviews under established criteria which may result in the transfer of particular recipients from one part to another, notably from Part I to Part II (see the Development Co-operation Report 1997, p. A101). The List presented here is effective as of January 1, 1997. The notes above explain inter alia the differences between the 1996 and 1997 DAC Lists.

Table 26. Relative Importance of Official Flows in Total Financing for Developing Countries, 1992-96

	1990	1991	1992	1993	1994	1995	1996
			(In billions of U.S. dollars)				
Total Net Flows 1/	82.8	99.1	110.2	138.2	164.9	163.5	202.4
By Type of Flow							
Net ODA	58.0	61.9	61.5	57.1	61.3	60.3	58.6
Net OOF 2/	17.9	13.1	11.5	14.6	12.3	13.3	11.3
Net Private Sector	6.9	24.2	37.2	66.6	91.4	89.9	132.5
By Region							
Sub-Saharan Africa	19.6	18.4	20.6	18.8	19.5	21.1	20.0
North Africa and Middle East	10.5	18.0	9.9	11.8	20.5	14.0	14.3
Asia	33.1	34.6	35.5	42.6	66.0	64.4	71.8
Western Hemisphere	1.5	13.8	25.4	42.0	39.5	42.5	56.6
Europe 4/	3.8	4.9	7.5	11.9	5.9	3.2	7.5
Other 5/	17.3	11.0	18.9	17.9	22.3	23.5	36.2
			(As percentage of total net flows to region)				
Net ODF 3/							
Sub-Saharan Africa	105.7	103.1	100.7	97.0	102.2	88.1	82.7
North Africa and Middle East	117.5	78.4	92.1	81.5	66.6	74.0	82.9
Asia	57.1	60.9	59.9	47.7	31.9	35.0	26.2
Western Hemisphere	884.4	71.6	37.3	23.4	18.1	20.5	15.7
Europe 4/	33.4	31.5	26.5	28.1	31.0	56.3	33.8
Other 5/	62.8	100.5	63.9	63.5	55.3	56.5	36.4

Source: OECD, Geographical Distribution of Financial Flows to Aid Recipients, 1992-96.

1/ Defined to include Official Development Assistance (ODA), other Official Development Flows (OOF), and Net Private Lending (direct and portfolio investment, and export credits). Differs from total net resource flows in Table 2 mainly due to the coverage and estimation of private flows. Table 2 includes bank lending (excluding bond lending). Also portfolio investment in emerging market bonds and equities is likely to be heavily understated compared with Table 2. Table 2 covers both Part I and Part II countries on the DAC list while this table only covers Part I countries.

2/ Defined as official export credits, official sector equity and portfolio investment, and debt restructuring on nonconcessional term.

3/ Defined as the sum of ODA and OOF. ODF flows over 100 percent of total flows implies that non-ODF flows are negative.

4/ Excludes countries in transition not on Part I of the OECD's DAC List of Aid Recipients.

5/ Oceania and unallocated.

Table 27. Gross Disbursements of Official Bilateral Financing Flows from DAC Countries by Region and Income Group, 1992-96

	1992	1993	1994	1995	1996
		(In percent of group total)			
Gross bilateral official disbursements 1/					
By region					
Sub-Saharan Africa	16.7	14.2	12.9	14.4	16.0
North Africa and Middle East	18.9	17.6	13.9	15.5	16.7
Asia	29.1	34.2	34.0	35.7	32.1
Western Hemisphere	22.3	19.3	25.2	18.0	17.1
Europe	3.6	3.7	3.5	3.8	4.8
Other (Oceania and unallocated)	9.5	10.9	10.5	12.6	13.3
By income group					
Least developed countries	12.3	11.2	9.7	10.6	11.4
Low income countries	24.9	27.5	16.3	21.2	22.8
Lower-middle income countries	28.8	29.2	30.5	35.0	36.1
Upper-middle income countries	17.5	15.1	16.8	11.2	10.4
High income countries	6.4	7.8	12.9	9.3	5.9
Unallocated	10.2	9.3	13.8	12.7	13.5
Gross bilateral ODA disbursements 2/					
By region					
Sub-Saharan Africa	25.0	24.0	24.7	24.1	23.9
North Africa and Middle East	16.6	14.1	15.0	10.4	15.8
Asia	27.7	26.6	29.3	34.9	28.4
Western Hemisphere	10.5	12.8	10.7	11.7	11.7
Europe	3.7	4.3	3.1	3.6	3.6
Other (Oceania and unallocated)	16.6	18.2	17.2	18.4	20.1
By income group					
Least developed countries	19.8	19.5	20.8	20.3	17.8
Low income countries	28.3	27.9	23.8	24.5	22.6
Lower-middle income countries	24.9	27.1	28.3	27.2	27.0
Upper-middle income countries	5.4	5.9	4.8	5.0	5.2
High income countries	5.4	4.0	5.4	4.3	8.1
Unallocated	16.3	15.5	16.9	18.7	19.2
		(In billions of U.S. dollars)			
Memorandum items:					
Gross bilateral ODA disbursements 2/	49.2	48.6	47.9	48.1	44.7
By region					
Sub-Saharan Africa	12.3	11.7	11.8	11.6	10.7
North Africa and Middle East	8.2	6.8	7.2	5.0	7.1
Asia	13.6	12.9	14.0	16.8	12.7
Western Hemisphere	5.2	6.2	5.1	5.6	5.2
Europe	1.8	2.1	1.5	1.7	1.6
Oceania	1.4	1.5	1.7	1.8	1.8
Unallocated	6.8	7.3	6.5	7.1	7.2

Source: OECD, Geographical Distribution of Financial Flows to Aid Recipients 1992-96.

1/ Total official flows defined as grants, gross ODA loans, and other gross contractual lending (including official export credits). Excludes Part II countries.

2/ The data reflects the 1996 DAC classifications and is thus not consistent with the aggregate data for net ODA in Tables 2 and 3. The country level detail for the gross ODA equivalent of the revised data in Tables 2 and 3 is not yet available--however, the revisions to the aggregate data were not large.

Table 28. Paris Club Reschedulings of Official Bilateral Debt: Amounts Consolidated in Successive Reschedulings, 1976-October 1998

(In millions of U.S. dollars)

Country/Agreement	I	II	III	IV	V	VI	VII	VIII	IX	X	XI	XII	Agreements total Amount 1/	Agreements total Number
Angola	446												446	1
Bosnia/Herzegovina	594												594	1
Cambodia	249												249	1
Croatia	861												861	1
El Salvador	135												135	1
Gambia, The	17												17	1
Ghana	93 2/												93	1
Guatemala	440												440	1
Indonesia	4,100												4,100	1
Haiti	117												117	1
Kenya	535												535	1
Macedonia, FYR	288												288	1
Rwanda	64												64	1
Vietnam	791												791	1
Algeria	5,345	7,320											12,665	2
Chile	146	157											303	2
Dominican Rep.	290	850											1,140	2
Egypt	6,350	27,864 3/											34,214	2
Ethiopia	441	184											625	2
Panama	19	200											219	2
Romania	234	736											970	2
Somalia	127	153											280	2
Trinidad and Tobago	209	110											319	2
Yemen, Rep. of	113	1,444											1,557	2
Bulgaria	640	251	200										1,091	3
Burkina Faso	71	36	64 4/										171	3
Chad	24	24	12										60	3
Guinea-Bissau	25	21	195										241	3
Honduras	280	180	112										572	3
Malawi	25	26	27										78	3
Mexico	1,199	1,912	2,400										5,511	3
Nicaragua	722	783	216										1,721	3
Nigeria	6,251	5,600	3,300										15,151	3
Turkey	1,300	1,200	3,000										5,500	3
Benin	193	152	25	209 4/									579	4
Brazil	2,337	4,178	4,992	10,500									22,007	4
Congo, Rep. of	756	1,052	1,175	1,758									4,741	4
Equatorial Guinea	38	10	32	51									131	4
Guyana	195	123	39	793 4/									1,150	4
Jordan	587	771	1,147	400									2,905	4
Liberia	35	25	17	17									94	4
Mali	63	44	20	33 4/									160	4
Russia	14,363	7,100	6,400	40,200 3/									68,063	4
Sudan	487	203	518	249									1,457	4
Yugoslavia 5/	500	812	901	1,291									3,504	4
Argentina	2,040	1,260	2,400	1,476	2,700								9,876	5
Cameroon	535	1,080	1,259	1,129	1,270								5,273	5
Costa Rica	136	166	182	139	58								681	5
Guinea	196	123	203	156	123								801	5
Mozambique	283	361	719	440	664 6/								2,467	5
Philippines	757	862	1,850	1,096	7/								4,565	4
Tanzania	1,046	377	199	691	1608								3,921	5
Ecuador	142	450	438	397	339	293							2,059	6
Mauritania	68	27	90	52	218	66							521	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 3/							15,751	6
Poland	2,110	10,930	1,400	9,027	10,400	29,871 3/							63,738	6
Zambia	375	253	371	963	917	566							3,445	6
Bolivia	449	226	276	65	482	881 4/	561 9/						2,940	7
Central African Rep.	72	13	14	28	4	32	26						189	7
Gabon	63	387	326	545	8/	1,360	1,030						3,711	6
Jamaica	105	62	124	147	179	127	291						1,035	7
Sierra Leone	39	37	25	86	164	42	39						432	7
Uganda	30	19	170	89	39	110 4/	149 9/						606	7
Cote d'Ivoire	230	213	370	567	934	806	1,849	839					5,808	8
Madagascar	140	107	89	128	212	254	139	1,247					2,316	8
Niger	36	26	38	34	37	48	116	160	128				623	9
Congo, Dem. Rep. of	270	170	40	1,040	500	1,497	408	429	671	1530			6,555	10
Togo	260	232	300	75	27	139	76	88	52	237			1,486	10
Senegal	75	74	72	122	65	79	143	107	114	237	169	427 4/	1,684	12
Total	63,124	82,566	37,459	80,872	23,857	44,198	4,827	2,870	965	2,004	169	427	343,338	276

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

3/ Total value of debt restructured

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

5/ Former Socialist Federal Republic of Yugoslavia.

6/ Coverage was broadened in 7/97.

7/ The Philippines' 1994 rescheduling agreement was cancelled at the authorities' request.

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

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

Table 29: Reschedulings of Official Bilateral Debt, 1976-October 1998
(Overview)

Debtor countries	Number of Reschedulings 1/	Date of agreement (M/D/Y)	Amount consolidated 2/ (In millions of U.S. dollars)	Consolidation period 3/ (In months)	Terms 4/ Grace (In years)	Terms 4/ Maturity (In years)
Algeria	I	06/01/94	5,345	12	3.0	14.5 5/
Algeria	II	07/21/95	7,320	36	1.5	13.5 5/
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 5/
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	
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	
Bosnia/Herzegovina	I	10/28/98	594	10	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 5/
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	
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 6/	
Cameroon	V	10/24/97	1,270	35	Naples terms 6/	
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	26	34	Naples terms	
Chad	I	10/24/89 7/	24	15	Toronto terms	
Chad	II	02/28/95 7/	24	12	Naples terms	
Chad	III	06/04/96 7/	12	32	Naples terms	
Chile	I	07/17/85	146	18	2.8	6.3
Chile	II	04/02/87	157	21	2.6	6.1
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

Table 29: Reschedulings of Official Bilateral Debt, 1976-October 1998 (continued)
(Overview)

Debtor countries	Number of Reschedulings 1/	Date of agreement (M/D/Y)	Amount consolidated 2/ (In millions of U.S. dollars)	Consolidation period 3/ (In months)	Terms 4/ Grace (In years)	Terms 4/ Maturity (In years)
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	
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
Cote d'Ivoire	I	05/04/84	230	13	4.0	8.5
Cote d'Ivoire	II	06/25/85	213	12	4.0	8.5
Cote d'Ivoire	III	05/27/86	370	36	4.1	8.6
Cote d'Ivoire	IV	12/17/87	567	16	5.8	9.3
Cote d'Ivoire	V	12/18/89	934	16	7.8	13.3
Cote d'Ivoire	VI	11/20/91	806	12	8.0	14.5
Cote d'Ivoire	VII	03/22/94	1,849	37	London terms	
Cote d'Ivoire	VIII	04/24/98	839	36	Lyon terms	
Croatia	I	03/21/95	861	12	2.1	13.6
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
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	
Former Yugoslav Republic of Macedonia	I	07/17/95	288 9/	12	3.1	14.6 5/
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 10/		15	5.0	10.0

Table 29: Reschedulings of Official Bilateral Debt, 1976-October 1998 (continued)
(Overview)

Debtor countries	Number of Reschedulings 1/	Date of agreement (M/D/Y)	Amount consolidated 2/ (In millions of U.S. dollars)	Consolidation period 3/ (In months)	Terms 4/ Grace (In years)	Terms 4/ Maturity (In years)
Gabon	VI	04/15/94	1,360	12	2.0	14.5 5/
Gabon	VII	12/12/95	1,030	36	1.0	13.5 5/
Gambia, The	I	09/19/86	17	12	5.0	9.5
Ghana	I	04/07/96 7/	93	--	1.0	5.0
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	
Guinea	V	02/26/97	123	36	Naples terms 6/	
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	
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	
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 6/	
Indonesia	I 11/	09/23/98	4,100	20	3.0	11.0
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 5/
Jordan	IV	05/23/97	400	21	3.0	17.5 5/
Kenya	I	01/19/94	535	--	1.3	7.8 5/
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
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	
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

Table 29: Reschedulings of Official Bilateral Debt, 1976-October 1998 (continued)

(Overview)

Debtor countries	Number of Reschedulings 1/	Date of agreement (M/D/Y)	Amount consolidated 2/ (In millions of U.S. dollars)	Consolidation period 3/ (In months)	Terms 4/ Grace (In years)	Terms 4/ Maturity (In years)
Mali	I	10/27/88	63	16	Toronto terms	
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	
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	
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/	
Nicaragua	I	12/17/91	722	15	London terms	
Nicaragua	II	03/22/95	783	27	Naples terms	
Nicaragua	III	04/22/98	216	36	Naples terms	
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	
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
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 29: Reschedulings of Official Bilateral Debt, 1976-October 1998 (continued)
(Overview)

Debtor countries	Number of Reschedulings 1/	Date of agreement (M/D/Y)	Amount consolidated 2/ (In millions of U.S. dollars)	Consolidation period 3/ (In months)	Terms 4/ Grace (In years)	Terms 4/ Maturity (In years)
Philippines	V	07/19/94 13/		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 14/	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
Russian Federation	I	04/02/93 11/	14,363	12	5.0	9.5 5/
Russian Federation	II	06/02/94 11/	7,100	12	2.8	15.3 5/
Russian Federation	III	06/03/95 11/	6,400	12	2.8	15.3 5/
Russian Federation	IV	04/29/96 11/	40,200	39		
Rwanda	I	07/28/98	64	34	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	427	Stock	Naples terms	
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	
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	
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	

Table 29: Reschedulings of Official Bilateral Debt, 1976-October 1998 (concluded)
(Overview)

Debtor countries	Number of Reschedulings 1/	Date of agreement (M/D/Y)	Amount consolidated 2/ (In millions of U.S. dollars)	Consolidation period 3/ (In months)	Terms 4/ Grace (In years)	Terms 4/ Maturity (In years)
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
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	149	Stock	Lyon terms	
Viet Nam	I	12/14/93	791	--	London terms	
Yemen	I	09/24/96	113	10	Naples terms	
Yemen	II	11/20/97	1,444	36	Naples terms	
Yugoslavia 15/	I	05/22/84	500	12	4.0	6.5
Yugoslavia 15/	II	05/24/85	812	16	3.8	8.3
Yugoslavia 15/	III	05/13/86	901	12	3.9	9.4
Yugoslavia 15/	IV	07/13/88	1,291	15	5.9	9.4
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	

Sources: Paris Club, and IMF staff estimates.

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

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

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

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 6 months.

5/ Graduated payments schedule.

6/ Naples terms with a 50 percent NPV reduction.

7/ Date of informal meeting of creditors on the terms to be applied in the bilateral reschedulings.

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

9/ The former Yugoslav Republic of Macedonia agreed to the terms of the rescheduling, but did not sign the Agreed Minute.

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

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

12/ Although the initial rescheduling was on Naples terms, it was topped up in January 1998 to Lyon terms retroactively from July 1997.

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

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

15/ Former Socialist Federal Republic of Yugoslavia.